Listening to Grantees:

What Nonprofits Value in Their Foundation Funders

THE CENTER FOR
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Executive Summary

The relationship between foundations and grantees is much discussed, debated, and dissected. Competing theories abound regarding the key attributes of successful and satisfying foundation-grantee relationships: Most are informed by speculation about what nonprofit grantees really value. What is often missing from these discussions, however, is rigorously collected and large-scale data about the opinions of nonprofit grantees.

The Center for Effective Philanthropy has sought to address this issue by surveying thousands of grantees of dozens of foundations. The survey that forms the basis of this report was conducted in the spring of 2003 and targeted more than 6,000 nonprofit grantees of 30 large foundations — representing nearly $24 billion in total assets and $1.3 billion in giving. It resulted in nearly 3,200 responses, for a 53 percent response rate. Using statistical modeling techniques, the Center analyzed the results to identify key drivers of variation of grantees' perceptions of overall satisfaction with their relationships with specific foundations. This is the primary focus of this report. In additional analyses, we have also assessed grantee perceptions of foundations' impact on the grantee organization; foundations' impact on the grantee's community; and foundations' impact on the grantee's field.

The work described in this paper is part of the Center's ongoing effort to survey foundation grantees and distill the results for use by individual foundations and the field. It is a key component of a broader research agenda related to the development of management and governance tools and data to define, assess, and improve overall foundation performance. (See Sidebar on page 5, *Why the Center for Effective Philanthropy Surveys Foundation Grantees*.)

The rewards of better understanding the characteristics of more successful foundation-grantee relationships are substantial. Foundations, with few exceptions, pursue their goals and achieve their impact largely by working in partnership with their grantees. Constructive foundation-grantee relationships, therefore, are essential to effective foundation performance.

Key Findings

Grantees' impressions of the foundations that fund them are generally positive. This is hardly surprising, given that receiving funds is a positive experience. Significant variation exists, however, within the range of grantee ratings of foundations.

We have identified three factors — which we refer to as the three dimensions of foundation performance that grantees value in their foundation funders — that best predict variation in overall grantee satisfaction. To a lesser degree, these same factors also predict grantees' perceptions of a foundation's impact on the organization, field, or community it funds. While the relative weight of each of the three dimensions varies depending on whether we are examining perceptions of satisfaction or perceptions of impact on the organization, field, or community, they are consistently important.

Three Dimensions: What Nonprofits Value

1. Quality of Interactions with Foundation Staff: fairness, responsiveness, and approachability

2. Clarity of Communication of a Foundation's Goals and Strategy: clear and consistent articulation of objectives

3. Expertise and External Orientation of the Foundation: understanding of fields and communities of funding and ability to advance knowledge and affect public policy

These characteristics outweigh others that have often been posited as the keys to optimizing the relationship between funders and grantees. For example, grantees that report receiving program support as opposed to operating or capital support, tend to rate their satisfaction slightly lower, but the effect of type of support on satisfaction ratings is not nearly as great as that of

any of the three dimensions. In fact, it is evident that foundations that have a wide range of grantmaking patterns — in terms of size, type, and length of support and degree of administrative requirements — can have very positive relationships with grantees. But, it is essential to perform well in each of the three dimensions for a foundation to receive the highest ratings.

Key Conclusions

When viewed in the context of an individual foundation's decision making, these findings have clear, practical implications that suggest certain practices that are likely to lead to more highly valued relationships with grantees. Drawing on the data we have analyzed and our experience discussing results for individual foundations with their boards, senior leadership, and program staff, we have developed a number of specific recommendations for foundation leaders:

· Make the necessary investments in administrative expenses required by the three dimensions.

· Support the development of specific and relevant expertise by program officers and other foundation staff.

· Align operations to optimize grantmaking patterns or policies that increase program officer ability to concentrate on the three dimensions.

· Seek to maintain a consistent focus and direction.

· Ensure consistency of policy and communications.

· Communicate clearly, consistently, and accessibly.

· Provide timely feedback to grantees.

· Seek out comparative, confidential grantee perspectives.

These recommended practices are discussed in detail in the implications section of this paper. Future Center for Effective Philanthropy research and case studies will also explore these issues further.

Our Objectives

Our hope is that these findings prove useful to foundation leaders in enabling them to strengthen their relationships with their nonprofit grantees. Although grantmaking foundations can create positive social impact in many ways beyond their relationships with grantees, they are ultimately reliant to a significant degree on grantees to advance their agendas. It is, therefore, crucial that grantee perceptions of the key attributes of successful foundation-grantee relationships be understood.

It is our hope that this paper makes a tangible, positive difference in the lives of those who work at the country's hundreds of thousands of nonprofit organizations

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that receive foundation funding. As many observers of philanthropy have noted, the nature of the relationship between foundations and nonprofit grantees often inhibits the conveyance of vital feedback. However, this work has suggested that there is much that foundations can learn — given the right methods of collecting and analyzing grantees' views.

Ultimately, the beneficiaries of better foundation-grantee relationships are not just grantees and foundations, but the people and issues they seek to affect through their work. By working more productively together, foundations and grantees can create more positive social impact. This, after all, is the ultimate goal of both parties.

Introduction

"I work with four foundations. This one is in a class by itself in terms of staff professionalism, respectful treatment of grantees, focus of mission, and creativity. It is a high student of excellence in its chosen fields."

"The foundation is persistently focused on things other than community needs. And, it is consistently arrogant and disrespectful in its dealings with grantee organizations. This has been true for a number of years, among different staff. I've seen it from the vantage of multiple organizations."

Every grantmaking foundation wants to have good relationships with its grantees. It is, after all, through and with grantees that most foundations seek to convert their resources into social impact. The two statements above exemplify the range in grantee perspectives on their relationships with funders. But, due to an uncomfortable power dynamic impeding direct, honest communication and a lack of broad, independent research, foundations often find it difficult to understand exactly what nonprofit grantees really value.

Foundations leaders, academics, and other observers of philanthropy have promulgated many, often competing, theories about the key to creating positive foundation-grantee relationships. Some have argued that nonprofit grantees require more unrestricted operating support. Others maintain that narrow, program funding ensures greater accountability. Some have suggested that "high-engagement grantmaking," involving close advisory relationships between program officers and grantees, is the key to grantmaking effectiveness. Others posit that a foundation's role is simply to provide money — the more the better — and then get out of the way.[1]

However, despite their often compelling logic, little systematic data exists to buttress or refute any of these claims, certainly not enough to elevate any one theory to supremacy or provide clear direction to foundation leaders. Many focus groups of grantees have been conducted, and many individual foundations have surveyed their grantees, but these efforts often yield confusing and sometimes contradictory results. Research about foundations in general has revealed considerable cynicism among grant recipients, who use adjectives such as "intimidating" and "isolated" to describe foundations in general.[2] Individual foundations' surveys of their grantees, on the other hand, almost invariably reveal that most grantees feel quite positively about the funders that made them grants.

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1 The National Committee for Responsive Philanthropy has advocated for foundations to increase their giving in support of general operations, as has Paul Brest, CEO of the Hewlett Foundation, most recently in an article in the *Stanford Social Innovation Review*. On the other hand, a number of foundations that provide only program support cite accountability of grantees as a reason for doing so. Christine Letts and Bill Ryan have advocated for "high-engagement" philanthropy in the *Stanford Social Innovation Review*, among other publications.

2 Report by Marcia Sharp of Millennium Communications, based on focus groups with grantees conducted for the Forum of Regional Associations of Grantmakers in 1999.
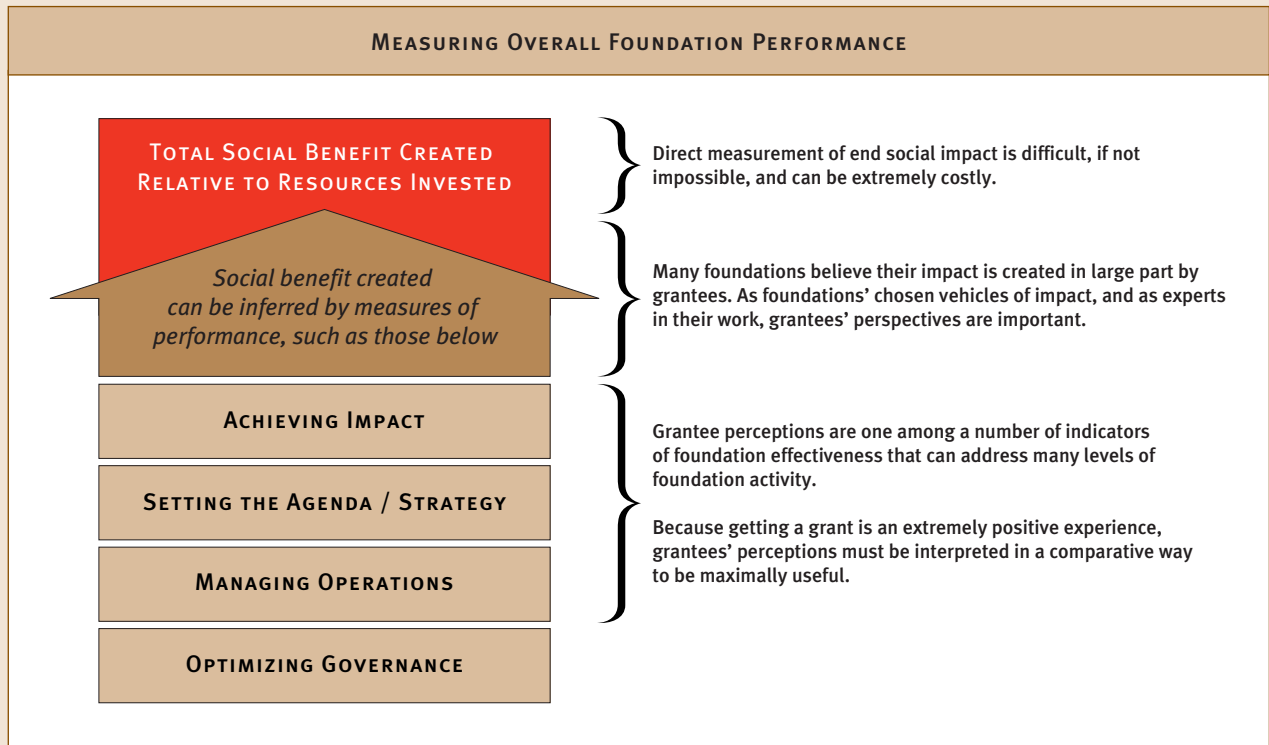
Why the Center for Effective Philanthropy Surveys Foundation Grantees

The Spring 2003 grantee survey represents the second round of field-wide, confidential surveying undertaken by the Center for Effective Philanthropy to study nonprofits' perspectives about their foundation funders. The survey instrument and methodology were initially tested, with guidance and support of many nonprofits and practitioners in the foundation field, during the Center's 2001–2002 Foundation Performance Metrics Pilot Study. During that Pilot Study, the Center created a framework for overall foundation performance assessment and suggested that, for a number of measures in that framework, comparative grantee perceptions could serve as a useful indicator of foundation effectiveness.[1]

Following the Pilot Study, the survey instrument was refined in preparation for a large-scale effort to survey grantees in 2003. The purpose of the Center's surveying is now two-fold:

1. To describe the range of foundation practices in their grantmaking interactions with nonprofits and develop new, field-wide understandings of what it is grantees value in foundations. This objective is the focus of this paper.

2. To inform individual foundations about their own performance on key dimensions as perceived by their grantees, allowing the foundations to see their results on a comparative basis, relative to grantees' views of a cohort of other foundations. Between 2003 and 2005, nearly 100 foundations have commissioned these Grantee Perception Reports® (GPRs) from the Center.

Grantee and applicant perceptions are just one source of data about foundation effectiveness.[2] While none of the measures discussed in this paper can be taken as proof of the social impact a foundation has achieved, grantee perceptions still can be extremely useful to foundation leaders in assessing and improving overall foundation performance. Most foundations, after all, achieve social impact primarily through the work of their grantees. The foundation-grantee relationship is, therefore, the central nexus between a foundation's resources and its social impact.

Measuring Overall Foundation Performance

Total Social Benefit Created Relative to Resources Invested	Direct measurement of end social impact is difficult, if not impossible, and can be extremely costly.
Social benefit created can be inferred by measures of performance, such as those below	Many foundations believe their impact is created in large part by grantees. As foundations' chosen vehicles of impact, and as experts in their work, grantees' perspectives are important.
Achieving Impact	Grantee perceptions are one among a number of indicators of foundation effectiveness that can address many levels of foundation activity.
Setting the Agenda / Strategy	
Managing Operations	Because getting a grant is an extremely positive experience, grantees' perceptions must be interpreted in a comparative way to be maximally useful.
Optimizing Governance	

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1 See *Indicators of Effectiveness: Understanding and Improving Foundation Performance*, 2002.

2 The Center has conducted applicant surveys for a number of foundations exploring the views of those whose proposals were declined. The data gathered in surveys of declined applicants were not included in these analyses.

Receiving needed grant support is rarely a negative experience, so grant recipients' perceptions of the specific foundations that fund them tend, by and large, to be positive. But while nearly all foundations are rated by those they fund toward the positive end of a rating scale, there is a range in grantee perceptions of foundations. One less satisfied grantee described the dynamic with a specific funder in this way:

"Because it is such a huge player in the community, the foundation's grant recipients and those who ever hope to be, never criticize its processes, programs, or expenditures for fear of losing support. Consequently, our relationship with the foundation tends to function within narrow ranges of hope, fear, and supplication."

While nearly all foundations will be rated by those they fund toward the positive end of a scale, there is a range in grantee perceptions of foundations.

The Center's Spring 2003 survey offers new insight into grantees' views on the foundation-grantee relationship. Given the symbiotic connection that exists between foundations and grantees, understanding grantees' perceptions of satisfaction is crucial to understanding foundation effectiveness.

The Center for Effective Philanthropy surveyed 6,042 nonprofit grantees of 30 of the largest 200 foundations in the country between February and May of 2003 using a 50-question survey instrument, initially developed and tested during 2002. (See Sidebar on page 5, *Why the Center for Effective Philanthropy Surveys Foundation Grantees.*) The sample included 24 private foundations and six community foundations. 3,184 completed responses were received. To analyze the key drivers of grantee perceptions of foundations, the Center created a series of statistical models that explored these grantees' perceptions of:

1. overall satisfaction with a grantee's relationship with a foundation;

2. a foundation's impact on the grantee organization;

3. a foundation's impact on the grantee's community; and

4. a foundation's impact on the grantee's field.

We will focus primarily in this paper on our analysis of what predicts grantees' satisfaction. But, interestingly, our preliminary analyses of what predicts perceptions of impact suggest that the same three dimensions are most important in these areas as well.

In addition to the statistical analyses we conducted, the staff of the Center analyzed more than 7,200 open-ended comments from survey respondents. We draw throughout this paper on those comments. To deepen our understanding of these findings, we also conducted four focus groups with grantees (one in Cincinnati, Ohio and three in Boston, Massachusetts) as well as telephone interviews with a number of

ABOUT THE WORK OF THE CENTER FOR EFFECTIVE PHILANTHROPY

The Center for Effective Philanthropy's mission is to provide management and governance tools to define, assess, and improve overall foundation performance. In addition to the work described here related to grantee perspectives, a number of other initiatives are underway to develop a more robust set of data for foundation leaders. For example, the Center's Foundation Governance Project seeks to identify key challenges and effective practices in the foundation board room, and the Foundation Strategy Study explores conceptions of foundation and program strategy. Programming and case studies seek to spotlight exemplars in areas such as performance assessment or strategy development. The Center has also piloted a number of new assessment tools, such as the Comparative Board Report, which provides a comparative basis for boards to assess their performance on a range of dimensions, from board dynamics to the capabilities and expertise possessed by board members, and the Staff Perception Report, which explores foundation staff members' perceptions on a range of foundation-specific topics, including foundation effectiveness and job satisfaction. Finally, the Center has begun to develop a robust set of operational benchmarking data, allowing foundations to understand how they compare to other similar foundations in areas such as the ratio of program officers to active grants.
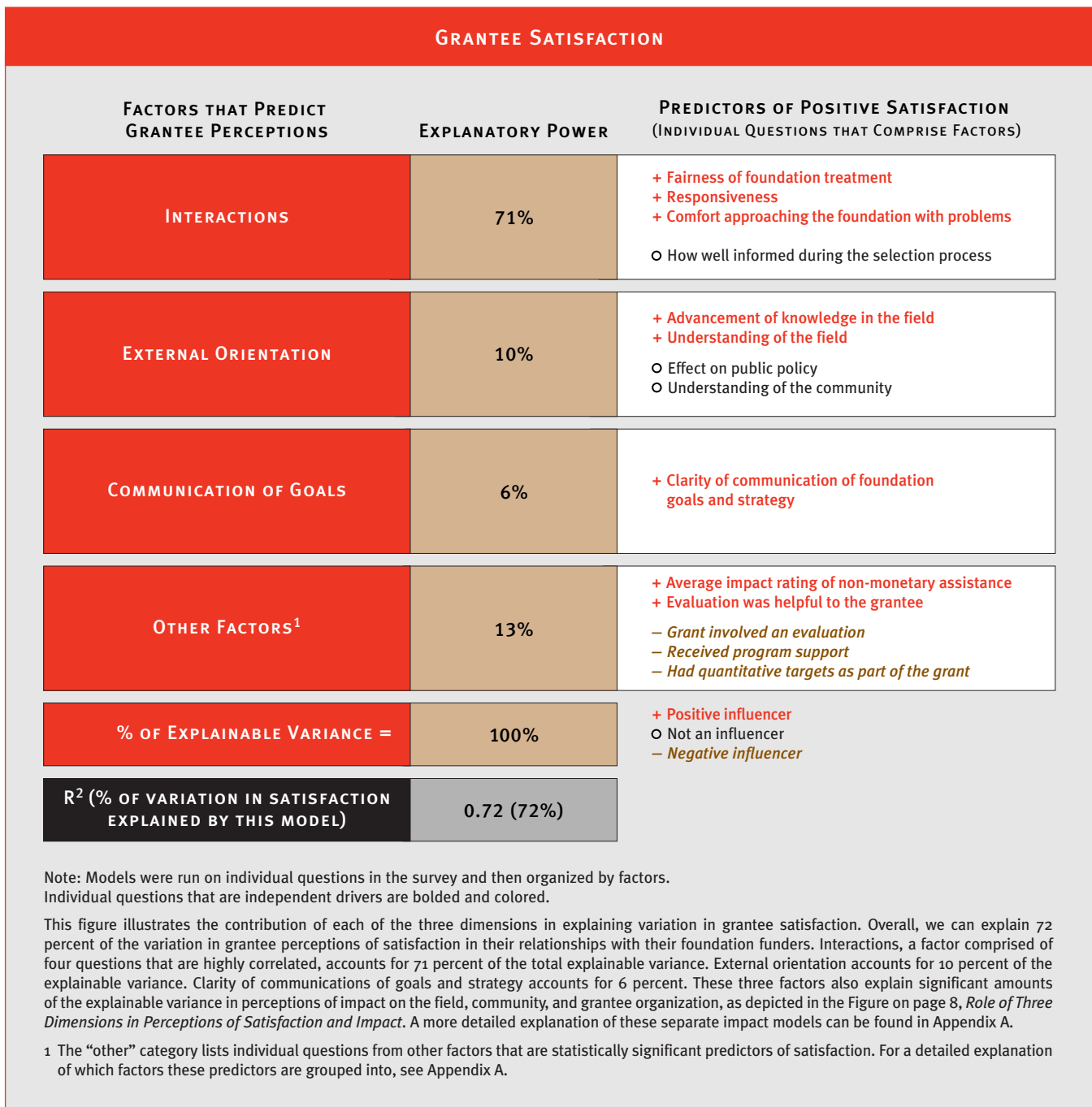
survey respondents. (For more details see Appendix A: *Methodology.*)

What emerges from our analyses are three dimensions that explain a significant amount of the variation in grantees' satisfaction. While these dimensions are not the sole predictors of grantees' views of foundations, strong performance in each of the three dimensions is critically important.

1. Quality of Interactions with Foundation Staff

2. Clarity of Communication of a Foundation's Goals and Strategy

3. Expertise and External Orientation of the Foundation

While it may not be surprising that Quality of Interactions best predicts satisfied grantees, the fact

GRANTEE SATISFACTION

FACTORS THAT PREDICT GRANTEE PERCEPTIONS	EXPLANATORY POWER	PREDICTORS OF POSITIVE SATISFACTION (INDIVIDUAL QUESTIONS THAT COMPRISE FACTORS)
INTERACTIONS	71%	+ Fairness of foundation treatment + Responsiveness + Comfort approaching the foundation with problems O How well informed during the selection process
EXTERNAL ORIENTATION	10%	+ Advancement of knowledge in the field + Understanding of the field O Effect on public policy O Understanding of the community
COMMUNICATION OF GOALS	6%	+ Clarity of communication of foundation goals and strategy
OTHER FACTORS[1]	13%	+ Average impact rating of non-monetary assistance + Evaluation was helpful to the grantee — Grant involved an evaluation — Received program support — Had quantitative targets as part of the grant
% OF EXPLAINABLE VARIANCE =	100%	+ Positive influencer O Not an influencer — Negative influencer
R^2 (% OF VARIATION IN SATISFACTION EXPLAINED BY THIS MODEL)	0.72 (72%)	

Note: Models were run on individual questions in the survey and then organized by factors.
Individual questions that are independent drivers are bolded and colored.

This figure illustrates the contribution of each of the three dimensions in explaining variation in grantee satisfaction. Overall, we can explain 72 percent of the variation in grantee perceptions of satisfaction in their relationships with their foundation funders. Interactions, a factor comprised of four questions that are highly correlated, accounts for 71 percent of the total explainable variance. External orientation accounts for 10 percent of the explainable variance. Clarity of communications of goals and strategy accounts for 6 percent. These three factors also explain significant amounts of the explainable variance in perceptions of impact on the field, community, and grantee organization, as depicted in the Figure on page 8, *Role of Three Dimensions in Perceptions of Satisfaction and Impact*. A more detailed explanation of these separate impact models can be found in Appendix A.

1 The "other" category lists individual questions from other factors that are statistically significant predictors of satisfaction. For a detailed explanation of which factors these predictors are grouped into, see Appendix A.

that the other factors play a role as well is important. Furthermore, our preliminary analyses suggest that these three factors also drive perceptions of foundation impact – on the nonprofit grantee organization, field, and geographic community of funding. Satisfaction, however, is best explained in our models, and is therefore our focus here.[3] (See Figure, *Role of Three Dimensions in Satisfaction and Impact.*)

What's less important in predicting grantee views is revealing: Many of the factors most often discussed by those in the field when examining foundation-grantee relationships don't play nearly as important a role in grantees' views. For example, the size and duration of the grant received and the type of support are not as significant drivers of overall perceptions. Nor are variations in foundation processes and requirements as important: turnaround time for grant requests and the amount of time grantees invest in fulfilling administrative requirements do not drive grantee perceptions of satisfaction.

It is not that these structural grantmaking choices don't matter at all, but rather, that they are superceded by the three dimensions. Many foundation decisions about the structure of its organization and grantmaking, such as grant size, type, length of support, and administrative requirements, are important influences of grantee perceptions. Their significance, however, is best viewed in the context of enabling good performance on the more fundamental three dimensions.

Grantees' perceptions make it clear that foundations employing very different grantmaking styles can have strong relationships with their grantees if they place a priority on the three dimensions. It is important to note that our survey covered grantees of 30 of the largest foundations in the country – ranging in asset size from $300 million to $3.8 billion. The findings and implications of this report, therefore, pertain primarily to larger foundations. While we believe that the same principles likely apply to smaller foundations, we have not yet explored this question directly.

ROLE OF THREE DIMENSIONS IN PERCEPTIONS OF SATISFACTION AND IMPACT

	SATISFACTION	IMPACT ON THE GRANTEE	IMPACT ON THE FIELD	IMPACT ON THE COMMUNITY	
INTERACTIONS	71%	25%	13%	8%	
COMMUNICATION OF GOALS	6%	20%	18%	14%	*Proportion of Variance Explained by Each Dimension*
EXTERNAL ORIENTATION	10%	15%	56%	64%	
OTHER INVESTIGATED CHARACTERISTICS	13%	40%	13%	14%	
R^2 (% OF VARIATION EXPLAINED BY EACH MODEL)=	.72	.33	.37	.31	

3 By looking at the role of satisfaction in explaining perceptions of impact, a distinction becomes clear: Grantees distinguish between their satisfaction and their perceptions of foundation impact. When satisfaction ratings are added as an independent variable to the models assessing predictors of impact, ratings on questions that are part of the interactions factor become less important because interactions is such a strong predictor of satisfaction. However, the predictive power of the other dimensions, communications of goals and external orientation, is unchanged. Simply put, whether or not a foundation is interested in what affects grantee perceptions of satisfaction or impact, the same three dimensions are most significant.

What Matters to Grantees: Three Dimensions

The three dimensions vary in terms of their power to explain variation in grantees' perceptions of satisfaction with their funders. Interactions, not surprisingly, explains the most significant portion. But each dimension is critical — and each also plays a role in driving other overall perceptions, such as impact on the grantee organization or impact on the field.

Quality of Interactions:

"We are choosing to no longer [work with them]. They are simply impossible to work and coordinate with. The staff, in general, is snippy, bossy, and unpleasant, top to bottom."

Although the interactions dimension includes a range of foundation traits, grantees' perception of a foundation's fairness emerge as the single most important aspect of interactions in predicting grantees' satisfaction with a foundation. Grantees go beyond the expectation of an unbiased grant selection process in their conceptions of fairness, encompassing many aspects of the foundation-grantee relationship. For example, in describing one foundation as "unfair," a focus group participant put it this way: "The foundation's expectations for a [grantee] can be inconsistent or, worse, unrealistic, and that's not fair."

Inconsistency of perceived treatment leads to insecurity. It causes grantees to worry about the foundation's continued support, rather than take advantage of the resources, financial and non-financial, provided by the foundation and its program officers or other staff. Grantees have three common laments:

- Inconsistency among assigned program officers: "The same program can and has been reviewed entirely differently depending on the foundation staffers assigned."

- Lack of attention to grantee success: "Familiarity leads to less rigorous oversight of our programs, I fear. I wish they would put us under the microscope."

- Uneven treatment of grantees: "The foundation indicates they will accept one funding request per year from organizations, but their recent annual report indicates they fund more than one program for some organizations."

Ratings of fairness alone account for nearly half of the explainable variation in grantees' satisfaction with a foundation, indicating that grantees will not be optimally satisfied if they suspect a foundation of bias or other unfair treatment.[4] Perceptions of fairness

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4 Establishment of quantified targets as part of the grant reporting process does not appear to be useful in improving grantees' perceptions of fairness. The 47 percent of grantees that report including quantified targets as part of grant assessment rate a foundation's fairness the same as grantees who do not have any quantified grant targets – regardless of whether the targets were set by the foundation, grantee or together.

also are important, but less significant, predictors of perceived foundation impact on the grantee, field, and community.

Fairness is not the only significant dimension of interactions, however. A foundation's responsiveness and approachability when a problem arises are also important drivers of grantees' satisfaction. In fact, the accessibility and availability of program officers — for phone calls, e-mail exchanges, or in-person meetings — is the most common topic mentioned by grantees in open responses.

However, being viewed as responsive and approachable does not necessarily require a high frequency of interactions. Grantees' perceptions of their interactions with a foundation are separate from the frequency of those contacts. For the 69 percent of grantees who report interacting with the foundation anywhere from weekly to at least once every few months, approachability, fairness, and responsiveness ratings are about the same. It is only when the frequency of contact between grantees and foundation staff decreases to yearly or less often that ratings of interactions start to fall significantly.

Achieving high-quality interactions necessitates going beyond fulfilling minimal requirements of service. Grantee comments often mention the vital encouragement and motivation that foundations can provide to grantees:

> *"It's not often that we find someone who really 'gets' what we do... It's encouraging and comforting to know that we can pick up the phone and call our program officer any time to discuss issues or concerns."*

Simply put, the tenor of interactions — and specifically fairness, responsiveness, and approachability — sets the tone for every other aspect of the broader relationship between foundations and grantees.

> *"The foundation is expertly run by professional and caring staff. Submissions, questions, and concerns are addressed in a timely, efficient manner. Whatever the outcome of the grant submission, our agency knew the process would be thorough and fair."*

CLARITY OF COMMUNICATION OF A FOUNDATION'S GOALS AND STRATEGY:

> *"The foundation, its staff, priorities and processes are constantly changing. The first program officer with whom we worked was impossible to reach. She rarely returned phone calls and was unable to clearly articulate the grant proposal and funding process."*

It is clear from survey responses that there are two important aspects involved in grantees' understanding of a foundation's goals and strategy. First, grantees find their relationship with a foundation most successful when a foundation has clearly communicated its goals so that applicants can assess how they best fit, if at all, within a foundation's priorities. This, of course, requires that the foundation has clear and understandable goals in the first place, and is willing to communicate them publicly.

> *"My only frustration has been with the foundation's recent tactic of not specifying priorities, but asking the applicant what its priorities are. This is well intentioned and stems from the deep caring that characterizes the foundation. But it can be frustrating because the applicant always wants to go in with the project that is of greatest interest to the funder."*

Second, grantees want a foundation to provide clear insight into the process through which they are judged, both in applying for funding and, once funded, in evaluating the success of the grant.

> *"The foundation requires submission of enormous amounts of institutional data which have marginal relation to the project proposal and require significant staff time to collect. They are not easy to communicate with — and staff is often curt — so it is hard to know exactly what they want, or why."*

Clarity of communication regarding both potential fit and requirements during the grant process depends on two channels: "official" written communications and personal communications. Written communications, including annual reports and Web sites, can provide a good first explanation of a foundation's goals and strategies. A clearly defined and widely communicated, but

restrictive, focus helps. In this study, most of the foundations rated clearest in their communications of goals and strategies have a well-defined geographic focus.

Furthermore, because grantmaking is most often dependent on personal interactions, the conversations between foundation staff and a grantee are of primary importance in maximizing the alignment of goals and activities and in creating the expectations against which grantees will be judged. Inconsistencies between written communications and personally communicated priorities are a frequent concern of grant recipients. Said one focus group participant of a foundation funder: "On paper you appear to be a good match, but when you have a conversation with a program officer, it's like they are speaking a different language."

In this sense, grantee responses about clarity of communication of goals and strategy are closely related to ratings of interactions. Personal communication can be extremely helpful, even necessary, and a consistent message at all levels of a foundation enables grantees to develop reasonable expectations.[5] Grant recipients who report having spoken with a program officer before the submission of a grant application rate a foundation's communications to be 15 percent clearer and evaluations to be 10 percent more accurate in investigating what grantees have accomplished, emphasizing the importance of clear, timely interpersonal communications.

> *"The foundation does not waste your time if your concept or project is not something that would be competitive for funding. Their program officers are very responsive, professional, and helpful. They are very candid in their remarks, but also help you in the best way they can to be successful."*

External Orientation

> *"Except for proposal funding (which is not to be scoffed at) the foundation has had no real impact on our organization. It is believed by those of us in our field that the foundation has little to no interest in what we do or how to help us do it better. The Foundation … conducts itself in an ivory tower–like fashion. It does not feel like an energizing force in the city."*

Nonprofits want foundations and program officers to possess a vision of change for the field or community in which the nonprofit works — and the expertise to help make that change happen. Grantees' perceptions of a foundation's ability to advance knowledge or change public policy in a field or community contribute to perceptions of satisfaction: They are also important predictors of grant recipients' views of a foundation's impact on its field or community. In other words, grant recipients believe that foundations are at their best when they use their own understanding and resources to create impact in ways that go beyond simply distributing money.

Interestingly, a grantee's ratings of characteristics related to external orientation are not linked to the foundation's provision of specific advice or services to any one grantee. For example, approximately 25 percent of grantees report that their funder introduced them to other leaders in their field or provided advice about their field. These grantees rate that assistance as very helpful to them, but the receipt of that advice does not predict perceptions of a foundation's impact on the grantee. It is the foundation's understanding and expertise — not specific to any one grantee — that form the basis of this dimension. Put another way, grantees see beyond their own direct relationship

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5 Ratings of clarity of communications of goals and strategy are significantly correlated to the individual characteristics of the interactions factor.
   See Appendix A.

with a foundation when assessing a funder's external impact.

This finding has significant implications for foundations' conceptualizations of their institutional roles in society as well as for definitions of program officers' roles and responsibilities. It suggests the importance of a foundation investing in development of knowledge and expertise in its fields of funding. That expertise, whether directed at a grantee or more broadly at the field, will be helpful to grantees in making their own missions easier to achieve or improving the context in which they work. In the words of a grantee, "They research and distribute information on people who are homeless and provide that information to all local and government agencies. This makes our own fundraising efforts easier, makes the field more united, and establishes a common front for approaching solutions."

However, any one institution or person cannot be an expert in too many things, suggesting a need for foundations to hold a clear idea of what fields, subjects, or regions in which it would like to build expertise. This type of focus will enable program officers and others to concentrate their own learning and activity to maximize impact. For example, in grantees' views, there is a clear tradeoff between a foundation being an expert in its fields of funding and being an expert in the community: A foundation that is rated highly on impact and understanding of

the community is less likely to also be rated highly on impact and understanding of its fields of funding.

Once a foundation has developed specific expertise and clear goals and strategies within its areas of funding, it must be careful that its grantee selection process ensures a good match. When grantees' and foundations' goals are not aligned, a foundation's focus, expertise, and effort in changing the field or community can actually decrease satisfaction with a foundation:

> *"Organizations often find themselves in the position of carrying out the mission of the foundation and not of the organization. Organizations are trying very hard to pigeon-hole themselves into serving needs that the foundation (this and others) deem appropriate. Overall, this limits an organization's ability to serve."*

Developing the type of external orientation grantees want necessitates tough choices about not supporting grantees that do not fit the chosen focus. But the results of a productive alignment between grantee and foundation expertise are very positive:

> *"The foundation has played a statewide and national leadership role in broadening the horizons of the conservation movement, and in supporting and advocating for work in our most socially and economically distressed communities. They are not afraid to take on policy issues. They don't let grantees sit on cruise control, but they do provide strong support for good work."*

WHAT MATTERS LESS: OTHER DIMENSIONS

No other areas addressed by the Center's survey consistently have the same predictive power in describing overall grantee perceptions as the three dimensions. Interestingly, many of the structural characteristics of the grant, grantmaking process, and grantee — characteristics that have been the subject of much recent discussion — turn out to matter less.

One major set of characteristics that might influence grantee perceptions are foundation-level structural traits, such as foundation asset size, staff size, and type. Intuitively, it seems that these characteristics could affect grantee perceptions — for instance, one might assume that foundations with more staff members would be perceived to have greater impact on the field, independent of their effect on the foundation's ability to advance knowledge in the field. Initial analysis into some of these areas, however, shows minimal predictive power for grantee perceptions. Future data collection will allow the Center to investigate the relationship of these characteristics to satisfaction and perceived impact more comprehensively.

GRANT SIZE AND GRANT VALUE

It seems logical to assume that the larger the grant, the more likely a grantee is to rate a foundation positively on key dimensions. While larger grants tend to result in higher ratings, neither grant size nor the proportion of a grantee's budget the foundation funds are the best predictors of overall perceptions of satisfaction or perceptions of impact.

Two factors help explain this finding. First, grantees receiving widely divergent sizes of grants are treated similarly by foundations and program officers. Second, grants, even from the largest foundations, are often quite modest.

- The median[6] grant in our survey was \$50,000 and the average \$200,000.

- A quarter of grants support less than one percent of grantee's operating budget, and the median grantee reported that its grant represented 3.8 percent of its operating budget.

The small size of most grants relative to grantee budgets means that for most grantees, the receipt of any one grant is typically not an issue of organizational survival.

Interestingly, many of the structural characteristics of the grant, grantmaking process, and grantee — characteristics that have been the subject of much recent discussion — turn out to matter less.

Another way to think about grant size is to consider grant size relative to the administrative requirements foundations place on grantees — creating a "grant value" ratio of dollars raised per hour worked by dividing the

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6 The median is more representative of a foundation's grantmaking patterns; averages – which are often reported by foundations in their own publications – are skewed upwards by the very small proportion of grants that are much larger than others.

grant dollar amount by the number of grantee hours required to apply for and administer the grant. In general, the process of applying for and administering any single grant seems to be a relatively efficient way to raise funds. However, the administrative burden associated with a grant varies between foundations and for different types of grants within a foundation. (See Sidebar, *Process and Administrative Burden on Grantees.*)

As grant size rises, so does the administrative burden associated with the grant, especially relative to the time intensity of the proposal creation process. However, the size of grants increases much more quickly than does the time required to prepare and process the grant. In most cases where the grant requirements are great, so are the financial benefits when calculated per hour of grantee time. This finding calls into question the practice of spreading money among nonprofits via small grants: on average a grantee raises about $1,500 per hour invested in proposal creation and oversight for a grant of $10,000, but receives $8,500 per hour invested for a grant of $100,000, and $46,000 per hour invested in a $1,000,0000 grant. Since smaller grantees in general receive smaller grants, foundations are providing these more fragile grantees with the costliest money to raise.

Grant Size	Average Grantee Time spent on Proposal Creation and Grant Monitoring (Hours)	Average Dollars Raised Per Hour of Administrative Time Spent
$10,000	7	$1,500
$100,000	12	$8,500
$1,000,000	217	$46,000

Even so, many recipients of small grants or "low value" grants do not hesitate to describe their relationship with funders with high ratings: "The value we get is not just about a million dollars or even five thousand dollars, it's more about the learning that comes from our rela–tionship with our program officer." While the recipients of small grants or "low value" grants are associated with lower average satisfaction and organizational impact ratings, low ratings are generally better predicted by poor performance in the three dimensions.

PROCESS AND ADMINISTRATIVE BURDEN ON GRANTEES

Factors such as grant turnaround time and the administrative time necessary to fulfill grant requirements have little systematic effect on grantee perceptions. Wide variation both between and within foundations does occur, however. For example, on average, foundations in our survey responded to grantees with a commitment to fund proposals in just under three and a half months from the initial application, but one foundation took over one year to commit, and another less than two months. Rather than focusing on the absolute time to receive a commitment, grantees are more often concerned with having a clear expectation of when the grant decision would be made, and are less worried about waiting for the actual commitment of funds. One grantee lamented that "our program officer 'forgot' to submit our proposal on the intended docket, causing us to wait an additional 6-8 months for notification."

Length of Selection Process	Average (Months)
Receipt of Proposal to Clear Commitment	3.4
Clear Commitment to Disbursing of Funds	2.3
Total	5.7

Similar variation is seen between foundations in administrative requirements, such as the time necessary for grantees to create proposals, work with the foundation to monitor progress, or complete evaluations and reports. Given this wide variation, it becomes important for foundations to understand the size of their grants relative to the process burdens on grantees and applicants.

Grantee Time Spent in Administrative Processes Over the Life of the Grant	Average (Hours)	%
Proposal Creation	28.9	47%
Monitoring of Grant	11.8	19%
Evaluation	21.1	34%
Total	61.8	100%

Length of Funding

The length of the grant received from a foundation does not substantially drive grantee perceptions. This may be in part because grantees generally expect to receive one-year grants: 60 percent of grants awarded by foundations whose grantees were surveyed were reported to be one year, and only 19 percent were reported to be three years or longer. Perhaps because grantees rarely receive multi-year funding, they do not hold out the highest ratings for longer grants.

However, nearly 80 percent of grantees had previously received a grant from their funder,[7] and many grantees report having received repeated support over the years. Most grantees, therefore, describe a long-term but continually transactional relationship with foundations, likely with some expectation of continuing support beyond the current grant. The transactional nature of this relationship, while not detrimental to grantee satisfaction, does tend to increase the administrative burden on the grantee and the foundation.

Type of Support

Some practitioners and researchers champion the idea that operating support is the key way to support non-profits to do good work. This idea was even voiced by then First Lady Hillary Clinton in 1999, when, speaking at the White House Conference on Philanthropy, she remarked that, "one of the concerns many people have about foundations is how foundations often will not give to operating expenses or to the kind of day-to-day work of delivering services that have to be carried out… I think that's another thing I would like the foundation community to rethink."[8]

While the structural impediments associated with program grants may reduce foundations' abilities to perform optimally on the three dimensions, type of funding alone is not a significant predictor of grantee ratings of satisfaction.

It is certainly true that unreasonable program support grants may "[cause] nonprofits to jump from project to project in an endless money chase that hampers organizational effectiveness and hinders broader mission fulfillment,"[9] in the words of the National Committee for Responsive Philanthropy. Grantees that receive a program support grant consistently do tend to rate their funders 1-2 percent lower across most measures.[10] But this difference is not nearly as powerful as variation in performance in the three dimensions. While the structural impediments associated with program grants may reduce foundations' abilities to perform optimally on the three dimensions, type of funding alone is not a significant predictor of grantee ratings of satisfaction.

Non-Monetary Assistance

Foundations often profess a desire to provide grantees with a wide range of assistance in addition to grant funding. Yet the majority of grantees do not report receiving non-monetary assistance from foundations:

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7 This data excludes one foundation that was very new and therefore made virtually all first-time grants.

8 White House Conference on Philanthropy: Gifts to the Future, transcript. 22 October 1999. http://clinton3.nara.gov/Initiatives/Millennium/Philan/html/transcript.html
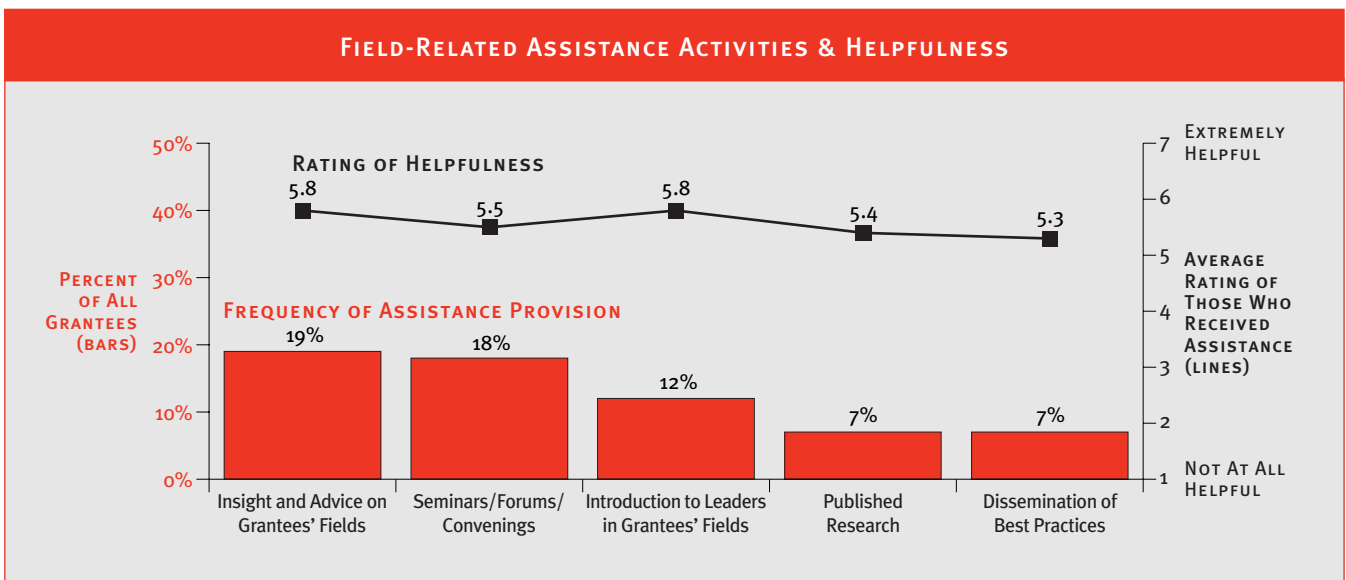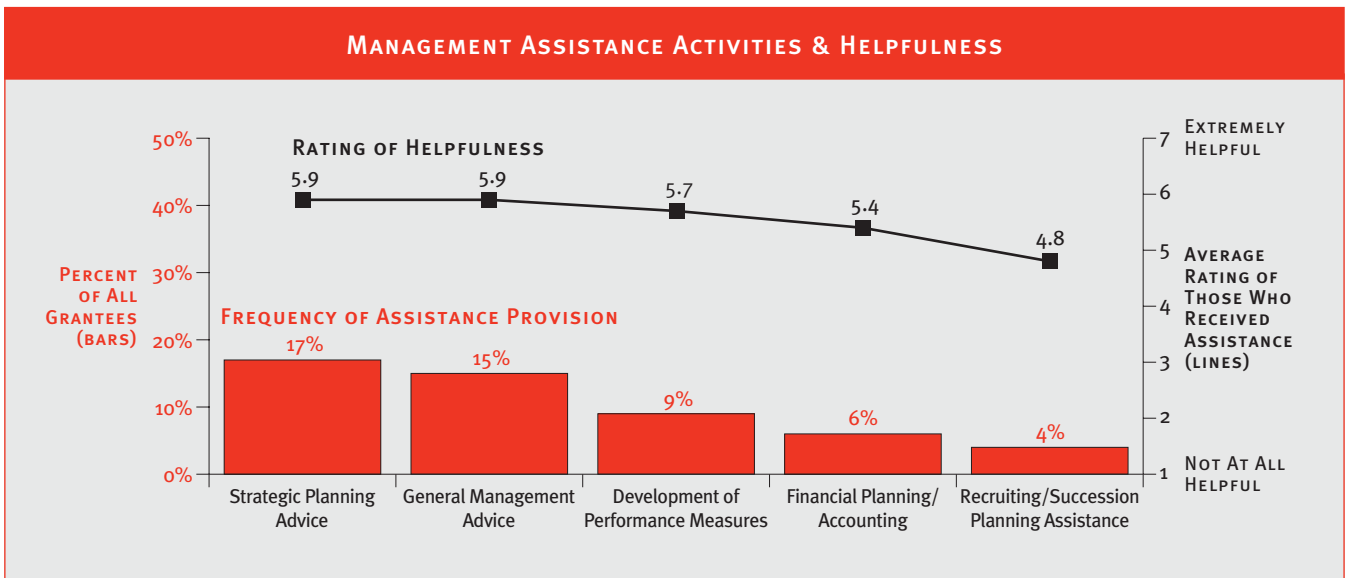
9 National Committee for Responsive Philanthropy. Press release, "NCRP'S First State of Philanthropy Report Offers Sensible Solutions to Improve Field of Grantmaking," 29 April 2002. http://www.ncrp.org/philanthropy2000.htm

10 Even though general operating grants do take less administrative time per year on average than program support grants (13 hours vs. 22 hours), the amount of time spent by grantees does not drive perceptions of foundation impact or overall satisfaction. See Sidebar on page 14 for a more detailed discussion of administrative requirements.

only 42 percent report receiving any such assistance, even that as simple as providing advice to the grantee about its organization, field, or other potential sources of funding. The provision of this assistance is not a major driver of overall perceptions. It may be the case that grantees have little expectation of receiving non-monetary assistance — essentially viewing it as a nice extra, but not as a normal component of their relationship with their foundation funders.

However, when non-monetary assistance is provided, grantees rate it as useful. For example, as the figures below illustrate, only 17% of grantees report receiving strategic planning advice; but those grantees rate the helpfulness of that advice as a 5.9 on a 1 to 7 scale where 7 is described as "Extremely Helpful Assistance." (See chart, *Management Assistance Activities and Helpfulness*.) Their comments describing the assistance are overwhelmingly positive. "The technical assistance has been as impactful as the financial assistance," remarked one grantee. Another said, "I look to the foundation for best practices and programmatic advice. I love their perspective on evaluations, strategic, system approaches and problem-solving support."

MANAGEMENT ASSISTANCE ACTIVITIES & HELPFULNESS

Rating of Helpfulness: Strategic Planning Advice 5.9; General Management Advice 5.9; Development of Performance Measures 5.7; Financial Planning/Accounting 5.4; Recruiting/Succession Planning Assistance 4.8

Frequency of Assistance Provision: Strategic Planning Advice 17%; General Management Advice 15%; Development of Performance Measures 9%; Financial Planning/Accounting 6%; Recruiting/Succession Planning Assistance 4%

Percent of All Grantees (bars). Average Rating of Those Who Received Assistance (lines). 7 = Extremely Helpful, 1 = Not At All Helpful.

FIELD-RELATED ASSISTANCE ACTIVITIES & HELPFULNESS

Rating of Helpfulness: Insight and Advice on Grantees' Fields 5.8; Seminars/Forums/Convenings 5.5; Introduction to Leaders in Grantees' Fields 5.8; Published Research 5.4; Dissemination of Best Practices 5.3

Frequency of Assistance Provision: Insight and Advice on Grantees' Fields 19%; Seminars/Forums/Convenings 18%; Introduction to Leaders in Grantees' Fields 12%; Published Research 7%; Dissemination of Best Practices 7%

Percent of All Grantees (bars). Average Rating of Those Who Received Assistance (lines). 7 = Extremely Helpful, 1 = Not At All Helpful.

Implications for Foundations

Drawing on our work over the past 14 months, we have sought to identify some of the practical implications of aligning a foundation's strategy and operations to perform better in terms of the three dimensions. These implications are gleaned from the experience of the staff of the Center for Effective Philanthropy in presenting individual survey results to the boards and staffs of more than a dozen foundations in 2003, most of which are considering making changes as a result of what they have learned.

Many of these implications focus on the role of the program officer. If the three dimensions highlight one thing, it is that program staff actions and abilities are critical to grantee perceptions of a foundation.[11] For example, while clarity of communications of goals and strategy is in part related to the formal statements found in web sites and annual reports, it is also critically related to the explanations provided by program staff. However, many of the implications discussed here cannot be acted on by program officers in isolation. Indeed, to undertake the key activities necessary for strong relationships with grantees, resources need to be aligned and job descriptions crafted in a way that allows the program officer to do what is needed.

→ **Make the necessary investments in administrative costs required by the three dimensions.**

This is an especially significant implication for foundation boards which, in the absence of definitive data on foundation performance, tend to gravitate toward measurable areas such as administrative cost ratios. It should not be assumed that lower administrative cost ratios are always best. Each of the three dimensions requires a financial investment: adequate staff to be responsive to grantees, effective communication tools, and development of program staff expertise. Some foundations that rate relatively highly in our sample along the interactions dimension have made choices to keep their grantee-to-program-staff ratio low. Others that are rated highly along impact dimensions choose to conduct more field-focused research, which grantees value, driving administrative costs up. While foundations can betray the public trust through excessive compensation or lavish spending, well-intentioned foundations can create significant value through activities that require investment in activities other than grantmaking.

> *"Their highly focused mission … fills a needed public niche. Their research employs a broad representation of researchers and addresses policy. Their emphasis on partnership assures sharing of intellectual and organizational resources."*

Each of the three dimensions requires a financial investment: adequate staff to be responsive to grantees, effective communication tools, and development of program staff expertise.

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11 In her 1999 focus groups with grantees for the Forum of Regional Associations of Grantmakers, Marcia Sharp drew a similar conclusion, noting in her report that "For grantees thinking about particular foundations, as opposed to the overall group, it is clear that 'the program officer is the foundation.'"

→ **Support the development of specific and relevant expertise by program officers and other foundation staff.**

CEOs, senior staff, and boards need to be conscious of the need for expertise in their definition of the program officer role. Perhaps in part because funding levels are typically small relative to a grantee's budget, grantees place significant value in their ratings of foundations on the existence of expertise within the foundation, and the willingness of the foundation to use that expertise in positive ways. Our analysis of grantee ratings and open-ended comments from grantees suggests that program officers need to have specific expertise — whether in a field or a region — for them to be valued highly by grantees. Additionally, grantees often value a foundation's ability to improve the context in which they work through the foundation's own independent efforts — a trait certainly requiring expertise among program staff, as well as a clear "theory of change" or strategy. So while this implication is "about" program officers — and clearly program officers need to work proactively to develop this expertise — it is also very much connected to the structure of the foundation and the conceptualization of the program officer's role by foundation leadership.

"I have worked with two grants officers in our relationship with the foundation — both of whom have been very knowledgeable in the field of public health. Because the foundation consistently hires people with expertise in their respective fields, it is highly regarded."

→ **Align operations to optimize grantmaking patterns or policies that increase program officer ability to concentrate on the three dimensions.**

This is a CEO and board-level responsibility. A number of different practices can impede this focus. We have encountered foundations that — due to board policy — make repeated, one-year grants again and again to the same organizations, reducing the program officer role to that simply of an approver or denier of grants and leaving little time for the development of specific expertise. At another foundation, staff grantee loads were so large, in an effort to keep costs low, that interactions and communications ratings suffered and grantees frequently complained of the inaccessibility of program officers.

"[Interactions] tend to be vastly front-loaded; all the scrutiny is around selection, [and] very little around learning from the program experience."

→ **Seek to maintain consistent focus and direction.**

Boards, CEOs, and program staff need to be aware that continually redefining their grantmaking priorities can undermine their relationships with grantees, who, given the typical foundation pattern of repeated short-term grants, understandably place a high value on consistency. Grantee planning, but also foundation expertise and external orientation, suffer with frequent changes in direction.

"The foundation seems to constantly shift its focus and priorities. It's hard to keep up with their changes and priorities as a small organization with little development staff."

→ **Ensure consistency of policy and communications.**

This implication is relevant to boards, senior staff, and program staff. Both interactions and communications ratings suffer when grantees are given inconsistent messages by different foundation representatives who each claim to speak for the foundation. Open-ended comments and our interviews and focus groups with grantees suggest that inconsistency and perceived arbitrary decision-making processes lead to the

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Grantees often value a foundation's ability to improve the context in which they work through the foundation's own independent efforts — a trait certainly requiring expertise among program staff, as well as a clear "theory of change" or strategy.

impression that the foundation is "unfair" — driving down perceptions of interactions and reducing grantees' abilities to reap maximum value from their association with foundations.

> *"Foundation staff has generally been very helpful. However, we have received conflicting information from staff and the board/donors about how to reapply."*

→ **Communicate clearly, consistently, and accessibly.**

A surprising number of the largest foundations in the country lack web sites and many have publications that remain vague in their definitions of the foundations' priorities. Further, communications can be inconsistent, with crucial differences between what is stated in official publications and what is communicated interpersonally. Grantees — who receive funding from myriad sources and are typically receiving a small proportion of their budget from any one foundation — value communications that can be accessed and understood quickly and easily. Those foundations that communicate most effectively tend to see it as a shared responsibility — not simply the domain of "the communications office." Indeed, some foundations that rate highly in communications of goals and strategy don't even have a formal communications function.

> *"It is difficult to access information about the foundation and its decision-making process. Phone calls were not returned. There's no web site with info. They do much good in our community, but it feels like you need to enter through the 'back door.'"*

→ **Provide timely feedback to grantees.**

Feedback can be an important way for foundations and grantees to reinforce expectations of grant progress and outcomes. This is primarily a program officer responsibility — but senior management and board level decisions about staffing levels and job descriptions impact the degree to which program staff can execute in this area. In grantees' interpretation, 81 percent of grants include evaluations, which in the view of grantees includes almost any written report submitted to the foundation. Grantees say that fewer than half — 43 percent — of those "evaluations" are discussed with them after submission.

> *"I would like to see more engagement from the foundation in the organization it funds, or more communication from the foundation aside from the annual report… maybe a couple of letters in the year, maybe one or two calls or feedback from our reports. It could definitely create more synergy between the foundation and the organizations it funds."*

→ **Seek out comparative, confidential grantee perspectives.**

The Center's experience has shown that foundations can gain valuable insight into their own performance by gathering data from grantees about their perceptions of the foundation. And grantees have shown that they can assess foundations in ways that transcend their self-interest — for example, awarding high ratings to a foundation about its impact on their community despite awarding low ratings for their own interactions with the foundation.

> *"I think it would be helpful if foundations listened more closely to nonprofit organizations as to what it is they need. Nonprofits are often seen as not having the ability to understand as much as foundations do — foundations study national trends, etc., and make their funding decisions based upon those studies. Nonprofit organizations have the expertise in knowing their communities and delivering programs that could best serve those communities."*

Conclusion

Unless grantee expectations of the level of service, grant structure, or assistance provided by foundations change, the three dimensions are likely to remain the most important factors systematically associated with describing the quality of foundation-grantee relationships. While the grantee perception models discussed here illuminate the importance of these dimensions, they do not comprehensively explain all the variation in grantee perceptions about their relationships with their foundation funders — especially in terms of perceived impact on the field, community, and grantee. Over time, as the Center continues surveying grantees, we hope to cast further light on the best descriptors of variation in the quality of the funder-grantee relationship.

While this research has focused on perceptions of 30 foundations among the largest 200 in the country, we believe the three dimensions have something to offer

While it is undoubtedly true that additional tools and resources are needed by which to assess foundations, both individually and as a field, it is also true that the perspectives of nonprofit grantees can be enormously valuable.

any foundation — large or small, staffed or unstaffed. They are, in the end, simple characteristics, easy to monitor solely by surveying grantees about a foundation's performance and putting those results in a comparative context.

It would be foolhardy to assert that there is any way to describe completely the factors that influence grantee

perceptions of foundations. Qualitative interviews with grant recipients and the variation in open-ended responses to the Center's survey highlight a wide range of grantee preferences. While we hope that further data collection and analysis can improve our statistical models, we believe that some portion of variation in grantee ratings of foundations will remain unexplained. What we are seeking to analyze, after all, are human relationships — and human relationships are subject to some inherent degree of unpredictability.

Many with whom we have spoken have noted that grantee perceptions alone do not answer definitively questions of foundation performance, nor do they speak directly to social impact achieved by a foundation funder. Both these critiques are correct. But, as the Center's earlier research has suggested, no single source can give a foundation leader the requisite data to assess a foundation's performance. And proof of end social impact achieved is difficult to obtain.[12] So, while it is undoubtedly true that additional tools and resources are needed by which to assess foundations, both individually and as a field, it is also true that the perspectives of nonprofit grantees can be enormously valuable.

Indeed, we have seen over the last year tremendous evidence of the power of this data to individual foundations seeking to improve their performance. The foundations that reviewed their own results by obtaining the Center's Grantee Perception Report® (GPR) — in the process supporting our efforts to collect and analyze the field-wide data — urged us to make the lessons broadly available to those in the field. We hope that these field-wide findings will prove valuable and will facilitate discussions about the appropriate structure and deployment of resources within foundations. And, most fundamentally, we hope that this paper, and our ongoing work on these issues, has helped to bring the perspectives of nonprofit leaders more clearly into the view of foundation leaders.

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12 See *Toward a Common Language* and *Indicators of Effectiveness*, www.effectivephilanthropy.org

Appendix A: Methodology

Selection of Foundations

Two months prior to the beginning of the field period for the grantee survey, executives of the largest 200 private and community foundations in the country were contacted and invited to participate in and help fund the Center's grantee survey process. The Center created a sample of foundations from 11 foundations that opted in to the grantee survey process (six community foundations[13] and five private foundations) and another 19 foundations that were randomly selected from the original list of contacted private foundations according to several broad criteria. Those criteria were intended to generate a final list that was roughly representative of the asset size and geographic location of the largest foundations in the country, excluding foundations that primarily make grants to individuals or non-U.S. based-grantees.

Selection of Grantees and Collection of Grantee Contact Information

Organizations from one year of foundations' grant-making — typically 2002 — were targeted for surveying. In cases where foundation fiscal years differed from calendar years, grant periods were chosen to be the year most encompassing of calendar year 2002 grantmaking.

For the 19 foundations independently surveyed by the Center, a comprehensive list of grantee organizations was obtained from publicly available information such as IRS 990-PF filings, foundation web sites, and annual reports. Where the appropriate grantee organization address information was not available directly from foundations, a combination of sources

was used to identify contact information: the IRS database of 501(c)3 organizations, individual non-profit organization web sites, the yellow pages, and web searches. Mailing information for 97 percent of all grantees was located. Where the name of an individual contact at the grantee organization could not be identified, surveys were mailed to "Executive Director" or, for educational institutions and museums, "Director of Development."

In the cases in which foundations had opted to participate in the survey, the foundations provided the appropriate list of grantee organizations, contacts at the organization, contact information and where possible, e-mail addresses. Other e-mail addresses were gathered by the Center from nonprofits' web sites.

Survey Process

All target grantees received a survey packet from the Center announcing the purpose of the study and containing a paper copy of the survey in February 2003. Grantees were then invited to respond via the paper survey or online through March 2003. Grantees had the option of responding anonymously[14] and were also invited to contact the Center with any questions. Three reminders to respond were sent to grantees, two via e-mail to those grantees for which the Center was able to locate e-mail information, and one via a postcard to all grantees.[15]

6,042 surveys were mailed in February 2002. By the response deadline of March 31st, 3,184 completed surveys were received, representing a 53 percent overall response rate. Approximately two-thirds of

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13 Grantees of donor-advised funds were not surveyed.

14 No statistical differences in response ratings were identified between grantees that responded anonymously and those that responded with the names of their organizations.

15 There were no statistical differences in ratings between grantees that responded prior to reminders versus after reminders had been received.

responses were received by mail, and one-third were received online.[16]

Grantees of the 11 foundations that opted to participate in the grantee survey received an announcement letter encouraging participation in the study from the foundation, but were otherwise treated identically to grantees from foundations chosen for independent surveying. Response rates for the foundations which had opted to see their results and mail an announcement letter was 65 percent, higher than the average of 47 percent for others. This difference in process did not result in a statistical difference in ratings between the two pools of grantees. (Three foundations that did not initially opt to commission a Grantee Perception Report® subsequently elected to receive the report.)

Survey Design

The 50-question survey instrument used for this study was modified from a version used in a previous survey of grantees. Questions were tested for understandability in face-to-face testing of the instrument with grantees. Questions were mostly of three varieties: open-ended response (four questions), Likert rating scales (25), and structured response/multiple choice (21). One example of a rating scale question follows:

> **Q. To what extent has the foundation affected public policy in your field?**
>
> ☐   1   2   3   4   5   6   7
>
> DON'T   NOT   ←————————→   MAJOR
> KNOW   AT ALL   INFLUENCE
>   ON SHAPING
>   PUBLIC POLICY

Statistical Analysis

Responses were tabulated including only completed surveys – those which included answers to the majority of questions. Surveys returned with fewer than 26 of 50 questions completed were discarded.

Four grantee survey questions were defined as dependent variables in our analysis: overall satisfaction with the foundation, impact on the grantee organization, impact on the field, and impact on the community. Each of these questions were answered by grantees using a 1 to 7 rating response scale.

Factor analysis was used to identify and group independent variables that were measuring the same underlying construct. The individual question about clarity of the foundation's communication of its goals and strategies was manually separated from the interactions factor.

Variance for each dependent variable was explored using both step-wise linear and logit regression analysis.[17] Because the results of both types of analysis were similar, only step-wise linear regressions are presented in this report. Step-wise linear regressions were used to isolate the statistically significant independent variables. Variables were included if their significance was $p \leq .05$. The significant individual questions (variables) were then regrouped into their factors, and the explanatory power associated with each of the significant independent variables was then summed by factor to create the models presented in this report.[18] The models presented in this report describe regressions run with all significant variables entered simultaneously.

Grantee Focus Groups and Telephone Interviews

From August to December 2003, the Center convened four confidential focus groups with respondents to the survey to investigate their experience with the survey and interpretations of key terms, such as "field," "community," "fairness," and "responsiveness." One focus group was conducted in Cincinnati, Ohio; the others in Boston, Massachusetts. The Center also conducted one set of telephone interviews with grantees in June to examine some of these same issues. These follow-up activities informed several of the qualitative elements of this paper.

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16 There were no statistical differences in ratings between grantees that responded by mail versus online.

17 Logit analysis was performed by transforming rating scales into a dichotomous variable comprised of high ratings and low ratings.

18 A similar regression analysis was also performed on the factors rather than individual questions. The results of that analysis were directionally and proportionally similar but provided slightly less explanatory power for several of the models.

Grouping of Individual Questions into Factors

Questions from the grantee survey fall into 11 factors that describe which grantee perceptions are tapping into the same underlying constructs. These factors can then in turn be used to describe the modeling of dependent variables, such as impact on the field.

Foundation Expertise and Interactions

Factors	Individual Questions with Correlations to Factor
Interactions	• Fairness of foundation treatment of grantee (0.85) • Responsiveness (0.85) • Comfort approaching the foundation with problems (0.85) • How well informed during the selection process (0.52)
Communication of Goals	• Clarity of communication of foundation goals and strategy (1.0)
External Orientation	• Advancement of knowledge in the field (0.80) • Effect on public policy (0.80) • Understanding of the field (0.68) • Understanding of the community (0.40)
Funding Assistance	• Was any funding assistance provided (0.95) • Level of impact of any funding assistance (0.94)
Amount of Non-monetary Assistance	• After completion, was the evaluation discussed (-0.68) • Were there quantitative targets as part of the grant (0.62) • How much non-monetary assistance was provided (0.47)
Impact of Non-monetary Assistance	• Accuracy of the evaluation (0.62) • Average impact rating of non-monetary assistance (0.60) • Evaluation was helpful to the grantee (0.52)

Foundation Strategy: Foundation, Grantee and Granting Characteristics

Factors	Individual Questions with Correlations to Factor
Grantee History/Risk	• Length of historic support from the foundation (0.87) • Whether this was a first grant (-0.84) • How well established the organization is (0.55) • How well tested the program funded is (0.53)
Grant Value	• Size of grant received (0.74) • Length of grant (0.71) • Amount of administration time required of grantees (0.45)
Grantee Size	• Grantee Budget (0.95) • Number of employees at grantee (0.95)
Grant Attributes	• Grantee submitted a proposal (0.78) • Grant involved an evaluation (-0.77) • Grant was a program grant (0.38)
Foundation Attributes[1]	• Asset size[2] • Total administrative expense[2] • Ratio of administrative expenses to total giving[2] • Private foundation (vs. community) • Regional focus (vs. national focus)

1 Foundation attributes were tested preliminarily, but due to the small number of data points at the foundation level, this factor was not included in final analysis.

2 Community foundation data were excluded from these categories.

PERCEIVED FOUNDATION IMPACT ON GRANTEE ORGANIZATION		
FACTORS THAT PREDICT GRANTEE PERCEPTIONS	**EXPLANATORY POWER**	**PREDICTORS OF POSITIVE IMPACT ON GRANTEE ORGANIZATION** (Individual Questions that Comprise Factors)
INTERACTIONS	25%	+ Fairness of foundation treatment + Responsiveness + Comfort approaching the foundation with problems ○ How well informed during the selection process
COMMUNICATION OF GOALS	20%	+ Clarity of communication of foundation goals and strategy
EXTERNAL ORIENTATION	15%	+ Advancement of knowledge in the field + Understanding of the field ○ Effect on public policy ○ Understanding of the community
GRANTEE HISTORY	13%	− *First grant* − *Well-established grantee organizations*
GRANT ATTRIBUTES	11%	+ Grant involved an evaluation − *Grantee submitted a proposal* − *Received program support*
OTHER FACTORS[1]	16%	+ Larger grant size + Level of foundation help to grantee in securing funding from other sources + Accuracy of the evaluation − *Larger grantee budgets*
% OF EXPLAINABLE VARIANCE =	100%	+ Positive influencer ○ Not an influencer − *Negative influencer*
R^2 (% OF VARIATION IN IMPACT ON GRANTEE ORGANIZATION EXPLAINED BY THIS MODEL)	0.33 (33%)	

Note: Models were run on individual questions in the survey and then organized by factors.
Individual questions that are independent drivers are bolded and colored.

1 The "other" category lists individual questions from other factors that are statistically significant predictors of satisfaction. For a detailed explanation of which factors these predictors are grouped into, see Appendix A.

PERCEIVED FOUNDATION IMPACT ON THE FIELD

FACTORS THAT PREDICT GRANTEE PERCEPTIONS	EXPLANATORY POWER	PREDICTORS OF POSITIVE IMPACT ON THE FIELD (Individual Questions that Comprise Factors)
EXTERNAL ORIENTATION	56%	+ Understanding of the field + Advancement of knowledge in the field + Effect on public policy O Understanding of the community
COMMUNICATION OF GOALS	18%	+ Clarity of communication of foundation goals and strategy
INTERACTIONS	13%	+ Fairness of foundation treatment + Comfort approaching the foundation with problems O Responsiveness O How well informed during the selection process
OTHER FACTORS[1]	13%	+ Better tested programs + Larger grant size — *Received program support*
% OF EXPLAINABLE VARIANCE =	100%	+ Positive influencer O Not an influencer — *Negative influencer*
R[2] (% OF VARIATION IN IMPACT ON THE FIELD EXPLAINED BY THIS MODEL)	0.37 (37%)	

Note: Models were run on individual questions in the survey and then organized by factors.
Individual questions that are independent drivers are bolded and colored. R2=0.37 for regression.

1 The "other" category lists individual questions from other factors that are statistically significant predictors of satisfaction. For a detailed explanation of which factors these predictors are grouped into, see Appendix A.

PERCEIVED FOUNDATION IMPACT ON THE COMMUNITY

FACTORS THAT PREDICT GRANTEE PERCEPTIONS	EXPLANATORY POWER	PREDICTORS OF POSITIVE IMPACT ON THE COMMUNITY (Individual Questions that Comprise Factors)
EXTERNAL ORIENTATION	64%	+ Understanding of the community + Advancement of knowledge in the field ○ Effect on public policy — *Understanding of the field*
COMMUNICATION OF GOALS	14%	+ Clarity of communication of foundation goals and strategy
INTERACTIONS	8%	+ Fairness of foundation treatment ○ Comfort approaching the foundation with problems ○ Responsiveness ○ How well informed during the selection process
OTHER FACTORS[1]	14%	+ Better tested programs — *Received program support* — *Larger grantee budgets*
% OF EXPLAINABLE VARIANCE =	100%	+ Positive influencer ○ Not an influencer — *Negative influencer*
R^2 (% OF VARIATION IN IMPACT ON THE COMMUNITY EXPLAINED BY THIS MODEL)	0.31 (31%)	

Note: Models were run on individual questions in the survey and then organized by factors.
Individual questions that are independent drivers are bolded and colored.

1 The "other" category lists individual questions that are statistically significant predictors of satisfaction. For a detailed explanation of which factors these predictors are grouped into, see Appendix A.

Appendix B:
Foundation Demographics

Thirty foundations were included in the Spring 2003 survey round. Of these, 24 were private foundations, and six were community foundations. Asset size ranged from just under $300MM to $3.8B, and grants given as a percentage of assets averaged 5.4 percent. (The latter figure is not the same as "payout," which would include administrative expenses defined as applied for charitable purposes as well as grants paid.)

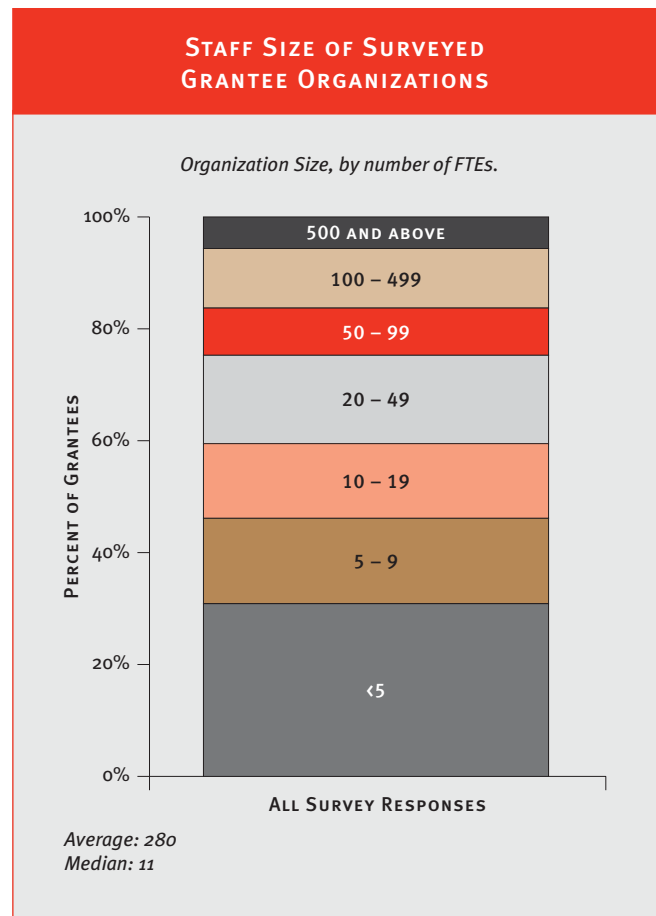| Foundation	State	Assets	Total Giving	Giving as a Percentage of Assets	Year Ending	Foundation Type
Alfred P. Sloan Foundation	NY	$1,313,795,357	$60,483,584	4.6%	12/31/01	Private
The Boston Foundation*	MA	$562,867,255	$53,731,240	9.5%	6/30/02	Community
The Clark Foundation	NY	$469,042,395	$17,939,478	3.8%	6/30/02	Private
The Cleveland Foundation*	OH	$1,312,166,868	$63,144,990	4.8%	12/31/02	Community
The Columbus Foundation*	OH	$628,139,633	$50,179,800	8.0%	12/31/02	Community
Dyson Foundation*	NY	$296,307,874	$12,503,211	4.2%	12/31/01	Private
F.M. Kirby Foundation	NJ	$342,067,001	$19,766,828	5.8%	12/31/02	Private
The George S. and Dolores Dore Eccles Foundation	UT	$451,789,878	$30,360,452	6.7%	12/31/02	Private
George S. Gund Foundation*	OH	$424,502,237	$20,345,592	4.8%	12/31/01	Private
The Greater Cincinnati Foundation*	OH	$314,916,701	$30,432,000	9.7%	12/31/02	Community
The Harry and Jeanette Weinberg Foundation	MD	$1,936,263,883	$102,534,819	5.3%	2/28/02	Private
Horace W. Goldsmith Foundation	NY	$719,985,690	$41,360,401	5.7%	12/31/02	Private
Houston Endowment*	TX	$1,364,678,340	$71,843,387	5.3%	12/31/01	Private
J. Bulow Campbell Foundation	GA	$585,651,441	$28,822,004	4.9%	12/31/02	Private
James Graham Brown Foundation	KY	$426,367,510	$21,843,310	5.1%	12/31/01	Private
Kansas Health Foundation*	KS	$438,979,015	$16,339,940	3.7%	12/31/01	Private
Kate B. Reynolds Charitable Trust	NC	$457,798,028	$25,506,244	5.6%	8/31/02	Private
Lumina Foundation for Education*	IN	$876,206,421	$17,244,848	2.0%	12/31/02	Private

* Foundations that have commissioned a Grantee Perception Report® (GPR).
  Source: 2001 990-PFs and 990s

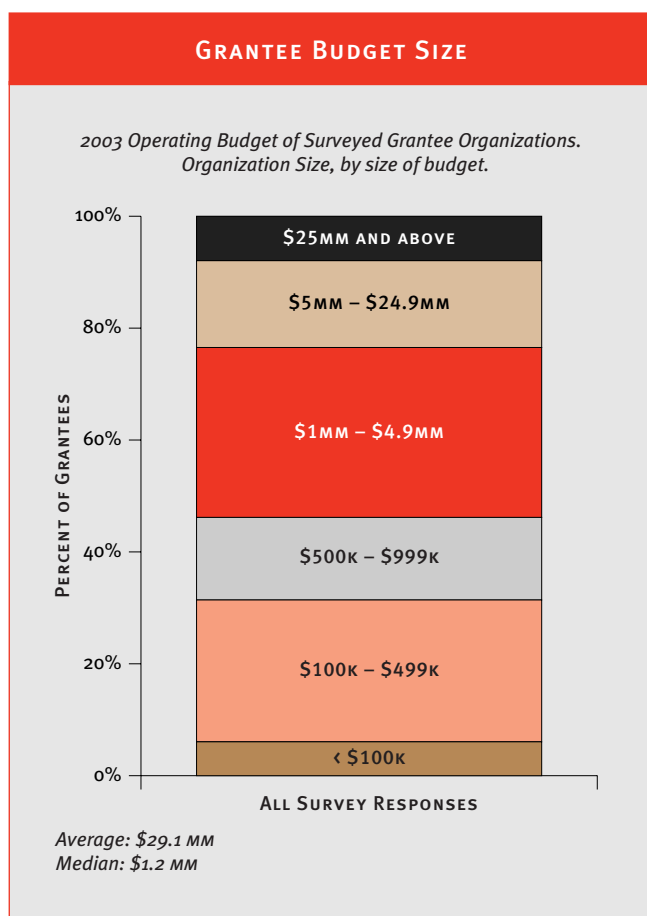| Foundation	State	Assets	Total Giving	Giving as a Percentage of Assets	Year Ending	Foundation Type
Meyer Memorial Trust	OR	$475,246,555	$22,130,646	4.7%	3/31/02	Private
The Minneapolis Foundation*	MN	$549,888,160	$34,982,934	6.4%	3/31/02	Community
The Pew Charitable Trusts	PA	$3,753,638,080	$238,534,822	6.4%	12/31/02	Private
Pritzker Foundation	IL	$618,823,133	$11,155,783	1.8%	12/31/01	Private
Richard and Rhoda Goldman Fund*	CA	$395,322,718	$29,949,270	7.6%	12/31/01	Private
Richard King Mellon Foundation	PA	$1,661,919,000	$58,608,007	3.5%	12/31/01	Private
The Rhode Island Foundation*	RI	$366,346,451	$19,486,289	5.3%	12/31/01	Community
The Sherman Fairchild Foundation	MD	$435,835,204	$18,955,435	4.3%	12/31/01	Private
The William Penn Foundation*	PA	$1,047,720,982	$64,653,552	6.2%	12/31/01	Private
Wayne and Gladys Valley Foundation*	CA	$548,512,301	$15,487,139	2.8%	9/30/02	Private
Weingart Foundation	CA	$675,303,638	$36,004,253	5.3%	6/30/02	Private
Z. Smith Reynolds Foundation	NC	$332,612,438	$23,436,023	7.0%	12/31/02	Private

* Foundations that have commissioned a Grantee Perception Report® (GPR).
  Source: 2001 990-PFs and 990s

These foundations represented all four geographic regions of the U.S.

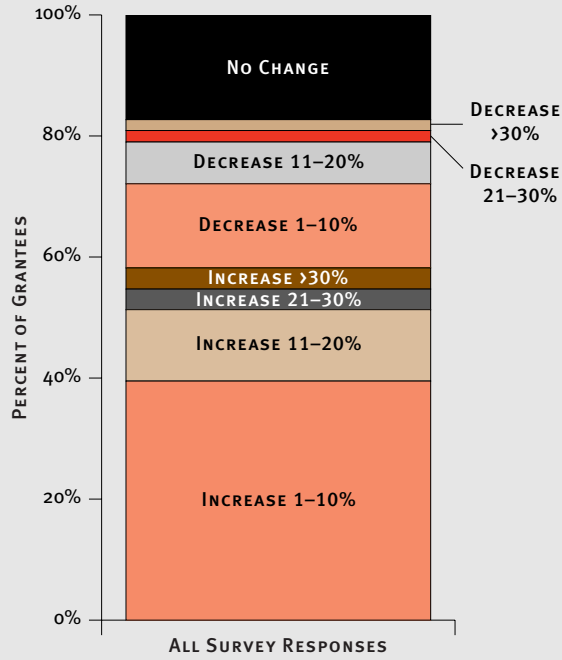| Region (Census Defined)	Foundations in Sample	Percentage
Midwest	8	27%
Northeast	10	33%
South	7	23%
West	5	17%
Total	30	100%

Appendix C:
Grantee Respondent Demographics

3,184 nonprofit grantee organizations responded to the Center's survey efforts in Spring 2003. These grantees represent a wide range of types, fields of focus, and organization sizes. Forty-nine percent of respondents were Executive Directors of their organizations, with the respondent population rounded out by Development Directors, Project Directors, and other grantee staff.[19] The median organization in our sample had a $1.2 million budget in 2003, and employed 11 individuals full-time.

Grantee Budget Size

2003 Operating Budget of Surveyed Grantee Organizations. Organization Size, by size of budget.

Percent of Grantees (0% – 100%)

- $25mm and above
- $5mm – $24.9mm
- $1mm – $4.9mm
- $500k – $999k
- $100k – $499k
- ‹ $100k

All Survey Responses

Average: $29.1 mm
Median: $1.2 mm

Staff Size of Surveyed Grantee Organizations

Organization Size, by number of FTEs.

Percent of Grantees (0% – 100%)

- 500 and above
- 100 – 499
- 50 – 99
- 20 – 49
- 10 – 19
- 5 – 9
- ‹5

All Survey Responses

Average: 280
Median: 11

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19 The 9% of respondents who identified as "Other" grantee staff include pastors, superintendents, principals, board members, and others with titles not corresponding to listed survey response options.

Grantee Budget Change 2002-03

The majority of nonprofits in our sample experienced increased growth in budget from 2002-03. Budget change is not significant in explaining grantees' perceptions of their foundation funder.
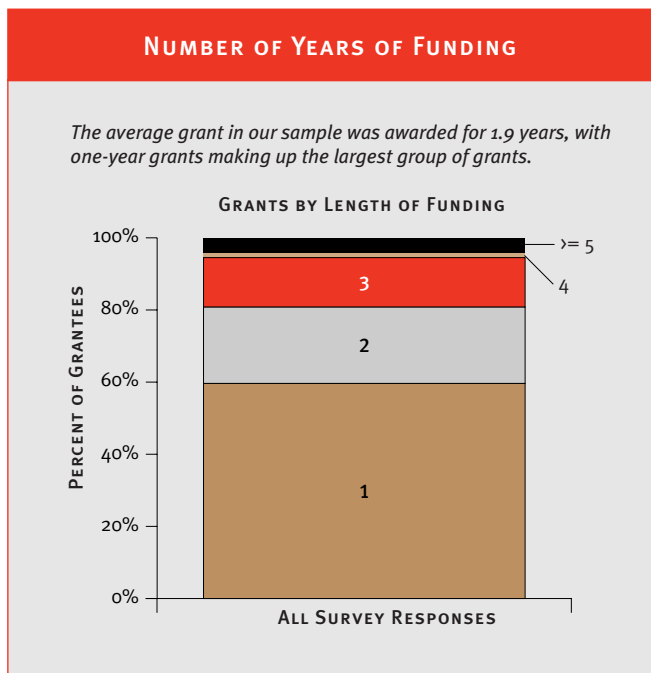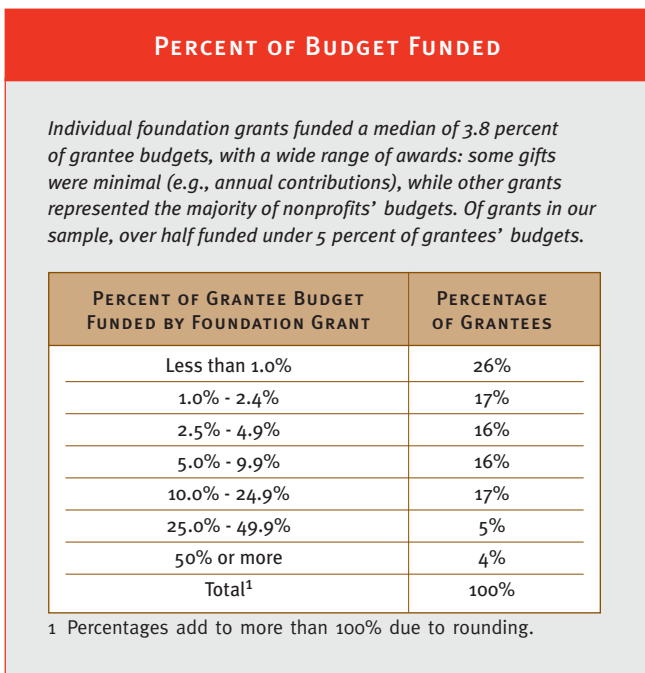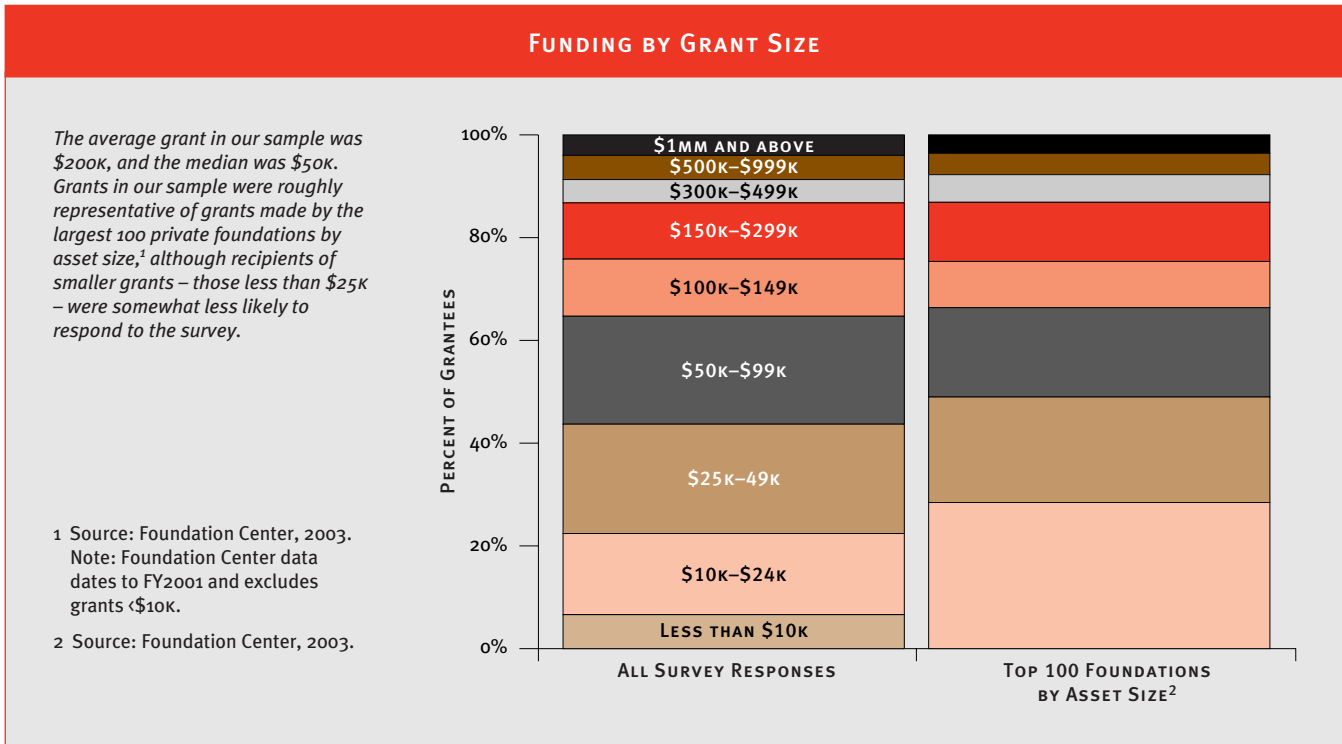
Percent of Grantees

- No Change
- Decrease >30%
- Decrease 11–20%
- Decrease 21–30%
- Decrease 1–10%
- Increase >30%
- Increase 21–30%
- Increase 11–20%
- Increase 1–10%

All Survey Responses

Funding by Grantee Program Focus

Grantees' ratings of satisfaction and perceived foundation impact were examined for differences based on the program focus[1] of the respondent. No substantial differences in these ratings were found.

Percent of Grantees

- Other
- Religion
- Science & Technology
- Environment
- International Affairs
- Public/Community Benefit
- Health
- Arts and Culture
- Education
- Human Services

All Survey Responses
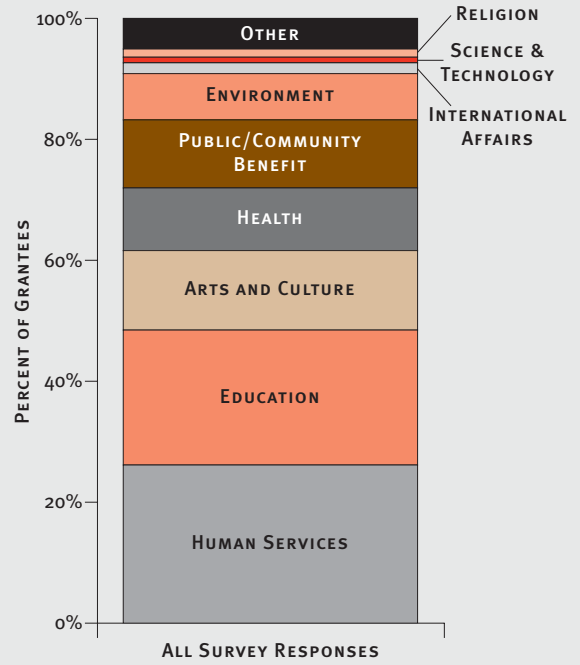
1 Grantees were asked to identify the primary focus of their organizations in terms of The National Taxonomy of Exempt Organizations.

Appendix D: About the Grants in Our Survey Sample

Funding by Grant Size

The average grant in our sample was $200K, and the median was $50K. Grants in our sample were roughly representative of grants made by the largest 100 private foundations by asset size,[1] although recipients of smaller grants – those less than $25K – were somewhat less likely to respond to the survey.

1 Source: Foundation Center, 2003. Note: Foundation Center data dates to FY2001 and excludes grants ‹$10K.

2 Source: Foundation Center, 2003.

Percent of Grantees

$1MM and above
$500K–$999K
$300K–$499K
$150K–$299K
$100K–$149K
$50K–$99K
$25K–49K
$10K–$24K
Less than $10K

All Survey Responses

Top 100 Foundations by Asset Size[2]

Percent of Budget Funded

Individual foundation grants funded a median of 3.8 percent of grantee budgets, with a wide range of awards: some gifts were minimal (e.g., annual contributions), while other grants represented the majority of nonprofits' budgets. Of grants in our sample, over half funded under 5 percent of grantees' budgets.

Percent of Grantee Budget Funded by Foundation Grant	Percentage of Grantees
Less than 1.0%	26%
1.0% - 2.4%	17%
2.5% - 4.9%	16%
5.0% - 9.9%	16%
10.0% - 24.9%	17%
25.0% - 49.9%	5%
50% or more	4%
Total[1]	100%

1 Percentages add to more than 100% due to rounding.

Number of Years of Funding

The average grant in our sample was awarded for 1.9 years, with one-year grants making up the largest group of grants.

Grants by Length of Funding

Percent of Grantees

>= 5
4
3
2
1

All Survey Responses

TYPE OF FUNDING (BY NUMBER OF GRANTS AWARDED)

By number of grants awarded, the Center's survey population was comprised mainly of program support and general operating grants, similar to the top 100 private foundations by asset size. The Center's data also skews towards building and renovation grants and away from scholarship or research fellowship grants when compared to the top 100 private foundations. This reflects sample selection: Several of the foundations whose grantees were surveyed are exclusively capital funders, and the Center excludes foundations that make grants mostly to individuals rather than organizations.

1 Source: Foundation Center, 2003.

SCHOLARSHIP/RESEARCH

OTHER CAPITAL SUPPORT

BUILDING/RENOVATION

GENERAL OPERATING SUPPORT

PROGRAM SUPPORT

PERCENT OF GRANTS AWARDED

100%

80%

60%

40%

20%

0%

ALL SURVEY RESPONSES

TOP 100 FOUNDATIONS
BY ASSET SIZE[1]

Special thanks to the foundations that have commissioned a Grantee Perception Report® from the Center for Effective Philanthropy. Their participation in this process has supported the development of the data set that forms the basis of this paper. Their feedback on their Grantee Perception Reports® has also informed the Center's understanding of the management implications of the findings discussed in this report.

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*Providing comparative data to
enable higher-performing foundations*