THE OPACITY OF PRIVATE PHILANTHROPY

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ABSTRACT: Calls for greater transparency among corporations and social institutions continue to grow in the literature. Many contend that greater transparency is needed to reduce potential for wrong doing and enhance the capacity of interested outsiders to protect the public's interests. Yet, transparency is not a cost free objective, there are consequences to imposed transparency. This research contributes to the opacity and transparency literature by probing for a deeper understanding of organizational and environmental factors that lead to opaque practices, exploring both negative and positive outcomes of opacity and investigating practices that can help reduce adverse effects of opacity between collaborating entities. Private philanthropy presented an interesting sector for studying opacity and its potential consequences, including potential for public benefits. Researchers have expressed concerns about private philanthropy's systematic lack of transparency and external accountability, which is further exacerbated by effects of disparate power. The private foundation literature is critical of private philanthropy conducting its affairs as an unchecked, but powerful secret society. Concerns expressed about a lack of transparency and disparate power among private foundations seem understandable given that they have private control over large sums of tax-advantaged funds. However, researchers have neither explored nor defined the nature of opaqueness in private philanthropy. The privacy and transparency literature suggests that transparency can impose additional costs, impede productivity and stymie innovation. This research resulted in a deeper understanding of the nature of opaque foundation practices, discovered that opacity can result in beneficial outcomes and identified strategies foundations and grantees successfully use in overcoming challenges related to opacity and coexisting disparate power.

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Chapter 1: Introduction

Calls for greater corporate transparency have gained momentum especially since the 2008 global financial crisis (Kelly 2009). Transparency is believed to reduce potential for unethical behavior and misconduct (Jennings, Mitchell, Hannah, 2014, Morrison & Mujtaba, 2010). Interest in accountability and transparency in corporations and social institutions seems to prompt a belief that greater transparency can reduce potential for wrong doing and seems a legitimate notion at least on the surface. Despite outcries for greater transparency in corporations and social institutions, it is important to note that transparency is not achieved without cost (Hannan, Polos, Carroll, 2003). Costs of transparency can include lost efficiencies, lower productivity and inability to maintain appropriate confidentiality (Osborne 2004). Further, efforts to achieve transparency can result in additional expenditures (Hannan, Polos, Carroll, 2003), internal distractions (Briscoe & Murphy, 2012) and loss of internal candor (Desai 2011).

At some level, the public's right to know about corporate/social institution practices can conflict with important privacy considerations such as the need to protect competitive advantages/technology, manage confidentiality and pursue potential opportunities to innovate (Osborne 2004). Opaque practices in corporations and social institutions can impede external transparency, but at the same time they may contribute to efficiency, productivity and innovation (Briscoe & Murphy 2012, Dowie 2001).

Private philanthropy in the United States represents a useful sector for studying issues related to transparency. It is a social institution that has been observed to conduct itself in a

fashion viewed to be especially non-transparent/opaque to interested outsiders (Sandy 2007, Fleishman 2007, Ostrander 2007). Therefore, it is an interesting setting in which to explore the nature of non-transparent/opaque practices. Further, since private philanthropy exists entirely for societal benefit, it also provides a unique opportunity to explore how public benefits may derive from opaque circumstances.

Private philanthropy is an insider-dominated institution exercising control over vast sums of tax-advantaged funds (Fleishman 2007, Sandy 2007, Ostrander 2007). Tax law permits wealthy donors to avoid inheritance taxes in exchange for contributing funds to create private foundations that may then only be utilized for charitable purposes (Silk & Lintott, 2002). Private control over tax-advantaged funds has prompted calls for greater transparency (Sandy 2007, Leat 2006).

Gap in Literature

Private philanthropy in the United States is a relatively new institution (Fleishman 2007). Many have observed the opaque character of private philanthropy and have called for greater transparency for interested outsiders within this emerging field (Sandy 2007, Ostrander 2007, Fleishman 2007, Leat 2006). Some authors have concluded that private philanthropy conducts its affairs in a manner that is both mysterious and unaccountable to interested outsiders (Sandy 2007). According to Sandy (2007), American private foundations are among the least accountable social institutions. Yet, the literature does not explore whether the opaqueness of private philanthropy may actually result in benefits to society.

This research is intended to probe the opacity of private philanthropy to a deeper extent than present in existing literature in two important regards. First, while the literature observes the

opaque character of private philanthropy, it does not explore or define the nature of such opacity. Second, the literature does not consider the possibility of public benefits that may result from the private management of tax-advantaged funds. Dowie (2001) suggests that the public's interest may be especially well served by charity performed within a private context. The privacy literature also suggests that transparency should not be considered a panacea (Briscoe & Murphy, 2013, Bernstein, 2012, Desai, 2011, Osborne, 2004, Hannan, Polos, Carroll, 2003).

This research investigated opacity in private philanthropy. More specifically, this was an investigation of the existence and nature of opacity and a coexisting imbalance of power between foundations and grantees, factors influencing opaque practices, potential relationship between opacity and innovation/philanthropic outcomes and any strategies foundations-grantees have developed in overcoming challenges related to opacity and power imbalances. The purpose of this research is to add new knowledge to the literature.

This research addresses four essential concerns. First, it probes whether opacity actually exists in private philanthropy. Second, if so, it explores organizational/environmental factors that seem to encourage/reinforce opacity. Third, it seeks to understand both negative and positive effects of opacity. Fourth, this research sought to uncover strategies, developed by foundations and/or grantees to overcome challenging consequences of opacity and a coexisting imbalance of power between foundations and grantees.

Why Researching Opacity in Private Philanthropy is Important

While there is considerable evidence that private foundations in the U.S. have contributed significantly to the public good (Anheier & Leat 2013, Fleishman 2007), many have expressed concern about the extent of tax-advantaged assets that exist under the control of opaque, largely

unaccountable, privately controlled entities (Fleishman 2007, Sandy 2007, Ostrander 2007, Leat 2006). Further, concerns regarding opaque foundation practices in the literature seem to ignore potential benefits derived from conducting philanthropy in private settings. This dissertation took a unique approach to opacity, exploring potential consequences and the culture of autonomy in which private philanthropy is practiced.

In 2012, private philanthropy in the U.S. collectively possessed and controlled approximately $584 billion in tax-advantaged funds. The growth of private philanthropy over the past few decades has been significant (Gardner 1992). In fact, the assets of all U.S. private foundations, in aggregate, would rank twentieth compared to the gross domestic product among 235 nations (Rimel 2001).

Private foundations account for approximately 82% of the assets under the control of all categories of foundations in the U.S. The combined financial assets of all categories of U.S. foundations in 2012 were approximately $715.5 billion (Foundation Center 2012). Private foundations distribute approximately 5% of their assets to public charities annually (Diller 1993). In 2012, U.S. private foundations contributed approximately $35.4 billion to nonprofits through grants (http://data.foundationcenter.org/#/foundations/all/nationwide/total/list/2012). The field of private philanthropy represents a sector of consequence and scale. The scale of the field merits the inquiry on which this dissertation is based.

There are several reasons why this research is needed. First, this sector controls vast sums of tax-advantaged funds in which the public seems to have a legitimate interest (Fleishman 2007). Second, government has traditionally been the largest supporter of nonprofit organizations. In the past two decades, government has significantly reduced its financial support for nonprofits (Kerlin & Pollack, 2011). At the same time, support for nonprofits from private

philanthropy in the United States has grown substantially and is becoming an increasingly more important source of nonprofit support (Kerlin & Pollack, 2011). Third, private foundations may be willing to experiment with new, unproven and innovative programs that traditional governmental funding agencies would see as too controversial or risky. Consequently, private foundations may be in a better position to support innovation given that they are less subject to public scrutiny (Dowie 2001). With respect to this point, understanding the role of opacity relative to potential innovation becomes important. Findings from a better understanding of factors contributing to, as well as potential benefits of, organizational opacity can be transferrable to other domains.

Application of Theory

The private foundation literature suggests that both internal and external influences may combine to reinforce opaque practices within private foundations. They may represent very different theoretical contexts, but seem complimentary in their effects on opacity. These internal and external influences seemingly combine to encourage opacity within private philanthropy.

Of particular interest are possible consequences and benefits of opaque practices, why foundation insiders may feel entitled to operate in opaque ways and why some outsiders seem to defer to insider privacy/discretion within philanthropy. Accordingly, two theories are drawn upon to provide a more comprehensive explanation of the subject of this research, one focusing on internal and another on external influences.

In explaining internal influences on opacity in private foundations, focus is intentionally targeted on why foundation insiders may believe they are inherently entitled to conduct

themselves in a manner that seems externally unaccountable (Sandy 2007). Moral Licensing Theory (MLT) may be helpful in explaining such internal influences (Klotz & Bolino, 2013).

MLT correlates self-perception of the nobility of motivation and worthiness of pursuit to resulting expectations of special accommodation with regard to subsequent conduct (Klotz & Bolino 2013, Branas-Garza, Bucheli, Espinosa, Garcia-Munoz, 2011, Greene & Low, 2014). It is a subconscious process in which one seeks a moral balance, adjusting behavior consistent with one's view of prior actions (Jennings, Mitchell, Hannah, 2014). MLT is believed to be even more likely to occur in autonomous, ambiguous settings (Greene & Low, 2014). The charitable intent of private philanthropy combined with its autonomous nature would seem to give rise to MLT entitled behavior.

Resource Dependence Theory (RDT) is employed to explain why interested outsiders are deferential with respect to opaque practices of private philanthropy. At a minimum, interested outsiders would include the government, nonprofit grantees and society. According to RDT, when party A to a transaction is dependent upon the resources of party B, party A will need to defer to, and comply with, terms imposed by party B (Drees & Heugens, 2013, Pfeffer & Sakancik, 1978). Private foundations are entirely self-funded and exist to provide financial resources for the benefit of interested outsiders. Thus, foundations will have more power than interested outsiders, giving rise to the ability to engage in opaque practices.

According to Drees & Heugens (2013), organizations naturally seek to enhance their autonomy. They are inclined to become more autonomous in reducing possible intrusions by external entities and when optimizing internal productivity, efficiency and even innovation. RDT can help explain how organizations achieve greater autonomy by reducing their external dependence and/or expanding the dependence of others on them.

While MLT and RDT are useful in exploring internal and external influences of opacity within private philanthropy, neither seems sufficient in achieving a more complete understanding of the phenomenon of opacity in private philanthropy. This research will consider possible application of grounded theory in an effort to achieve a more complete understanding of foundation behaviors related to opacity.

Research Questions

This study sought to develop a better understanding of the opaque nature of private foundation practices and a coexisting imbalance of power between foundations and grantees. This research was guided by the following questions:

*Research Questions***:**

1.   Does opacity exist in private philanthropy?

2.   What organizational/environmental factors seem to lead to opacity?

3.   Presuming that foundations engage in opaque practices, what are the positive and/or negative effects of such opacity?

4.   Have foundations and/or grantees developed strategies for overcoming challenges related to opacity and imbalances of power?

A better understanding of the nature and consequences of opaque practices in private philanthropy could be useful to private foundation practitioners in developing strategies to enhance the effectiveness of their interactions with interested outsiders. Further, awareness of potential benefits of private foundation practices could help guide policy development related to opacity. According to Fleishman (2007), if private foundations fail to sufficiently address

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concerns about their opaque practices, disruptive legislation could result. Further, developing an understanding of potential benefits of private foundation opacity can help foundations, grantees and public policymakers better understand potential advantages related the autonomous nature of private foundations.

Background on Private Philanthropy in the United States

When referring to private philanthropy, focus is intentionally directed to private foundations, by contrast to other categories of foundations (i.e., community, corporate, and public) and/or public charitable enterprises. With the advent of special advantages in U.S. tax law, private philanthropy has emerged from generous, often large, one-time contributions (Silk & Lintott, 2002). As self-perpetuating institutions, private foundations do not depend upon subsequent fundraising to support their activities, and therefore, are not as externally focused as other types of foundations/charities. This seems, at least partially, explained by RDT. The theory suggests that external orientation, and corresponding transparency is enhanced to the extent an entity is resource dependent upon external parties.

Once formed, private foundations are managed as endowed entities. Assets are grown through investments (Silk & Lintott, 2002) rather than fundraising activities. Private foundations, therefore, typically have singular contributors, lack external stakeholders and enjoy considerable discretion and autonomy under U.S. tax laws (Ostrander 2007). Private foundations are resource providers rather than resource seekers. Accordingly, private foundations are often positioned as the more powerful, dominant partner in their interactions with resource dependent outsiders, including grantees (Francisco & Shui-Yan, 2007), which would seem to mute potential stakeholder status of grantees.

Private foundations represent a segment of the nonprofit, social benefit community known as the third sector, which is often thought to support essential services in a space that exists between the government and the private sector (Bubb 2010). From a historical perspective, private philanthropy is a relatively recent development in U.S. public policy (Gardner 1992), generally thought to have been formally in existence just over a century.

While foundations already manage enormous sums of tax-advantaged assets, Stimpson (2001) points out that an unprecedented $25 trillion is expected to go to U.S. based charities over the next half century as a result of an expected transfer of wealth from the baby boomer generation. Private foundations have become an increasingly popular vehicle for facilitating philanthropic giving. This forecast of intergenerational transfer of wealth is likely to grow private philanthropy beyond anything previously experienced, giving further support to the importance of this research. The prediction for significant growth in private philanthropy only serves to make this research even more important.

Definitions

In this research, definitions are needed for transparency, opacity, inter-organizational power imbalance, resource dependence and foundation insiders/outsiders. Each of the definitions employed in this research is provided as follows:

Transparency: According to Osborne (2004), transparency is defined as "*helping people to see into systems and understand why decisions are taken.*" Opacity is the antithesis of transparency.

Opacity: For the purposes of this research, opacity is defined as a practice or conduct (whether intended or unintended), which systematically reduces transparency between organizational insiders and outside stakeholders.

Power Imbalance: Casciaro and Piskaski (2005) define power imbalance as "*the difference in the power of each actor over the other.*" When power is vastly disparate between partnering entities, an imbalance of power is thought to exist.

Resource Dependence: Pfeffer and Salancik (1978) define resource dependence as "*the extent to which a focal organization depends on resources controlled by nominally independent parties in its environment.*"

Interested Outsiders: Hodge and Piccolo (2011) define parties with legitimate interests in private foundations as "*government agencies, private donors, the media, clients of the organization, and the public at-large*" (pg. 521). Interested outsiders are thought to be stakeholders in the sense of Hodge & Piccolo's definition, but only those stakeholders that would be considered outsiders. This would principally include the government, nonprofit grantees and society.

Foundation Principals/Insiders: Foundation principals/Insiders, under tax law, include donors, donor families, board members and key managers (Crimm 2013).

Philanthropic Freedom: The Hudson Institute (2015) defined philanthropic freedom in terms of unimpeded ability to put private contributions to charitable purposes. For the purposes of this research, philanthropic freedom is defined as private foundation insider capacity to independently and without public accounting choose among charitable interests, make grants and

set grant terms, resist external and/or political pressures in grant decisions and avoid external accountability for grant outcomes.

Research Model

This research was exploratory by design and focused on whether private philanthropy is opaque, organizational/environmental factors that can lead to opacity, negative and/or positive consequences of opacity and discovery of foundation/grantee strategies to overcome challenges related to opacity and a coexistent imbalance of power. Figure 1 illustrates the focus of this research.

Figure 1. Research Model
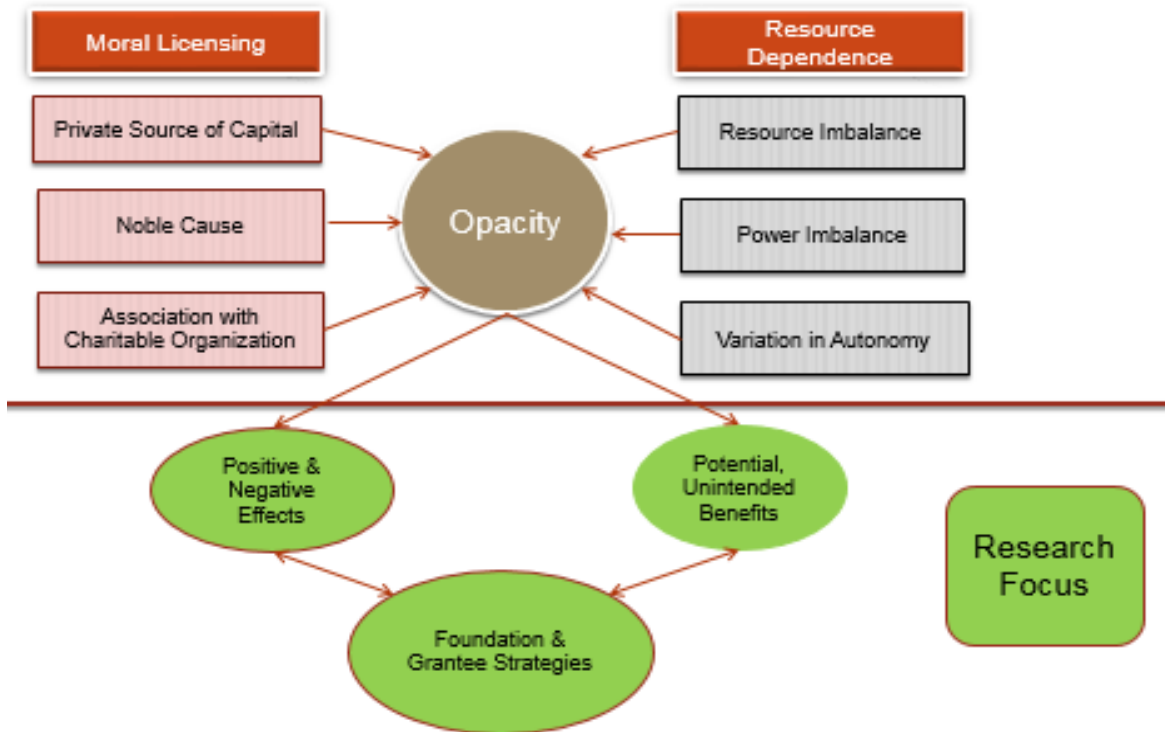
Chapter 2: Literature Review

Introduction

The existence of private philanthropy is viewed by some as a voluntary form of wealth redistribution from the rich to the poor (Klassen & Fontaine, 1999). Others view private philanthropy as a vehicle to perpetuate what may be considered inappropriate private control over tax-advantaged funds by self-selected and self-perpetuating foundation insiders (Anheier & Leat, 2013). Some have suggested that private philanthropy has become so powerful that its opacity may actually result in an unchecked subversion of democratic processes (Barken 2013, Bulmer 1995), because the power represented by the assets they control can result is disparate capacity to influence public policy and/or opinion. Several authors have called for increased transparency and accountability by private foundations (Sandy 2007, Ostrander 2007, Fleishman 2007, Leat 2006).

Despite being created with expectations of mutual benefit for society and donors, the mysterious and highly autonomous nature of private foundations seems to result in conduct that is aloof toward outsiders (Ostrander 2007). Even grantees who work closely with foundations reportedly complain that they are unable to achieve appropriate levels of access to private foundations (Boldouc, Buchanan, Buteau, 2007, Ostrander 2007). Tuan (2004) suggests that this dynamic may lead to insular tendencies rather than motivating collaborative interactions between foundations and grantees. It has been suggested that problems arising from the autonomous

nature of private foundations may lead to elitism (Karl & Katz, 1987) toward, and inaccessibility for, the people and organizations who actually carry out the work supported by foundations (Boldouc, Buchanan, Buteau, 2007).

Despite calls for greater transparency, the private foundation literature does not investigate why foundations are opaque entities. Nor does the literature consider whether opaque private foundation practices result in beneficial outcomes. It seems that both matters require greater study. Dowie (2001) suggests that foundations provide a uniquely beneficial private setting in which to conduct philanthropy resulting in solutions not likely to be achieved in public venues. However, Dowie did not study this possibility.

In an effort to expand the narrative about transparency in private foundations, points of view outside the foundation literature were explored. Several findings raise questions regarding potential negative consequences from forced transparency. Bernstein (2012) warns against viewing transparency as a "*panacea*" and suggests that it can have "*counterintuitive*" effects on productivity. He warned that forced transparency can result in a "*reverse Hawthorne effect*" resulting in losses in efficiency and potential innovation. Osborne (2004) questioned potential benefits of transparency against corresponding increases in costs associated with facilitating transparency. Desai (2011) suggests that forced transparency may suppress internal candor, resulting in a loss of organizational learning and innovation.

Internal Influences on Opacity and Moral Licensing Theory

Private foundations seem correctly perceived as beneficial to society (Fleishman 2007). After all, they exist entirely for charitable purpose (Silk & Lintott, 2002). This fact is not lost upon private foundation boards and staff (Tuan 2004). According to MLT (Klotz and Bolino,

2013, Merritt, Efron, Monin, 2010), when people engage in noble activities, they are inclined to subsequently afford themselves special rights and entitlement. One possible explanation for the perception of the opaque nature of private philanthropy is that their inherently good deeds entitle them to the privilege of managing their affairs in secrecy. In other words, the mere fact that one is engaged in charitable purpose may afford greater prerogative.

Under federal regulations, private foundations may, but are not explicitly required to be highly transparent. For the most part, transparency with respect to decision making is voluntary for private foundations (Ostrander 2007, Leat 2006). This may contribute to private foundation boards and staff not experiencing the need to be externally accountable and may result in feeling justified in behaving in idiosyncratic and nontransparent ways (Boldouc, Buchanan, Buteau, 2007). Given their inherently noble purpose, foundation insiders may permit themselves greater privilege in terms of their personal motives for creating foundations, who they select to serve as board members and the exercise of unilateral prerogatives with respect to the control they exercise over foundation resources.

First, Greene and Low (2014) found that MLT is especially significant in private versus public settings and contexts. That is to say that one's MLT entitled behavior is likely to be influenced by whether it is observable by others. People are inclined to want to be viewed favorably, and are more likely to behave positively when visible to others (Greene & Low, 2014). The implication is that MLT in opaque settings may be more self-perpetuating than in more transparent circumstances. Private philanthropy exists within an especially autonomous state (Fleishman 2007, Ostrander 2007), a context in which MLT is more likely to occur (Merritt, Efron, Monin, 2010). Accordingly MLT, under such circumstances, is likely to result in greater

entitlement by principals, which may assume the form of less transparency and accountability with respect to the management of tax-advantaged funds (Sandy 2007).

Second, Jennings, Mitchell and Hannah (2014) found that MLT entitled behavior can derive from more than perceptions of one's prior conduct ("*doing*"). The reference to "doing" means entitlement is based upon perceptions of one's conduct. They also observed that MLT can be motivated by one's view of their relational circumstances ("*having*"). In this context, "having" has to do with one's association with an organization, group, entity that is viewed as being noble. The idea is that one derives entitlement from mere association with persons and/or organizations perceived as engaging in good and noble activity. In the case of private philanthropy, it's possible that the mere association with an organization that does good things can be sufficient to merit MLT entitled behavior. Tuan (2004) observed that foundation personnel occasionally act as if grants made by their employers actually were funded by them personally. She referred to this as an issue of "*proximity*" to foundation resources resulting in one thinking such resources are his/her virtual personal property.

Third, MLT seems to provide useful insights into internally-generated entitlement to opaque-related conduct, but it falls short of explaining external influences on opacity. External influences are derived from deferential attitudes of interested outsiders (Tuan 2004). In considering such external influences, attention is given to why interested outsiders would seem to cooperate in subordinating their presumed interest in tax-advantaged funds managed by foundations (Francisco & Shui-Yan, 2007). This could include the government which foregoes tax revenue in exchange for the creation of private foundations (Silk & Lintott, 2002), nonprofit organizations who are intended recipients of foundation grants (Boldouc, Buchanan, Buteau, 2007) and beneficiaries of the services of such nonprofit organizations (Fleishman 2007),

collectively considered interested outsiders within the context of private philanthropy (Ostrander 2007, Leat 2006).

Fourth, organizational owners or principals are generally thought to be the rightful parties to control the destiny of their organizations (Bryant & Davis, 2012). Like private business, the success or failure of private foundations is vested in the control of the organization. This may lead private foundation insiders to viewing themselves as the rightful heirs of foundation legacy. This would seem to reinforce the notion of rightful control, which is further amplified by the fact that the majority of private foundations are family foundations – often governed and controlled by board members who are typically comprised of family members of the original donor. Communities served by family foundations may experience difficulty in distinguishing between the foundation and its corresponding family (Tuan 2004). Foundation grants may be viewed as family gifts rather than institutional grants.

There is evidence in the literature that the insular, opaque nature of private foundations results in inaccessibility, arising from an absence of perceived need to be externally accountable to interested outsiders (Boldouc, Buchanan, Buteau, 2007, Ostrander 2007, Leat 2006, Tuan 2004). Further the apparent significance of troubled relations with grantees (Boldouc, Buchanan, Buteau, 2007) suggests that the importance of key outsiders is not sufficiently recognized by foundations or that private foundation boards fail to sufficiently integrate outsider concerns into their decision-making process.

The opaque nature of private foundations may, in itself, represent evidence that the influence of interested outsiders has too often been muted, which could result in disproportionately greater emphasis on internal interests and concerns (Boldouc, Buchanan, Buteau, 2007). This can contribute to explaining reported inaccessible, dismissive and rude

foundation behavior as viewed by grantees. Further, foundation insiders may be able to self-justify their lack of transparency and accountability, because they have engaged in noble activities.

External Influences on Opacity and Resource Dependence Theory

The resource dependent nature of many outsiders to private philanthropy can also shape internal and external influences that contribute to opaque foundation practices, as shown in Figure 1. Five such influences thought to contribute to opacity in private philanthropy include effects of competing motivations for creating foundations, self-appointed boards, effects of disparate power, effects of limited regulation and confusion about functional ownership of foundation assets.

In the case of private foundations, outsiders seem especially deferential in delegating control over tax-advantaged funds through seemingly pronounced tolerance of non-transparency and lacking public accountability. It is possible that interested outsiders may be so focused on potential benefits to society of the resources derived from the creation of private foundations that their resource seeking objectives serve to subordinate possible expectations regarding transparency and accountability (Tuan 2004). For this reason, RDT (Pfeffer & Salancik, 1978) is drawn upon to help explain external influences on opaque foundation practices.

Power is directly related to the extent to which one is dependent upon another for needed resources (Casciaro & Piskarski, 2005). The less dependent an organization is upon external entities for essential resources, the more autonomous/powerful it can be (Drees & Hengens, 2013). The more dependent upon the resources of others, the less autonomous/powerful one is in such interactions (Pfeffer & Salancik, 1978).

In the case of foundation donors, and subsequently other foundation insiders, the attraction of foundation resources by the government, nonprofit agencies and society may subordinate them to and embolden the autonomous nature of private foundations consistent with RDT. Observations throughout the private foundation literature suggest that the macro environment and internal practices of private philanthropy accommodate considerable autonomy.

A mismatch in power has been observed between foundations and external parties (Boldouc, Buchanan and Buteau, 2007 Francisco & Shui-Yan, 2007). According to RDT, power shifts in relationships between interacting parties as one party becomes dependent upon the resources of another (Francisco & Shui-Yan, 2007). Private foundations are born out of a resource producing event and are subsequently intended to be resource providing entities (Silk & Lintott, 2002). Given that private foundations are, therefore, sources of financial resource, outsiders are typically attracted to interact with private foundations with the expectation of soliciting grants (Tuan 2004).

RDT posits that resource seeking organizations have greater external focus and deference (Bryant & Davis 2012). When an organization is resource dependent, that is dependent upon resources from one or more external parties, it tends to be more heavily focused on how accountability is externally defined and measured (Pfeffer & Salancik, 1978). Organizational relevance and efficacy becomes externally focused. Private foundations are endowed organizations. As such, they exist to provide financial resources to entities which need such resources, and therefore, need not be externally focused or accountable. This automatically results in an imbalance of power between foundations and resource dependent outsiders, especially grantees (Francisco & Shui-Yan, 2007).

The non-resource dependent circumstance of private foundations can further isolate and turn inward the focus of their boards, executive leadership and staff (Fleishman 2007, Leat 2006). In other words, if they do not need to seek external support, foundations may not perceive themselves as needing to be responsive to interested outsiders. Given their resource intense circumstance, accountability is more typically imposed by, not on, funders (Leat 2006). Despite the insulating effects of RDT, the tax-advantaged status of foundations may eventually expose them to calls for greater external accountability (Fleishman 2007). It was suggested that private foundations should proactive in becoming more transparent to avoid potential unfriendly legislation imposing transparency requirements.

Organizational Opacity and its Underlying Tenets of Entitlement and Resource Imbalance

Figure 2 is a force field analysis showing the combining of internal and external influences related to five factors thought to contribute to the opaque nature of private foundations. It shows the interrelationships between internal and external influences on these five factors thought to support opacity. A traditional force field analysis (adopted from Kurt Lewin's force field theory) displays forces for and against a given phenomenon or occurrence.

In the case of opaque philanthropy, there appears to be a confluence of internal and external influences that jointly perpetuate opacity. Figure 2 illustrates several internal and external influences that seem to jointly support philanthropy. There is some debate about whether private foundations exist within the public sphere. While they are entirely created by private contributions, they are subsequently composed of tax-advantaged funds, subject to legislative mandates.

As such, foundations manage quasi-public funds and their opaque practices can only exist with both internal and external license. However, these influences are not the primary focus of

this research. They are, nevertheless, important in understanding the nature of opaque private foundation practices. Further, they provide an important context in which to build theory accordingly.

Figure 2. Force Field Analysis
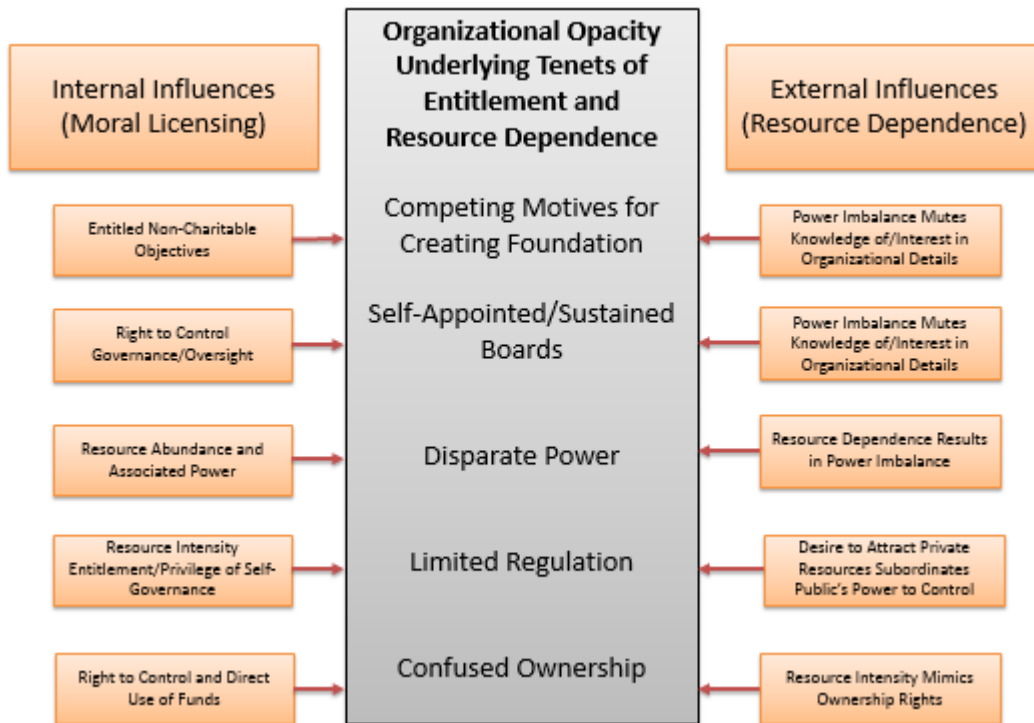
The following sections provide a summary description of how the five factors shown above (competing motives for creating foundations, self-appointed/sustained boards, disparate power, limited regulation and confused ownership) are influenced by internal and external attitudes about private foundations and how they contribute to opaque foundation practices. While these factors will not be empirically tested in this research, they are useful in the interpretative exploration of the nature of opaque private foundation practice.

Competing Motives for Creating Private Foundations

Consistent with MLT, founders may entertain a variety of motives for creating private foundations, some of which are in addition to, and may to some extent compete with, charitable aims. Motives for creating foundations are likely to reflect the values of donors, which can affect the manner in which foundation insiders subsequently, conduct themselves. According to Anheier and Leat (2012), there are four distinct reasons for creating foundations including values-based motivations, instrumental motivations, peer pressure and self-serving motives. The following more fully describes each of these reasons for creating a foundation:

1. <u>Values-Based Motivations</u>: Some private foundations are created entirely for the purpose of pursuing charitable interests (Klassen & Fontaine, 1999) as opposed to self-serving objectives. Such motivation would seem to be correlated to genuine charitable purpose. This motivation may reduce MLT entitled conduct.

2. <u>Instrumental Motivations</u>: Instrumental motivations often have more to do with personal/business objectives rather than charitable intent. This might include tax avoidance or dynastic motivations. Inheritance taxes can be avoided by contributing assets from family estates to private foundations (Ellwanger & Gassman 2010, Schnall, 2008). When competing motives are not principally charitable, MLT suggests that conduct is more likely to be entitled.

3. <u>Peer Pressure</u>: This might include social pressures from peers to establish institutional philanthropy as a way of "keeping up with the Jones." This motive may serve individual egos rather than genuine philanthropic intent. Competitive drive and/or ego enhancement is expected to give rise to MLT entitlement (Freeman 1984).

4. <u>Selfish Motives</u>: This might involve intent to perpetuate control over assets for personal gratification. Donors appoint self-perpetuating boards (Bolton & Mehran, 2006, Karl & Katz, 1987), often comprised of insiders. This context seems more likely to provoke MLT entitled behavior.

Motives for establishing foundations can impose strong influences on the culture and nature of foundations (Anheier and Leat, 2012), especially due to the existence of only modest legal and regulatory requirements to which foundations must account. The circumstances underlying the motivation for creating foundations can be complex and highly variable. This would seem to suggest potential for significant variation in opaque orientations.

Like many firms, internal influences, including the interests and concerns of founders, often shape preferences with respect to organizational culture and governance (Adams, Hermalin, Weisman, 2010). Motives based upon instrumental objectives, peer-pressure or selfish tendencies can influence insider-oriented activity, because they emphasize unilateral interests. In doing so, they can also influence the manner in which interested outsiders are recognized and treated (Ostrander 2007, Leat 2006).

Self-Appointed/Sustaining Boards

A significant contributing factor to the opacity of private foundations is thought to be the self-appointed, self-sustaining and highly autonomous nature of foundation boards (Bolton & Mehran, 2006). Foundation boards are not required to have open meetings or publicly disclose decisions made. Private foundations are often perceived as exclusive, mysterious, opaque and

insular entities in the eyes of external parties (Ostrander 2007, Hill & Jones, 1992). Insider

boards can contribute to a climate correlated with high levels of internal autonomy.

Contributing to the presumed privilege of the "private" status of philanthropy is the

considerable latitude afforded private foundations under tax law (Sandy 2007, Fleishman 2007).

Foundations are not required to appoint board members who meet specific qualifications or who

are representative of interested outsiders (Stone & Ostrower, 2007). As a result, many private

foundation boards are comprised of board members who are family members, business

associates, or friends of donors – mostly insiders (Bolton & Mehran, 2006).

Disparate Power

The resource dependent status of grantees serves to subordinate them relative to

foundations consistent with the tenants of RDT (Francisco & Shui-Yan, 2007). Grantees report

that foundations treat them in disrespectful ways, failing to acknowledge the value grantees

represent (Boldouc, Buchanan, Buteau, 2007, Ostrander 2007, Leat 2005, Tuan 2004). Based

upon findings in the literature, it seems the only recourse grantees may have is to seek funding

from sources other than private foundations. The absence of power symmetry in relations

between foundations and interested outsiders can impede the effectiveness of foundation

collaboration (Porter & Kramer, 2009, Fairfield & Wing, 2008).

Limited Regulation

In the U.S., private foundations are classified as private, rather than public charities

(Fernandez & Hager, 2014). As such, they are subject to unique regulations and laws. Yet, legal

requirements imposed on private foundations seem relatively lax for organizations that manage

vast sums of tax-advantaged money. While other kinds of foundations may be subject to greater

legislative and regulative control, the government has elected to impose upon private foundations very little control or requirement for external accountability (Ostrander 2007). Some have implied that such relatively limited regulations may further embolden foundation insiders to view themselves as principals rather than fiduciaries (Ostrander 2007, Leat 2006).

Foundations are created under federal law (Silk & Lintott, 2002), but federal regulations do not significantly influence foundation grant making discretion or transparency. Federal regulation is limited as much regulation and enforcement is delegated to state government (Bulmer 1995). The paucity of federal regulations on private foundations may encourage the private nature of such entities (Ostrander 2007, Sandy 2007, Fleishman 2007). In support of claims of limited regulation of private foundations, the following is a list of the most significant regulations imposed on private foundations:

1. Required Distributions: According to Diller (1993) private foundations must make minimal annual charitable contributions (generally about 5% of their total assets). Despite this required distribution level, foundations have shown they can continue to grow their endowments (Sansing & Yetman, 2006).

2. Restricted Use of Charitable Funds: All contributions made by private foundations must be explicitly for charitable purposes and/or made to qualified grantees (Ellwanger & Gassman, 2010). Any governmental unit, 501(c)(3) public charity, or church can receive foundation grants. Foundations are not required to issue requests for proposals nor are they required to possess, or disclose, criteria for grant decisions.

3. Oversight of Investment Activity: Federal law requires foundations to be generally "prudent" when investing charitable assets (Silk & Lintott, 2002).

4. <u>Self-Dealing</u>: Foundations are prohibited from acts of self-dealing – using foundation assets for the benefit of "disqualified persons" - generally interpreted as donors, donor families, board members and key foundation personnel and/or outside entities in which any of the aforementioned have financial interests (Crimm 2013).

5. <u>Annual Tax Returns</u>: Private foundations are only required to disclose their assets, board members and management, compensation for disqualified persons, investment gains and grant activity through annual federal tax returns (Silk & Lintott, 2002).

The aforementioned forms of external regulation may seem, on the surface, to be meaningful and in some ways they may be. However, none of the regulations described erode the power afforded foundation insiders, which can result in insular, self-serving practices. According to Bulmer (1995), federal and state governments tend to view private foundations as "intermediaries" between the government and grantees, and accordingly, tend to leave much discretion to private foundations within the bounds of their charitable activity.

Confusion Regarding Ownership

According to Monks and Minow (2011), personal property is defined by three distinct characteristics. First, an owner has the ability to utilize personal property in a fashion he/she desires. Second, an owner can unilaterally control use of personal property by others. Third, an owner is free to transfer ownership to another party. Foundations have relatively untethered ability to use their assets for any qualified charitable purpose, they can unilaterally control use of foundation funds by grantees, and routinely transfer assets to nonprofit organizations. Such capacities may cause foundation insiders and interested outsiders to view foundation assets as functionally owned and controlled by foundation insiders, resulting in corresponding deference to internal interests (Bulmer 1995).

Potential Benefits Related to the Opaque Nature of Private Philanthropy

Contrary to calls for greater transparency in private philanthropy, it has been suggested that an atmosphere that does not over-emphasize external accountability may encourage greater willingness to engage in risk while pursuing innovation (Katz 2005). Therefore, an absence of public accountability may obviate potential for risk aversion, resulting in a culture of willingness to experiment without fear of consequences of failure in the public eye (Dowie 2001). Karl and Katz (1981) actually challenge the notion that the private nature of philanthropy (e.g. lack of public transparency) somehow equates with deceptiveness. They dispute the idea that the non-public nature of private philanthropy is actually a bad thing, per se.

Arguments in Favor of and Against Imposed Transparency

The foundation literature consistently calls for greater transparency in private philanthropy. However, authors outside of philanthropic literature caution against unmitigated enthusiasm about transparency. This section will synthesize arguments discovered in the literature for and against the imposition of greater transparency.

It has been suggested that private settings may actually provide a uniquely ideal context in which to stimulate innovation, bringing private sector solutions to public problems (Dowie 2001). Briscoe and Murphy (2012) suggest that transparency may actually impede innovation in favor of greater risk aversion. Hannan, Polos, and Carroll (2003) have suggested that bounded rationality about the merits of transparency may impede appropriate calculation of resulting costs and benefits. Further, Osborne (2004) warns that transparency may result in additional costs that can divert resources from important charitable purposes. Transparency is not a cost-free objective. Organizations must bear additional expenses to achieve transparency.

Analysis of pros and cons of imposed transparency would not be complete without considering the merits of residual rights of privacy by foundation insiders (Osbourne 2004). It is important to consider that funds held by private foundations were received through private donations with the understanding that residual rights of control are contemplated and provided for under tax law (Silk & Lintott, 2002).

However, others have argued that greater transparency and external accountability are needed to prevent insiders from treating foundation assets as virtual personal property for the purpose of self-aggrandizement rather than genuine charitable intent (Ostrander 2007). Further, they suggest that private foundations should be required to publicly share results and lessons learned from their charitable activities for the benefit of society (Leat 2006). Fernandez and Hager (2014) note marked differences in this regard between private and public foundations.

Public foundations (including community foundations) typically have to continuously fundraise, making them more resource dependent and more externally accountable. Private foundations have a very different circumstance in that they are not externally resource dependent. Some have suggested that foundation boards should be required to have more independent members to assure greater external accountability (Wang & Coffey, 1992).

As part of their grant activity, private foundations may be able to avoid risk-aversion when providing capital for the third sector in support of experimental initiatives and testing of new innovations. This may involve support for university-based research (Katz 2005) or innovative new ideas to be implemented by grantee organizations (Kania & Kramer, 2011). The idea here is that non-resource dependent organizations with little or no meaningful public accountability may more freely embrace risk in their grant making activities.

Concerns about opaque foundation practices expressed in the literature (Ostrander 2007, Sandy, 2007, Leat 2006) seem to imply a colossal failure of public policy to require sufficient transparency for the purposes of protecting the public's interest in the assets they control. An alternate view might be that the autonomous nature of private foundations may interject opportunities for entrepreneurial management of tax-advantaged funds (Dowie 2001). It is possible that the practice of private philanthropy outside the watchful eye of society/government creates an environment to embrace greater risk, be more creative and innovate in addressing many pressing societal problems. Transparency and greater accountability could result in more risk-averse grant making activity (Katz 2005), compromising potential for creativity and innovation as a result of concerns regarding adverse public reaction to potential failure (Dowie 2001).

Several authors have warned about untoward effects of imposed transparency on organizations (Briscoe & Murphy, 2013, Desai, 2011, Osborne, 2004, Hannan, Polos, Carroll, 2003). They raise concern about added costs, lost productivity/innovation, depressed internal candor and many other concerns about undesirable effects of imposed transparency. There is a striking contrast of position on the matter of transparency between these authors and the private foundation literature. Such differences are unlikely to be successfully resolved without a better understanding of factors that contribute to opacity and exploration of potential for unintended benefits from such.

Summary

The literature observes that private philanthropy in the United States is opaque to outsiders (Fleishman 2007, Ostrander 2007, Sandy 2007, Leat 2006). Several of these

researchers have called for greater transparency within private foundations, suggesting that the autonomous nature of the field is problematic (Sandy 2007, Fleishman 2007, Ostrander 2007). However, several authors outside of the private foundation literature warn about potential untoward effects of imposed transparency (Briscoe & Murphy, 2012, Desai 2011, Osborne 2004, Hannan, Polos, Carroll, 2003). Based upon findings in the literature, it seems that certain factors, internally and externally generated, contribute to a state of opacity in private philanthropy. Further, the resource-intense nature of private foundations and the resource dependent status of grantees contribute to an imbalance of power between foundations and grantees (Francisco & Shui-Yan, 2007). Disparate power between foundations and grantees may be further complicated by opaque foundation practices that contribute to the mystique of private foundations (Ostrander 2007, Leat 2006).

MLT was used to help explain internally generated factors contributing to opaque conditions. Internal factors appear to derive from self-licensing related to entitled attitudes of privacy resulting from the private source of contributed capital, insider control, disparate power over external parties, nobility associated with charitable activity and confusion about functional ownership of foundation funds (Greene & Low, 2014, Klotz & Bolino, 2013, Branas-Garza, Bucheli, Espinosa, Garcia-Munoz, 2011). Foundation insiders are expected to express attitudes of entitlement regarding autonomous prerogatives in the management of foundation assets due the charitable nature of their mission (Klotz & Bolino, 2013) and private source of funds (Flieshman 2007, Ostrander 2007, Sandy 2007).

RDT was employed in exploring externally generated factors. Such factors are thought to be associated with a high degree of deference enjoyed by private foundations with respect to interested outsiders. Such interested outsiders are often resource-seeking in their interactions

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with private foundations, and therefore, inclined to comply with rather than challenge foundation activities. According to RDT, it is expected that interested outsiders will have the sense of their power being muted in their relationships with private foundations (Drees & Heugens, 2013, Pfeffer & Sakancik, 1978).

Accordingly, outsiders seem to grant considerable deference to the autonomous nature of private philanthropy, accepting the right of foundation insiders to unilaterally manage tax-advantaged funds with very little external accountability. Interested outsiders are expected to view foundation insiders (e.g., board and staff members) as powerful philanthropists, given their control over significant assets (Casciaro & Piskaski, 2005). Such outsiders are expected to be compliant with rather than challenge foundation requirements.

This research considers organization/environmental factors that may lead to opacity. Five such factors are believed to support opacity in private philanthropy; they were probed in interviews with participants in an effort to gain perspectives into insider and interested outsider beliefs and experiences.

With respect to competing motives for creating foundations, insiders are expected to view such as appropriate considerations as a condition precedent to making a considerable donation to a new private philanthropy (Anheier & Leat, 2013). By contrast, outsiders are expected to be unaware of the potential for such competing motives and express a lack of interest in the matter (Stone & Ostrower, 2007).

Insiders are expected to view self-appointed/sustaining boards as an appropriate prerogative of the legacy of a private donor (Bolton & Mehran, 2006, Silk & Lintott, 2002). The prospect of perpetual control over the charitable activity following one's contribution is expected to be seen as an appropriate incentive for creating a private foundation (Silk & Lintott, 2002).

Outsiders are expected to be confused about how board members are appointed, but not especially concerned. Outsiders are expected, however, to be interested in gaining more direct access to board members rather than merely foundation staff (Boldouc, Buchanan, Buteau, 2007).

Disparate power is not expected to be a significant concern to foundation insiders, but of greater concern to interested outsiders (Tuan 2004). Grantees are expected to express concern about how an imbalance of power between private foundations and them can mute grantee interests and concerns (Boldouc, Buchanan, Buteau, 2007, Casciaro & Piskaski, 2005).

Insiders are expected to believe that regulations on private foundations are either appropriate or somewhat confining (Fleishman 2007). Outsiders are not expected to know much, or care, about regulations on private foundations, except as relates to transparency. Outsiders are expected to believe that the lack of transparency among private foundations impedes effective collaboration (Kania & Kramer, 2011).

With respect to functional ownership rights of foundation assets, both insiders and outsiders are expected to view the private source of foundation assets (Silk & Lintott, 2002) and unilateral control over use of such assets (Monks & Minow, 2011) to be justification/evidence of private functional ownership of such assets. In other words, attitudes about the right to control use of private foundation assets, subject to the limits of law, are likely to align between insiders and outsiders.

Lastly, foundation insiders are expected to believe that the autonomy/opacity of their existence allows for more innovative grant making, which may be in the public's interests (Dowie 2001). It is expected that insiders will view themselves as willing to experiment and take risks that can result in significant benefits for society. However, interested outsiders are

expected to cast doubt on the availability of private foundations to engage in the kind of collaboration needed to facilitate meaningful innovation (Kania & Kramer, 2011, Porter & Kramer, 2009, Leat 2006). Further, it is expected that foundation insiders will not be able to provide many examples of how they have shared lessons learned from their grant making with the broader foundation/nonprofit community (Fleishman 2007, Ostrander 2007, Leat 2006).

Clearly, new research is needed to address the two aforementioned gaps in the literature. This is the focus of this research – exploration of nature of opacity in private foundations, its consequences (negative/positive) and the potential benefits of philanthropy performed in private contexts. However, it is important to note that not all private foundations possess uniform levels of opacity. Nor are they likely to be opaque or transparent in the same ways.

Transparency is thought necessary to assure reliability of integrity, especially with respect to outsiders who may have a rightful claim regarding a firm. Yet, transparency is not necessarily the same as disclosure (Patel, Balic, Bwakira, 2002). Transparency has to do with being able to observe from outside an entity. Disclosure is a specific act intended to advise outsiders of a specific activity or circumstance (Buijze 2013). However, transparency and disclosure are intentional behaviors. When a foundation chooses not to be transparent or to disclose pertinent information, it is practicing opacity.

While one dimension of opacity may be defined as a meaningful absence of transparency, the literature suggests that opacity is a form of practice in private philanthropy. The practice of opacity by private foundations suggests they do not view themselves as existing in the public sphere, and therefore, need not be externally accountable (Sandy 2007, Fleishman 2007, Ostrander 2007). A tension exists with respect to whether the private source of foundation capital (Silk & Lintott, 2002) entitles foundation insiders to high levels of autonomy or if its tax-

advantaged circumstances of their existence (Fleishman 2007) demands greater external transparency.

Given that the annual tax returns of private foundations are posted on certain websites, it might be inferred that they are reasonably transparent entities. However, tax returns are prepared well after the fiscal period they are intended to represent and are often publicly posted long after such returns have been filed. The result is that such information is not timely enough to meaningfully inform outsiders.

Further, tax returns provide limited information regarding bases for grant/investment decisions. If foundations elect to share insights regarding how they decide between grant/investment options, such elections would constitute a voluntary act of disclosure (Patel, Balic, Bwakira, 2002). This would be voluntary, because doing such is not required of private foundations (Sandy 2007).

In addition to the matter of elective disclosure, foundations are not likely to be universal with respect to their levels of transparency. Liedorp, Musch, Cruijsen, De Haan (2013) distinguish between political and procedural transparency – the former being externally imposed upon an entity (required compliance) and the latter representing an elective effort (voluntary) to equip outsiders with greater insight regarding internal practices and decision making.

Given that, in the case of private philanthropy, such disclosure would be entirely voluntary, procedural (voluntary) disclosure would seem to represent an intentional relaxation of their naturally opaque circumstances (Fleishman 2007). Some foundations may be more inclined to transparent conduct than others.

Questions remain as to whether private philanthropy engages in opaque practices, what organizational/environmental factors might encourage opacity, what negative and positive consequences arise from opacity and if foundations and grantees have developed strategies for overcoming challenges related to opacity and a coexisting imbalance of power.

Chapter 3: Methods

Introduction

This research is primarily focused on two gaps in the private foundation literature. First, an exploration of private foundations opaque practices, including consideration of factors thought to contribute to opacity. Second, potential for societal benefits related to the opaque environment in which philanthropy is practiced is examined. However, the primary focus of this research on private philanthropy is to develop a better understanding of (1) whether opacity actually exists in private philanthropy, (2) organizational/environmental factors that lead to opacity, (3) negative and positive consequences of opacity and (4) foundation/grantee strategies to overcome challenges of opacity and coexisting imbalance of power.

Rationale for Using Qualitative Approach

Based upon a review of available literature, it appears that some foundations are willing to participate in qualitative studies on condition of anonymity, but the field of private philanthropy does not appear to respond to survey-based research needed for quantitative analysis. The secretive nature of private foundations seems to have provided an impediment to scholarly investigation and empirical quantitative analysis of private philanthropy practices a priori.

A virtual absence of empirical quantitative study of private philanthropy practices supports the notion that private philanthropy, as a field, is unavailable for empirical quantitative

research. Private foundations, however, have participated in case studies and oral histories (Leighninger 2013, Gibson 2013, Yolkov 2011, Ostrander 2007, Weiss 2000, Gardner 1992), suggesting that the field is available for qualitative research. Given the research questions underlying this dissertation require interpretive research, qualitative study seems especially appropriate for the purposes of this research.

However, there were other important reasons for electing a qualitative approach for this research. A meaningful absence of prior research regarding opacity prompts a need for an exploratory approach in investigating the research questions previously discussed. In depth examination made possible through interviews contributed significantly to the exploratory nature of this inquiry (Stebbens 2001). Codes were developed based upon theories addressed in Chapters 1 & 2, but these proved insufficient for a meaningful level of exploration.

Emergent codes were also employed to facilitate a more comprehensive exploration of research questions (Strauss & Corbin, 1990). A qualitative approach made possible the methodological flexibility required to accommodate emergent coding. The necessity of emergent codes in the analysis of interview data also supported the need for a grounded theoretical approach consistent with qualitative methodology (Strauss & Corbin, 1990).

Research Design

The study involved in-depth interviews with current and/or past foundation professional staff, current and/or past foundation board members and foundation grantees. By interviewing foundation staff, board and grantee representatives, the data gathered could be triangulated. Triangulation was further supported by examining the data through multiple theories (Patton 1999) and subsequent verification of findings with domain experts. Sixteen foundation board

members, 19 foundation staff and 16 grantees were interviewed. This resulted in 51 total interviews. Further, findings were reviewed with 6 domain experts.

Interviews conducted resulted in data on 33 private foundations (e.g., located in 13 states) of which 30 were family, two were healthcare conversion foundations and one was started by the owner of a private company for company employee involvement. The mean assets of the foundations included in the study were $343.8 million (median of $57 million) with a range of $1 million to $5.99 billion. The following is more descriptive of the foundations (board members versus staff) and grantee organizations with which interviewees were associated.

Foundation board members interviewed represented 15 private foundations with mean assets of $237.2 million. The range of assets of these foundations was $1.7 million to $2.3 billion. These foundations were located in seven states. The average length of interview was 49 minutes.

Foundation staff members interviewed represented 22 private foundations with mean assets of $455 million. The range of assets of these foundations was $1.0 million to $5.99 billion. These foundations were located in 10 states. The average length of interview was 54.8 minutes.

Grantees interviewed represented 16 agencies with mean annual revenue of $4.22 million. The range of annual revenue for these grantees was $400,000 to $13.9 million. These grantees were located in five states. The average length of interview was 43.8 minutes. Of the grantees interviewed, 14 were paired with foundations included in this research. This led to important insights about shared perceptions of paired foundations and grantees, as well as perspectives unique to grantees.

Interview questions were developed specifically for each group, but all interview guides (Appendices A, B and C) focused on the research questions identified in Chapter 1. The

interview format accommodated passive listening (Glaser 2002) to achieve deeper understanding regarding the subjects probed. Interviews were recorded, transcribed and coded in developing responses to the research questions. The result was 499 pages of transcriptions, 181 pages coding and 153 pages of annotated notes. The responses were correlated between the three groups in an effort to differentiate perspectives between foundation board, foundation staff and grantees. With the exception of a few unique grantee perspectives (reported in Chapter 4), there was a remarkable level of consistency in comments across all three groups.

While the interview format was guided by predetermined questions for each group, questions were intentionally limited in order to provide interviewees sufficient opportunity to add insight and context as they saw fit. The questions were intended to stimulate more than simple yes or no responses and were designed to stimulate a discussion of issues sufficient to achieve a deep level of understanding of both context and the perspectives of all participants (Glaser 2002). IRB approval was secured for this research on December 22, 2014.

Data Analysis

Creswell & Miller (2000) define validity in qualitative research by an accurate capturing of participant perspectives with credibility. They differentiate validity in qualitative study by involving participants in assessing accuracy of information gathered. The postpositivist approach employs distinct strategies for achieving validity.

Such strategies included triangulation and an audit trail. Consistent with Patton (1999), triangulation was achieved by interviewing multiple groups and by examining the data from two existing theories (Moral Licensing and Resource Dependence) along with a grounded theoretical examination. Also, the findings of the study were shared with six professionals with expertise in the domain of private philanthropy (representatives from four foundations and two grantees) as

peer-audits. These peer-audits resulted in confirmation of the findings reported in Chapter 4 and interpretations provided in Chapter 5.

Validity in qualitative research was achieved in a fashion that is different from quantitative analysis (Creswell & Miller, 2000). Validity in qualitative research is related to how accurately insights gained from interviews actually represent the views of the subjects (Creswell & Miller 2000). This required a systematic process that captured "*concepts, themes and dimensions*" (Gioia, Corley, Hamilton, 2012 pg.22). Interviews were summarized for participants toward the end of interviews for the purpose of confirmation, disconfirmation and elaboration. The findings reported in Chapter 4 are the result of such confirmations.

Validity was enhanced by recording and transcribing interviews. Then emerging thematic consistencies between transcripts were identified at multiple levels. Identifying common themes from the interviews provided insights from the perspectives of each of the three groups of participants. The data resulted in dynamic interrelations between responding groups (Gioia, Corley, Hamilton, 2012).

Data was coded utilizing NVivo 10 software (Hilal & Alabri, 2013). Initially, codes were developed to help guide analysis of the data provided by the interviews. Codes were then evaluated within the context of the data and their interrelationships. Ultimately, a priori codes were reduced from 37 to 22. Additionally, 27 emergent codes were developed in support of emerging, grounded theory.

Fifty-one interviews resulted in 499 pages of typed transcripts and approximately 153 pages of annotated notes. Analysis involved coding of the data and cross checking of coding between transcripts and notes. Analysis of the data followed the four stages recommended by Bryman (2008), which are as follows:

Stage One: Careful, line-by-line review of each transcript using both pre-established and emerging codes. A priori codes were developed corresponding to the theoretical framework proposed in support of observations found in the literature. Emergent codes were developed in support of findings that instead seemed related to a more grounded theoretical context. As applicable, the transcripts were coded into either a priori or emergent codes.

Stage Two: Transcripts were compared to detailed interview notes in order to identify emerging themes in the data. Of particular interest in this process was a comparison of data provided through foundation/grantee pairings. This process allowed for analysis of consistencies and potential inconsistencies, but also permitted further consolidation of codes and elimination of some that no longer seemed relevant based upon the data.

Stage Three: Transcripts were loaded into NVivo 10 software for analysis. This resulted in 181 pages of detailed coding. This provided a rich data set for the purposes of this research, as well as a meaningful audit trail.

Stage Four: Findings were utilized to systematically support emergent theoretical interpretation of the data. This was essential in developing grounded theory to interpret data, especially where findings were inconsistent with what had been discovered in the literature.

Coding summaries are provided in Appendices D, E, F, G, H and I.

Purposive Sampling

Purposive sampling was achieved through involvement of foundations and grantees from many different locations (e.g., foundations in 13 states, grantees in five states), diversity in size of participants (e.g., foundations in size from $1 million to $5.99 billion, grantees with annual revenues of $400,000 to $13.9 million) and significant differences in grant making interests. Taken together, the variation in participants provided richness in purposive sampling (Advice

2000). Participants were recruited through third parties including Philanthropy Southwest, the New Mexico Association of Grantmakers and Grantmakers for Education. Fifteen grantees were recruited with the assistance of foundation representatives who participated in interviews. One grantee participant volunteered through their involvement through a United Way affiliate.

The opaque nature of private philanthropy has resulted in very little research in this field. By interviewing 16 foundation board members, 19 foundation staff members and 16 grantee representatives significant insights emerged to support interpretive research regarding private foundation practices related to opacity and whether opaqueness results in beneficial outcomes.

In recruiting interview candidates, no single state or region was specifically targeted, but most interviewees were from the Southwest. Participants were not solicited on the basis of demographics (e.g., organizational size, age, geographic region or area of focus), but information was gathered about each of their organizations.

Trustworthiness

Trustworthiness is an essential consideration in designing a research project to assure that its findings are reliable and valid. According to Shenton (2004), this is a function of credibility, transferability, dependability and confirmability. The following describes how each of these important elements of trustworthiness was achieved in this research:

1. Credibility was enhanced by a thorough review of the literature, appropriate methods, domain-specific knowledge of the interviewer, accessing interviewee perspectives through third parties and triangulation of data from three distinct groups (Sinkovics & Alfoldi, 2012). Interview questions were intentionally not overly confining, but were guided by factors thought to contribute to opaque philanthropy and corresponding expectations, based on a rigorous review of the literature. Interviewees were given

opportunities to add insights and context beyond the questions presented. The interviewer is sufficiently qualified (See Vita after appendices) with over 20 years of experience in managing private foundations, approximately eight years of experience in managing grantee organizations and having served on many nonprofit boards over the last three decades (Patton 1999). Further, peer audits were conducted with six domain experts.

2. Transferability was supported by the number of interviews conducted (Shenton 2004). By interviewing 51 people, perspectives were gathered from variety of foundations and grantees, which is generally believed to be a meaningful sample of the field.

3. Dependability was supported through consistency of questions, use of a single interviewer and overlapping populations (Shenton 2004).

4. Confirmability was enhanced by triangulating the data between three sets of interviewee groups and examination of the data using multiple theories (Patton 1999), consistent methodology and with a good audit trail (Shenton 2004). Further, six domain experts independently confirmed the findings and interpretations of this research. The audit trail is comprised of interview recordings and transcripts, member checks through verbal summaries at the end of each interview and coding tables supporting the interpretive process. Conceptualizations followed patterns in the data (Glaser 2002). Member checking was accomplished by verbal summarization of key takeaways at the end of interviews for accuracy (Creswell & Miller, 2010). Participants were given the opportunity to confirm, disconfirm and further elaborate upon their comments. This enabled data to be verified with respect to both accuracy and context.

Summary

Two existing theories (Moral Licensing and Resource Dependence) were used in developing research questions and a research design, based upon findings in the literature. Conceptualizing data is a form of theory (Glaser 2002). However, the proposed research design also left room for grounded theory to further understand contextual circumstances and possible benefits of opacity in private philanthropy. An emergent, grounded approach provided an opportunity to explore more comprehensively the research questions, especially where a priori theoretical frameworks proved insufficient (Strauss & Corbin, 1990). This proved necessary in explaining the findings of this research, especially as findings varied from what was found in the literature.

This research explored the existence of opaque foundation practices, but also explored what appears to be insufficiently addressed in the foundation literature – identification of organizational/environmental factors that can lead to opacity. Further, consequences of opacity were explored as were strategies developed by foundations and grantees to overcome challenges related to opacity and a coexisting imbalance of power.

Chapter 4: Findings & Analysis

Introduction

The private foundation literature implied that private philanthropy is significantly opaque (Fleishman 2007, Ostrander 2007) and ostensibly unaccountable (Sandy 2007) organizations who experience challenged relationships with grantees (Boldouc, Buchanan, Buteau, 2007, Tuan 2004). The private foundation literature asserts that the state of opacity among private foundations is troublesome (Stone & Ostrower, 2007, Ostrander 2007, Hill & Jones, 1992) and that it exacerbates a coexistent power imbalance that naturally exists between foundations and grantees (Francisco & Shuii-Yan, 2007, Tuan 2004). Many researchers have called for greater transparency among private foundations (Fleishman 2007, Sandy 2007, Ostrander 2007) in an effort to ease concerns about opacity and, to a lesser extent, power imbalances.

The existence of both opaque foundation practices and an imbalance of power between foundations and grantees were clearly evident in the findings from this research. Unexpectedly, foundations and grantees, interviewed in this research, consistently reported a very different experience with respect to the effects of opacity and imbalanced power on their relationships. In fact, findings from this research indicate that these foundations were able to leverage their opaque status in beneficial ways and that foundations/grantees had successfully overcome challenges related to opacity and power imbalances.

It appears from these findings that foundations adopted practices that created important benefits from the opaque circumstances in which they practice philanthropy and that foundations

and grantees have developed strategies to enhance their relationships and improve grant outcomes. Given the presence of these foundation strategies, grantees reported that effects of an imbalance of power between foundations and themselves seemed to become much less significant. These were very interesting and unexpected findings that offer important insights for policymakers and practitioners.

Based upon the existing private foundation literature, MLT and RDT were employed to help explain organizational/environmental influences on opaque foundation practices. The findings from this research found no significant evidence of moral licensing or entitlement-related foundation motivation/conduct with respect to opacity. To the contrary, the data from this research resulted in a markedly different observation related to foundation motivation and conduct, at least for the foundations represented in this research.

Specifically, foundations exhibited significant levels of vigilance with respect to (1) self-imposed expectations regarding accountability, (2) the manner in which they engaged grantees as strategic partners and (3) efforts to enhance the effectiveness of their charitable activities for societal benefit. The foundation representatives interviewed appeared to experience considerable, internally-generated, accountability with high expectations for achieving meaningful grant outcomes. Grantees also observed a pattern of heightened focus by foundations in terms of achieving significant outcomes from their grants.

MLT proved not to be a significant factor with respect to the foundations represented in this research. Instead of a presumption of entitlement, foundation representatives expressed significant fiduciary-orientation that seemed, at least in part, proportionate to the extent of prerogative/discretion enjoyed due to latitudes provided under law and/or power afforded by their resource-intense circumstance. This unexpected foundation motivation/conduct resulted in a

need for an emergent, grounded theoretical framework, especially given that these observations varied so significantly from the private foundation literature.

On the other hand, influences of RDT in terms of asymmetrical distribution of power between foundations and grantees were universally reported by foundations and grantees. Yet, challenges related to imbalanced power reportedly dissipated as relationships between foundations and grantees became meaningful. This contextual finding also varied from the existing private foundation literature. Existing literature did not correlate the significance of foundation and grantee relationships to the effects of opacity or disparate power. The findings from this research support such a correlation, which can provide important insights to practitioners.

The observation regarding such correlation suggested that RDT is useful in explaining certain foundation insider conduct. However, RDT does not contribute to understanding foundation insider behavior that contradicted expectations related to MLT. Consequently, RDT and emergent theory are needed to more comprehensively explain foundation insider motivation and behavior.

This chapter is organized in several sections. First, findings are reported according the four research questions established in Chapter 1 (e.g., existence of opacity, organizational and/or environmental factors leading to opacity, negative and positive consequences of opacity and foundation/grantee strategies for overcoming challenges related to opacity and imbalanced power). Second, an emergent theory is provided in an effort to explain unexpected findings regarding foundation behavior. Third, observations are reported based upon foundation/grantee pairings. Lastly, grantee-specific concerns regarding foundations are summarized.

Existence of Opacity in Private Philanthropy

Confirmation of opacity in private philanthropy was, at least in part, supported by several findings from this research. Such findings included foundation ability to control external access, to resist unwanted external influence and sustain insider control. Further, an absence of external accountability, unimpeded discretion with respect to grant decision making and perceived freedom to take risks without fear of consequences was evident. All of these observations support the ability of private foundations to exercise and preserve opaque practices that insulate them from influences from outside their organizational bounds.

Findings supporting the existence of opacity in private philanthropy were consistent with what would be expected with organizations that are largely insular, not dependent upon resources from external entities and who experience an absence of external constituents to which they are accountable. While evidence supported the existence of opacity in private philanthropy, an unexpected finding was that foundations appear to use some features of opacity in strategic ways to enhance their efficiency and effectiveness. Evidence did support the existence of some negative consequences related to opacity in private philanthropy, but observations regarding intentional use of opaque practices by private foundations to enhance efficiency and effectiveness were unexpected, because the literature did not suggest that opacity could be used for such practical purposes.

The following five sections describe how private foundations utilize their state of opacity to control access by outsiders, resist unwanted external influences, maintain insider control, avoid external accountability and exercise freedom to take risks without sensitivity to, or fear of, consequences from outside constituents.

1. <u>Ability to Control Access</u>: Foundations have exercised considerable ability to control external access. To some extent, controlling outside access may be necessary to avoid becoming overwhelmed by grantee inquiries and applications. Some foundations have intentionally pursued a low public profile by not having websites and/or making grants anonymously to avoid unwanted attention. Opacity was intentionally used by some foundations to prevent unwanted inquiries. Foundations reported that such practices were used to become increasingly more focused in their grant programs and less reactive to uninteresting grant requests.

> *"The foundation was moving away from doing as much reactive granting. They were just being flooded with proposals and really wanted to go deeper in some areas." FB-221*

> *"We don't have a website. Most of our grants we requested that* [grantees] *not announce our name." FS-101*

> "*We don't have an annual report or our own website...we just trust that all of this* [foundation information] *is out there on GuideStar and, you know, we're really careful about our tax returns making sure it is accurate...there is no other means that I'm pushing data out there to the public." FS-106*

Some foundations have become increasingly proactive in pursuing grant programs in which they have high levels of interest. This has been achieved by actively seeking out of grantees with similar interests to develop specific programs, adopting invitation-only grant application processes and/or by discouraging applicants by deferring grant consideration until after a time-intensive, lengthy relationship development process.

> *"I would probably put it* [private foundation access] *in a category that it's probably a little more difficult to access". G-101*

> *"Grant applications are increasingly by invitation only." FS-102*

While foundations appear to employ opaque practices that successfully limit access by outsiders, grantees report that once relationships deepen with foundations, access becomes much less limited and that they are subsequently treated more like valued partners. This dynamic is addressed in greater depth later.

> *"Foundations you know, the deep meaningful relationships that we have with those private foundations are not providing us with any obstacles or hurdles."* G-101

> *"I think* [a private foundation] *is more difficult to get to know, but once you can build a track record and a relationship. So maybe getting in the door is harder, but once the door is opened it's a lot easier."* G-102

The findings from this research clearly demonstrated that opacity is intentionally utilized by private foundations expressly for the purpose of controlling/limiting access by outsiders to avoid potential for being flooded with unwanted requests and to better manage interactions with more interesting grantees and projects. However, grantees that do not have prior relationships with foundations can be confused and frustrated about inaccessibility-related concerns.

2. <u>Ability to Resist External Influence</u>: Another example of the opaque circumstances in which private philanthropy is practiced is evidenced by foundation ability to resist unwanted external influence. Private foundations practice what is referred to "*philanthropic freedom*" – the ability to practice untethered philanthropy by pursuing internal interests and resisting outside efforts to exercise influence (Hudson Institute, 2015).

Consistent with tenants of RDT, foundations, as resource-intense and independent entities, can maintain remarkable levels of autonomy (Bryant & Davis, 2012). Private foundations do not engage in fundraising, because they are endowed organizations that provide their own resources to support both operating expenses and grant activity.

> *"We don't raise money...foundation's don't feel like they're being threatened." FS-351*

Foundations and grantees reported that efforts by outsiders to exercise influence are largely unsuccessful with private foundations. Private foundations are free to chart their own courses, subject only to limited legal regulation. Private foundations enjoy a uniquely high level of autonomy and independence (Fleishman 2007, Ostrander 2007, Sandy 2007).

> *"I've not faced any political pressure from anybody...We haven't succumbed to any of the pressure." FB-201*
>
> *"So, if somebody calls on your behalf, if the mayor calls on your behalf, you might have a better chance at the community foundation than if the mayor calls a private foundation." G-122*

Ability to resist external pressure, allows foundations to sharply focus on work they consider appropriate. This includes the ability to elect whether or not to provide grant support for what may be perceived as important projects, but that may be politically controversial. Examples shared in interviews included controversies surrounding abortion-related concerns with Planned Parenthood and sexual preference-related issues that have been associated with the Boys Scouts of America.

Wherever individual foundations may stand regarding the merits of, and/or controversies related to, specific grantees, they appear to enjoy philanthropic freedom as they internally decide grant elections without imposition of concerns related externalities of political influence. Thus, foundations feel free to decide grants upon their own sense of merit – supporting what they consider to be important work, independent of considerations related to public opinion at a given time.

Another measure of autonomy, or opacity, in private philanthropy is the freedom foundations experience to internally determine their own interests and independently chart a course for grant making. Foundation representatives did not report perceived limitations of consequence with respect to their grant making discretion. To the contrary, they consistently reported great latitude with respect to the philanthropic freedom they experienced.

> *"There's certain restrictions like a private foundation can't lobby itself versus a public foundation can do some lobbying…I think that's the biggest restriction." FS-351*

Foundations reported that they felt unimpeded with respect to the internal elections they make with respect to areas of charitable giving and/or specific grant awards. Other than self-imposed commitments to honor donor intent, foundations practice great autonomy with respect to their grant decisions.

> *"As a private foundation, you have so much leeway in making your own decisions. And I think that the community foundations are certainly kind of impeded by a bureaucratic demand or procedural demand." FB-220*

3. Insider Control: Consistent with findings in the private foundation literature, foundations represented in this research were significantly insider-controlled (Bolton & Mehran, 2006). Nearly two-thirds of the board members for the foundations represented were classified as insiders (e.g., donors, donor families, family friends, business associates). Initial board members were typically appointed by donors and subsequently appointed/reappointed by their own boards. The ability to perpetuate insider control is clearly a practice related to prerogatives afforded by opacity.

> *"[the founder] had to make a decision as how many he wanted on the board and that type of thing, and he chose me [his accountant] and [another business associate]...he knew him well. [The donor] decided that [his son] would not be appropriate to be on the board."* FB-211

Another interesting finding in this research was that foundation staff, typically at the level of the chief executive officer (and occasionally other senior level positions), too were often insiders, using the same definition previously applied to board members. A significant practice of appointing insider staff was evident in the interviews.

> *"Because we are a private family foundation, the board members are appointed by the...the donors."..."I was the coach of our president. I was the coach of his daughter during her years on an elementary school soccer team. He realized my interest in slicing and dicing data, he recruited get me to come to the foundation."* FS-112

> *"We are a family foundation, so the board members, it's self-perpetuating the, we elect the board members every spring, but, for 22 years it's been family."* FS-101

> *"I advised some of the family members...and then so I got invited on as the first non-family, grant making committee member, and then actually became the first non-family board of trustee member. I had the opportunity and honor to work with both the patriarch and matriarch of the family...So, I got to work for them...having served as board member as well as being staff."* FS-351

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Perpetuating insider control at the board and management levels is a clear opacity-related practice resulting in organizational insularity (Ostrander 2007), but foundations reported that such decisions were significantly influenced by a desire to achieve/maintain effective governance and management chemistry for the benefit of efficient, coherent organization and functioning. This contrasted with findings in the private foundation literature that implied motivation was to sustain insider control (Bolton & Mehran, 2006). Foundations emphasized benefits from careful selection of people serving in board and/or managerial roles with the objective of working effectively with one another, which can result in more efficient organizational and programming dynamics.

While the majority of boards for the foundations in this research were consistently comprised primarily of insiders, families were conscious of, and sensitive, to the fact that not all insiders can work together effectively. When families experienced internal conflict, they reportedly sought to insulate their foundations from counterproductive effects of such dynamics.

> *"My sister and I don't always play well in the sandbox together, so they have people to balance that out. We have attorneys that help us with that kind of stuff, and help us with the family."* FB-204

Interviews with foundation representatives suggested that private foundation insiders employed highly pragmatic approaches in selecting board and management candidates that emphasized a sense of priority with respect to efficient management of private foundations over the interests of perpetuating insider control.

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4. <u>Lack of External Accountability</u>: The literature suggested that private foundations are among the least accountable social institutions in the U.S. (Sandy 2007). Foundations reported that they did not feel externally accountable, evidenced by an apparent absence of need to report their achievements and discoveries at a public level. While willing to engage in conversations with other foundations about grant experiences, there was little evidence of systematic effort to externally share grant outcomes, innovations and/or important lessons learned from grant making activities. While this fact was often credited with the fact that foundations are typically understaffed for the purposes external reporting, it didn't seem an important priority – evidence of an election relative to a presumed level of prerogative.

> *"I'm willing to have conversations with anybody about these things, but I really don't have some sort of systematic way of conveying these lessons learned to the broader philanthropic community." "If this had been my personal money, I probably wouldn't have made this grant…but this is a partnership and these individuals were really passionate about what this organization was doing and they really thought they could help them. And so we need to see this through regardless of how it turns out." FS-106*

An observed absence of perceived need to account externally for the management of tax-advantaged funds also seems compelling evidence of the existence of opacity in private philanthropy.

5. <u>Freedom to Take Risks</u>: The final measure of opacity expressed in the data from interviews was a perceived capacity to assume significant levels of risk in grant decisions without fear of publicly-imposed repercussions related to potential project failures. In fact, foundations seemed to embrace an ethos in favor of taking risks in the grant projects

they fund with the express goal of supporting innovative efforts not thought possible through more public funders.

> *"Well, I believe* [private] *philanthropy can do things that the public sector cannot. I believe we can take risks and try new things to see if they do work. That then allows for new systems to emerge that can be utilized by the-by the public sector. So, I just think there's a level of innovation that we can take on." FS-122*

The fact that foundations feel a level of immunity from public scrutiny with respect to risky grants also provides evidence of the existence of opacity in private philanthropy.

> *"You can take a lot more risk. You can be a lot more independent in your thinking. There's nobody* [who] *can threaten you." FS-103*

Not all grant-related risks are necessarily for the express purpose of achieving innovation. There are times when foundations can help attract attention to, and build momentum for, important projects by providing grants in the early stages of a fundraising campaign. Foundation financial support can lend credibility for new projects, as well as new ideas. Early foundation grants can help attract other supporters, because expressions of foundation support can encourage credibility for proposed projects.

> *"So, in terms of risk taking, our foundation says...we trial things. That's part of what we do. We have the ability to try things and so we do. And so, we just had an example where we were the first money in and I would say that has an element of risk." FB-212*

Figure 3 illustrates the evidence from the data in this research supporting the existence of opacity in private philanthropy.

Figure 3

Evidence of Opacity
in
Private Philanthropy

Ability to Control
Outsider Access

Ability to Resist
External Influence

Evidence of
Opacity
In Private
Philanthropy

Absence of
External
Accountability

Insider Control

Freedom to Take
Risks
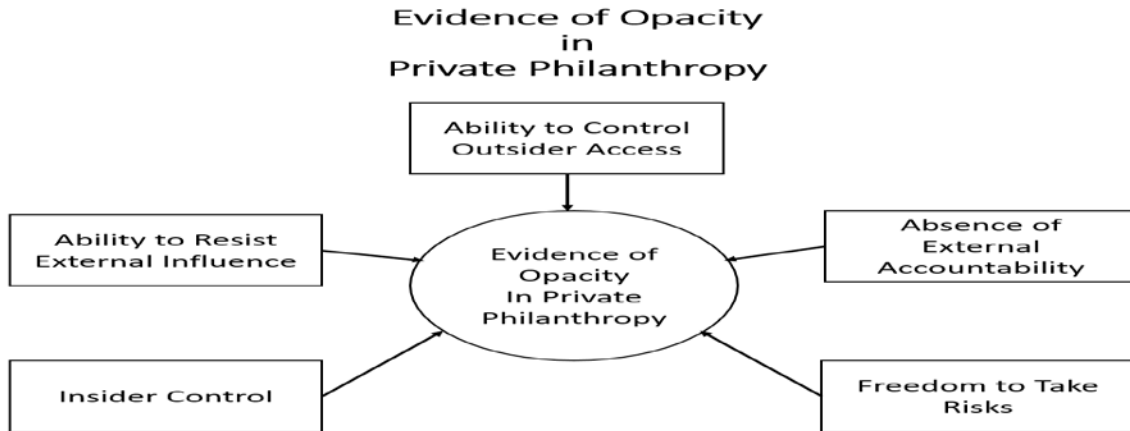
Organizational/Environmental Factors Contributing to Opacity

Based upon observations in the private foundation literature, five organizational and/or environmental factors were thought to lead to or support the existence of opacity in private philanthropy. Figure 2 in Chapter 2 provided a force-field analysis showing how certain internal and external influences may support these five factors, which are believed to encourage opacity in private philanthropy. The factors included competing motives for creating foundations, self-appointed/self-sustained boards, disparate power between foundations and grantees, effects of limited regulation and confusion regarding ownership of foundation assets. Based upon perspectives gathered from interviews, the following are findings from this research that correspond to the specific to these five factors described in Chapter 2:

1. Competing Motives for Creating Foundations: The interviews provided no clear evidence that foundation behavior resulted from motives related to creating private foundations. While this may be a factor in a theoretical context for some foundations, the foundation representatives interviewed seemed more consistently motivated by the charitable objectives of their organizations. Deference to donor intent, with respect to charitable

interests, was evident in interviews, but no evidence surfaced in support of the existence

of motivational instrumentality (Anheier and Leat, 2012, Ellwanger & Gassman 2010,

Schnall, 2008), as described in Chapter 2. Motivations for creating foundations did not

seem to contribute to foundation behavior and/or existence of opacity. Instead, there was

a consistent and dominant focus on achieving significant outcomes from grants for the

benefit of society.

> *"Internally, we can have some real clear conversations and focus on what really matters." FB-201*

2. Self-Appointed/Self-Sustained Boards: The overwhelming majority (nearly two-thirds) of

boards of the foundations represented in this research were comprised of insiders (e.g.,

founders, founder families, friends, business colleagues). This was consistent with the

private foundation literature (Bolton & Mehran, 2006) and seems to correlate with other

insular dynamics (Fleishman 2007, Ostrander 2007). This said, the reported motivation

for heavy use of insiders seemed more related to a desire for good chemistry in support of

organizational coherence and efficiency than an effort to assert insider control. There was

evidence that foundations may also consider needed skills and connections, as well as

chemistry when appointing board members.

> *"They sought me out because they needed more financial expertise on the board, they knew I was retiring from the board of regents and* [my background] *as well. So, I was approached to help, because of my financial background. Most board members are rather high profile in the community, but some board members had contact with* [the donors]…*their attorney for example…So, it is not uncommon to look for board members that people already have pre-existing relationships…to assure that what they have at the end of the day is a board that can work very effectively together." FB-207*

3. <u>Disparate Power</u>: Consistent with tenants of RDT, both foundation and grantee representatives acknowledged that private foundations enjoy much more power than grantees (Pfeffer & Salancik, 1978). This was evident with respect to the level of discretion enjoyed by foundations in making grant decisions and the ability to impose accountability onto grantees. However, the effects of disparate power seem to dissipate as foundation-grantee relationships become more meaningful. Foundations appeared to make intentional elections about when to use their disparate power. There was clear use of power in protecting against unwanted access and potential external interference.

> *"Because there's no question that imbalance of power exists, and it's also perceived in areas when it's not acted on - that imbalance of power is there."…"It's the foundation's choice whether or not to act on that, whether or not to tie a lot of strings to our giving." FS-112*

Foundations also appear willing to relax their disparate power when interacting with strategic grantees. Grantees who enjoy strategic status in the perspectives of private foundations report that an imbalance of power doesn't affect the quality, or enjoyment, of their relationships with foundations. Foundations reported that they viewed strategic grantees as valued partners, not as subordinate entities.

> *"I find the family foundations - private foundations - that we deal with to be really treating us like equal partners. I mean I feel like they are open to learning from us. They acknowledge that we're sort of experts in the thing that we do every day that they're curious and open to us shaping the, the grant project, so to speak, more so than their-- they make very few demands." G-204a*

> *"So it requires, you know, a lot of trust building in order to overcome that* [power imbalance]. *I think it's that power dynamic at play. How do we really get down to that so that our grant making is* [influenced by] *how we talk about that* [power] *around the people? How do we overcome that so that our greatest asset, which is our resources, whether it's human or financial, can actually play a functional role in the bigger picture of things and not be part of the problem? I think about it all*

the time, while at the same time leading, right, so I wonder how we incentivize collaboration without it having the negative effects of that [power] *dynamic. Because ultimately, you know, you can see what's needed." FS-122*

"One of the first things I did as a program officer is change the narrative. We no longer refer to anyone as grantees, we refer to them as grant partners. We cannot succeed in our mission of creating a better community without partners. So, those who are receiving grants from us are considered partners. It doesn't necessarily solve the-the power imbalance, but it sure helps." FS-123

4. <u>Limited Regulation</u>: Data from interviews substantiated that private foundations do not perceive themselves as significantly constrained by regulations. To the contrary, private foundations reported that they enjoy significant discretion in their ability to appoint board members and staff, make grants and ignore public sentiment with respect to grant projects internally viewed as important.

5. <u>Confused Ownership</u>: Foundation board and staff members were highly deferential to founders. When founders were active on the boards of their foundations, foundation representatives observed that such boards almost always supported founder wishes and preferences. In this circumstance, founders were treated by other insiders as if foundation assets were the personal property of founders.

"As the patriarch of the family [and founder]*, people look to* [my dad] *as the principle. In some regards we're just trying to be good stewards and hold true to* [his preferences]*. He's still alive so it's very easy to see* [his] *intentions. And it would be really unlikely that the board would vote for something that my dad was opposed to." FB-204*

Given that foundation assets were the result of generous founder gifts and privileges provided to foundation insiders under U.S. Tax Law; insider deference to donor preference/intent was easily understood. Otherwise, there was no real evidence of confusion regarding ownership of foundation assets during interviews. Foundation

insiders seemed aware of the privileges associated with their fiduciary roles, but this seemed to give rise to vigilant behavior rather than entitlement.

> *"I generally think that* [foundation] *role is a big one and I guess it's both a privilege and an obligation – you know, responsibility and an obligation. And that you are still representing these stewards of funds on behalf of a community or a grantee pool of people. I think they're the biggest stakeholders." FB-220*

> *"Ultimately, you're wanting to better, create more impact and have effective communities and healthier communities. It has something to do with coordinated efforts. I don't want to call it collective impact, but ultimately creating alliances is harder to do within the non-profit sector than it is within the business community." FS-122*

Negative Consequences of Opacity:

In addition to calls for greater public awareness of how tax-advantaged funds are utilized (Fleishman 2007, Ostrander 2007, Sandy 2007), several findings related to opacity in private philanthropy were characterized as problematic. The findings from this research supported the existence three specific negative consequences from opaque foundation practices.

1. Inaccessibility: While some foundations may have strategies to reduce random access to a manageable level, grantees can find opaque foundation practices confusing. Such practices can include assuming a low profile (e.g., anonymous grant making), not having websites, an absence of explicit grant criteria, lack of clear application procedures and/or a grant application process that is limited to invited grantees only. Grantees that are inexperienced, or have yet to develop meaningful relationships, with private foundations may be confused and frustrated by accessibility-related issues. By contrast to more public funders, grantees thought that private foundations were considerably less transparent.

> *"Grant applications are now* [increasingly more] *by invitation only." FS-102*

"Foundations are not as transparent as other funders" G-301

"Private foundations are more difficult than other funders to understand" G-101

2. <u>Rapidity of Changes in Grant Strategy</u>: Given their opaque character, foundations enjoy the prerogative of evolving their interests and/or strategies without providing advance knowledge to interested outsiders. Grantees expressed concern that foundations can change funding interests and/or strategies too quickly. Such rapid changes are experienced as disruptive to grantees.

> *"It's harder-- it's harder with [private foundations], because they tend to change more. You have to kind of keep on top of having that conversation with them. I feel like we have to drive the relationship in some ways so that they haven't changed a direction and we have no idea about it. I feel like as long as we're being proactive with maintaining good communication with them that we can kind of keep up. But it's not as easy and too often I see their areas of focus changed...One good example would be the [blank] Foundation. So, we've loved working with them, but just a couple of years ago, they changed their areas of focus to where social service is still kind of on the agenda, but at the bottom of the agenda. And, I think, you know, they still think very highly of us, but I didn't learn till he came on a site visit here that kind that that change of priority has happened...That would have been really helpful to know." G-107*

> *"Foundations can move/change too quickly" G-301*

> *"I guess, if you look at the only downside, it's, you're working with living donors, and they can change their mind, and they do change their mind. And so, one minute they really support something, and the next minute they don't when it [angers] them and they're done with that topic. That can be a little bit more challenging for us, um, but, you know, in the relative sense" FB-221*

3. <u>Poor External Communication</u>: Grantees reported that they believed foundations expect timely and substantive communication from them, but that foundations are not good communicators themselves. Grantees expressed concern about significant changes,

implemented without advance notice by foundations that impacted grantees. The insular

nature of private foundations may cause foundation insiders to under estimate the

importance of their efforts to communicate with interested outsiders.

> *"And here's an example of a sort of arbitrary change. The foundation had been giving us $50,000 a year, and without any advance warning or explanation just said, you can request $30,000." G-220*

> *"I would say, you know, their board of directors really wants to move in a different direction or they're going to conferences and they're learning about, you know, there's a certain trend that they're wanting to fund more or impact funding. There's a different kind of approach. A lot of that's really hard to get assessed of unless I'm calling and asking what's new with the foundation? They may not know, say the same, or say we're also gonna start shifting our funding to more impact funding or collaborative funding, you know, that kind of thing." G-107*

Positive Consequences of Opacity:

While examples of negative consequences related to opacity emerged from interviews, positive

outcomes of opaque foundation practices were also observed in the data from interviews. Some

of the positive outcomes observed were thought to contribute significant value to important

aspects of private foundation work. The following is a list of positive consequences thought

related to the opaque circumstances in which private foundations exist.

1. Ability to Make Important, But Controversial Grants: Making grants outside the watchful

   eye of the public can allow private foundations the convenience of considering

   controversial, but important grants – an option that might not be possible for more public

   funders. As previously noted, some grantees may, from time to time, suffer from public

   controversies that can severely limit their ability to access critically needed funding.

   Private foundations seem to have the philanthropic freedom to consider such needs on the

basis of project merit rather than public or political popularity. This can contribute to a more objective basis for making grants. More transparent circumstances might impede the ability to decide upon grants merely on the basis of the merits and need related to a proposed intervention.

> *"I think the word private still has merit and it is not to be construed as conspiratorial or dark in the corners. I think the word transparency is greatly overused and overstated. In fact, in the inhibiting, I think the power of private philanthropy can move quickly, take risks, fund controversial things that public entities cannot, search and demonstrate the basic light of, um, and a basic article of faith that one can bear witness to their beliefs through their giving and you don't have the abrogation if the project fails...We don't want to be so tight with guidelines that we forget to take risks."* FB-218

> *"With regard to advantages, I would certainly think that certain of the public-type entities are more restricted in the way they can give."* FB-211

> *"I think with most of our private funders that they care about what we're doing. They care about - at the end of the day - the lives that have been impacted in our community, the people who've walked through our doors and, that's expressed I think quite a bit more than it is in the public setting. A lot of times the public* [funders] *just feels like we've got this pot of money, we have to put it out there for bid or open it up or whatever-- you know. And it's more of a job rather than caring about the person that's at the end of those dollars that's being impacted. So, I think that-that care and concern for the people we're serving in the community's expressed much differently in the relationships I have with private foundations. It's not usually expressed in those words or terms with the public funder. Though, it communicates to me as the executive director that they care, it's not just a job."* G-204b

2. <u>Tolerance for Failure</u>: Grantees reported that private foundations are unafraid of potential for grant projects that can fail to achieve desired results. Foundations do not account to external parties for failed projects, and therefore, can create space for grantees to learn

without adverse consequences related to failure. Grantees reported that foundations are willing to learn with them.

> *"They're willing to learn with us"* G-107

> "*Sometimes* [grants are] *not going to work out for reasons that are outside of your control, but had it worked out it would have been a big pay-off and worth the* [money] *you put into it."* FS-105

3. Risk Tolerance/Innovation: Foundations appear to possess a significant desire to enhance outcomes from their grants. In this regard, foundations and grantees agreed that private foundations have a much greater willingness to embrace risk in their grant making for the purposes of seeking innovation and to expand their impact. Foundations work in an environment in which it is easier to take risks, because they don't account to external constituents. Several foundations said that they made grants with significant risk in an effort to achieve especially significant outcomes.

   Risky grants were clearly viewed by those foundations as grants that constituted big bets. This represented the sort of entrepreneurialism in grant making that Dowie (2001) suggested might exist. This research resulted in considerable evidence that many private foundations actively engage in risky grant making with the hope of achieving very positive results.

   The opaque circumstances in which foundations exist create a relatively consequence-free scenario for embracing risk. This, combined with a desire to expand impact and tolerance for failure, contributes to a unique capacity for private foundations to experiment and innovate. Absent the conditions of opacity, private foundations might become increasingly risk-averse.

"We don't have sort of a calculated risk scenario, I think [the donor] would love to have seen us get more to that [embrace risk] role…for us it's, what can we learn?"…This is a risky grant, but we know we'll learn something from that."… "[The donor] *says, I'm not afraid to drill dry holes – that's where the money came from." FS-112*

4. Flexibility: Grantees reported that foundations are highly nimble, flexible organizations. Foundations are highly adaptive – able to change with evolving circumstances. As informal/ad hoc entities, foundations generally avoid bureaucracy in favor of adaptability with regard to desired outcomes and meaningful grantee relations. Foundations are generally able to respond to opportunities as they emerge and as they change. Grantees who enjoy deep, meaningful relationships with private foundations indicate they prefer working with private foundations over other categories of grant making organizations.

"I think our ability to respond quickly. And I acknowledge that a United Way can make a very quick grant, [and] *the Red Cross in a situation of crisis, but we can act even more quickly."…"and I would think any private philanthropy has that discretionary opportunity to say there's something happening and we need to respond."…"That's the ability to be nimble is probably unique to private philanthropy." FS-112*

"Well, I was in the state legislature, and you know, tried to get funding for certain programs. And I had to get 18 senators and 51 house members to agree with me to get funding. And, you know, one, you can do it, but real innovative programs, you know, to try to set a new standard of quality or something in the public schools to show the impact of the arts or something. And there's just so, there's so much flexibility, I guess. But a freedom, I feel if we can work with an individual, someone who's passionate about their program, is trying to improve early childhood education or the arts in the schools get a lot of those proposals. Most of our museum grants are in the area of education. I mean, we have not only freedom, but it just feels like we have impact. I can do $100,000 into a program that I probably never could have gotten as a state legislator…and a lot of similar issues that we see and deal with." FS-101

"All I can really think of is benefits, because I do feel I can see that it's the flexibility when you're applying as far as timeframes…and criteria." G-105b

"With a lot of those other funders, sometimes there's just a lot – the proposals tend to be technical, the reporting sometimes we have to do backflips with our database to, you know, work in additional reporting requirements." G-107

"You know, in the relative sense, we have so much more, uh, flexibility than corporate or community. A great, great advantage." G-221

These positive consequences of opaque foundation practices are not trivial. To the contrary, they enable private foundations to make very significant contributions to the public good. Absent opportunities inherent in opacity, private foundations might conduct their affairs more consistent with other categories of grant making entities and become less able to make special contributions within the unique footprint of private philanthropy.

Foundation/Grantee Strategies

While there are several important positive outcomes from opaque foundation practices, negative consequences were also observed in the interviews. However, it became apparent that foundations and grantees have developed a variety of strategies they voluntarily implement to help reduce and manage negative consequences related to opacity. While seeking to manage such negative consequences, strategies adopted by foundations and grantees also seemed to reduce the effects of disparate power between them.

Grantee Strategies:

Grantees reported they have been successful in overcoming challenges to their relations with foundations related to opacity. This reportedly resulted from several strategies that seem to follow a sequence of steps to improve access, achieve mission alignment with foundations and build trust. It was clear that these grantees enjoyed good relationships with partnering

foundations in which they did not experience untoward effects of opaque foundation practices or imbalanced power. Eliminating or reducing barriers to access to, and relationship development with, foundations proved important to grantees.

> *"I think, you know, as you work with foundations you may see that they had multiple, you know, philanthropic interests. You know, what are they giving to? What are their core areas of giving? How that continues to evolve and change and then* [consider] *what's happening at the university that we feel like we can, we can match up... But, if we think we've got something to work on, we feel like we've got a good match, then we'll certainly go after that." G101*

Given the power difference that exists between foundations and grantees, grantees are often deferential to foundations in assuring that their projects are positioned to more clearly align with foundation interests and values.

> *"We found that foundations are pretty specific about their giving priorities. So, we do the benefit of having a very good office of development here on campus and they do very proactive work in that regard looking for these areas or looking for where they see a tie that we ought to investigate." G-101*

> *"You know, they-- people want to be the smartest people in the room, and they want to have an algorithm that is you know, so um, now again carefully created, I mean that's my prejudice. But, that's kind of the way I think about it...I think that while they come forward with the idea that they want to support." G-122*

Through this research, both foundations and grantees observed that two conditions needed to exist in overcoming access and relationship development concerns. These included development of shared perceptions of aligned mission/purpose and establishment of mutual trust. When both conditions existed, grantees became strategic in the view of the foundations that then began to treat such grantees as valued partners. Grantee strategies tended to focus on enhancing access and developing meaningful relationships with foundations.

A three step process emerged in the interviews for achieving the aforementioned objectives, which resulted in grantees becoming strategic from the view of private foundations. They involved effective prospecting, achieving mutually perceived alignment of missions with such foundations and realizing effective inter-organizational engagement. The following summarizes reported objectives and corresponding strategies intended to build sequentially upon each other in a layered fashion.

1. Improving Access: This involved effective prospecting strategies – requiring the development of a deep understanding of foundation interests and values, as well as investing significant time in getting to know foundation insiders well ahead of making a grant request. This is a "foundation-centered" approach in which grantees, through reviewing multiple reference materials/resources (e.g., websites, foundation directories, online databases such as GuideStar and the Foundation Center) and instigating direct interactions with foundation insiders, gathered as much information as possible about foundations.

   Grantees carefully studied foundation mission statements, grant histories and other available information. They then spent as much time as possible talking with foundation insiders to develop deep insights about foundation interests and values. During this process, grantees sought to develop collegial and informed relationships with foundation representatives.

   > *"I would say that one of the biggest things is our ability to develop relationships, more of the personal relationships with the private foundations."* G-402

   > *"There's some sort of…barrier* [no foundation website] *there, and maybe that's for screening out things they don't want to do or fund - we weren't successful in building a relationship with them and ultimately getting any support. You know, so there's no one locally that I could pick up the phone and say, "Hey do you*

know one of these trustees," and, "Would you go with me to visit with them?" G-204b

"I think it certainly is more difficult [than with public funders], *you know, to get in, basically get in the door when you haven't had something [*a relationship*], established. I think one thing in development we know that those that have given to your institution or are passionate about your institution continue to give." G-101*

"So you have to look at their area of expertise and then you have to be very careful about their geographic area. And then you have to look at who at their organizations that they funded, just trying to see where they go and see where they - first of all to see the size of the grants that they give, but also, you know, what are they looking for. You have to know your foundations." G-103b

2. <u>Achieving Mission Alignment</u>: Once access has been improved and good insights exist regarding foundation interests and values, grantees carefully reviewed their projects through the lens of such interests and values. Then grantees sought to make appropriate changes to their projects and enhanced the descriptions of their programs such that they more clearly aligned with foundation interests and values.

"There are a couple [grants] *that stand out that we've recently received. I would say from where I sit and the fundraising model that we use it's very relationship-driven focusing on sustainability. It was really developed to focus on working with individuals and securing pledges from them through just engaging them in a relationship with our mission. And, so we use certain aspects of that with the foundations that we work with. And, one of the local foundations that has been really I just feel like they're more of a partner...And, the relationship with this foundation, it's just then much more of a conversation." G-107*

3. <u>Building Trust</u>: Grantees built upon their improved foundation access and perceived alignment of missions with engagement-related strategies. This involved actively seeking foundation input and guidance during project development/assessment, seeking to

improve impact, evidencing a commitment to becoming increasingly innovative and effective, demonstrating willingness to be accountable and adopting a practice of candor and regular communication with foundations.

> *"I think it does because we do find ourselves making sure we keep in, I think, closer contact with some of the private foundations of keeping them up to date on what's going on." G-402*

As part of the trust-building process, grantees reported that they embraced foundation expectations regarding accountability. They acknowledged the importance of accountability within the context of foundation interest in achieving impact.

> *"You know, we have some due diligence with that foundation, and we want to steward it* [the grant] *well. We want the impact of their gift to be understood and, and that they can see that what we said we were going to do, we've done. So, you know, timely reporting and all those things are, are very important." G-101*

> *"A lot of a-accounting. You know what I mean? And you have to send the receipts for everything and if you have a draw. There's a level of accountability and transparency that, as a nonprofit you have to maintain, but especially when you're dealing with a private foundation." G-103b*

Figure 4

Grantee Strategies for Overcoming Challenges of Opacity in Achieving Partnered Philanthropy
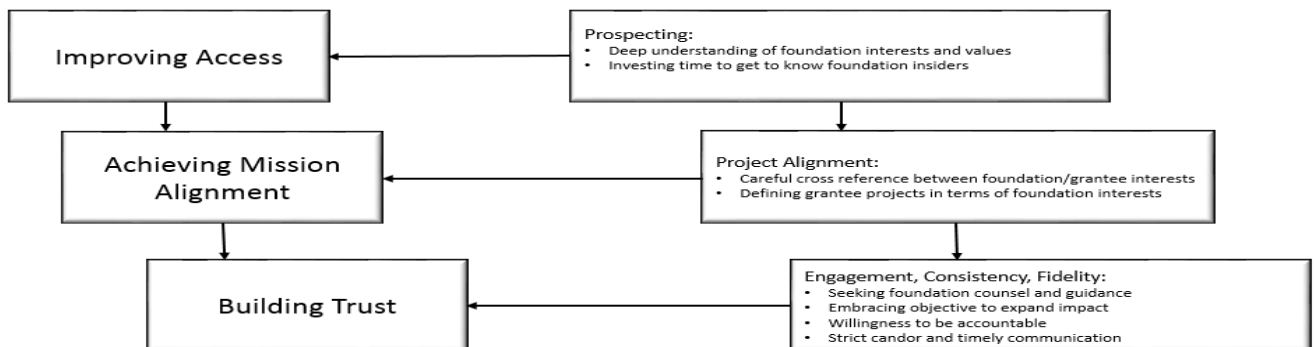
In seeking foundation input, grantees noted that foundations seemed to possess valuable insights into the communities they serve.

> *"What I see is a lot of our private foundations are gaining an understanding of the community and what the community needs are, and so they're working in partnership that way with the community as well." G-402*

> *"I think once we get a grant, I always assume there's an expectation that they are going to want to hear from us about how the dollars they've invested with us and what the impact has been. So, I mean, the relationship doesn't stop and start back up when it's time to reapply again, there's information sharing and sharing of successes and even setbacks with those foundations. In my experience, doing that has been very good, some foundations want more feedback than others. That's part of figuring out the relationship with the different private foundations and what their expectations are in terms of even recognition. Like I said, knowing how their dollars are impacting the community." G-204b*

To the extent grantees were able to execute on the aforementioned strategies, they reported that the foundations embraced and treated them as valued partners and that challenges related to both opacity and imbalanced power seemed to dissipate.

> *"I find the family foundations - private foundations - that we deal with to be really treating us like equal partners. I mean I feel like they are open to learning from us. They acknowledge that we're sort of experts in the thing that we do every day that they're curious and open to us shaping the, the grant project, so to speak, more so than their-- they make very few demands." G-204a*

Foundation Strategies:

Foundations reported several strategies they developed to reduce challenges related to opacity and power imbalances with grantees. These strategies seemed grantee-centered and driven by a genuine desire to enhance prospects for effective grant programs and achieve meaningful partnerships with strategic grantees. It is important to point out that these strategies

are not necessarily used by foundations in their interactions with all grantees. Instead, these strategies (especially as they compound on each other) appear to be selectively employed with grantees that foundations consider to be especially strategic.

Like grantee strategies, foundations reported strategies that seemed sequential, layered, and interactive. The following summarizes strategies foundations reported that seemed to overcome challenges in their relationships with strategic grantees, which are related to opacity and/or imbalanced power.

1. <u>Relationship Building</u>: Foundations reported that they intentionally showed their respect and appreciation for strategic grantees, which implied that such grantees were highly valued by their foundation partners. Foundations reported that they made conscious efforts to visit grantees where their programs are located to learn more about them and to acknowledge grantee significance.

2. <u>Enhancing Impact</u>: Foundations invested in the capacity of strategic grantees, helping them grow and become increasingly sustainable entities. For this purpose, foundations dedicated time, attention and resources targeted at building capacity with grantees. Foundations demonstrated great flexibility in their grant making and reporting requirements to support grantee effectiveness and wellbeing.

    Foundations also invested effort in securing additional resources (e.g., recruiting other funders, engaging consultants, convening interested supporters/colleagues) for the benefit of grantees. These are described by grantees as intangible resources – not grants per se, but additional resources that derived from partnerships with foundations. Lastly, foundations reported that they used reporting to enhance accountability and learning from grants.

"It's relationship building. I couldn't have done that the first year I was here, or even the third or fourth year I was here. But you can see them building up overtime. And then also, we've had a couple of people, you know - now they've been here ten years - when they first got here, I had the chance to mentor, coach, and train with them also. And then I've also done mentoring and such." FS-105

"They've been excited about what we're doing, and, really, I think talked to lots of other people in the community and it wasn't just the conversations we had with them directly but, the people, I guess recommended us. And, they ended up doing, actually, like a service project at one of our apartment complexes where they brought in their own friends and family on a day to create a soccer field for this complex that we own that had lots of refugees and probably homeless that live there. At the end of the day they ended up committing $250,000 for a pilot project that we're rolling out to end poverty. That's a collaborative project with a university and some economic professors there. So, they were willing to commit to a three-year grant for that which is still kind of unusual around here and have also introduced us to lots of [other supporters].*" G-107*
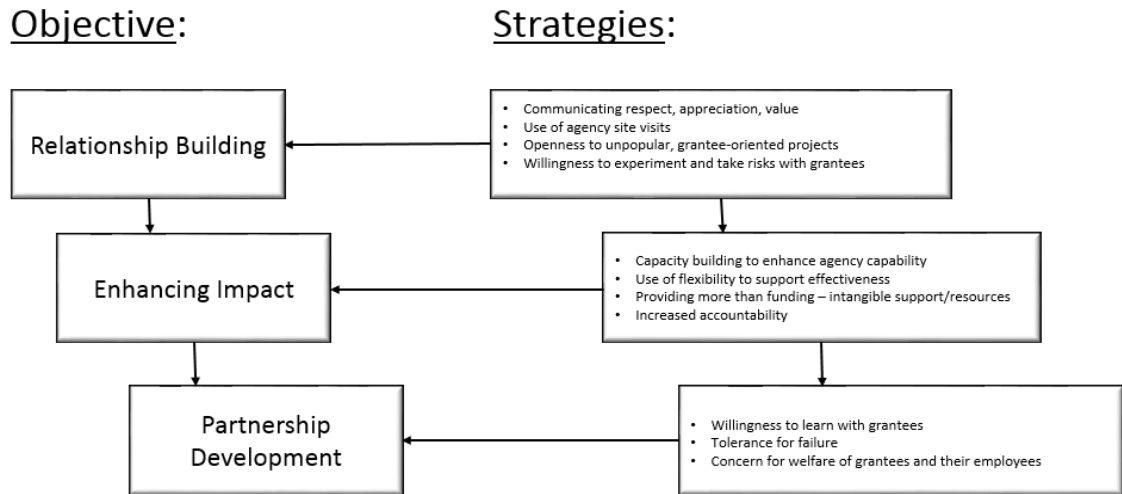
3. <u>Partnership Development</u>: At the partnership level of relationship, grantees and foundations reported that they enjoyed learning together from grant projects. Foundations demonstrated a significant tolerance for project failure so long as grantees were candid and timely about reporting such circumstances.

   Grantees seemed to experience foundations at this stage as being on their "team," that foundations trusted grantees and were genuinely interested in learning from projects for the express purpose of improving subsequent grants. Grantees perceived foundations as genuinely caring about their agencies and personnel. In an effort to achieve meaningful, long-term relationships, foundations funded multiple grants (e.g., renewals of existing or new grants) to strategic grantees.

   "I've been working with some foundations that allow that – allow informality, they'll treat you like an equal, listen to you and respect that your experiences are and I think that's the difference I'm feeling between private and public [funders] *–*

I get that from private funders…they value my experience and our thoughts." G-102

Figure 5

Foundation Strategies for Overcoming Challenges of Opacity & Imbalanced Power
in
Achieving Partnered Philanthropy

Objective: Strategies:

Relationship Building
- Communicating respect, appreciation, value
- Use of agency site visits
- Openness to unpopular, grantee-oriented projects
- Willingness to experiment and take risks with grantees

Enhancing Impact
- Capacity building to enhance agency capability
- Use of flexibility to support effectiveness
- Providing more than funding – intangible support/resources
- Increased accountability

Partnership Development
- Willingness to learn with grantees
- Tolerance for failure
- Concern for welfare of grantees and their employees

Ultimately, foundations treated strategic grantees more like valued partners – involving them in development of grant strategies, exercising flexibility in grant development and/or reporting requirements, engaging grantees in multiple grants for longer-term relationships and empowerment strategies such as use of agency site visits to acknowledge grantees and learn more about them. Perhaps most importantly is an apparent willingness to learn with grantees – providing a safe environment for grantees in which they can experiment and innovate. This involved a high tolerance for project failures.

"So, for us at least, we're really love to work with partners that are willing to be by our side to go through these bold changes so long as they're willing to put things on the line as well, and kind of rethink, and re-strategize, and-- but it-- we're not for everybody, and we really know we're not for everybody. And, and so, that has been part of our trying to communicate with our community. You have to be willing to engage in this over-arching, um, philosophy strategy" FB-221

> *"I tell my, my partners all the time, you guys are the experts. That's why I'm here, to learn from you. This is a partnership." FS-107*

> *"All the new organizations get a site visit, and we go on those site visits most of the time with board members, at least one board member." FS-351*

Emergent Theory

Codes were developed to help interpret data consistent with findings in the literature, as well as new, emergent findings. A priori codes corresponded to variables described in Chapter 2 and theoretical contexts introduced in Chapters 1 and 2. Emergent codes were developed consistent with unexpected observations in the data. While each code was tied to an applicable theory and research question, emergent codes did not have a specific corresponding theoretical framework. In Chapter 2, it was acknowledged that, depending upon the findings, an emergent, grounded theory might be needed. This turned out to be the case given the significant amount of data not sufficiently explained by a prior theory.

When one is equipped with significant advantages and/or privileges relative to others, it is possible to respond through a sense of entitlement, as would be predicted consistent with MLT, or alternately with a heightened sense of vigilance. According to MLT, presumed prerogatives and/or perceived nobility/good behavior can encourage entitled behaviors, which could result in increasingly opaque practices that are ever less transparent to outsiders. It is possible that some foundations may engage in self-justified obscurity and secrecy, taking full advantage of the prerogatives afforded them under U.S. Tax Law and the enabling nature of both MLT and RDT.

However, the foundation and grantee representatives interviewed for this research presented a very different set of foundation behaviors. Grantees observed that, consistent with

the tenants of opaque foundation practices, it can be very difficult to access and develop relationships with foundations. However, grantees reported that private foundations are more concerned with accountability than many other categories of grant making organizations. Further, when foundations and grantees successfully achieve a perceived alignment of mission and mutual trust, the data from this research suggested that it is possible that an alternative response to prerogatives enjoyed by foundations may occur.

In this research, the prerogatives bestowed on private foundations appeared to stimulate a heightened sense of vigilance in foundation practice. Instead of entitlement/arrogance, significant attention was given to internally-imposed accountability and desires for good outcomes from grants, but also to strategies clearly intended to engage and support grantee partners. When a more partnership-oriented philanthropy occurs, foundations seem to act as genuinely concerned and committed partners. This seemed to be an intentional response to a sense of duty that may be triggered by, reciprocal to, the extent of discretion experienced by private foundations. For the purposes of this research, this condition has been named *Burdened Prerogative Theory*, which has been developed from grounded theory in an effort to explain the vigilant response to prerogatives observed in the data.

> ***Burdened Prerogative Theory*** *is defined as a behavioral response to markedly high levels of unilateral discretion/prerogative resulting in vigilant conduct in fiduciary-related orientation and intentional effort to ease differences in power in relationships with dependent/subordinate parties who are strategically aligned with one's sense of purpose/mission. It stimulates a heightened sense of duty to achieve desired results associated with the level/source of privilege afforded resulting in a strong sense of alignment with, genuine empowerment of, less powerful, but important parties significantly associated with achieving desired results.*

Applying Burdened Prerogative Theory to the findings of this research provided a plausible explanation for foundation behaviors that are more grantee-centered than entitlement

and power driven. It posits that the prerogative itself can stimulate rectitude and a desire to empower strategic partners in a manner than supports and values them as valued constituents. Both foundation and grantee representatives interviewed in this research consistently described foundation conduct within the context of Burdened Prerogative Theory.

Grantees confirmed their experience of feeling valued by their foundation partners and expressed significant confidence in such relationships. This experience was affirming to grantees that they were meaningful to their foundation partners. This included a kind of foundation-grantee partnership analogous to angel investors and private equity where investors are willing to invest in risky ventures for potential significant gains and engage with, provide more than financial support for, their partners.

> *"The intangibles* [private foundations provide] *are important. Leveraging their knowledge and contacts is the best of both worlds. They have a lot of experience and other resources to offer. I would go to private foundations first. So, it's the very same thing in the business world, you know. Angel investors* [as with private foundations], *right? You know, at each level* [of financing], *there's a different standard and willingness to help. And then in the last level, it's, you know, big bank. At each level there's a, there's a different standard* [with respect to] *your track record* [expected results and level of risk]. *I've had multiple people in the private foundation world say, listen, I'm less concerned about if it works or not. What I'm most concerned is what we learn. So, if it works and we learn something, that's absolutely fantastic. If it doesn't work, but we learn something, that's still a win." I would say the angel investors are closest to the private foundations. Angel investors and possibly venture capital."* G-107

> *"They treat you like family"* G-402

Observations from Foundation/Grantee Pairings

In addition to findings from a rigorous data coding process, consistencies in information provided by paired foundations and grantees were captured and organized. Fourteen of the grantee representatives interviewed were paired with private foundations were also represented

in this research. This provided rich insights regarding perceptions of foundations and grantees relative to their interactions with each other.

This section of Chapter 4 reports on commonalities in foundation and grantee observations. The next section reports on grantee observations that were not necessarily shared by their foundation counterparts. Common observations from foundation/grantee pairings confirmed many of the findings already reported in prior sections of this chapter.

This was another important way to triangulate findings in this research. Observations reported from foundation/grantee pairings were highly consistent with findings previously reported. Common observations from the fourteen pairings of foundations and grantees are summarized below.

1. Private foundations are thought to be highly relational, employing more of a human touch than bureaucratic processes. This is sometimes confusing to grantees, because gaining access to, and working with, private foundations is not merely a matter of reading a list of funding interests and filling out an application. Instead, gaining access requires a significant investment of time in getting to know foundation insiders well before submitting a proposal.

2. Private foundations impose high levels of accountability on grantees. Grantees reported that foundations actually read their reports and want to understand them at a meaningful level. Accountability is not just an exercise, there seems to be a genuine intentionality about using accountability to enhance effectiveness and outcomes of grant projects.

3. Private foundations are perceived as being more willing to take risks and open to learning with grantees. There seems to be a spirit of joint discovery and mutual commitment to learning.

4. Private foundations seem to be especially nimble, highly efficient and flexible grant makers. Grantees report that foundations respond timely to their proposals and can be flexible about a variety of grant requirements.

5. Private foundations are intensely focused on achieving genuine outcomes from their grants.

6. Private foundations are far less sensitive to outside pressures than other kinds of grant makers. Grantees believe foundations are free to make grants based upon their merits without concern about political consequences. Further, grantees find that they are not generally successful in asserting outside pressure to their advantage. They report that private foundations reject efforts at outside pressure on foundations Instead, it appears that grantees need to employ good prospecting, project alignment and engagement strategies to achieve genuine influence with foundations.

7. Private foundations have significant expectations of grantees with respect to communication. Grantees believe that foundations want to know timely about significant developments, good or bad.

8. Both grantees and many of the foundation representatives interviewed thought that private foundations tend not to share important insights gained from innovative grants with the broader philanthropic community. For example, several private foundations said they just don't have the staffing to systematically disseminate information about their grants. Some suggested the field has failed to provide efficient ways to share information externally. However, some foundation representatives thought foundation associations provide sufficient mechanisms for this purpose.

9. A very interesting finding is that when private foundations are large (in terms of assets) and located a long distance from grantees, such foundations are considerably less relational and instead much more bureaucratic.

10. Grantees and foundations agreed that large private foundations are easier to prospect. This is because large foundations tend to use technology more effectively and have stronger communications abilities.

11. Despite being easier to prospect, foundations and grantees agreed that large private foundations are more difficult to access and to develop relationships with.

12. Foundations and grantees generally agreed that an imbalance of power exists between them. They seemed to accept that this was merely a natural consequence of the resource-intensity of foundations and resource-dependence of grantees. However, both reported that when grantees achieve strategic status, the ill-effects of this imbalance of power, similar to other issues related to opacity, become much less an issue. Grantees who viewing themselves as strategic thought the imbalance of power with foundations had become effectively irrelevant and were effectively neutralized.

13. Despite a lack of sharing of important outcomes from grants externally, grantees and foundations were quickly able to cite important innovations made possible by foundation grants. This supports the finding that private foundations seek, and have achieved, important innovations in responding to society's problems.

Grantee Only Concerns

The following are findings regarding grantee-only perspectives. These perspectives did not consistently emerge in foundation interviews.

1. Private foundation interests can change too quickly. While their nimbleness is admired and appreciated by grantees, an unwelcome consequence of the highly efficient and flexible nature of private foundations is that they can change grant interests prematurely, which is often viewed as being disruptive to grantees.

2. Private foundations expect timely communication from grantees, but may fail to timely communicate changes in funding interests and/or other information important to grantees. Grantees cited circumstances where they had developed grant proposals based upon previously expressed foundation interests only to discover that unannounced changes had occurred making such proposals less relevant.

3. Grantees reported that private foundations with which they are not familiar can be mysterious and difficult to access and to get to know.

4. Grantees reported that their best relationships with private foundations are based upon a perceived alignment of interest and development of mutual trust.

5. Once a meaningful relationship is developed, grantees overwhelmingly prefer working with private foundations compared to other grant making organizations.

6. Grantees suggest that private foundations are intensely relational, care deeply about grantee organizations and personnel and offer much more than just grants including intangible resources.

Emergence of Partnered Philanthropy

An unexpected finding from the interviews with foundation and grantee representatives was how different grantees may experience their interactions with foundations depending upon whether they are considered to be strategic. It is useful to recall that grantees become strategic to foundations when an alignment of mission and development of mutual trust are achieved. It was

apparent that the process of becoming a strategic grantee is both involved and requires initiative by grantees in achieving access and alignment of mission.

Achieving strategic grantee status seemed to obviate some challenges related to opacity and imbalanced power. Further, this also appears to catalyze positive changes in foundation behavior toward grantees. Getting to this point in relationship development requires initiative and an investment of time by both foundations and grantees with respect to achieving mutual trust, which leads to the emergence of a genuine sense of partnered philanthropy.

Partnered philanthropy seemed to involve a desire by foundations and grantees to work together in a fashion that demonstrates mutual respect, appreciation and value. Further, both foundations and grantees seemed to have mutually interest in experimenting, learning together and enhancing effectiveness of grant projects. In these partnerships, the positive outcomes from opacity seemed to be preserved, but additional beneficial dynamics also emerged. This seemed to mute negative effects of opacity and imbalanced power while preserving advantages made possible by opacity in private philanthropy. This presumed that grantees effectively implemented strategies identified in this research and that foundation behavior was catalyzed by Burdened Prerogative Theory rather than entitlement.

These seemed to represent unintended benefits associated with opaque foundation practice. Such benefits are, however, the result of voluntary attitudes and behaviors of foundation insiders. Such foundations attitudes and behaviors seemed reasonably explained by Burdened Prerogative Theory, which emerged from the development of grounded theoretical approach. An emergent theory was needed, because foundation behavior discovered in this research regarding opacity and imbalanced power are so different than what was in the private foundation literature.

Furthermore, neither MLT nor RDT provided reasonable explanatory capability with regard to certain discoveries in this research.

Partnership-oriented foundation attitudes and behaviors discovered in this research may not be consistently practiced across all private foundations. However, the findings in this research were generally consistent across all 33 foundations represented. Further, not all grantees may experience partnership orientations with foundations as suggested herein, because they may not have achieved sufficient access, alignment of mission and/or mutual trust. Figure 6 illustrates the sequence of events that appear to be conditions precedent to partnered philanthropy.

Figure 6
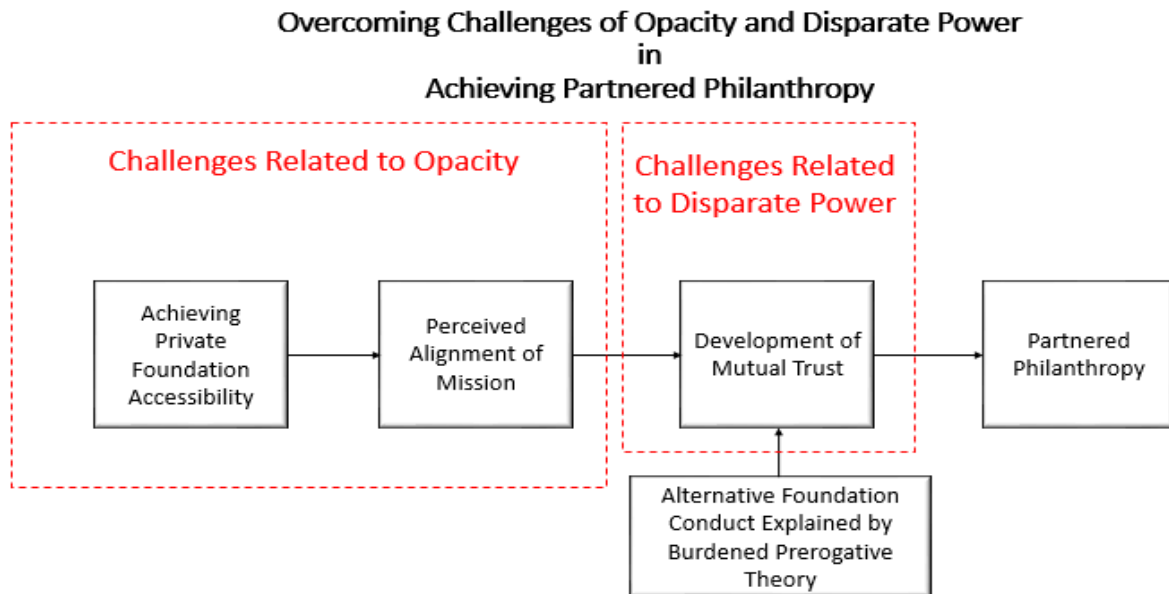
Overwhelmingly, the grantees interviewed seemed to enjoy strategic status with the foundations in which they were paired. It was interesting that all grantees had experiences with multiple private foundations, as well as other kinds of grant making organizations. So, grantees were able to contribute informed commentary on their relationships with private foundations in

which they have achieved strategic status by comparison to experiences with foundations in which such status was not achieved, as well as other categories of grant makers.

Conclusion

While transparency seems an inherently noble and worthy objective, one must be careful about deciding when, where and how it should be enhanced and/or enforced. In the case of private philanthropy, it appears that a lack of transparency may actually contribute to the ability to pursue important grant projects that might not be politically popular, take risks for the purposes of seeking innovation, enjoy a healthy tolerance for failure and permit greater intentionality and focus on grant interests specific to each foundation. The findings in this research suggest that transparency is not always useful to purposeful work and may actually impede some important progress (Briscoe & Murphy, 2012, Hannan, Polos, Carroll, 2003).

By contrast to findings in the private foundation literature, the foundations and grantees interviewed consistently expressed considerable enthusiasm for working with each other. Grantees acknowledged the opaque nature of private philanthropy impedes access and made developing meaningful relationships time and effort-intensive.

Grantees have developed specific strategies to overcome barriers to access to, and for developing trusting relationships with private foundations. Interestingly, once grantees achieve an alignment of interest and establish a meaningful level of trust with private foundations, foundations also engaged in strategies intended to enhance relationships with grantees. Further, foundations reportedly engaged strategic grantees in a fashion analogous to relationships in the private equity sphere where many resources (in addition to capital) are provided with the goal of doing everything possible to encourage successful outcomes. Challenges associated with opacity and coexisting imbalanced power seem to dissipate for strategic grantees and private foundations

under the conditions of partnered philanthropy, which seemed to catalyze foundations in becoming intensely committed to grantee success and engaging in a series of behaviors conducive to achieving a genuine sense of partnered philanthropy with such grantees.

Several findings from this research are different than what was discovered in the private foundation literature. While opacity and many of the problems it can create were clearly present in the findings, many findings suggested that foundations and grantees (at least strategic grantees) are working together effectively and in a manner that emphasized mutual respect, appreciation and value. Interestingly, strategic grantees reported that they preferred working with private foundations over other kinds of grant making organizations. However, grantees did not experience similar positive working relationships with foundations that were both large and distal.

> *"So, both* [a large national foundation] *and* [a large out of state regional foundation] *have gotten more bureaucratic and less easy to work with.* [*The local foundation*] *is very easy to work with.* [The large national foundation] *being the hardest,* [the large out of state regional foundation] *being about less hard, and* [the local] *being the easiest." G-122*

> *"It's a lot more difficult with a foundation that's out of state and more a national focus….It's more difficult." G-204b*

Based upon this research, it would seem important to avoid painting private foundations with a broad brush with respect to behaviors related to opacity and imbalanced power. Evidence from this research suggested that many foundations seem to act as faithful stewards of the tax-advantaged funds they oversee, seek to achieve meaningful benefits for society and utilize the privileges of opacity in ways that are instrumental to effective philanthropy.

Chapter 5: Discussion, Implications and Limitations

Introduction

This research explored the existence and effects of opacity within the context of private philanthropy. Consistent with concerns regarding corporations (Kelly 2009), the private foundation literature called for greater transparency in private philanthropy (Fleishman 2007, Ostrander 2007, Leat 2006). Yet, the literature did not define opacity nor did it comprehensively explore private foundation opaque practices.

Private philanthropy provided a unique context for studying issues related to opacity, because it operates in an exclusively private manner but manages tax-advantaged funds. This conundrum of private organizations versus the right of the public to know how tax-advantaged funds are being used brings forward transparency and opacity related issues in a powerful way.

This study defined opacity within the context of private philanthropy and provided a rich exploration of opacity-related issues. Insights generated by this research can be helpful to both practitioners and policymakers in considering issues related to opacity and transparency within the context of both corporate and social institutions.

Sandy (2007) asserted that private foundations are among the least accountable social institutions in the United States. However, this assertion was based principally upon measures of external accountability, not internal practices regarding accountability. This study contributed to a more complete exploration of private foundation practices regarding accountability.

Boldouc, Buchanan and Buteau (2007) cited serious problems with respect to private foundation-grantee relations, which seemed related to opaque foundation practices and an imbalance of power between foundations and grantees. Boldouc, Buchanan and Buteau (2007) prompted greater awareness of issues related to foundation-grantee relations with grantee perception surveys. However, to achieve a deeper understanding of important contextual issues related to foundation-grantee relations, a qualitative study was needed.

While the literature raised serious concerns about private philanthropy, it did not provide a theoretical framework to enhance understanding of these concerns or explain how such challenges might be overcome. This research provided theoretical contributions by exploring two existing theories (e.g., MLT, RDT) to help understand observations in the private foundation literature and developing grounded theory (e.g., Burdened Prerogative Theory) to explain observed foundation behaviors that were different than what would have been predicted based upon the private foundation literature.

Based upon the private foundation literature, it could have been reasonably expected that this research would merely confirm concerns cited regarding opacity, imbalanced power and foundation-grantee relations. In fact, the existence of opacity in private philanthropy was confirmed as were certain related negative consequences.

The research findings also identified important positive outcomes made possible by opacity and discovered intentional foundation behaviors that demonstrated both a strong commitment to significant internal accountability and to enhancement of grantee relations. These were unexpected findings that involved contextual positive circumstances that are important to understand for the purposes of effective public policy regarding private philanthropy and nonprofit practice.

This was a large research project, especially for a qualitative study, involving 33 foundations, 16 grantees, 51 interviews and confirmation of findings with six domain experts. Four research questions were developed to guide an exploration of opacity, organizational/environmental factors that lead to opacity, specific consequences of opacity and strategies foundations and grantees had developed to overcome challenges that arise from opacity and imbalanced power.

It may seem reasonable that the public has a right to know what is happening with the management of tax-advantaged funds inside private philanthropy. However, the privacy literature points out that achieving transparency can impose potentially significant costs (Hannan, Polos, Carroll, 2003). In the case of private philanthropy, it was discovered that opaque practices are used by foundations to improve the efficiency and effectiveness in their grant making. Fleishman (2007) predicted the policymakers may impose greater transparency requirements on private foundations. The findings from this research raise questions about the advisability of such a potential change in public policy.

The following portions of this chapter are divided into five sections. First, the existence and importance of opacity is discussed. Second, the significance of the negative and positive consequences of opacity is explored. Third, the need for foundation and grantee strategies in overcoming challenges related to opacity and imbalanced power is acknowledged. Fourth, contributions to management, nonprofit practice and theory are described. Lastly, limitations and need for additional research are detailed.

Existence and Importance of Opacity

Chapter 4 reported five specific findings strongly supporting evidence that private philanthropy is practiced in significantly opaque circumstances. Taken together, these observations in the data are strongly indicative of a domain that enjoys a markedly highly level

of opacity/insularity. While private philanthropy was found to be significantly opaque, understanding opacity within the context of this domain is nuanced by circumstances unique to the field. This has to do with the fact that private foundations manage tax-advantaged funds, but such funds are completely derived from private contributions.

Analysis of data from this research involved an exploration of possible applications of MLT and RDT in enhancing understanding of opaque foundation practices. The data did not support expectations regarding entitlement-related foundation behaviors as might have been expected within the context of MLT. However, it was clear that RDT does have a significant influence with respect to encouraging opaque foundation practices. It was evident that elevated power associated with being resource-intense entities enabled foundations to engage in opaque practices. Emergent theory was needed to more comprehensively explain private foundation behaviors that were unexpected based upon the private foundation literature.

Foundations reported that they enjoyed considerable discretion with respect to what, how and when they choose to fund. They did not perceive the need to account publicly for their grant decisions or for outcomes achieved. Grantees did not question the right of foundations to make grant-related decisions or challenge the making of such decisions in private settings.

Opacity is also enabled by deferential legislative policies regarding private foundations. Foundations described their legal restrictions as minimal and ostensibly non-intrusive. Considerable latitude is afforded private foundations under U.S. law. It seems that interacting effects of disparate power induced by RDT and a highly deferential regulatory environment contribute significantly to the inducement of opacity within private philanthropy.

The narrative regarding opacity and transparency in private philanthropy is complicated by the question of whether private foundations exist in the public domain. Does the fact that the

funds managed by foundations are entirely the subject of private contributions put private foundations outside the public sphere? Or does the fact that the funds private foundations manage are tax-advantaged place them in the public sphere?

These are complicated questions, but it seems that private philanthropy exists somewhere between the public and private contexts in that they are privately funded but are also subject to public policy (e.g., required level of annual distributions, restricted to charitable activity, prohibition of self-dealing) in a way that completely private entities are not. Thus, the concept and context of opacity in private philanthropy is complicated and anything, but straightforward.

Opacity clearly presents challenges, especially to interested outsiders who cannot see into and/or understand foundations and their activities. Further, opacity seems to aggravate challenges related to imbalanced power between collaborating entities. Collaborating entities are likely to possess disparate power. Understanding opacity and its effects on co-existing imbalanced power could be very helpful to both practitioners and policymakers.

Importance of Negative and Positive Consequences of Opacity

Negative consequences of opaque foundation practices observed included a pattern of difficulty with respect to access, rapid changes in grant interests and ineffective, occasionally non-existent, external communication. These negative opacity-related challenges are of great concern to nonprofits who seek grants from private foundations.

However, it may not be necessary for private philanthropy to provide an open access process similar to public grant makers. Findings suggest that there are contexts in which foundations and grantees enjoy particularly effective relationships. Given the propensity of private foundations to pursue innovative grantee partners and grant projects, it seems that selection of grantee partners may be especially important to foundations. Barriers to access and

required rigors related to relationship development may serve as filtering mechanisms, permitting only the most persevering and qualified grantees to achieve meaningful relationships with foundations. Grantees who succeeded in developing meaningful relationships with private foundations reported that the benefits of such relationships were worth the effort and time required to achieve them.

The opaque circumstances in which foundations operate also create several interesting and important advantages over public grant making entities. Such opacity-facilitated advantages included the privacy in which to make controversial but important grant decisions, ability to support grantees with a healthy tolerance for potential failure, capacity to take risks in pursuit of innovation and a nimbleness/flexibility to quickly adapt to changing circumstances. These are not trivial advantages enjoyed by private philanthropy. Both foundations and grantees acknowledged the existence and importance of these advantages, which are made possible out of the opaque circumstances of private philanthropy.

Necessity of Grantee and Foundation Strategies

Given reported challenges arising out of opaque foundation practices, grantees need highly effective strategies to gain access to, develop perceived mutuality of mission with and inspire trust by foundations. Without effective strategies for such objectives, nonprofits are unlikely to access and/or develop meaningful relationships with private foundations.

In this regard, grantees reported that effective prospecting strategies helped overcome challenges related to foundation inaccessibility. They also reported they had developed strategies in repackaging their projects in a fashion more likely to be viewed as aligned with foundation interests and values, and subsequently developing/maintaining perceived trustworthiness.

Interestingly, foundations also reported that they perceived the need for strategies to enhance their relationships with grantees. It seemed that grantees perceived by foundations as especially strategic were more likely to consistently benefit from such strategies. Foundation strategies focused on relationship building, enhancing impact and enabling effective partnerships.

Foundations and grantees both reported that they enjoyed opportunities to experiment/innovate, learn with each other and were more willing to be mutually accountable in expanding impact from grants. Faithful execution of both foundation and grantee strategies was necessary to achieve a status discovered in this research, herein referred to as partnered philanthropy.

Partnered philanthropy seemed to occur when both foundations and grantees experienced a strong sense of mutual purpose, value, trust and respect. When these attributes existed, both parties appeared to perceive grant making as a genuine partnership exercise in which each has meaningful input in developing strategies/tactics and a sense of ownership relative to such charitable ventures. Characterized by pronounced high levels of mutual trust, partnered philanthropy involved a willingness by foundations and grantees to learn together when experimenting in an effort to expand impact. These are conditions generally considered essential to effective inter-organizational collaboration (Porter & Kramer, 1999).

Under the conditions of partnered philanthropy, the foundations in this research overwhelmingly engaged in behaviors not expected based upon the existing private foundation literature. Instead of acting as a secret society, foundations willingly lowered the curtain of opacity for, and empowered, strategic grantees as valued partners. In this context, foundations became highly engaged in supporting both the projects they funded and the wellbeing of grantee organizations. Grantees reported that foundations provided important contributions to their work above and beyond the grants they made. This included

assistance in securing additional financial support, access to content experts and providing valuable advice and consultation, as well as employing flexibility with respect to grant requirements.

Such behaviors required a grounded theoretical framework to better understand and explain, since they were unexpected under existing theory. Neither MLT nor RDT could help explain these unexpected foundation behaviors. These voluntary behaviors were clearly not prompted by entitlement or disparate power. Instead, they were aligned with a sense of genuine benevolence and commitment to both grant outcomes and grantee wellbeing. They demonstrated both a sense of internally-generated accountability for achieving positive outcomes for public good and an appreciation for grantee partners. These behaviors were markedly different than what had been found in the private foundation literature and they required a new theoretical framework to sufficiently understand. This led to the emergence of Burdened Prerogative Theory, which represents a significant contribution in better understanding certain foundation behaviors within the context of opacity.

Contributions to Management, Nonprofit Practice and Theory

There are several contributions to management, nonprofit practice and theory that arise out of the findings from this research.

Contributions to Management

At least two contributions to management were made by this research. They are as follows.

1. <u>Implications for Supervision of Frontline Employees</u>: Inter-firm collaboration is intensely relational (Bresnen & Marshall 2001). Collaboration between collaborating entities is typically realized through the interaction between frontline employees (Ploetner & Ehert 2005). Managers/supervisors need to closely monitor frontline employee interactions within the context of collaboration-related priorities, especially where conditions of opacity and/or imbalanced power are present. More opaque/powerful firms may need to intentionally sensitize their frontline employees to enhance their respect, trust and valuing

for frontline employees of less powerful firms in order to achieve greater value from them. Foundation practices described in Chapter 4 may be useful in this regard.

2. Differentiating Importance of Potential Partners: It may be important to differentiate between strategic and non-strategic partnering firms when emphasizing collaboration-enhancing strategies. Not all partners represent equal value within the context of firm priorities. The process by which foundations and grantees achieve strategic partnerships could be useful to management practitioners.

Contributions to Nonprofit Practice

There are at least three contributions regarding nonprofit practice that emerge from this research:

1. Public Policy Regarding Transparency: This research discovered that at least some private foundations utilize opacity to enhance the efficiency and effectiveness of their grant making. Further, insights gained from foundation participants in this study showed no evidence of entitlement-related conduct or misuse of the prerogatives enjoyed under the applicable law or disparate power related to resource-intensity. To the contrary, these foundations were intensely focused on achieving increasingly greater public benefit. According to the grantees interviewed, private foundations seemed to be even more focused on achieving meaningful outcomes than other categories of grant makers. If policymakers were to impose greater transparency requirements on private foundations, it could adversely affect unique contributions to society by private foundations made possible by conditions of opacity, as well as willingness of future donors to create foundations.

2. Foundation Strategies: The broader private philanthropic community could learn from foundation strategies discovered in this research for the purposes of enhancing grantee relations. Grantee verification of the positive effects of such strategies suggested they represent foundation-related best practices.

3. Grantee Strategies: Grantees provided valuable insights regarding how they improve access to, align missions with and become increasingly trusted by foundations. These strategies can be viewed as best practices among nonprofits when interacting with private foundations.

Theoretical Contributions

There are two theoretical contributions from this research.

1. Use of RDT in Explaining Disparate Power: This research used RDT to explain observations in the literature that can be attributed to disparate power between foundations and grantees. Existence of disparate foundation power was substantiated in interviews with both foundations and grantees. However, interviewees consistently observed that the effects of disparate power dissipated under conditions of improved foundation-grantee relations. This observation was not anticipated in the literature and seemed inconsistent with tenants of RDT, further supporting the need for emergent theory.

2. Use of Grounded Theory – Burdened Prerogative Theory: There was no evidence of MLT-related entitlement behavior by foundation participants in this study. Given that MLT ultimately proved not useful in explaining private foundation practice, emergent theory was even more needed to explain observed behaviors that would not have been expected based upon the existing private foundation literature. Accordingly, emergent

theory derived from this research helped explain why people afforded with great privilege and discretion and an absence of significant external accountability seem to act in a fashion that is highly vigilant rather than entitled. When given circumstances where private parties are afforded considerable discretion in overseeing wealth without significant external accountability, one of two responses might be expected to occur.

a. One response might be a self-serving, entitled attitude of privilege (Klotz & Bolino, 2013). Related observations from the private foundation literature focused seemed to be born out of opacity and RDT in private philanthropy. Measures of transparency might guard against this potential (Jennings, Mitchell, Hannah, 2014).

b. However, an alternate response was observed, one of vigilance reciprocal to the extent of privilege experienced. Burdened Prerogative Theory was developed to help explain this alternate behavior. This observed alternate response to privilege represented an unexpected finding, but was highly consistent throughout the 51 interviews.

Limitations

Caution should be exercised when transferring the findings from this research to the entire field of private philanthropy. Research is inescapably contextual. Accordingly, the findings reported herein should be considered within the specific context of this research, including some of the following limitations.

This was a relatively large study with 33 foundations and 51 interviews. There was considerable diversity in size and geographical location of foundations and grantees is represented in this research. However, willingness to participate in this kind of research may

constitute some form of self-selection in the sample. Great effort was dedicated to achieving a reasonable purposive sampling, but it is still possible that the foundations in this study may not be fully representative of the entire field. Willingness to participate in research such as this might correlate with a more intrinsically collaborative nature that could lend itself to greater partnership orientation. It is, however, important to note that all foundation participants were recruited by intermediaries (foundation associations) and that nearly two-thirds of the foundations recruited agreed to participate suggesting a fairly significant and consistent level of openness to collaborating with this research.

It may also be possible that foundations who participate in professional associations could be more outwardly oriented and inherently less opaque. However, the findings from this research showed considerable evidence of opacity consistent with observations in the literature (Sandy 2007, Ostrander 2007, Leat 2006). An unexpected finding was that when alignment of mission and the development of mutual trust were achieved, effects of opacity and imbalanced power seemed to dissipate.

Foundations can be highly unique in their interests, philosophies and conduct. It is possible that some foundations may conduct themselves in ways different than as represented by the findings in this study. However, the findings from foundation representatives were highly consistent, providing compelling evidence that the observations from this research may be reasonably transferrable to a larger context. However, grantee participants reported that foundation conduct is markedly different with larger, more remotely located foundations. This may also account for some differences in the findings from this research when compared to the existing private foundation literature.

It is possible that focus on foundations largely located in the Southwest could induce certain cultural orientations that might affect attitudes and behaviors between foundations and grantees by comparison to other regions. However, seven foundation participants were located outside the Southwest and the findings associated with these foundations were highly consistent with those of other participating foundations. Grantee representatives outside the Southwest were also interviewed. Further, findings from this research were shared with domain experts, some of which were also located outside the Southwest. All of the domain experts (four foundation and two grantee experts) confirmed the findings from this research, which would seem to support both the trustworthiness and transferability of findings herein.

Needed Future Research

This study suggested there may be significant differences in how large, non-local foundations behave by comparison to small to medium-sized foundations that are more proximally located to grantees. While this observation emerged from this research, it was not studied. Differences in foundation behavior by scale and proximity should be specifically studied.

Another finding not sufficiently studied herein was the observation that private foundations too often fail to share valuable outcomes and innovations with the broader philanthropic community. The causes of this failure within private philanthropy and options for achieving more meaningful sharing of important grant outcomes should be further studied.

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Appendix A
Interview Guide for Foundation Board Members

Demographic Information (to be completed ahead of the interview):

Interview number:

Gender:

Name of foundation:

Size of foundation:

Website:

Questions for Interview:

1. I'd like know more about your involvement in the foundation. Can you tell me a about your participation with this foundation? How long have you been part of the foundation?

   Possible further probing: Did you know the donor, his/her family, or other board members before serving on the board?

2. Let's talk about your foundation. I'd like to understand how board members appointed and their terms. Can you help clarify this for me?

   Possible further probing: Are there outside stakeholders such as grantees on your board?

3. Can you help me understand the key stakeholders in the foundation? Who are the important parties to the foundation?

   Possible further probing: If outside stakeholders, can you provide examples?

4. Let's talk a bit about your grant strategies. Who is involved in the grant decision making in your foundation?

   Possible further probing: How much discretion does your foundation possess in making grant decisions?

5. Have you experienced outside pressures with respect to grant making? If so, how have such outside pressures affected your grant making?

   Possible further probing: Can you provide examples of outside pressure you've experienced?

   Possible further probing: Does your foundation publicly disclose the grants it makes? If so, how is this done? Does the foundation routinely share the results of its grants with others?

6. In your experience, are there advantages to the private nature of your foundation compared to other funders? Can you provide examples?

   Possible further probing: Have you experienced disadvantages from the private nature of your foundation compared to other funders? Can you provide examples?

7. How do you think the non-public nature of private foundations affects decisions about:

   1) Who to fund?

   2) Your funding objectives?

8. What kinds of grant projects would you consider to be especially risky? Have you funded some of those? Can you provide examples?

   Possible further probe: What is your impression about the relationship between grant projects with significant risk of failure and potential for innovation?

   Possible further probe: How would you describe your foundation's attitudes about risks in grant making?

9. Looking at the matter of key stakeholders, let's step back – earlier I asked about your thoughts regarding key stakeholders. I'm interested in better understanding possible imbalances of power with grantees. Some foundations consider grantees as stakeholders. So, it would be helpful to talk a little about your foundation's relationship with grantees.

   1) How would you assess the relationship between the foundation and its grantees?

2) What is your experience with respect to a possible imbalance of power between the foundation and its grantees?

3) Have you developed specific strategies to overcome concerns about such an imbalance of power?

10. Your foundation has done some great work. How do you share information about grant outcomes with others outside the foundation?

11. Is there anything else you would like to add to your comments before we end this interview?

Wrap-Up Comments:

Once again, thank you for your time, candor, and contributions to this research. Your comments will be helpful in pursuing this inquiry.

1. May I summarize key takeaways from this interview to be sure I understand your thoughts accurately?

2. Would you be willing to respond to a follow-up call if additional questions arise as I reflect on your comments?

3. Please feel free to contact me at rjreid@okstate.edu or 575-318-8089 if you have additional thoughts to share and/or questions regarding our project.

4. Do you have any questions before we conclude this interview?

5. Is there anyone else, inside the foundation or a grantee, you think I should contact?

6. Once again, thank you for your time and assistance, this concludes our interview.

Appendix B
Interview Guide for Foundation Staff

Demographic Information (to be completed ahead of the interview):

Interview number:

Gender:

Name of foundation:

Size of foundation:

Position:

Website:

Questions for Interview:

1. I'd like know more about your involvement in the foundation. Can you tell me a about your participation with this foundation? How long have you been part of the foundation?

   Possible further probing: Did you know the donor, his/her family, or other board members before serving on the board?

2. Let's talk about your foundation. I'd like to understand how board members appointed and their terms. Can you help clarify this for me?

   Possible further probing: Are there outside stakeholders such as grantees on your board?

3. Can you help me understand the key stakeholders in the foundation? Who are the important parties to the foundation?

   Possible further probing: If outside stakeholders, can you provide examples?

4. Let's talk a bit about your grant strategies. Who is involved in the grant decision making in your foundation?

   Possible further probing: How much discretion does your foundation possess in making grant decisions?

5. Have you experienced outside pressures with respect to grant making? If so, how have such outside pressures affected your grant making?

   Possible further probing: Can you provide examples of outside pressure you've experienced?

   Possible further probing: Does your foundation publicly disclose the grants it makes? If so, how is this done? Does the foundation routinely share the results of its grants with others?

6. In your experience, are there advantages to the private nature of your foundation compared to other funders? Can you provide examples?

   Possible further probing: Have you experienced disadvantages from the private nature of your foundation compared to other funders? Can you provide examples?

7. How do you think the non-public nature of private foundations affects decisions about:

   1) Who to fund?

   2) Your funding objectives?

8. What kinds of grant projects would you consider to be especially risky? Have you funded some of those? Can you provide examples?

   Possible further probe: What is your impression about the relationship between grant projects with significant risk of failure and potential for innovation?

   Possible further probe: How would you describe your foundation's attitudes about risks in grant making?

9. Looking at the matter of key stakeholders, let's step back – earlier I asked about your thoughts regarding key stakeholders. I'm interested in better understanding possible imbalances of power with grantees. Some foundations consider grantees as stakeholders. So, it would be helpful to talk a little about your foundation's relationship with grantees.

   4) How would you assess the relationship between the foundation and its grantees?

5) What is your experience with respect to a possible imbalance of power between the foundation and its grantees?

6) Have you developed specific strategies to overcome concerns about such an imbalance of power?

10. Your foundation has done some great work. How do you share information about grant outcomes with others outside the foundation?

11. Is there anything else you would like to add to your comments before we end this interview?

Wrap-Up Comments:

Once again, thank you for your time, candor, and contributions to this research. Your comments will be helpful in pursuing this inquiry.

1. May I summarize key takeaways from this interview to be sure I understand your thoughts accurately?

2. Would you be willing to respond to a follow-up call if additional questions arise as I reflect on your comments?

3. Please feel free to contact me at rjreid@okstate.edu or 575-318-8089 if you have additional thoughts to share and/or questions regarding our project.

4. Do you have any questions before we conclude this interview?

5. Is there anyone else, inside the foundation or a grantee, you think I should contact?

6. Once again, thank you for your time and assistance, this concludes our interview.

Appendix C
Interview Guide for Grantee Representatives

Demographic Information (to be gathered in advance of interview):

Interview number:

Gender:

Name of grantee organization:

Approximate number of foundation grants received:

Number of years on the staff:

Agency website:

Questions for Interview:

1. How long have been working with this agency? Have you worked with other nonprofits?

2. How frequently have you approached foundations for possible funding?

3. Have you received grants from one or more foundations?

   Possible further probing: Can you share with me examples of foundation grants you've received?

   Possible further probing: Who do you typically seek out for grants? Who is the most accessible out there as a funder?

4. Let's talk about the grant process. What has been your experience in working with private foundations compared to other kinds of funders?

   Possible further Probing: Are private foundations easier or more difficult to work with? How and in what ways?

5. Are private foundations easier or more difficult to understand than other kinds of funders in terms of their grant making interests and decisions?

6. When would you prefer to approach for a grant - private foundations versus other kinds of funders?

   Possible further Probing: How is it like to work with private foundations once you get a grant? How do they treat you?

7. How does the private nature of private foundations affect your thoughts about when and how to approach them with possible funding requests?

   Further Probing: How is the private context of private foundations beneficial or harmful to grantees?

8. Are you aware of important innovations emerging from foundation grants?

   Further probing: When innovations emerge, how do foundations share such outcomes with outside concerns? Can you describe how an innovation was shared externally by a foundation?

9. How do your strategies in working with private foundations vary by comparison to other kinds of funders?

10. In your experiences in working and interacting with private foundations, do you feel like you are on an equal standing with them?

11. If you have experienced an imbalance of power with private foundations, have you developed strategies for dealing with this? Have these strategies been effective?

12. When you are seeking to innovate with unproven initiatives are you more or less likely to approach private foundations compared to other funders for funding?

   Further Probing: Are private foundations more or less able/willing than other funders to fund risky projects?

13. Who influences private foundation in grant making? What are your thoughts about the extent to which foundations experience, and respond to, external pressures regarding their grant making?

Possible further probing: Have you seen examples of private foundation grant making that resulted from external pressure?

Possible further probing: How do your strategies in grant seeking change when approaching private foundations?

14. Have the foundations from which you have received grants publicly disclosed the grants it makes? If so, how is this done?

15. Is there anything you'd like to add to your comments?

Wrap-Up Comments:

Once again, thank you for your time, candor, and contributions to this research. Your comments will be helpful in pursuing this inquiry.

1. May I summarize key takeaways from this interview to be sure I understand your thoughts accurately?

2. Would you be willing to respond to a follow-up call if additional questions arise as I reflect on your comments?

3. Please feel free to contact me at rjreid@okstate.edu or 575-318-8089 if you have additional thoughts to share and/or questions regarding our project.

4. Do you have any questions before we conclude this interview?

5. Is there anyone else you think I should contact?

6. Once again, thank you for your time and assistance, this concludes our interview.

Appendix D

Existence of Opacity Coding Summary

Existence of Opacity

Codes	A Priori Codes	Axial Codes	Selective Codes	Research Question
Inaccessibility	Power – RDT	Internal Stakeholders	No Outside Constituents	Existence of Opacity
Insensitivity to External Pressure	Power - RDT/MLT	Internal Stakeholders	No Outside Constituents	Positive effects of Opacity
Self-Appointed/Sustained Boards	Power – MLT	Unilateral Prerogatives	No Outside Constituents	Existence of Opacity
Insider Staff	Power – MLT	Unilateral Prerogatives	No Outside Constituents	Existence of Opacity
Non-External Sharing of Outcomes	Power – MLT	Internal Stakeholders	Non-External Accountability	Negative effects of Opacity
Controlling Behavior	Power – RDT	Unilateral Prerogatives	Non-External Accountability	Negative effects of Opacity
Discretionary Grant Making	Power - RDT/MLT	Unilateral Prerogatives	Non-External Accountability	Positive effects of Opacity
Focus on Outcomes	Hyper Vigilance	Unilateral Prerogatives	Burdened Prerogative Theory	Positive effects of Opacity
Greater Flexibility	Lack of Bureaucracy	Internal Stakeholders	Non-External Accountability	Positive effects of Opacity

Codes	Emergent Codes	Axial Codes	Selective Codes	Research Question
Desire to Innovate	Hyper Vigilance	Unilateral Prerogatives	Non-External Accountability	Unintended Benefits
Partnership Orientation	Hyper Vigilance	Unilateral Prerogatives	Non-External Accountability	Unintended Benefits
Intangible Resources	Hyper Vigilance	Unilateral Prerogatives	Non-External Accountability	Unintended Benefits
Human Touch with Grantees	Hyper Vigilance	Unilateral Prerogatives	Non-External Accountability	Unintended Benefits

Appendix E

Organizational/Environmental Factors Coding Summary

Environmental and Organizational Factors

Codes	A Priori Codes	Axial Codes	Selective Codes	Research Question
Insensitivity to External Pressure	Power - RDT	Internal Stakeholders	No Outside Constituents	Organizational & Environmental Factors
Self-Appointed/Sustained Boards	Power	Unilateral Prerogatives	No Outside Constituents	Organizational & Environmental Factors
Insider Staff	Power	Unilateral Prerogatives	No Outside Constituents	Organizational & Environmental Factors
Controlling Behavior	Power - RDT	Unilateral Prerogatives	Non-External Accountability	Organizational & Environmental Factors
Discretionary Grant Making	Power - RDT	Unilateral Prerogatives	Non-External Accountability	Organizational & Environmental Factors
Insider Chemistry (board/staff)	Power - RDT	Unilateral Prerogatives	No Outside Constituents	Organizational & Environmental Factors

Appendix F

Negative Effects of Opacity Coding Summary

Negatives of Opacity

Codes	A Priori Codes	Axial Codes	Selective Codes	Research Question
Poor External Communication	Power - RDT/MLT	Unilateral Prerogatives	Non-External Accountability	Negative effects of Opacity
Quick Changes in Strategy	Power - RDT/MLT	Internal Stakeholders	No Outside Constituents	Negative effects of Opacity
Non-External Sharing of Outcomes	Power – MLT	Internal Stakeholders	Non-External Accountability	Negative effects of Opacity
Inaccessibility	Power – RDT	Internal Stakeholders	No Outside Constituents	Existence of Opacity
Controlling Behavior	Power – RDT	Unilateral Prerogatives	Non-External Accountability	Negative effects of Opacity
Intensive Time Requirements	Power – RDT	Unilateral Prerogatives	Non-External Accountability	Negative effects of Opacity
High Communication Expectations	Power – RDT	Unilateral Prerogatives	Non-External Accountability	Negative effects of Opacity

Appendix G

Positive Effects of Opacity Coding Summary

Positives of Opacity

Codes	A Priori Codes	Axial Codes	Selective Codes	Research Question
Discretionary Grant making	Power - RDT/MLT	Unilateral Prerogatives	Non-External Accountability	Positive effects of Opacity
Insensitivity to External Pressure	Power - RDT/MLT	Internal Stakeholders	No Outside Constituents	Positive effects of Opacity
Insider Chemistry (board/staff)	Power - MLT	Unilateral Prerogatives	No Outside Constituents	Existence of Opacity
High Grant Accountability	Power - RDT	Unilateral Prerogatives	No Outside Constituents	Positive effects of Opacity
Inclusion of Grantees in Planning	Hyper Vigilance	Unilateral Prerogatives	Burdened Prerogative Theory	Positive effects of Opacity
Strategic Discussions with Grantees	Hyper Vigilance	Unilateral Prerogatives	Burdened Prerogative Theory	Willingness to Partner
Greater Flexibility	Lack of Bureaucracy	Internal Stakeholders	Non-External Accountability	Positive effects of Opacity

Codes	Emergent Codes	Axial Codes	Selective Codes	Research Question
Desire to Innovate	Hyper Vigilance	Unilateral Prerogatives	Non-External Accountability	Unintended Benefits
Partnership Orientation	Hyper Vigilance	Unilateral Prerogatives	Non-External Accountability	Unintended Benefits
Intangible Resources	Hyper Vigilance	Unilateral Prerogatives	Non-External Accountability	Unintended Benefits
Human Touch with Grantees	Hyper Vigilance	Unilateral Prerogatives	Non-External Accountability	Unintended Benefits
Willingness to Learn with Grantees	Hyper Vigilance	Unilateral Prerogatives	Non-External Accountability	Unintended Benefits
Multiple Grants With Same Agency	Hyper Vigilance	Unilateral Prerogatives	Non-External Accountability	Willingness to Partner
Interest in Capacity Building	Hyper Vigilance	Unilateral Prerogatives	Non-External Accountability	Willingness to Partner
Highly Relational Orientation	Hyper Vigilance	Unilateral Prerogatives	Non-External Accountability	Unintended Benefits
Less Procedural Orientation	Hyper Vigilance	Unilateral Prerogatives	Non-External Accountability	Unintended Benefits
Building of Trust	Hyper Vigilance	Unilateral Prerogatives	Non-External Accountability	Unintended Benefits
Tolerance for Failure	Hyper Vigilance	Unilateral Prerogatives	Non-External Accountability	Unintended Benefits

Appendix H

Grantee Coding Summary

Grantee Strategies

Codes	A Priori Codes	Axial Codes	Selective Codes	Research Question
Alignment with Foundation Objectives	Power – RDT	Unilateral Prerogatives	Non-External Accountability	Existence of Opacity
Intensive Communication	Power – RDT	Unilateral Prerogatives	Non-External Accountability	Existence of Opacity
Intensive Reporting	Power – RDT	Unilateral Prerogatives	Non-External Accountability	Existence of Opacity
Development of Relationship	Power – RDT	Unilateral Prerogatives	Non-External Accountability	Existence of Opacity
Preferred Funder	Desire for Partnered Philanthropy	Intangible Resources	Burdened Prerogative Theory	Positive effects of Opacity
Willingness to be Accountable	Desire for Partnered Philanthropy	Better Outcomes	Burdened Prerogative Theory	Positive effects of Opacity
Interest in Innovating	Desire for Partnered Philanthropy	Better Outcomes	Burdened Prerogative Theory	Openness to innovation/risk

Appendix I

Foundation Coding Summary

Foundation Strategies

Codes	A Priori Codes	Axial Codes	Selective Codes	Research Question
Discretionary Grant making	Power - RDT/MLT	Unilateral Prerogatives	Non-External Accountability	Positive effects of Opacity
Insensitivity to External Pressure	Power - RDT/MLT	Internal Stakeholders	No Outside Constituents	Positive effects of Opacity
Insider Chemistry (board/staff)	Power – MLT	Unilateral Prerogatives	No Outside Constituents	Existence of Opacity
High Grant Accountability	Power – RDT	Unilateral Prerogatives	No Outside Constituents	Positive effects of Opacity
Inclusion of Grantees in Planning	Hyper Vigilance	Unilateral Prerogatives	Burdened Prerogative Theory	Positive effects of Opacity
Strategic Discussions with Grantees	Hyper Vigilance	Unilateral Prerogatives	Burdened Prerogative Theory	Willingness to Partner
Greater Flexibility	Lack of Bureaucracy	Internal Stakeholders	Non-External Accountability	Positive effects of Opacity
Willingness to Take Risks	Hyper Vigilance	Unilateral Prerogatives	Non-External Accountability	Unintended Benefits

Codes	Emergent Codes	Axial Codes	Selective Codes	Research Question
Desire to Innovate	Hyper Vigilance	Unilateral Prerogatives	Non-External Accountability	Unintended Benefits
Partnership Orientation	Hyper Vigilance	Unilateral Prerogatives	Non-External Accountability	Unintended Benefits
Intangible Resources	Hyper Vigilance	Unilateral Prerogatives	Non-External Accountability	Unintended Benefits
Human Touch with Grantees	Hyper Vigilance	Unilateral Prerogatives	Non-External Accountability	Unintended Benefits
Willingness to Learn with Grantees	Hyper Vigilance	Unilateral Prerogatives	Non-External Accountability	Unintended Benefits
Multiple Grants With Same Agency	Hyper Vigilance	Unilateral Prerogatives	Non-External Accountability	Willingness to Partner
Interest in Capacity Building	Hyper Vigilance	Unilateral Prerogatives	Non-External Accountability	Willingness to Partner
Highly Relational Orientation	Hyper Vigilance	Unilateral Prerogatives	Non-External Accountability	Unintended Benefits
Less Procedural Orientation	Hyper Vigilance	Unilateral Prerogatives	Non-External Accountability	Unintended Benefits
Building of Trust	Hyper Vigilance	Unilateral Prerogatives	Non-External Accountability	Unintended Benefits
Tolerance for Failure	Hyper Vigilance	Unilateral Prerogatives	Non-External Accountability	Unintended Benefits

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1995 – Present:	J. F Maddox Foundation – *Exec Director* - Hobbs, New Mexico	
1993 – 1995:	Healthcare America, Inc. – *Vice President – Medical/Surgical Division* - Austin, Texas	
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