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# Foundation Transparency: Opacity – It’s Complicated

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*Keywords: Transparency, private foundations, foundation-grantee relations, opacity, private foundation practices, grantee practices*

## Introduction

Calls for greater transparency from social institutions are gaining momentum in American culture, especially given concerns about the potential risks to society from misconduct hidden from public view. Such concerns have escalated since the 2008 global financial crisis (Rourke, 2014, Kelly, 2009), where consequences of misconduct had broad impact. While social institutions had little role in bringing about that crisis, broadly applied transparency is increasingly represented as society’s best defense against unethical behavior (Jennings, Mitchell, & Hannah, 2014; Morrison & Mujtaba, 2010). Accordingly, advocates for increased transparency are acquiring a growing voice in the field of private philanthropy.

Private foundations have been criticized for conducting themselves in a manner that is mysterious (Fleishman, 2007) and unaccountable (Sandy, 2007). Yet, the privacy literature suggests that transparency is not a panacea (Briscoe & Murphy, 2012; Bernstein, 2012; Desai, 2011; Osborne, 2004; Hannan, Polos, & Carroll, 2003). It is not achieved without cost (Briscoe & Murphy, 2012; Desai, 2011; Osborne 2004, Hannan, Polos, & Carroll, 2003), and its influence on conduct and accountability within private philanthropy may be less than straightforward (Fox, 2017; Reid, 2017; Andrews, 2014; Rourke, 2014). Nonetheless, growing interest in transparency on the part of private foundations is easily observed in recent professional journals and conference agendas.

Key to this transparency debate is whether private foundations are viewed as genuinely private or as quasi-public entities. Some argue that the

## Key Points

- The perception that private foundations lack accountability has led to calls for greater transparency. The literature, however, suggests that transparency is neither a panacea nor achieved without cost, and that its positive influence on the conduct of philanthropy may be less than straightforward.
- This article seeks to examine transparent and opaque practice in private philanthropy, studying the literature as well as findings from interviews with foundation staff, trustees, and grantees that sought answers to two relevant questions: Does opacity exist in private philanthropy? Have foundations and grantees developed strategies for overcoming challenges related to opacity?
- U.S. tax law affords private philanthropy unique discretion regarding transparent practice. Before abandoning such discretionary capacity, it might be productive for private foundations to explore how transparent and opaque practices impact their reputation and inhibit or support their activities.

tax advantages and charitable status enjoyed by private foundations make them quasi-public institutions (Fleishman, 2007). Others contend that because their assets derive entirely from private donors and not from fundraising activities, they are genuinely private entities (Brody & Tyler, 2010).

Transparency in private philanthropy is a complex matter. Considered essential to public trust (Fleishman, 2007) and an enhancement to grantee relations (Boldouc, Buchanan, &

**FIGURE 1** Defined Terms

- **Private philanthropy** and **private foundation** are used interchangeably to represent what the Internal Revenue Code refers to as an “independent foundation.”
- **Transparency** is defined by Osborne (2004) as “helping people to see into systems and understand why decisions are taken” (p. 292).
- **Opacity** is a practice that effectively reduces transparency between organizational insiders and outsiders (Reid, 2015).
- **External stakeholders** are “government agencies, private donors, ... media, clients of the organization,” and members of the public with legitimate interests in private foundations (Hodge & Piccolo, 2011, p. 521).
- **Foundation insiders** include donors and donor families, trustees, and key managers (Crimm, 2001).
- **Philanthropic freedom** is the unimpeded ability to put private contributions to charitable purpose by making grants, setting grant terms, and resisting political or other external influence in grant decisions, as well as avoiding pressure for external accountability related to grant decisions or outcomes (Hudson Institute, 2015).
- **Strategic grantees** are those who private foundations perceive as especially important to specific charitable interests (Reid, 2015).

Buteau, 2007), transparency can also impede certain philanthropic advantages uniquely available in opaque settings (Reid, 2017, Desai, 2012). Through tax returns, foundations reveal the identity of trustees and key personnel; insider compensation; grant recipients and grant amounts; and investment holdings. Yet they are being challenged to be even more transparent.

The research on which this article is based was intentionally agnostic about whether foundations are private or quasi-public entities — or even if they should operate with more transparency. The findings here reach beyond philosophical convictions to instead provide a more practical examination of transparent/opaque practice and related issues. Accordingly, this research contributes to a more complete understanding of both practices in private philanthropy. A list of questions is provided to help foundations assess their practices within the context of philanthropic objectives.

## Literature Review

Private foundations represent a segment of the nonprofit social benefit community known as the third sector, which exists in the space between government and the private sector (Bubb, 2010). The institutional form of private philanthropy is a relatively recent development in U.S. public policy (Fleishman, 2007; Gardner, 1992), generally thought to have been in existence for just over a century.

Approximately 78,580 U.S. private foundations collectively control an estimated \$584 billion in charitable assets, accounting for 82 percent of combined assets under the control of all categories of domestic foundations (Foundation Center, 2014). Private foundations annually distribute approximately 5 percent of their assets, an amount estimated at \$35.4 billion in 2014, for charitable purposes (Diller, 1993). Over the past couple of decades, government support to domestic nonprofits in the United States has

significantly declined and such support from private foundations has grown substantially (Kerlin & Pollak, 2013). This, understandably, seems to have accelerated interest among grant seekers in private foundations.

According to Fleishman (2007), private foundations run the risk of new legislative or regulatory oversight should they fail to respond appropriately to demands for greater transparency. Yet the opacity under which private foundations have been able to operate has provided grantmaking capacities not available to other kinds of grantmaking organizations (Reid, 2017; Dowie, 2011). Those unique capacities need to be better understood within the context of this debate.

Opaque practices can make prospecting private foundations especially difficult for grant seekers (Glücker & Ries, 2012). It has been argued that opaque practice and a failure to be externally accountable (Sandy, 2007; Ostrander, 2007; Leat, 2006) stem from arrogance and a sense of entitlement among foundation insiders. Foundation program officers have been described as aloof toward and even disrespectful of grant seekers (Boldouc et al., 2007); Tuan's "Dance of Deceit" (2004) also observed the potential for such conduct by program officers.

Research into private foundation practice, however, failed to substantiate existence of such behavior among foundation insiders (Reid, 2015), which raises the possibility that opaque practice could derive from other factors. Such practices by private foundations were observed to be efforts intended to protect important grantmaking capacities, such as preserving philanthropic freedom, shielding grant decisions from political considerations, facilitating the ability to experiment, making important grants potentially too controversial for other funders, and more freely engaging in higher-risk projects (Reid, 2017).

Most organizations seek to enlarge their autonomy as part of their efforts to limit external interference that can inhibit efficiency or innovation (Drees & Heugens, 2013), and private foundations have been observed to make practical use of their autonomous capacity for

*This research sought to confirm the existence of and better understand contextual circumstances underlying foundation opaque practice, as well as instances of greater transparency.*

similar purposes (Reid, 2015). Perhaps evidence of practical use of opaque practices by private foundations, combined with natural inclinations toward enhancing autonomy, might better explain motives underlying opaque practice in private philanthropy.

Grant seekers are understandably interested in greater foundation transparency with respect to grantmaking processes, decisions, and outcomes (Brock, Buteau, & Gopal, 2013). Yet, some transparency-related interests of grant seekers may be at odds with efforts to preserve autonomy within foundations. It is unclear if such competing objectives can be universally resolved for all grant-seeking nonprofits, but research has found that foundations do engage in situationally specific transparency with certain grantees (Reid, 2015).

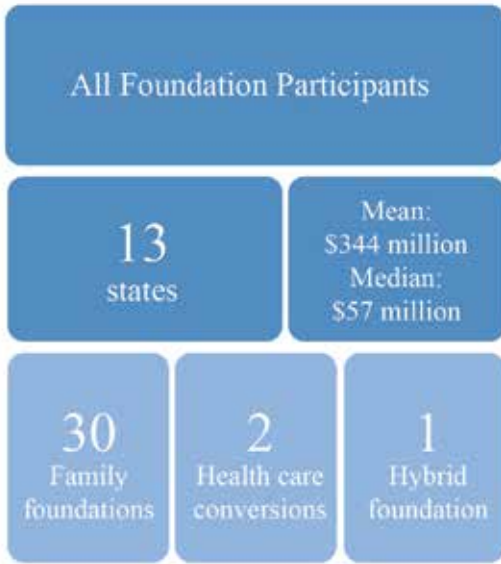
### Research Questions

This research sought to confirm the existence of and better understand contextual circumstances underlying foundation opaque practice, as well as instances of greater transparency. Among the research questions that guided this investigation, two are relevant to this article:

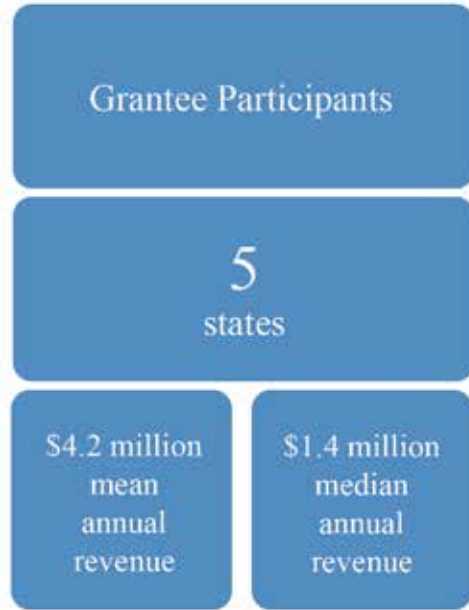
1. Does opacity exist in private philanthropy?
2. Have foundations and/or grantees developed strategies for overcoming challenges related to opacity?

The first question required an investigation of opaque practices employed by private

**FIGURE 2** Foundation Participants



**FIGURE 3** Grantee Participants



foundations. Four specific indicators of opaque practice emerged, and were helpful in understanding both the extent to which foundations engaged in such practices and the contextual circumstances in which they occurred. The second question prompted an assessment of the relationships between foundations and grantees to determine if they overcame challenges stemming from opaque practices to establish more effective partnerships and greater foundation transparency. This assessment led to the discovery of situational transparency, which foundations practiced with grantees they perceived as strategic.

**Methodology**

This investigation employed an interpretive research model, which differs significantly from mere confirmation of hypotheses or propositions (Stebbins, 2001). This methodology permitted freedom to move beyond a binary approach in analyzing data, resulting in a deeper understanding of both practice and context.

The study involved interviews with 19 current and past foundation professional staff, 16 foundation trustees, and 16 grantees; all participants

were assured of confidentiality. The total number of interviews — 51 — was large for a qualitative study and resulted in significant data on 30 family foundations, two health care conversions, and a foundation started by the owner of a private company for the benefit of employees. (See Figure 2.)

The professional staff who participated in the interviews represented 22 private foundations, with mean assets of \$455 million. The asset size of these foundations ranged from \$1 million to \$5.99 billion and they were located in 10 states. Some foundation staff participants reported experiences in more than one foundation and there was inadvertent overlap between trustee and staff participants in five foundations. The trustees represented 15 private foundations, with mean assets of \$237.2 million. Their total assets ranged from \$1.7 million to \$2.3 billion and they were located in seven states.

Among the 16 grantees interviewed were representatives of 14 paired-grantee agencies, recruited by foundations participants, comprised of trustees and staff. This led to important

insights into perceptions mutually shared by foundations and grantees as well as into perspectives unique to grantees. (See Figure 3.)

### *Data Analysis*

Strategies for documenting and analyzing data included multiple means of triangulation, with a clear audit trail for recorded interviews, transcribed data, and analysis. Interviewing three distinct categories of participants supported triangulation of data (Patton, 1999). Findings and analyses were also confirmed by subject-matter experts from four foundations and two grantees, none of which participated in the research.

Reliability in qualitative research is supported by the accuracy of insights gained from interviews and assuring proper representation of the views of the subjects (Creswell & Miller, 2000). This required a systematic process capturing “concepts, themes, and dimensions” (Gioia, Corley, & Hamilton, 2012, p. 22). Interviews were recorded and transcribed, and data were coded using NVivo 10 software (Hilal & Alabri, 2013).

### *Purposive Sampling*

Purposive sampling is often employed to identify and recruit subjects for a population to be studied, especially when subjects are difficult for researchers to identify or recruit (Barratt, Ferris, & Leton, 2015). Under such circumstances, purposive sampling is especially helpful in identifying and securing subjects (Tongco, 2007). Experts in private philanthropy who were consulted during the design of this project suggested that the research would be more successful if gatekeepers for potential subjects, rather than random selection, were employed to recruit potential participants — an approach consistent with purposive sampling (Devers & Frankel, 2000). Accordingly, all foundation participants were secured through three intermediary foundation membership organizations: Philanthropy Southwest, the New Mexico Association of Grantmakers, and Grantmakers for Education.

Foundation participants varied in geographic location, asset size, and grantmaking interests — a diversity consistent with effective purposive

sampling (Advice, 2000). Confidence in the sample was further enhanced by having distinctly different classes of foundation participants (e.g., trustees and staff) in addition to grantees, and in utilizing multiple intermediaries (Sinkovics & Alfoldi, 2012) to recruit knowledgeable subjects (Devers & Frankel, 2000).

There was a different objective in recruiting grantee participants. While the literature contains reports from grant seekers on difficult experiences with foundations, it was necessary to find grantees with good foundation relationships in order to determine if some of them had overcome untoward effects of opaque foundation practice. Given this objective, participating foundations were invited to recruit grantees they considered to be strategic.

Of the 16 organizations that agreed to participate, 14 were considered “paired grantees” because of their close relationship to participating foundations. The other participants were a colleague recruited by one of the paired grantees and a representative of a regional United Way affiliate who asked to participate. The grantee participants varied significantly in annual budget, geographic location, and mission. While participants were not solicited on the basis of demographics, most of the participants were from the Southwest as a result of the location of two of the intermediaries.

### *Credibility of Data and Analysis*

The following procedures were followed to assure trustworthiness of data analysis and findings:

- There was a comprehensive review of the literature, the research methodology was appropriate, participants confirmed interview summaries, interviewers had domain-specific knowledge, and interviewees were accessed through third parties.
- To support the transferability of the findings, there were a large number of interviews (Shenton, 2004).



*Most foundation participants, especially family foundations, maintained a low profile within the communities they served. Only half of the participating foundations had websites. Some accepted grant applications only by invitation, and several prohibited grantees from publicly acknowledging their grants.*

- The consistency of questions, use of a single interviewer, and overlapping classes of participants (e.g., foundation trustees/staff and grantees) enhanced the reliability of the findings. (Shenton, 2004).
- The credibility of observations was enhanced by triangulation of three sets of data, use of consistent methodology, a clear audit trail for data and findings (Shenton, 2004), and confirmation of findings by six independent domain experts.

## Findings

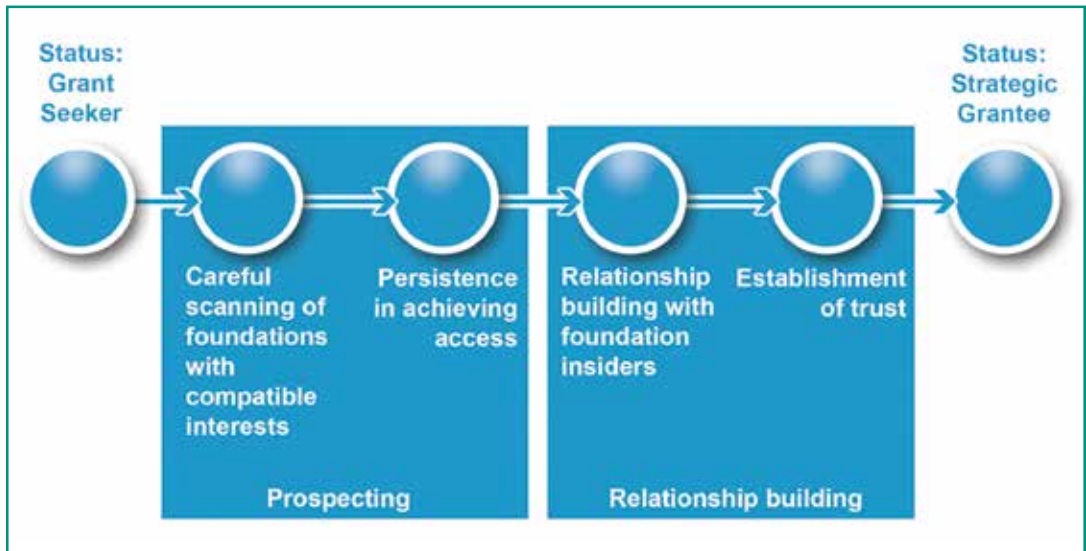
Findings are reported within the context of four indicators of opaque practice, which evolved from the research: the capacity to maintain relative anonymity (i.e., ability to maintain a low public profile), to limit unwanted outside influence while maintaining independence in grant decisions (i.e., preserving philanthropic freedom), to sustain homogeneity of insider organizational control (i.e., perpetuating insider control), and to protect autonomous domain (i.e., resisting external accountability/reporting). Findings for the second research question also address how grant seekers evolved into strategic grantees, which are important in understanding the strategies addressed.

## Question No. 1: Does Opacity Exist in Private Philanthropy?

The following are findings related to foundation practices with external parties including grant seekers, which generally confirmed existence of significant opacity.

1. *Low public profile:* Most foundation participants, especially family foundations, maintained a low profile within the communities they served. Only half of the participating foundations had websites. Some accepted grant applications only by invitation, and several prohibited grantees from publicly acknowledging their grants. Foundations were often motivated to manage their public profile to avoid overwhelming limited staff with distracting inquiries.
2. *Preservation of philanthropic freedom:* Participants overwhelmingly reported the ability to make grant decisions without concerns about external stakeholder perceptions, effectively shielding grant decisions from outside interference. As one grantee remarked, “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.” This allowed the foundations greater freedom to innovate, experiment, make grants considered important that might otherwise be too politically risky for public grantmakers, and to administer grants with greater flexibility.
3. *Perpetual insider control:* The trustees of most private foundations were largely insiders: family, friends, or business associates of the founder or subsequent generations. With successive generations of trustees, family foundations were typically able to perpetuate insider control. “Because we are a private family foundation,” said one participant, “the board members are appointed by ... the donors.”
4. *Limiting external accountability/reporting:* Few private foundation participants

**FIGURE 4** Process for Becoming a Strategic Grantee



provided annual reports, and the websites that did exist often contained limited content. Many private foundations reported that they routinely and actively limit outsiders’ access to information about internal processes and grant activities, including criteria for grantmaking and reasons for application denials, and make grants anonymously or with limited public notice.

**Question No. 2: Strategies for Opacity-Related Challenges**

Private foundations were found to engage in situationally enhanced transparency with certain grantees in ways intended to improve collaborative relationships. Grantee participants overwhelmingly confirmed this observation.

Foundations were not uniformly transparent with all grantees. Some strategic grantees developed deep relationships with foundation partners that seemed to produce situational transparency that was substantive and mutual; such transparency was not typically extended to nonstrategic grantees. Foundation and grantee participants reported that such relationships, and the corresponding transparency, enabled especially meaningful and satisfying projects.

Findings suggested that grant seekers who became strategic grantees followed a fairly consistent evolution: scanning for relevant foundation interests, persistence in achieving access to foundation insiders, patience in developing relationships, and establishing trust. (See Figure 4.) Grant opportunities were not pursued until this process was reasonably complete.

The first two steps involve a diligent process of foundation prospecting through a detailed investigation of a foundation’s mission, interests, philosophical or ideological convictions, and grantmaking through a review of tax returns, data base services, foundation documents, and observations from previous grantees, former consultants, and friends of foundation insiders. Grantees then sought opportunities to meet with foundation insiders to establish access and gather additional information. Grantees were careful to avoid raising grant seeking motives too early in the process, and focused instead on building meaningful relationships, based on shared interests and openness to new ideas, though candid sharing of successes, failures, and lessons learned from prior work.

At this point, grantees reported they had better access to and relationships with private



foundations; foundations viewed grantees less as mere resource-seekers than as trusted associates who were strategic to shared philanthropic interests. Under these circumstances, foundations reportedly demonstrated willingness to relax opaque practices, and relationships were formed involving the kind of cooperation deemed essential to effective partnerships (Fairfield & Wing, 2008). Grantees reported that foundations treated them as valued partners and were more deferential to their expertise. And a representative of one foundation observed, “I tell my partners all the time: ‘You guys are the experts. That’s why I’m here, to learn from you. This is a partnership’”

Relationships between foundations and strategic grantees thus progressed beyond a transactional nature to more integrated, intimate partnerships that tended to involve recurring grants — creating relational currency on which major initiatives were progressively built. Said one grantee, “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.”

Participating foundations reported that strategic grantees were especially important to their grantmaking objectives; they enjoyed high levels of perceived relevance, trust, and respect from foundation partners. One foundation representative expressed enthusiasm for working “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, [to] rethink and re-strategize.”

The following findings provided evidence of vast differences in foundation practice with strategic grantees, pointing out a practice of situational transparency reported here within the context of the four indicators of opaque practice:

1. *Low public profile:* Private foundations were much less guarded about public disclosure regarding grantmaking and other involvement with strategic grantees. Grantees reported that foundation partners actively engaged in efforts to attract attention to their work and promoted them to other potential grantmakers. Private foundations exhibited enthusiasm for their partnerships with strategic grantees and were willing to be more open in their support. Strategic grantees also reported untethered access to their foundation partners. Said one grantee, “Most of our private funders ... care about what we’re doing. They care about, at the end of the day, the lives that have been impacted in our community.”
2. *Preservation of philanthropic freedom:* Efforts to protect against outside influence in grantmaking did not extend to strategic grantees. Input from strategic grantees was welcomed and encouraged. Private foundations were much more relaxed about preservation of their philanthropic freedom with strategic grantees, who reportedly were intimately involved in decisions about grant-program details and strategy. Opaque practices were eased, if not completely eliminated, in favor of promoting genuine partnership engagement with strategic grantees. A foundation’s capacity to embrace risk was extended to its grantees: “I’m not afraid to drill dry holes,” said one foundation official. “That’s where the money came from.”
3. *Perpetual insider control:* While foundations continued to perpetuate insider control, strategic grantees were given significantly greater access to insiders, including trustees, with whom they enjoyed active exchanges of ideas and experiences. Strategic grantees enjoyed a status functionally equivalent to foundation insiders: “They treat you like family,” said one.
4. *Limiting external accountability/reporting:* Private foundations were less protective of public knowledge about their activities with strategic grantees, and more likely to employ external communication to promote strategic grantees and their projects. Private foundations imposed high expectations regarding grantee accountability, but were willing to be accountable to strategic partners. As a grantee acknowledged,

“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.”

## Key Takeaways

This research found that private foundations are indeed generally opaque, and that they employed such opacity in highly pragmatic ways — primarily to enhance their grantmaking ability. While such practices result in real barriers to grant seekers in general, private foundations were surprisingly transparent in certain situations and with strategic grantees. When their strategic charitable interests aligned, foundations became more transparent in order to build more effective relationships with their grantees. The level of apparent intentionality in the use of opaque and transparent capacities by private foundations was significant in these findings.

While opaque foundation practices may confound grant seekers, foundation and grantee participants reported that such opaque capacities benefited their shared charitable activities with respect to ability to experiment and test new ideas without fear of consequences to institutional reputation. They also reported that opaque capacities provided a unique environment for grant work that effectively resisted unhelpful outside interference and resulted in greater flexibility, efficiency, and potential impact. The advantages to charitable work in private philanthropy are reasonably analogous to the flexibility and efficiency enjoyed by privately held companies in contrast to publicly traded companies, from which much greater transparency is required. As one foundation representative put it,

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 public sector.

Grantees confirmed that private foundations were much less bureaucratic, tended to view their grants more as investments seeking social returns, and demonstrated greater business discipline than other kinds of grantmaking

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organizations. “I would say the angel investors are closest to the private foundations — angel investors and, possibly, venture capital,” a grantee remarked. Grantee participants also expressly observed that private foundations are markedly different than other kinds of grantmakers. According to grantees, their ability to freely shift between opaque and transparent practice was a striking example of such difference.

## Limitations

Research is inescapably contextual. Accordingly, the findings reported in this article should be considered within the specific context of this research — especially in two particulars. While this was a relatively large qualitative study, it remains a very small sample — 33 private foundations within the context of the more than 78,000 nationwide. And while grantees observed that foundations tend to be more generally transparent as they increase in size, larger foundations are less likely to participate in the kind of intimate partnerships described in this article. This may in part account for some contrasts between the findings of this research and the private foundation literature.

*U.S. tax law affords private philanthropy unique discretion regarding transparent practice. Before abandoning such discretionary capacity, it might be productive for private foundations to explore how transparent and opaque practices impact their reputation and inhibit or support their activities.*

This study suggested that large, non-local foundations may not possess the ability to shift between transparent and opaque practices that is exhibited by small and midsize foundations that are more proximal to grantees. Differences in foundation behavior by scale and proximity should be further studied.

### Conclusions

This research found that private foundations were indeed opaque institutions at the public level and with grant seekers; four indicators of opaque practice were consistently confirmed across most participating foundations. However, foundation participants adeptly demonstrated situational transparency — the willingness to relax opaque practices — with select grantees.

When perceived as strategic grantees, participants indicated a strong preference for working with private foundations over other kinds of grantmaking organizations. They were able to grow and learn with partner foundations — experiment, innovate, and even fail without risk to their institutional reputations. They reported that relationships with partner foundations allowed for deeper, more meaningful work.

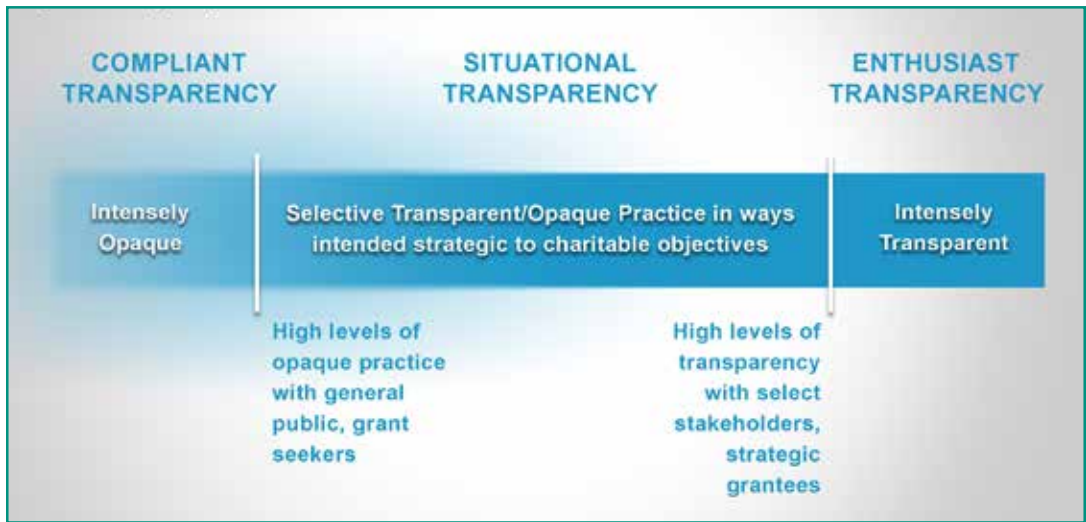
The overwhelming majority of foundation participants in this research were family foundations, which represent the vast majority of private foundations in the United States. These participants were more inclined to embrace opaque practices, but were also observed to employ their opaque capacities in pragmatic ways intended to support charitable objectives. They also exhibited more transparency with strategic grantees as part of efforts to establish more effective partnerships for greater grantmaking impact.

U.S. tax law affords private philanthropy unique discretion regarding transparent practice. Before abandoning such discretionary capacity, it might be productive for private foundations to explore how transparent and opaque practices impact their reputation and inhibit or support their activities. This may prove a less than a straightforward exercise.

Foundations that fully embrace the underpinnings of transparency advocacy are likely to be enthusiastic about opportunities to engage in transparent conduct; this approach is known as enthusiast transparency. Foundations that embrace the principles of privacy advocacy, on the other hand, are more likely to merely comply with minimal transparency requirements, an approach known as compliant transparency. These represent opposing philosophies with respect to transparent practice.

Conflicting philosophical convictions between transparency and privacy-rights advocacy might suggest that only two options exist in setting transparency-related policy. However, research findings suggest there is a third, more pragmatic option: situational transparency. This option is less straightforward and more complex, because it requires clear objectives and correspondingly nuanced intentionality. It might be helpful to consider options for transparent conduct within the context of a continuum bounded by opposing philosophical convictions. (See Figure 5.)

**FIGURE 5** Transparency Continuum



*Enthusiast Transparency – Advantages and Risks*

A hallmark of enthusiastic transparency is an unqualified commitment to provide to virtually all external stakeholders as much insight as possible into foundation processes, decision-making, and achievements. This might include robust, informative websites; press releases and position papers; meetings with community members and grant seekers; public reporting on grant decisions and outcomes; and efforts to solicit public input.

The potential advantages of this approach include enhanced public trust and improved access to and relationships with grant seekers. Potential risks include exposure to outside interference, which can compromise philanthropic freedom and internal control and lead to greater risk aversion for both foundations and grantee partners.

*Compliant Transparency – Advantages and Risks*

This approach is primarily motivated by a duty to satisfy minimal statutory requirements, and may also involve a foundation’s attitudes toward privacy rights.

Its potential advantages include the likelihood of enhanced autonomy and flexibility as well

as minimized outside interference, which can offer greater control over external access. The approach can be a way to better preserve philanthropic freedom, providing more flexibility to make risky grants, to experiment, and learn from failures. Among its risks are a greater vulnerability to complaints about accountability and an accompanying diminishment of public trust, and may also impede the development of effective grantee relationships.

*Situational Transparency – Advantages and Risks*

The overwhelming majority of foundation participants followed this approach to some extent, and primarily with strategic grantees. For strategic grantees, this approach mirrors practices embraced more broadly in enthusiast transparency. Others, however, tend to perceive it as more opaque, similar to compliant transparency. While not examined in this research, it is possible that situational transparency can also be practiced with select external audiences, such as members of the public who are not grant seekers, where doing so is considered strategic.

Situational transparency is unlikely to attract outside interference, thereby enhancing philanthropic freedom through possibilities for

Sector

experimentation and risk and the ability to make potentially controversial grants. It also allows for intimate partnerships with strategic stakeholders and grantees. At the same time, there is the potential risk of a loss of public trust, and the approach can make grantee prospecting more difficult.

### Questions for Foundations

Foundations are free to follow their philosophical convictions in choosing their approach to transparency. But those interested in a more pragmatic policy might consider the following questions:

- With whom and in what specific ways can transparent practice build public trust? What public benefits can be expected from specific transparent practices?
- Are there specific transparent practices that could result in unwelcome consequences, such as inhibiting grant decisions or challenging tolerance for risk?
- Which transparent practices should be extended to all grant seekers? Are there more intimate levels of transparency that should be reserved for grantees with whom especially deep partnerships exist?

Findings from this research underscore the complicated nature of transparency in private philanthropy, especially when the approach is not entirely guided by philosophical convictions. Flexibility in U.S. tax law permits private foundations to make transparency decisions that are both pragmatic and nuanced. Potential advantages and risks are not always straightforward, and likely require careful contemplation.

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