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# Transparency, Performance Assessment, and Awareness of Nonprofits' Challenges: Are Foundations and Nonprofits Seeing Eye to Eye?

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*Keywords:* Funder-grantee relationships, alignment of perspectives, foundation transparency, nonprofit challenges, performance assessment

Grantmaking foundations depend on their grantees to carry out their missions. As Thomas Tierney and Joel Fleishman (2012) write, "The ability to work effectively with your grantees is the fundamental operating requirement in the journey from aspirations to real impact. They, not you, are on the ground, doing most (if not all) of the heaviest lifting" (p. 151).

In order for nonprofits and foundations to work most effectively together, it is important that they understand each other's perspectives. To support that information exchange, this article discusses the alignment, or lack thereof, between the perspectives of nonprofit and foundation chief executive officers on four aspects of foundation practice:

1. Foundations' transparency with the nonprofits they fund.
2. Whether or not foundations provide support for nonprofit-performance assessment.
3. Foundations' awareness of nonprofits' challenges.
4. The degree to which foundations use their resources to help address nonprofits' challenges.

Nonprofit and foundation CEOs are aligned when it comes to the degree to which foundations are seen to be aware of nonprofits' challenges and use their resources to help address them. They are

## Key Points

- In order for nonprofits and foundations to work most effectively together, they must understand each other's perspectives.
- This article discusses the alignment between the perspectives of nonprofit and foundation chief executive officers on four aspects of foundation practice: transparency with the nonprofits they fund, support for nonprofit-performance assessment, awareness of nonprofits' challenges, and the degree to which foundations use their resources to help address nonprofits' challenges.
- Nonprofit and foundation CEOs are aligned when it comes to the degree to which foundations are seen to be aware of nonprofits' challenges and use their resources to help address them. They are not as well aligned, however, when it comes to the importance of foundations being transparent with the nonprofits they fund and whether or not foundations are supporting those nonprofits in performance assessment efforts.

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## Foundation Transparency

Foundation transparency has increasingly been a debated topic among foundation and other philanthropic leaders. Advocates of foundation transparency often claim both that it is in foundations'

*A survey of nonprofit CEOs indicates that to many grantees, foundation transparency means being “clear, open, and honest about the processes and decisions that are relevant to nonprofits’ work.”*

best interests to be transparent and that foundations have an ethical obligation to be transparent – in part due to their tax-free status (Jagpal, 2009; Smith, 2010; Bernholz, 2010). Those who believe it is in foundations’ best interest to be transparent suggest that transparency provides the best means for foundations to protect their freedom from government intervention or that it enables them to more effectively pursue shared goals with others in the field of philanthropy (Smith, 2010; Bernholz, 2010).

There are also those who criticize the movement toward increased foundation transparency, arguing that the definition of transparency lacks clarity and that there is no demonstrated link between transparency and effectiveness (Tyler, 2013). The lack of a clear definition of foundation transparency is not surprising considering the different views of what foundation transparency entails. Some argue that transparency is achieved through disclosure of financial and governance information, such as a foundation’s Form 990; audited financial statements; or governance information such as organizational bylaws, codes of conduct, and lists of boards of directors (Rey-Garcia, Martin-Cavanna, & Alvarez-Gonzalez, 2012; Foundation Center, 2013).

Recent evidence, however, suggests that nonprofits are looking for a different kind of transparency from foundations. A survey of nonprofit CEOs

indicates that to many grantees, foundation transparency means being “clear, open, and honest about the processes and decisions that are relevant to nonprofits’ work,” including what foundations are learning through their work; how foundations assess performance and the impact they are having; and foundations’ selection processes and funding decisions (Brock, Buteau, & Gopal, 2013, p. 6). That same study found that nonprofits are not asking foundations to be more forthcoming with financial information, for better access to contact information for foundation staff, or for more information about changes to leadership or program staff.

There have been some efforts to expand the practice of transparency within foundations. The Glasspockets initiative encourages foundations to indicate if they engage in any of 23 “transparency and accountability practices” (Foundation Center, 2013). And in late 2013, the William and Flora Hewlett Foundation (2013) posted an “Openness and Transparency” policy on its website.

But more broadly, are nonprofit and foundation CEOs aligned on the value of increased foundation transparency?

### **Nonprofit-Performance Assessment**

In recent years there has been an increased emphasis on the need for nonprofits to demonstrate their effectiveness. Research has shown that the majority of foundation CEOs believe that nonprofits should be held to higher standards of evidence to demonstrate the effectiveness of their work (Buteau & Buchanan, 2011). Additional pressure comes from nonprofit-rating agencies, such as GiveWell (2013), which only seeks out “programs that have been studied rigorously and repeatedly, and whose benefits we can reasonably expect to generalize to large populations.” Sources of government funding, such as the Social Innovation Fund, look to “identify the most promising, results-oriented non-profit programs and expand their reach throughout the country” (Lee, 2009). There have also been calls for nonprofits to be more accountable to their beneficiaries by measuring outcomes (Benjamin, 2013).

The importance of understanding and demonstrating nonprofit performance, as well as the challenges of doing so, has been highlighted by nonprofits. Mario Morino (2011) writes,

I know many nonprofit leaders who are not managing to outcomes today but are strongly predisposed to do so. They inherently know what their outcomes are and very much want to assess and manage to them. But they are severely hamstrung by the lack of funding available to do this hard work (p. 58).

Additionally, a 2012 study found that about 80 percent of nonprofit CEOs believe their organization should demonstrate their effectiveness through performance measures, place understanding their progress toward their goals as a top priority, and use data to inform their efforts to improve performance (Brock, Buteau, & Herring, 2012).

Foundation and nonprofit CEOs seem to be aligned on the value of nonprofit-performance assessment, but are foundations supporting nonprofits' performance assessment efforts? Do nonprofits find that they are?

### Awareness and Support of Nonprofit Challenges

According to a 2013 study of nonprofits' most pressing challenges, most nonprofit leaders are looking for more help from foundations in meeting the demand for their organization's programs and services, using technology to improve their organization's effectiveness, and developing their leadership skills (Buteau, Brock, & Chaffin, 2013). In 2013, 52 percent of nonprofits reported that they could not meet the demand for their services, up from 44 percent in 2009 (Nonprofit Finance Fund, 2013). For the last seven years, the Nonprofit Technology Network has documented nonprofits' challenges with limited technology capacity and resources (Hoehling, 2013). Challenges with leadership at nonprofits, including attracting talent to the sector, a potentially growing leadership deficit, and the need to develop upcoming generations of leaders, have also been shown to pose real obstacles to nonprofits (Cornelius, Moyers, & Bell, 2011).

## *Do foundation CEOs think foundations are aware of the challenges nonprofits face? Do nonprofit CEOs agree? Do nonprofit and foundation CEOs have differing perspectives about what foundations are doing to help with those challenges?*

Do foundation CEOs think foundations are aware of the challenges nonprofits face? Do nonprofit CEOs agree? Do nonprofit and foundation CEOs have differing perspectives about what foundations are doing to help with those challenges?

### Methodology

In order to assess the degree of alignment in perceptions between foundation and nonprofit CEOs, survey data from foundation CEOs and nonprofit CEOs were compared.

### *Sample of Foundation CEOs*

The sample of foundation CEOs consisted of full-time CEOs of U.S.-based independent, community, or health-conversion foundations. To capture the perceptions of CEOs of the largest foundations in the U.S., this group was filtered to include only foundations with \$5 million or more in annual giving. All asset, giving, and foundation-type classifications were obtained from Foundation Center's Foundation Directory Online. Because the group of foundation CEOs relevant to this study was a knowable and not large population, random sampling was not used.

The individuals surveyed at these foundations held a title of president, CEO, executive director, or equivalent as identified from the foundation's website, Form 990, or our own internal organizational knowledge. For this study, full-time CEO was defined as a CEO who worked at least

*Chief executive officers who reported that their foundation supports nonprofits' efforts to collect data about their performance tended to lead foundations with significantly larger asset sizes and giving levels than CEOs who reported that they do not provide such support.*

35 hours per week according to the foundation's Form 990 or verified through a phone call if that information was unavailable from the Form 990.

*Survey of Foundation CEOs*

Surveys were fielded online to 472 foundation CEOs for a 3 1/2-week period starting in January 2013.<sup>1</sup> Survey administration consisted of an initial email invitation including a description of the purpose of the survey, a statement of confidentiality, and a link to the survey. This was followed by four subsequent email reminders and one phone call reminder for those who had yet to complete the survey. Of the CEOs who were sent a survey, 211 responded – resulting in a final response rate of 45 percent.

Respondents' foundations did not differ from nonrespondents' foundations in asset size, giving size, or location. (See Table 1.) Chief executive officers of independent foundations were less likely to respond than CEOs of community or health-conversion foundations. Additionally, CEOs who did respond were slightly more likely to have been clients of the Center for Effective Philanthropy.

The 25-item survey included questions about the background of the CEO and his or her founda-

tion, the foundation's goals, the foundation's progress toward the goal to which it devotes the greatest proportion of its resources, and other issues related to foundations' impact.

In terms of foundation CEOs' responses to the survey items used in this article, no differences were found based on the asset size or giving levels of their foundation with the exception of the foundation's support for its grantees' performance assessment. Because of the nonnormality of the asset-size and giving-level data, as well as the presence of outliers, a natural log transformation was applied to each variable. Chief executive officers who reported that their foundation supports nonprofits' efforts to collect data about their performance tended to lead foundations with significantly larger asset sizes and giving levels than CEOs who reported that they do not provide such support,  $t(193) = 3.00, p < 0.01, d = 0.52$  and  $t(193) = 3.08, p < 0.01, d = 0.54$ , respectively.

*Sample of Nonprofit CEOs*

The sample of nonprofit CEOs consisted of those serving during 2012 on the Grantee Voice: Feedback for Foundations, a 300-member survey panel. The panel was created through several steps. First, a database from the National Center for Charitable Statistics, which consisted of information from more than 365,000 registered 501(c)(3) organizations with a Form 990 filed between 2007 and 2010, was used to randomly select nonprofits with annual expenses between \$100,000 and \$100 million. To ensure that the randomly selected sample was representative of this full range of expenses, a stratified sample containing 25 percent of nonprofits from each quartile of this expense range was then created. Using Foundation Center's Foundation Directory Online, it was determined whether each nonprofit had received funding since 2008 from an independent, community, or health-conversion foundation giving at least \$5 million annually in grants. A sample of 1,049 nonprofit organizations was then compiled through this process.

Invitations to participate on the survey panel were sent to the leaders of these 1,049 nonprofits. Leaders typically held the title of executive director, president, or CEO. Three hundred lead-

<sup>1</sup> Five CEOs were removed from an original sample of 477 because their foundation closed or no one served in a CEO position at the time the survey was fielded.

**TABLE 1** Comparison of foundation-CEO survey-response status by foundation-asset size, giving size, geography, foundation type, and past use of a Center for Effective Philanthropy (CEP) assessment tool

Asset-Size Quartiles (in millions)	Responded		Did Not Respond		Total	
	Freq.	%	Freq.	%	Freq.	%
≤ \$129	46	21.8	72	27.6	118	25.0
> \$129 to ≤ \$223	50	23.7	68	26.1	118	25.0
> \$223 to ≤ \$484	60	28.4	58	22.2	118	25.0
> \$484	55	26.1	63	24.1	118	25.0
<b>Total</b>	<b>211</b>	<b>100.0</b>	<b>261</b>	<b>100.0</b>	<b>472</b>	<b>100.0</b>
Giving-Size Quartiles (in millions)	Freq.	%	Freq.	%	Freq.	%
≥ \$5 to ≤ \$7.62	44	20.8	74	28.4	118	25.0
> \$7.62 to ≤ \$13.44	55	26.1	63	24.1	118	25.0
> \$13.44 to ≤ \$27.90	58	27.5	60	23.0	118	25.0
> \$27.90	54	25.6	64	24.5	118	25.0
<b>Total</b>	<b>211</b>	<b>100.0</b>	<b>261</b>	<b>100.0</b>	<b>472</b>	<b>100.0</b>
Geography	Freq.	%	Freq.	%	Freq.	%
Northeast	52	24.6	69	26.4	121	25.6
Midwest	50	23.7	54	20.7	104	22.0
South	55	26.1	77	29.5	132	28.0
West	54	25.6	61	23.4	115	24.4
<b>Total</b>	<b>211</b>	<b>100.0</b>	<b>261</b>	<b>100.0</b>	<b>472</b>	<b>100.0</b>
Foundation Type*	Freq.	%	Freq.	%	Freq.	%
Independent	132	62.6	193	73.9	325	68.9
Community	64	30.3	56	21.5	120	25.4
Health conversion	14	6.6	8	3.1	22	4.7
Other	1	0.5	4	1.5	5	1.0
<b>Total</b>	<b>211</b>	<b>100.0</b>	<b>261</b>	<b>100.0</b>	<b>472</b>	<b>100.0</b>
Use of CEP Assessment Tool**	Freq.	%	Freq.	%	Freq.	%
Has used a CEP tool	116	55.0	81	31.0	197	41.7
Has not used a CEP tool	95	45.0	180	69.0	275	58.3
<b>Total</b>	<b>211</b>	<b>100.0</b>	<b>261</b>	<b>100.0</b>	<b>472</b>	<b>100.0</b>

Note: \*\* ( $p < 0.01$ ), \* ( $p < 0.05$ )

For asset size,  $\chi^2(3, N = 472) = 3.80, p = 0.28$ .

For giving size,  $\chi^2(3, N = 472) = 3.80, p = 0.28$ .

For geography,  $\chi^2(3, N = 472) = 1.35, p = 0.72$ .

For foundation type, overall excluding 'other',  $\chi^2(2, N = 467) = 8.98, p = 0.01, \phi_c = 0.14$ .

Independent vs. community and health conversion,  $\chi^2(1, N = 467) = 8.18, p < 0.01, |\phi| = 0.13$ .

For use of CEP tool,  $\chi^2(1, N = 472) = 27.50, p < 0.01, |\phi| = 0.24$ .

TABLE 2 Comparison of nonprofit-CEO acceptance status by annual expenses, issue area, and geography

Annual-Expenses Quartiles	Accepted Invitation		Did Not Accept Invitation		Total	
	Freq.	%	Freq.	%	Freq.	%
\$102,259 to ≤ \$514,984	80	26.7	182	24.3	262	25.0
> \$514,984 to ≤ \$1.48 million	75	25.0	188	25.1	263	25.0
> \$1.48 million to ≤ \$5.41 million	76	25.3	186	24.8	262	25.0
> \$5.41 million to ≤ \$71.42 million	69	23.0	193	25.8	262	25.0
Total	300	100.0	749	100.0	1049	25.0
Issue Area	Freq.	%	Freq.	%	Freq.	%
Human services	52	17.4	148	19.8	200	19.1
Arts, culture, humanities	53	17.7	125	16.7	178	17.0
Health	37	12.3	116	15.5	153	14.6
Community development	37	12.3	64	8.5	101	9.6
Education	30	10.0	88	11.8	118	11.2
Environment	22	7.3	37	4.9	59	5.6
Children, youth, families	11	3.7	33	4.4	44	4.2
Other	58	19.3	138	18.4	196	18.7
Total	300	100.0	749	100.0	1049	100.0
Geography*	Freq.	%	Freq.	%	Freq.	%
Northeast	82	27.4	162	21.6	244	23.3
Midwest	61	20.3	160	21.4	221	21.1
South	61	20.3	204	27.2	265	25.2
West	96	32.0	223	29.8	319	30.4
Total	300	100.0	749	100.0	1049	100.0

Note: \* ( $p < 0.05$ )  
 For annual expenses,  $\chi^2(3, N = 1049) = 1.16, p = 0.76$ .  
 For issue area,  $\chi^2(7, N = 1049) = 8.57, p = 0.29$ .  
 For geography, overall  $\chi^2(3, N = 1049) = 7.49, p = 0.06$ .  
 South vs. other geography,  $\chi^2(1, N = 1049) = 5.41, p = 0.02, |\phi| = 0.07$ .  
 Northeast vs. other geography,  $\chi^2(1, N = 1049) = 3.91, p = 0.048, |\phi| = 0.06$ .

ers accepted, yielding an acceptance rate of 29 percent; this group was not significantly different from those who did not accept the invitation in terms of their organizations' annual expenses or issue area. (See Table 2.) Nonprofits located in the South were slightly less likely to accept the invitation; nonprofits located in the Northeast were slightly more likely to accept.

### Surveys of Nonprofit CEOs

During 2012 three surveys were administered online to the Grantee Voice panel. The first survey consisted of nine items addressing whether foundations are helping nonprofits with their performance-assessment efforts and how they could better help; the second consisted of seven items about the importance of foundation transparency to nonprofits and on which issues nonprofits

TABLE 3 Comparison of nonprofit-CEO survey-response status to each of the 3 surveys administered by expense size

Nonprofit-CEO Panel Survey 1: Nonprofit-Performance Assessment						
Annual-Expenses Quartiles	Responded		Did Not Respond		Total	
	Freq.	%	Freq.	%	Freq.	%
\$102,259 to ≤ \$498,741	54	30.5	21	17.1	75	25.0
> \$498,741 to ≤ \$1.36 million	45	25.4	30	24.4	75	25.0
> \$1.36 million to ≤ \$4.63 million	43	24.3	32	26.0	75	25.0
> \$4.63 million to ≤ \$59.51 million	35	19.8	40	32.5	75	25.0
Total	177	100.0	123	100.0	300	100.0
Nonprofit-CEO Panel Survey 2: Foundation Transparency						
Annual-Expenses Quartiles	Freq.	%	Freq.	%	Freq.	%
\$102,259 to ≤ \$498,890	39	28.1	35	22.2	74	24.9
> \$498,890 to ≤ \$1.35 million	38	27.3	37	23.4	75	25.3
> \$1.35 million to ≤ \$4.50 million	38	27.3	36	22.8	74	24.9
> \$4.50 million to ≤ \$59.51 million	24	17.3	50	31.6	74	24.9
Total	139	100.0	158	100.0	297 <sup>†</sup>	100.0
Nonprofit CEO Panel Survey 3: Nonprofit Challenges						
Annual-Expenses Quartiles	Freq.	%	Freq.	%	Freq.	%
\$102,259 to ≤ \$498,741	36	29.8	38	21.7	74	25.0
> \$498,741 to ≤ \$1.36 million	30	24.8	44	25.1	74	25.0
> \$1.36 million to ≤ \$4.39 million	31	25.6	43	24.6	74	25.0
> \$4.39 million to ≤ \$59.51 million	24	19.8	50	28.6	74	25.0
Total	121	100.0	175	100.0	296 <sup>†</sup>	100.0
Note: * ( $p < 0.05$ ) For Survey 1 annual expenses, $\chi^2(3, N = 300) = 10.07, p = 0.02, \varphi_c = 0.18$ . Expenses between \$4.63 million and \$59.51 million vs. less than \$4.63 million, $\chi^2(1, N = 300) = 6.29, p = 0.01,  \varphi  = 0.15$ . For Survey 2 annual expenses, $\chi^2(3, N = 297) = 8.24, p = 0.04, \varphi_c = 0.17$ . Expenses between \$4.50 million and \$59.51 million vs. less than \$4.50 million, $\chi^2 = (1, N = 297) = 8.17, p < 0.01,  \varphi  = 0.17$ . For Survey 3 annual expenses, $\chi^2 = (3, N = 296) = 4.07, p = 0.25$ . <sup>†</sup> Total N is slightly less than 300 because of panel attrition.						

would like foundations to be more transparent; the third consisted of six items about nonprofits' challenges and for which challenges nonprofits would most like foundation help. The respective response rates for each of these surveys were 59, 46, and 41 percent. In the first two surveys, there was a slight bias in responses by the expenses of an organization. (See Table 3.) Nonprofit organizations in the top quartile of the participating

nonprofits for annual expenses were slightly less likely to respond to both of these surveys. This bias did not appear in the third survey.

The nonprofit CEOs on the Grantee Voice panel represent organizations with varying percentages of their total revenue coming from foundation grants. Of the nonprofit CEOs who responded, the median percentage of revenue coming from



TABLE 4 Items compared between nonprofit-CEO surveys and foundation-CEO survey

Pair	Nonprofit-CEO surveys		Foundation-CEO survey	
	Item text	Response options	Item text	Response options
1	<p>Please indicate the extent to which you agree or disagree with the following statement: <i>Foundations that are more transparent are more helpful to my organization's ability to work effectively.</i></p>	<p><u>On a scale from 1-7</u> 1 = Strongly disagree 4 = Neither agree nor disagree 7 = Strongly agree</p>	<p>Please indicate the extent to which you agree or disagree with the following statement: <i>Foundations would be able to create more impact if they were more transparent with the nonprofits they fund.</i></p>	<p><u>On a scale from 1-5</u> 1 = Strongly disagree 3 = Neither agree nor disagree 5 = Strongly agree</p>
2	<p>Compared to your foundation funders' current levels of transparency, please indicate the level of transparency you want from them about the following topic: <i>Their experiences with what they have tried but has not worked in their past grantmaking.</i></p>	<p><u>Categorical response options</u> 1) Foundation funders are transparent enough. 2) Foundation funders should be a little more transparent. 3) Foundation funders should be a lot more transparent.</p>	<p>Please indicate the extent to which you agree or disagree with the following statement: <i>Foundations do a good job of publicly sharing what has not been successful in their experiences.</i></p>	<p><u>On a scale from 1-5</u> 1 = Strongly disagree 3 = Neither agree nor disagree 5 = Strongly agree</p>
3	<p>Do your foundation funders tend to provide support to help your organization assess how it is doing relative to the goal(s) your organization seeks to achieve?</p>	<p><u>Categorical response options</u> 1) Yes, we tend to receive financial support for assessment efforts. 2) Yes, we tend to receive nonmonetary support for assessment efforts. 3) Yes, we tend to receive both financial and nonmonetary support for assessment efforts. 4) No, we do not tend to receive any support for assessment efforts.</p>	<p>Indicate whether or not your foundation currently engages in the following practice: <i>Supporting nonprofits' efforts to collect data about their performance.</i></p>	<p><u>Categorical response options</u> 1) Yes. 2) No, but my foundation is considering this. 3) No.</p>
4	<p>To what extent do you believe you understand the progress your organization has made towards achieving its goal(s)?</p>	<p><u>On a scale from 1-7</u> 1 = Do not understand at all 7 = Completely understand</p>	<p>In your opinion, how much of a barrier is the following factor to your foundation's ability to make progress toward the programmatic goal toward which your foundation currently devotes the most resources? <i>My foundation's grantees' difficulty in assessing the progress they are making in their work.</i></p>	<p><u>On a scale from 1-5</u> 1 = Not at all a barrier 2 = A slight barrier 3 = Somewhat of a barrier 4 = A significant barrier 5 = An extreme barrier</p>
5	<p>Please indicate the extent to which you agree or disagree with the following statement: <i>My foundations funders are aware of the challenges that my organization is facing.</i></p>	<p><u>On a scale from 1-7</u> 1 = Strongly disagree 4 = Neither agree nor disagree 7 = Strongly agree</p>	<p>Please indicate the extent to which you agree or disagree with the following statement: <i>Foundations are very aware of the challenges that nonprofits face today.</i></p>	<p><u>On a scale from 1-5</u> 1 = Strongly disagree 3 = Neither agree nor disagree 5 = Strongly agree</p>
6	<p>Please indicate the extent to which you agree or disagree with the following statement: <i>My foundation funders take advantage of their myriad resources to help my organization address its challenges.</i></p>	<p><u>On a scale from 1-7</u> 1 = Strongly disagree 4 = Neither agree nor disagree 7 = Strongly agree</p>	<p>Please indicate the extent to which you agree or disagree with the following statement: <i>Foundations take full advantage of their myriad resources to help their grantees succeed.</i></p>	<p><u>On a scale from 1-5</u> 1 = Strongly disagree 3 = Neither agree nor disagree 5 = Strongly agree</p>

TABLE 5 Nonprofit and foundation CEOs' perspectives on the consequences of increased foundation transparency

Belief about increased foundation transparency*	Nonprofit CEOs		Foundation CEOs		Total	
	Freq.	%	Freq.	%	Freq.	%
Believes increased transparency has positive consequences for nonprofits†	113	91.1	95	46.6	208	63.4
Does not believe increased transparency has positive consequences for nonprofits	11	8.9	109	53.4	120	36.6
Total	124	100.0	204	100.0	328	100.0

Notes: \* $(p < 0.01)$   
 $\chi^2(1, N = 328) = 66.00, p < 0.01, |\phi| = 0.45$   
†For nonprofit CEOs: Ratings of 5, 6, or 7 on a 1-7 scale where 1 = Strongly disagree, 4 = Neither agree nor disagree, and 7 = Strongly agree; item text: "Foundations that are more transparent are more helpful to my organization's ability to work effectively."  
For foundation CEOs: Ratings of 4 or 5 on a 1-5 scale where 1 = Strongly disagree, 3 = Neither agree nor disagree, and 5 = Strongly agree; item text: "Foundations would be able to create more impact if they were more transparent with the nonprofits they fund."

foundation grants was 20 percent for each of the three surveys. The percentage of total revenue coming from foundation grants did not differ between respondents and nonrespondents for any of the surveys administered to this panel. In addition, nonprofit CEOs' responses to the items compared in this article were not significantly different based on the percentage of revenue their organization received from foundation grants.

Throughout this article, the term "CEO" is used to refer to the executive leaders of foundations and nonprofits who responded to these surveys.

### Analysis

Quantitative analysis of the survey data consisted primarily of cross-tabulations followed by chi-square tests and independent-sample *t* tests. An alpha level of 0.05 was used to determine significance. Phi ( $\phi$ ) or Cramer's V ( $\phi_c$ ) were used to assess effect sizes of chi-square tests and Cohen's *D* (*d*) was used to assess effect sizes of *t* tests.

To analyze comparable groups of responses between the foundation- and nonprofit-CEO surveys, response options were grouped. (See Table 4 for the exact wording of items and their response options.)

### Methodological Limitations

Not all items for which data were compared between foundation and nonprofit CEOs were identically worded. (See Table 4.) Where wording differences do occur, these differences should be kept in mind when interpreting the findings from this study.

The term "transparency" was intentionally undefined in both the nonprofit- and foundation-CEO surveys. In the nonprofit-CEO survey, respondents were asked to provide their own definition of transparency in response to an open-ended item and the following disclaimer was included at the beginning: "Through this survey, we hope to learn about how transparent your foundation funders are in their work with your organization. We recognize that there are many perspectives on what it means to be transparent." No definition of transparency was provided to foundation CEOs in their survey.

Nonprofit leaders who completed the nonprofit-CEO surveys are not all grantees of the same foundations whose CEOs completed the foundation-CEO survey. The surveyed nonprofit CEOs' organizations have received funding from at least one foundation in the population of foundations sampled for the foundation-CEO survey, but

**TABLE 6** Nonprofit and foundation CEOs' perspectives on receiving/providing support for nonprofit performance assessment

Whether a foundation CEO thinks their foundation provides, and a nonprofit CEO thinks their organization receives, support for nonprofits' efforts to collect data about their performance*	Nonprofit CEOs		Foundation CEOs		Total	
	Freq.	%	Freq.	%	Freq.	%
Provides/receives support	51	28.8	147	75.4	198	53.2
receives financial support	14	7.9	-	-	-	-
receives nonmonetary support	18	10.2	-	-	-	-
receives financial and nonmonetary support	19	10.7	-	-	-	-
Does not provide/receive support	126	71.2	48	24.6	174	46.8
<b>Total</b>	<b>177</b>	<b>100.0</b>	<b>195</b>	<b>100.0</b>	<b>372</b>	<b>100.0</b>

Notes: \*( $p < 0.01$ )  
 Provides/receives financial or nonmonetary support for assessment or does not provide/receive such support vs. CEO type,  $\chi^2(2, N = 372) = 80.83, p < 0.01, |\varphi| = 0.47$

the data being compared in this study were not designed for a matched analysis.

**Results**

Foundation and nonprofit CEOs are not aligned in two areas: the value of increased foundation transparency and whether or not foundations support nonprofits' efforts to collect data to assess their performance.

*Foundation Transparency*

Nonprofit CEOs are significantly more likely than foundation CEOs to believe that increased foundation transparency would be beneficial. (See Table 5.) Almost all nonprofit CEOs surveyed (91 percent) agreed with the statement, "Foundations that are more transparent are more helpful to my organization's ability to work effectively." Conversely, just under half of foundation CEOs surveyed (47 percent) agreed with the statement, "Foundations would be able to create more impact if they were more transparent with the nonprofits they fund."

One possible explanation for the lower percentage of foundation CEOs agreeing that greater transparency would help create more impact is that they may already believe foundations are highly

transparent, and therefore increased transparency would have little additional influence on their ability to create more impact. This hypothesis, however, is not supported by the nonprofit perspective on the degree to which foundations are transparent. The majority of nonprofit CEOs find their foundation funders to be only somewhat transparent with their organization. On a scale of 1 to 7, where 1 indicates "not at all transparent" and 7 indicates "extremely transparent," nonprofit CEO respondents on average rate the overall transparency of their foundation funders a 4.7.

When it comes to a more specific aspect of transparency – foundations' communications about what has not worked in their experience – nonprofit and foundation CEOs' perspectives again differ, though not to as great an extent. Nonprofit CEOs are significantly more likely than foundation CEOs to say foundations have not done a good job sharing publicly what has not been successful,  $\chi^2(1, N = 340) = 30.83, p < 0.01, |\varphi| = 0.30$ . The large majority of nonprofit CEOs (88 percent) say they believe their foundation funders need to be more transparent about what they have tried but has not worked in their past grantmaking, while only 61 percent of foundation CEOs disagree with the statement, "Foundations do a

**TABLE 7** Nonprofit and foundation CEOs' perspectives on foundations' awareness of nonprofit challenges

Belief about current level of foundation awareness about nonprofit challenges	Nonprofit CEOs		Foundation CEOs		Total	
	Freq.	%	Freq.	%	Freq.	%
Believe foundations are aware of nonprofits' challenges <sup>†</sup>	60	52.2	122	60.1	182	57.2
Do not believe that foundations are aware of nonprofits' challenges	55	47.8	81	39.9	136	42.8
<b>Total</b>	<b>115</b>	<b>100.0</b>	<b>203</b>	<b>100.0</b>	<b>318</b>	<b>100.0</b>

$\chi^2(1, N = 318) = 1.88, p = 0.17$

<sup>†</sup>For nonprofit CEOs: Ratings of a 5, 6, or 7 on a 1-7 scale where 1 = Strongly disagree, 4 = Neither agree nor disagree, and 7 = Strongly agree; item text: "My foundation funders are aware of the challenges that my organization is facing."

For foundation CEOs: Ratings of a 4 or 5 on a 1-5 scale where 1 = Strongly disagree, 3 = Neither agree nor disagree, and 5 = Strongly agree; item text: "Foundations are very aware of the challenges that nonprofits face today."

good job of publicly sharing what has not been successful in their experiences."

Nonprofits may be more critical of the degree to which foundations share what has not worked in their experience because they may have a clearer understanding of how they could use such knowledge. One nonprofit commented, "One of the best learning tools is to see what has not worked. Learning from foundations and their other grantees would be very instructive."

### Nonprofit-Performance Assessment

When it comes to nonprofit-performance assessment, foundation CEOs are significantly more likely to report providing support for nonprofit-assessment efforts than nonprofit CEOs are to report receiving it. (See Table 6.) Of foundation CEOs surveyed, 75 percent indicate that they engage in "supporting nonprofits' efforts to collect data about their performance." Yet, when asked whether "foundation funders tend to provide support to help your organization assess how it is doing relative to the goal(s) your organization seeks to achieve," 71 percent of nonprofit CEOs indicate that they "do not tend to receive any support for assessment efforts." The types of support about which nonprofits were asked for this item included both financial and nonmonetary assistance.

Further evidence of a difference in perspectives can be seen by comparing foundation and non-

profit CEOs' perceptions of how successful nonprofits' efforts to assess their performance have been. While 95 percent of nonprofit CEOs agree that "they understand the progress their organization has made towards achieving its goal(s)," 50 percent of foundation CEOs indicate that their "grantees' difficulty in assessing the progress they are making in their work" is at least somewhat of a barrier to their foundation's ability to make progress.

One factor that might be contributing to these discrepancies is a difference between how nonprofit and foundation CEOs define nonprofit-performance assessment. These data do not address whether foundations and nonprofits may be using different standards for performance assessment. Another possibility is that foundations are providing support for nonprofit-performance assessment, but only to a subset of their grantees. As a result, most grantees may feel unsupported in the assessment of their performance while most foundations see themselves as providing this support.

### Nonprofits' Challenges

Foundation and nonprofit CEOs have a similar sense of foundations' lack of awareness of the challenges nonprofits face and share the perspective that foundations do not take advantage of their myriad resources to help nonprofits succeed.

The percentage of CEOs who believe foundations are aware of the challenges that nonprofits face

**TABLE 8** Nonprofit and foundation CEOs' perspectives on whether or not foundations use their resources to help nonprofits succeed

Perspective on whether or not foundations take advantage of their myriad resources to help nonprofits succeed	Nonprofit CEOs		Foundation CEOs		Total	
	Freq.	%	Freq.	%	Freq.	%
Believe foundations take advantage of their myriad resources to help nonprofits succeed <sup>1</sup>	36	31.3	84	41.2	120	37.6
Do not believe foundations take advantage of their myriad resources to help nonprofits succeed	79	68.7	120	58.8	199	62.4
<b>Total</b>	<b>115</b>	<b>100.0</b>	<b>204</b>	<b>100.0</b>	<b>319</b>	<b>100.0</b>

$\chi^2(1, N = 319) = 3.05, p = 0.08.$   
<sup>1</sup>For nonprofit CEOs: Ratings of a 5, 6, or 7 on a 1-7 scale where 1 = Strongly disagree, 4 = Neither agree nor disagree, and 7 = Strongly agree; item text: "My foundation funders take advantage of their myriad resources to help my organization address its challenges."  
 For foundation CEOs: Ratings of a 4 or 5 on a 1-5 scale where 1 = Strongly disagree, 3 = Neither agree nor disagree, and 5 = Strongly agree; item text: "Foundations take full advantage of their myriad resources to help their grantees succeed."

does not differ between CEOs of foundations and nonprofits,  $\chi^2(1, N = 318) = 1.88, p = 0.17$ . Of foundation CEOs surveyed, 60 percent agree that "foundations are very aware of the challenges that nonprofits face today" and 52 percent of nonprofit CEOs surveyed agree with the statement, "My foundation funders are aware of the challenges that my organization is facing." (See Table 7.)

One possible explanation for why only slightly more than half of both nonprofit and foundation CEOs say they believe foundations are aware of nonprofits' challenges is that nonprofits find it difficult to be open. Nonprofit CEOs who say they believe foundations are aware of their challenges are more likely to agree with the statement, "I can be open with my foundation funders about the challenges my organization is facing."  $\chi^2(1, N = 115) = 35.41, p < 0.01, |\varphi| = 0.55$ . Of nonprofit CEOs who say they believe their foundation funders are aware of their challenges, the vast majority (93 percent) believe they can be open with them about their challenges. Conversely, of nonprofit CEOs who say they do not believe their foundation funders are aware of their challenges, less than half (42 percent) believe they can be open with them about their challenges.

Similar percentages – and a minority – of nonprofit CEOs and foundation CEOs say they believe

that foundations take advantage of their myriad resources to help nonprofits succeed,  $\chi^2(1, N = 319) = 3.05, p = 0.08$ . (See Table 8.) Of nonprofit CEOs surveyed, 31 percent agreed with the statement, "My foundation funders take advantage of their myriad resources to help my organization address its challenges." Of foundation CEOs surveyed, 41 percent agreed with the statement, "Foundations take full advantage of their myriad resources to help their grantees succeed."

Nonprofit CEOs who report that their foundation funders are aware of the challenges their organizations face are significantly more likely to indicate that their foundation funders take advantage of their resources to help their organization address their challenges,  $\chi^2(1, N = 115) = 24.19, p < 0.01, |\varphi| = 0.46$ . Of nonprofit CEOs who say they believe their foundation funders are aware of their challenges, 52 percent believe foundations take advantage of their myriad resources to help them address their challenges. Conversely, of nonprofit CEOs who do not believe their foundation funders are aware of their challenges, only 9 percent believe foundations take advantage of their myriad resources to help them address their challenges. This suggests a logical progression: In order for foundations to use their resources to help nonprofits, they must first be aware of what those nonprofits need in order to succeed.

## Conclusion

As can be expected in any relationship, foundations and nonprofits do not always see eye to eye on the issues that affect their work together. This study is meant to bring to light topics on which nonprofit and foundation CEOs are not aligned, as well as topics on which they are but for which progress is not where either group would like it to be. Nonprofit and foundation CEOs' views differ on the value of increased foundation transparency and whether nonprofits are receiving support from foundations for performance assessment. Their views are more similar when it comes to foundations' awareness – or lack thereof – of nonprofits' challenges and whether foundations take advantage of their myriad resources to help nonprofits succeed. Both nonprofit and foundation CEOs believe foundations have room to improve on these issues.

There are a number of possible explanations for the differences in perspectives that arose. First, it is possible that nonprofit and foundation CEOs have not communicated well enough about these issues, leading to misalignment. For example, if foundations don't realize that nonprofits want them to be more transparent – and about what, specifically – then they might not see a need to be more transparent. Alternatively, perhaps nonprofit CEOs have different definitions of foundation transparency or nonprofit-performance assessment than foundation CEOs. This could explain why nonprofit CEOs see foundation transparency as being more useful to their ability to work effectively than foundation CEOs. It could also explain why nonprofit CEOs feel that foundations do not support nonprofit-performance assessment, while foundation CEOs believe they do. Power dynamics between foundations and nonprofits also may contribute to these differences in perspective. Foundations have resources that nonprofits need.

Two areas arose in which both nonprofit and foundation CEOs agree that foundations could be doing better. Both nonprofit and foundation CEOs believe that foundations can be more aware of nonprofits' challenges and provide more resources to help them. If this view is shared, why aren't foundations doing more? One possible

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*Nonprofits and foundations are interdependent: Nonprofits need foundations to support their organizations, just as grantmaking foundations need nonprofits to carry out work related to their key goals. This makes it all the more crucial to work toward alignment.*

explanation is a lack of strong relationships: If a grantee does not have a strong relationship with its funder, then it's likely the grantee will not feel comfortable being honest about challenges. As a result, foundations may not feel they are aware of the challenges their grantees face and are not able to provide the appropriate resources to help address them. One step for foundations would be to ask grantees about their greatest challenges and be open to hearing about them. In this way, foundations can work more closely with their grantees to help address mutual concerns when possible. Previous research suggests that clear and consistent communication between funders and their grantees is a key component of the funder-grantee relationship (Buteau, Buchanan, & Chu, 2010; Grantmakers for Effective Organizations, 2006).

Nonprofits and foundations are interdependent: Nonprofits need foundations to support their organizations, just as grantmaking foundations need nonprofits to carry out work related to their key goals. This makes it all the more crucial to work toward alignment on the issues highlighted in this article – and toward improvement on issues for which alignment, in a negative sense, already exists. Future research could explore how foundations and nonprofits could make progress toward better alignment where they don't see eye to eye and faster progress on the issues where there is agreement about a need for improvement.

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