

# In the Eyes of the Beholders: Feedback Motivations and Practices Among Nonprofit Providers and their Funders

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## EXECUTIVE SUMMARY

Over the past twenty years, the public and private institutions that support nonprofit organizations have increased the volume and range of reporting requirements. We refer to this reporting as “feedback” and define it as any information nonprofit service providers collect regarding their clients or constituents in order to learn about their experiences. The purpose of this paper is to examine how funders and the nonprofit organizations they support view current feedback practices and to explore similarities and differences in their perspectives.

Recent research provides several ways to understand feedback and reporting in the nonprofit sector, specifically as an element in debates about both accountability and effectiveness in the public administration and nonprofit management literature and through the recently developed feedback purposes framework. These three bodies of research suggest different, if not competing, ways to understand feedback purposes. This state of knowledge indicates we would benefit from a deeper understanding of the reasons funders and providers collect feedback and their perceptions regarding the utility of current practices.

This paper reports the results of a survey of public and private funders and nonprofit service providers in a six-county region that includes several small cities and semi-rural communities. According to our survey results, funders value feedback as a way to verify that funded activities have been completed and to assess outcomes. In contrast, providers focus on using feedback to improve service and to ensure that their organizations are responsive to clients. We also find that some funders and providers are uncertain regarding how the other group uses feedback, and some respondents were not confident in their own organization's capacity to use feedback information. Many funders and providers discuss feedback results and their implications but funders and providers collaborate less in other aspects of the feedback process. We conclude by considering the implications of our findings for theory and practice as well as directions for future research.

The results of the study have several implications for theory and practice. The findings provide partial support for agency theory. Both funders and providers agree that verifying funded work has been completed and identifying outcomes are goals of feedback. Our results also highlight interesting differences in the

way that funders and providers define their accountability relationships. This study also suggests implications for ongoing debates about differences between public and private organizations and more recent discourse about the distinguishing features of nonprofit organizations. Finally, the findings provide a foundation for a dialogue between funders and providers about current feedback practices and for greater collaboration between them in the feedback process.

## INTRODUCTION

Two categories of stakeholders play central roles in defining the relationship between nonprofit organizations and their environment: the individual or institutional funders that support organizations and the beneficiaries of the services the organizations provide. Nonprofit leaders recognize that engaging in activities that address the concerns of service beneficiaries is essential to the accomplishment of their mission; yet leaders must also secure financial support for their work from individuals or institutions that they perceive as having interests that differ from those of the organizations' beneficiaries. Balancing these competing interests presents an ongoing challenge for many leaders of nonprofit organizations.

One way in which leaders experience these competing interests is in the collection and management of feedback from beneficiaries about the work their organizations do. For example, nonprofit leaders have historically identified learning about the experiences of those who use their services as an essential management activity. At the same time, institutional funders also seek feedback from the organizations they fund about what happens with the funding they receive. Recent studies find that leaders of nonprofit service provider organizations believe that what they seek to learn from beneficiary feedback differs from what institutional funders seek to learn (Bonbright, Campbell, & Nguyen, 2009; Campbell, 2010). This research indicates that providers want to know what feedback can teach them that will improve the provision of service, while they believe funders are interested in using feedback to learn whether a funded agency performed the tasks required under the terms of a particular grant or contract. Researchers have not conducted comparable studies examining funders' perceptions of current feedback practices.

Over the past twenty years, the public and private institutions that support nonprofit organizations have increased the volume and range of reporting requirements. In this paper, we refer to this reporting as "feedback" and define feedback as any information nonprofit service providers collect regarding their clients or constituents in order to learn about their experiences. This paper starts with the assumption that nonprofit organization leaders—both funders and providers—do not consistently distinguish among the many different forms of information they collect and report; we refer to that reporting by the term "feedback." In that way, we distinguish feedback from specific types of performance assessment such as evaluation and outcome measurement. The purpose of the paper is to explore the perceptions of feedback practices among private and public funders and the nonprofit organizations they support. In particular, our goal is to assess funder and provider motivations and experiences with feedback. Studying these issues will benefit nonprofit sector researchers and practitioners for several reasons. First, it will build on earlier research and deepen our understanding of provider perceptions of feedback, while also increasing our knowledge about funder perceptions of those practices and how those perceptions compare to

providers' views. Second, greater knowledge about the perceptions and experiences of both funders and providers will provide insights into the strengths and limitations of current practices. Third, this knowledge would provide a foundation for dialogue between funders and providers about feedback purposes and the development of practices for more effective use of feedback resources within both groups.

## **FEEDBACK CHALLENGES AND THE NONPROFIT SECTOR**

Nonprofit service providers have many stakeholders, but beneficiaries and funders are two of the most critical. Beneficiaries include anyone who receives a service or benefits in some way from the work the organization does. In a market setting, beneficiaries are customers, or those who make decisions about whether to buy a product. In most cases, nonprofit beneficiaries pay less than the full cost of the service they receive. To compensate, nonprofit providers generate additional support from public (federal, state or local government) and private (such as United Ways and foundations) institutions. Funders generally pay for the portion of services not paid for by beneficiaries. In some settings, public or private funders pay the full cost of a service and are primary actors in the management of nonprofit providers (Gronbjerg, 1993; Smith & Lipsky, 1993). In attempting to understand how these arrangements affect organizational behavior, scholars have noted that nonprofit organizations behave in ways that reflect their dependence on public and/or private funders to secure resources (Pfeffer & Salancik, 1978; Froehlich, 1999).

Over the past twenty years, funders have increasingly emphasized the importance of reporting by the organizations they support. In the 1990s, several management reforms, including The United Way of America's requirement that member agencies document outcomes and the simultaneous advent of new public management practices in public administration, encouraged private and public sector funders to focus their attention on collecting information from funded organizations about their experiences with grants and contracts (Osborn & Gaebler, 1992; Plantz, Greenway, & Hendricks, 1997). These efforts generated a wide range of reporting practices, providing diverse forms of information to funders, including outcome measurement, program evaluation, audits, personnel evaluations, and satisfaction surveys. (Carman, 2007; Plantz et al., 1997). It is unclear whether nonprofit providers distinguish among the many forms of reporting funders require of them. For that reason, we use the term feedback to capture the range of information nonprofit providers collect about their beneficiaries and their experiences.

Recent research provides several ways to understand feedback and reporting in the nonprofit sector, specifically as an element in debates about both accountability and effectiveness in the public administration and nonprofit management literature. Several studies on accountability have used agency theory as a lens for understanding the funder/provider relationship and purpose of feedback (for example, see Benjamin, 2010; Lambright, 2009; Van

Slyke, 2007). Within the literature on effectiveness, debates regarding what effectiveness is and whether nonprofit organizations can measure effectiveness have been central to the discussion of it as a feedback purpose (Baruch & Ramalho, 2006; Herman & Renz, 2008; Sawhill & Williamson, 2001; and Sowa, Selden, & Sandfort, 2004). An alternative approach suggests that feedback serves multiple purposes, including accountability and effectiveness among others (Bonbright et al., 2009; Campbell 2010). We discuss each of these approaches below and their relevance for understanding how funders and the organizations they support (“providers”) view current feedback practices.

*Accountability: Agency and Stewardship Theories.* Accountability is a relational concept defined in terms of the obligations an organization has to its stakeholders (Ebrhamin, 2010). For nonprofit providers, a primary element of accountability is substantiating the work and results of their organizations, usually through reporting this information to those who fund it, including individual donors, government, and institutional funders (Campbell, 2010). Under this definition of accountability, a primary purpose of feedback is to verify that providers have done what they said they would do and to measure the outcomes of the services providers have delivered (Benjamin 2008, 2010; Campbell, 2010; Johnston & Romzek, 1999; Kearns, 1994). Verification and outcome measurement in this context refer to work completed under either service contracts with public funders or grant awards from foundations, United Ways or other private philanthropic institutions.

Many researchers have addressed how accountability relationships influence nonprofit feedback practices (Benjamin, 2008; Christensen & Ebrahim, 2006; Ebrahim, 2003; Johnson & Romzek, 1999; Kearns, 1994; Sowa et al., 2004; Van Slyke, 2007). Within the accountability literature, agency theory is the framework most commonly used to understand the role feedback plays in the relationship between funders and providers. Agency theory characterizes funders as principals who hire providers as their agents to carry out work. The theory presumes a rationally self-interested agent who, given an information advantage, will opportunistically prioritize her interests above those of the principal. The principal uses control, monitoring, and reporting mechanisms to protect his interests and verify that the agent is behaving appropriately and achieving the desired outcomes (Davis, Schoorman, & Donaldson, 1997; Dicke, 2002; Eisenhardt, 1989).

While many researchers have discussed the feedback funders require in terms of agency theory (Benjamin, 2010; Dicke, 2002; Ebrahim, 2003; Johnston & Romzek, 1999; Kearns, 1994; Lambright, 2009; Van Slyke, 2007), the theory has also been critiqued for not capturing the full range of provider motivations (Lambright, 2009; Van Slyke, 2007). In particular, stewardship theory directly challenges the assumptions of agency theory and asserts that principals assign tasks to parties whom they do not expect to act either opportunistically or to the detriment of the principal. Instead, principals and agents share goals and have a collective interest in achieving them (Davis et al., 1997; Dicke, 2002). Applying stewardship theory to the feedback process, funders and providers are

likely to have goals for feedback that extend beyond accountability considerations.

*Effectiveness.* Another purpose of feedback highlighted in the literature is to demonstrate effectiveness. Herman and Renz (2008, p. 400) note that “effectiveness has long been a contested and unsettled concept in general organizational theory.” Researchers have used a variety of terms to capture what they mean by effectiveness, including performance, outcomes, goal accomplishment, impact, success and excellence, among others (Baruch & Ramalho, 2006; Herman & Renz, 1999, 2004, 2008; Moynihan, 2005; Sowa et al., 2004; Yang & Holzer, 2006). In broad terms, effectiveness addresses how well an organization performs with respect to either its overall mission and goals or an individual program. Effectiveness differs from accountability in that its focus is less relational. The members of nonprofit organizations may define effectiveness for themselves. While accountability emphasizes the relationship between an organization and its stakeholders (funders or beneficiaries), nonprofit providers may define what constitutes programmatic or organizational effectiveness on their own. This difference may be semantic. Herman and Renz (2008) famously assert that organizational effectiveness is a social construct, rooted in shared beliefs among stakeholders about what constitutes effectiveness. Other researchers reinforce this notion, emphasizing that effectiveness is a multidimensional construct, defined by criteria established by key stakeholders (Baruch & Ramalho, 2006; Herman & Renz, 2008; Sowa et al., 2004).

We can link the literature on effectiveness to the purposes of feedback in several ways. Nonprofit providers, their funders and service beneficiaries may all use feedback to assess program or organizational effectiveness; and each group may define what constitutes effectiveness differently. As an element in the feedback debate, effectiveness is important for different reasons to each category of stakeholders. For providers, feedback on effectiveness provides information which is essential for subsequent service improvement (Moynihan, 2005); for funders, measuring effectiveness contributes to an assessment of accountability, whether grants or contracts enabled the staff of an organization to accomplish what they said they would; for service beneficiaries, it builds trust with the representatives of the nonprofit organization from whom they receive service (Yang & Holzer, 2006).

*Feedback Purposes Framework.* Finally, two recent publications offer a comprehensive view of reporting and feedback in the nonprofit sector (Bonbright et al., 2009; Campbell, 2010). This work identifies six distinct feedback purposes and assesses provider perceptions of current practices. The feedback purposes framework reflects some concepts included in the discussion of accountability and effectiveness above but also includes several additional concepts. The purposes defined in the framework include:

- Verifying that a provider completed the work funded by a grant or contract (similar to accountability).
- Enhancing organizational learning and improving service (similar to effectiveness).

- Analyzing organizational strategy.
- Empowering service beneficiaries to act in their behalf.
- Cultivating greater responsiveness between service providers and service beneficiaries.
- Educating the general public about knowledge gained from service activities.

The authors of the feedback purposes framework studied provider perceptions of current feedback practices through a survey and focus groups of nonprofit human service leaders. The study found that providers believe that funders and providers collect feedback to accomplish different purposes. Providers identified service improvement and organizational learning as their primary motivation for collecting feedback, while they believe funders would like to verify service activities or assess outcomes that were not of interest to the providers. Providers also indicated that while they believed in the power of feedback and measurement generally, funders often required them to collect information that providers did not view to be useful. (Bonbright et al., 2009; Campbell 2010)

In summary, the literature on accountability, effectiveness and the feedback purposes address the role of reporting and feedback among nonprofit organizations and their stakeholders. These three bodies of research suggest different, if not competing, ways to understand feedback purposes. This state of knowledge indicates we would benefit from a deeper understanding of the reasons funders and providers collect feedback and their perceptions regarding the utility of current practices.

## RESEARCH DESIGN

To learn about the feedback expectations and practices of funders and nonprofit providers, we surveyed funders and recipient organizations located in a six-county region. The counties ranged in size from approximately 50,000 to 200,000 residents. For the purposes of our surveys, we defined "feedback" as any information providers collect regarding their clients or constituents in order to learn about their experiences. Examples of feedback include: outcome measurements, satisfaction surveys, goal accomplishments, expenditure reports, and output data.

**Sample.** The prospective respondents included all of the local United Way chapters, local private foundations and county departments which supported health, mental health, social services, youth services and aging. We asked each funder organization to provide us with: (1) the names and email addresses for all the staff in their organization who supervise grants and/or contracts and (2) the names of the nonprofit agencies that their organization currently funds. In some cases, the funder organization provided the email addresses for the executive directors of the providers as well. In other cases, we identified the email addresses for the executive directors of the providers by cross-checking these names with a list provided by a local nonprofit trade association. We also conducted web searches, contacted providers directly,

and, with large providers, when possible, identified the email addresses of other administrators involved in the feedback process. The majority of providers received funding from multiple funders in our sample.

We emailed separate electronic surveys to the funders and providers. In total, we sent links for our surveys to 35 individuals working for public funding organizations, 30 individuals working for private funding organizations, and 192 individuals working for provider organizations. We received 48 usable funder surveys and 109 usable provider surveys, representing a 74% response rate and a 57% response rate, respectively. Of the funder surveys, 23 respondents worked for public organizations, and 25 respondents worked for private organizations.

**Survey Instruments.** Before completing the surveys, participants were assured that the information they provided would be confidential. The two surveys were primarily composed of close-ended questions. We began by asking respondents on both the funder and provider surveys to provide basic organizational background information. We asked funders to indicate:

- (1) the type of funding organization they worked for,
- (2) how much money their organization provided to nonprofits in the last fiscal year,
- (3) the number of nonprofits that their organization funded in the last fiscal year,
- (4) the fields in which their organization primarily funds,
- (5) whether funding organizations ask recipients about their experiences working with their organization, and
- (6) whether their organization receives feedback information from the agencies it funds.

We asked respondents to the provider survey a similar set of questions including:

- (1) their organization's primary field,
- (2) their organization's budget in the last fiscal year,
- (3) from which funders in our sample their organization receives funding, and
- (4) whether their organization collects feedback information.

Funders who indicated that their organization did not receive feedback information and providers who indicated that their organizations did not collect feedback information were not asked any additional questions. All other respondents were asked to complete the remainder of the survey.

Using a five-point Likert scale, respondents on both the funder and provider surveys were asked to indicate their level of agreement with a series of statements relating to:

- (1) the types of feedback collected,
- (2) the goals of collecting feedback;

- (3) the extent to which they achieve the goals of collecting feedback;  
and
- (4) how they use feedback information.

Most of these questions appeared on both surveys with slight wording modifications. For example, we asked funders about the feedback information their organizations receive while we asked providers about feedback information their organizations collect.

In addition, we asked respondents on both surveys to use a five-point Likert scale to indicate their level of agreement with a series of statements relating to collaboration between funders and providers in the feedback process. On the funder survey, we asked about their collaboration with providers. On the provider survey, we asked providers to comment separately on their collaboration with county funders and local private funders. To make sure the survey instruments were clear, representatives from the local nonprofit community reviewed the instruments and provided us with feedback that we used to improve them.

**Data Analysis.** Providers who indicated that their agency did not receive funding from any of the funding organizations in our sample were excluded from our analysis. In addition to calculating descriptive statistics, we used the Mann Whitney test to assess the statistical significance of differences between various groupings of survey respondents. Like the two sample t-test, the Mann Whitney test assesses the null hypothesis that two samples are from the same population. The Mann Whitney test can be used with ordinal data and is frequently used in place of a two sample t-test when data are not normally distributed which was the case with much of our data.

## FINDINGS

Respondents generally agreed that they provide feedback to accomplish several different goals; they also generally agreed that the feedback they collected achieved these goals. While many funders and providers discuss feedback results and their implications, other aspects of the feedback process appear to involve less collaboration between funders and providers. Funders and providers indicated important differences on a variety of issues, both within and between groups.

**Overview of Respondents.** Fifty-two percent of the respondents working for funder organizations (hereafter “funders”) were employed by county government. Another 17% of funders worked for local chapters of the United Way. The remainder of the funders worked for local private foundations. The average funder reported that their organization provided approximately \$1.25 million to nonprofit organizations in the last fiscal year and funded 45 nonprofit organizations. Nearly 70% of funders reported that their organization asks the agencies that it funds about their experiences working with their organization, and almost 94% of funders received some form of feedback from providers.

**Table 1. Forms of Feedback Received by Funders**

	% of Funders Requesting Form of Feedback	% of Funders Not Requesting Form of Feedback But Receiving It Anyway
Outcome measurement	89%	5%
Satisfaction surveys	40%	10%
Goal accomplishments	76%	7%
Expenditure reports	93%	2%
Information on outputs	71%	12%
Thank you letters	Not asked on survey	44%
General information	Not asked on survey	58%
Promotional materials	Not asked on survey	72%
Personal stories/anecdotes	Not asked on survey	74%
Information about challenges faced by providers	Not asked on survey	65%

Table 1 summarizes the form and distribution of feedback funders receive. More than 70% of funders reported requesting the following types of feedback from providers: outcome measurements, goal accomplishments, expenditure reports, and information on outputs. By contrast, only 40% of funders request that providers conduct satisfaction surveys. Funders also often receive additional forms of feedback that they do not request from providers. At least half of the funders reported that they did not request but received anyway the following forms of feedback: general information, promotional materials, personal stories/anecdotes, and information about challenges faced by providers. Using a five-point Likert scale where 1 equals strongly disagree and 5 equals strongly agree, funders were asked to indicate their level of agreement with statements regarding the usefulness of the following forms of feedback: outcome measurement, satisfaction surveys, goal accomplishments, expenditure reports, information on outputs, personal stories/anecdotes, and information about challenges faced by providers. Funders generally agreed that these forms of feedback were useful although some forms of feedback were more useful than others. Funders expressed the highest level of agreement with the statement that outcome measurements are useful with an average rating of 4.79 while funders expressed the lowest level of agreement with the statement that satisfaction surveys are useful with an average rating of 4.05.

Eighty-eight percent of respondents working for provider organizations (hereafter “providers”) are employed by organizations receiving county funding while 76 percent are employed by organizations receiving funding from local chapters of the United Way and/or local private foundations. The median organization budget for a provider in our sample was \$1.9 million. The vast majority of providers worked in the human services field. Over 96% of providers indicated that their organization collects feedback.

**Table 2. Feedback Goals**

Respondents indicated the extent to which they agreed with the statements below.

	Rating Avg. Entire Sample	Rating Avg. Funders	Rating Avg. Providers
Feedback is collected to verify that the work paid for by the grant/contract has been done.	4.30	4.49	4.21*
Feedback is collected to identify outcomes or accomplishments resulting from the grant or contract.	4.41	4.53	4.35
Feedback is collected so that providers will use the information to make improvements in their services or organizations as a whole.	4.36	4.02	* 4.50*
Feedback is collected as a way to empower clients/constituent to have a say in the work of providers.	3.84	3.31	* 4.07*
Feedback is collected to ensure providers are responsive to the experiences of their clients/constituents.	4.22	3.8	* 4.41*
Feedback is collected to communicate to the larger community what funded projects have taught us about community issues or problems.	3.88	3.87	3.88
Feedback is collected to learn about community needs.	4.07	4.24	3.99
Feedback is collected because funders require it.	n/a	n/a	3.83

Note: Ratings were measured on a five-point Likert scale: 1=strongly disagree, 2=disagree, 3=neither agree nor disagree, 4=agree, and 5=strongly agree

\*\* Difference between funders and providers significant at .01 level, \*

Difference between funders and providers significant at .05 level

***Goals and Results of Feedback.*** As indicated in Table 2, respondents generally agreed that feedback is collected for the following reasons: (1) to verify that the funded work has been done, (2) to identify outcomes or accomplishments, (3) to improve service, (4) to empower clients, (5) to ensure providers are responsive to the experiences of their clients, (6) to educate the community about problems, and (7) to learn about community needs. Table 3 indicates that respondents generally agreed that the feedback collected achieved the seven goals detailed in the surveys although the average ratings for the results of feedback were slightly lower than the average ratings for the goals of feedback listed in Table 2. While the majority of respondents indicated they agreed or strongly agreed with the seven goals for feedback detailed in our surveys, funders and providers appear to prioritize these goals differently. Funders emphasize feedback as a mechanism for verifying that work has been completed and for identifying outcomes or accomplishments. These two goals received the highest average rating from funders. In contrast, providers rated improving service and ensuring their organizations are responsive to clients as their two most important goals for feedback.

***Uses of Feedback.*** Some questions relating to uses of feedback appeared on both the funder and provider surveys. As shown in Table 4, both funders and providers generally agreed that clients should be involved in discussions relating to feedback results and their implications; they agreed less, however, about the impact of feedback on funding decisions. Funders expressed a significantly higher level of agreement with the statement that feedback information has affected a funding decision made by a funder in the last year. Some respondents were not confident in their organization's capacity to use feedback information. Slightly less than two-fifth of respondents either expressed neutrality or agreement with the statement that their organization has limited capacity to use the feedback information that is collected. The responses of funders and providers to this question were not significantly different.

We asked funders several questions intended to further explore the role that feedback plays in the contracting and grantmaking process and their awareness of whether providers use feedback. The results for these questions are detailed in Table 5. Consistent with the agreement among funders that feedback information has affected a funding decision made by their organization in the last year, funders generally agreed that feedback information shapes their priorities, allocation of resources and subsequent funding decisions. While funders believe feedback information influences important activities within their organization, some were uncertain whether providers actually use the feedback information they collect. A little more than a fifth of the funders agreed with the following statement: "I do not know whether organizations we fund use the feedback information they collect."

**Table 3. Results of Feedback**

Respondents indicated the extent to which they agreed with the statements below.

	Rating Avg. Entire Sample	Rating Avg. Funders	Rating Avg. Providers
Feedback allows us to verify that that the work paid for by the grant/contract has been done.	4.25	4.49	4.14*
Feedback enables us to identify outcomes or accomplishments resulting from the grant or contract.	4.27	4.33	4.24
Feedback enables providers to make improvements in their services or organizations as a whole.	4.07	3.64	* 4.26*
Feedback empowers clients/constituent to have a say in the work of providers.	3.60	3.00	* 3.89*
Feedback makes providers more responsive to the experiences of their clients/constituents.	3.95	3.47	* 4.18*
Feedback enables us to communicate with the general public about what funded projects have taught us about community issues or problems.	3.79	3.78	3.80
Feedback provides useful information about community needs.	3.91	4.04	3.85

Note: Ratings were measured on a five-point Likert scale: 1=strongly disagree, 2=disagree, 3=neither agree nor disagree, 4=agree, and 5=strongly agree

\*\* Difference between funders and providers significant at .01 level, \*

Difference between funders and providers significant at .05 level

**Table 4. Use of Feedback Information**

Respondents indicated the extent to which they agreed with the statements below.

	Rating Avg. Entire Sample	Rating Avg. Funders	Rating Avg. Providers
Clients/constituents should be involved in discussions of feedback results.	3.84	3.78	3.88
Clients/constituents should be involved in discussions regarding the implications of feedback results.	3.78	3.64	3.84
Feedback information has affected a funding decision made by my organization in the past year. (Funder question)/Feedback information has affected a funder's decision to provide funding to my organization in the past year. (Provider question)	3.45	4.04	3.17*
My organization has limited capacity to use the feedback information that is collected.	2.38	2.49	2.33

Note: Ratings were measured on a five-point Likert scale: 1=strongly disagree, 2=disagree, 3=neither agree nor disagree, 4=agree, and 5=strongly agree

\*\* Difference between funders and providers significant at .01 level, \*  
 Difference between funders and providers significant at .05 level

**Table 5. Use of Feedback Information (Questions Asked to Funders Only)**

Respondents indicated the extent to which they agreed with the statements below.

	Rating Avg. Funders
I do not know whether organizations we fund use the feedback information they collect.	2.66
Feedback information we receive from organizations we fund shapes my organization's priorities and/or allocation of resources.	3.87
Feedback information we receive from organizations we fund affects my organization's subsequent funding decisions.	4.02
In the past year, my organization has modified its grantmaking or contracting activities in response to changing community needs.	4.11

Note: Ratings were measured on a five-point Likert scale: 1=strongly disagree, 2=disagree, 3=neither agree nor disagree, 4=agree, and 5=strongly agree

There were also questions relating to the uses of feedback that just appeared on the provider survey. These questions examine the ways in which providers involve clients in the feedback process, the impact of feedback on the allocation of providers' resources, and providers' views on the utility of the feedback that is collected. Table 6 summarizes these results. While providers generally believe that clients should be involved in discussions on feedback results and their implications as shown in Table 4, their ideals often do not match their practices. Less than half of the providers agreed that staff members in their organizations actually share feedback results and discuss their implications with clients. The feedback providers collect does impact the internal allocation of resources: slightly more than three-fifths of providers agreed that feedback information about community needs has affected how their organization has allocated resources in the last year. In addition, only a handful of providers agreed that the feedback information collected for funders is not useful to their organizations.

**Table 6. Use of Feedback Information (Questions Asked to Providers Only)**

Respondents indicated the extent to which they agreed with the statements below.

	Rating Avg. Providers
Staff members in my organization share feedback results with clients/constituents.	3.47
Staff members in my organization discuss the implications of feedback results with clients/constituents.	3.33
In the past year, feedback information about community needs has affected how my organization allocates resources.	3.63
The feedback information my organization collects for funder is not useful to my organization.	2.03

Note: Ratings were measured on a five-point Likert scale: 1=strongly disagree, 2=disagree, 3=neither agree nor disagree, 4=agree, and 5=strongly agree

***Collaboration in the Feedback Process.*** We asked funders about their collaboration with providers in the feedback process. In addition, we asked providers about their collaboration with county funders and local private funders. We then compared the responses of county funders and providers receiving county funding to questions regarding collaboration in the feedback process. We used a similar approach to analyze the responses relating to collaboration between private funders and providers receiving private funding. Tables 7 and 8 detail these comparisons.

**Table 7. Collaboration in Feedback Process between County Funders and Providers Receiving County Funding**

Respondents indicated the extent to which they agreed with the statements below.

	Rating Avg. County Funders	Rating Avg. Providers Receiving County Funding
County funders and providers receiving county funding work closely in the development of feedback measures.	3.68	3.06*
County funders and providers receiving county funding work closely in the implementation of feedback measures.	3.55	3.05*
County funders and providers receiving county funding work closely in the analysis of feedback results.	3.23	2.82
County funders and providers receiving county funding work discuss feedback results.	4.00	3.76
County funders and providers receiving county funding work discuss implications of feedback results.	3.73	3.67
County funders and providers receiving county funding work are satisfied with the level of collaboration they have with each other about feedback.	3.32	3.42

Note: Ratings were measured on a five-point Likert scale: 1=strongly disagree, 2=disagree, 3=neither agree nor disagree, 4=agree, and 5=strongly agree  
 \*\* Difference between County funders and providers significant at .01 level, \* Difference between County funders and providers significant at .05 level

**Table 8. Collaboration in Feedback Process between Private Funders and Providers Receiving Private Funding**

Respondents indicated the extent to which they agreed with the statements below.

	Rating Avg. Private Funders	Rating Avg. Providers Receiving Private Funding
Private funders and providers receiving private funding work closely in the development of feedback measures.	3.27	3.09
Private funders and providers receiving private funding work closely in the implementation of feedback measures.	3.13	2.99
Private funders and providers receiving private funding work closely in the analysis of feedback results.	2.91	2.79
Private funders and providers receiving private funding work discuss feedback results.	3.91	3.77
Private funders and providers receiving private funding work discuss implications of feedback results.	3.87	3.64
Private funders and providers receiving private funding work are satisfied with the level of collaboration they have with each other about feedback.	3.13	3.40

Note: Ratings were measured on a five-point Likert scale: 1=strongly disagree, 2=disagree, 3=neither agree nor disagree, 4=agree, and 5=strongly agree  
 \*\* Difference between private funders and providers significant at .01 level, \* Difference between private funders and providers significant at .05 level

County and private funders appear to discuss feedback results and their implications with the providers receiving funding from their organizations. However, other aspects of the feedback process such as the development and implementation of feedback measures and the analysis of feedback data seem to involve less collaboration. Funders and providers showed little difference in terms of their view of collaboration in various parts of the feedback process. Neither funders nor providers appear to be particularly satisfied with the level of collaboration they have with each other about feedback. On a 5-point Likert scale, the average rating in response to the satisfaction question was 3.42 or less for all four respondent groups (county funders, providers receiving county funding, private funders, and providers receiving private funding).

**Comparisons of Different Groupings of Funders.** In addition to comparing the responses of providers and funders, we compared responses by different groupings of funders. Since our sample size was relatively small for this portion of the analysis (n=46), we used a less conservative threshold for p-values and considered a p-value of .1 or lower to indicate significant results. We have indicated in the text when a finding is only significant at a .1 level.

County and private funders expressed important differences regarding the feedback process. One area in which the two groups varied was in the goals of feedback. County funders emphasized feedback as a mechanism for verifying that work has been completed and for identifying outcomes or accomplishments. The average rating for both of these goals among county funders was greater than 4.4. In contrast, the average rating given by county funders for the other five feedback goals specified on the survey ranged from 3.35 to 4.04. Private funders rated the verification and outcomes goals highly too with average ratings of 4.50 and 4.64, respectively. But, private funders also focused on feedback as a mechanism for educating the community about problems and for learning about community needs. The average ratings for these goals among private funders were 4.23 and 4.64, respectively. Consistent with this perspective, private funders expressed a significantly higher level of agreement with the following statements: (1) feedback is collected to educate the community about problems and (2) feedback is collected to learn about community needs. In addition, county and private funders varied in their opinions regarding the results of feedback. County funders expressed a significantly higher level of agreement with the statement that feedback improves service (significant at the .1 level) while private funders expressed a significantly higher level of agreement with the statement that feedback provides useful information on community needs (significant at .the 1 level). In only one area did private and public funders have a statistically significant difference in response to their uses of feedback: private funders expressed a significantly higher level of agreement with the statement that their organization has modified grant-making or contracting activities in response to changing community needs.

We also compared funders' responses based on the amount of funding their organizations provided to nonprofits in the last fiscal year. A funder was classified as "small" if it had provided less than \$500,000 to nonprofits in the last fiscal year. There were no significant differences in the opinions of small and large funders on the goals of feedback and the uses of feedback. However, opinions did vary with respect to the results of feedback. We found that small funders expressed a significantly higher level of agreement with the following statements: (1) feedback makes providers more responsive to client needs; (2) feedback provides useful information about community needs; and (3) feedback educates the community about problems (significant at the .1 level).

**Comparison of Different Groups of Providers.** Finally, we compared responses by different groupings of providers. Like funders, we examined differences between small and large providers. A provider was classified as "large" if the organization had a budget of \$5,000,000 or more in the last fiscal

year. Contrary to our expectations, large providers appear to place a greater emphasis on empowering clients as part of the feedback process. As evidence of this difference, large providers expressed a significantly higher level of agreement with the following statements: (1) feedback is collected to empower clients; (2) feedback empowers clients; and (3) staff members in their organizations share feedback results with clients. In addition, our results suggest that there are differences in the capacity of providers to use feedback information based on organization size. Smaller providers expressed a higher level of agreement with the statement that their organizations have limited capacity to use feedback information.

A second way we compared providers was to examine survey responses based on whether an organization received United Way funding. There were no significant differences in opinions on feedback goals results based on United Way funding status. However, opinions on some of the uses of feedback did vary. United Way providers expressed a significantly lower level of agreement with the statement that clients should be involved in discussions of feedback results. At the same time, United Way providers expressed a significantly higher level of agreement with the statement that feedback information about community needs has affected how their organizations allocate resources.

## DISCUSSION

This study examines the feedback expectations and practices of funders and nonprofit providers. Although funders and providers generally agree on the goals of feedback, our survey reveals important differences in the priority of those goals to the two groups. Funders value feedback as a way to verify that funded activities have been completed and to assess outcomes. In contrast, providers focus on using feedback to improve service and to ensure that the work of their organizations is responsive to clients. We also find that some funders and providers are uncertain regarding how the other group uses feedback, and some respondents were not confident in their own organization's capacity to use feedback information. Many funders and providers discuss feedback results and their implications but funders and providers collaborate less in other aspects of the feedback process. Neither funders nor providers appear to be particularly satisfied with the level of collaboration they have with each other about feedback. Finally, our study reveals important differences between subgroups in how they view the feedback process: (1) county and private funders, (2) large and small funders, (3) large and small providers, and (4) providers that receive United Way funding and providers that do not receive United Way funding.

***Implications for Theory.*** This study has significant implications for theory. Our results provide partial support for agency theory. Both funders and providers agree that verifying funded work has been completed and identifying outcomes are goals of feedback. These goals are particularly important to funders. At the same time, our results indicate that agency theory provides an incomplete explanation of feedback motivations; both funders and providers

care about more than verification and outcome measurement. Providers are especially concerned with using feedback as a mechanism for improving service and ensuring that their organizations are responsive to clients. Our findings are consistent with other recent studies (Bonbright et al., 2009; Campbell, 2010) that recognize a wide range of motivations for collecting feedback. To fully understand the feedback process, researchers need to look beyond accountability, to effectiveness and other purposes we have identified.

Our results also highlight interesting differences in the way that funders and providers define their accountability relationships. Providers view themselves as having multiple accountability relationships and use feedback to achieve goals that involve both funders and service beneficiaries (Christiansen & Ebrahim, 2006; Ebrahim, 2010). In contrast, funders primarily tend to view accountability as a bilateral concept, defined primarily by relationships with providers. They focus feedback goals on providers and pay limited attention to service beneficiaries. County funders' lack of focus on service beneficiaries is notable as it neglects important aspects of democratic governance. County funders contract with nonprofit providers to deliver public services. Therefore, public funders are ultimately accountable to citizens, including service beneficiaries, for the quality of these services. Yet, the survey results suggest public funders view accountability as verifying that contracted work has been completed rather than as determining whether this contracted work has been responsive to service beneficiaries' needs.

This study also suggests implications for ongoing debates about differences between public and private organizations and the more recent discourse about the distinguishing features of nonprofit organizations. Public administration scholars have long examined the similarities and differences of public and private organizations (Bozeman & Bretschneider, 1994; Rainey & Bozeman, 2000; Rainey, Backoff, & Levine, 1976). Researchers have identified key distinctions between the public and private sectors in terms of political influence, personnel constraints, red tape, the involvement of external constituencies, media scrutiny, and competing objectives (Allison, 1979; Cohen, 2001). This literature has traditionally focused on comparisons of public and private organizations. However, more recent studies have refined this question and have contrasted public, for-profit, and nonprofit organizations, reflecting the increasing role the nonprofit sector plays in governance (Amirkhanyan, Kim, & Lambright, 2008; Eikenberry, 2009; Salamon, 1999, 2002). Different funder and provider views on the feedback process, such as competing conceptions of organization role and primary constituents (taxpayers versus service beneficiaries, for example), build on previous research distinguishing the public and nonprofit sectors. Further research should directly address the relationship between organization type (public, nonprofit) and the feedback process.

***Implications for Practice.*** This study also has important implications for practice and provides a foundation for a dialogue between funders and providers about current feedback practices. Our study suggests that funders and providers should work together to agree on goals for feedback and how to

use the limited resources available for feedback in ways that are mutually beneficial. While funders and providers agree on the purposes of feedback, the differences in the ways in which they prioritize those purposes are important. Funders and providers see feedback playing different roles in the management of their organizations. If both funders and providers are to use the limited resources available for feedback effectively, then the two groups need to acknowledge those differences and develop feedback measures that address both their interests, given resource constraints. One way to do that would be for funders and providers to meet after a funding award to identify and discuss what each would like to learn as a result of that award and discuss what it would take to learn those things.

In addition, our study indicates the potential for greater collaboration between funders and providers in the feedback process. While funders discuss feedback results and their implications with providers, they collaborate less in other aspects of the feedback process, including the development and implementation of measures and the analysis of results. This finding, seen along with some uncertainty about how feedback is used and the relatively low levels of satisfaction with current collaboration, suggests that funders and providers would benefit from working more closely together in the feedback process. The lack of collaboration in the development of feedback measures reinforces differences between funders and providers about each group's priorities for feedback. As noted, using feedback has become a core management function and it is an essential element in the funder/provider relationship. Closer collaboration in the feedback process would recognize the centrality of feedback to both groups, contribute to goal accomplishment and ensure better resource use. In particular, more collaboration would offer providers the opportunity to introduce beneficiary-focused and other feedback priorities providers might otherwise neglect in an effort to be responsive to funder reporting expectations. Funders and providers can strengthen their collaboration in several ways. Both can work more closely together in the development of feedback measures. In addition, they can communicate more directly about the implementation of feedback measures and the analysis of feedback results. Finally, funders can be clearer regarding how feedback information informs funding decisions.

This study's findings also suggest that funders should consider assessing whether current feedback requirements for providers are realistic. A significant portion of both funders and providers in our study were not confident in their own organization's capacity to use feedback information. Funders derive little value from requiring sophisticated reporting methodologies if they (and providers) lack the necessary infrastructure to analyze feedback and implement changes based on what they learn. In situations where funders determine that either their organization or providers lack the capacity needed to effectively implement feedback requirements, funders should either revise the existing requirements so they are more realistic or provide appropriate technical assistance and work to build capacity.

Finally, funders and providers should try to expand the role that service beneficiaries play in the feedback process. Funders who responded to the survey did not prioritize feedback purposes that related directly to service beneficiaries (such as client responsiveness or empowerment). In addition, less than half of providers reported discussing feedback results and implications with clients. The ultimate goal of the funding providers receive is to assist service beneficiaries. If service beneficiaries are the focus of nonprofit human service provision, then funders and providers need to identify a way to learn more directly from their experiences. Current practices seem to provide a passive role for beneficiaries—simply reporting information. Providers would benefit from engaging beneficiaries more directly about the feedback they provide. In the same way, funders can learn from beneficiaries' experiences and develop funding practices that are more responsive to beneficiaries.

***Areas for Further Research.*** Follow up research should examine in more detail the role service beneficiaries currently play in the feedback process and how this role can be made more meaningful, both from the funder and provider perspective. These opportunities seem particularly significant, given the democratizing impact of social media on the nonprofit sector. We would like to investigate the reasons why funders do not emphasize service beneficiaries in the feedback process as well as the practices used by the limited number of providers that currently share feedback results with service beneficiaries. We also plan to examine our finding that public and nonprofit funders view the feedback process differently and explore possible reasons for these differences. In addition, it would be valuable to further investigate our unexpected finding that large providers appear to place a greater emphasis on empowering clients as part of the feedback process. We suspect that this result may be due to large providers' more developed systems for collecting and analyzing feedback and their greater capacity to incorporate service beneficiaries into the feedback process.

Finally, more qualitative data should be collected on the topics covered in our survey. We can build on what we learned from this study through in-depth interviews with funders and providers asking more open-ended questions. For example, we would benefit from learning the reasons why funders and providers prioritize various feedback goals differently and whether funders and providers identify additional feedback purposes beyond those asked about on our survey. Further, our recommendations draw conclusions about the strengths and weaknesses of current practices that we could assess in greater depth through interviews with funders and providers. Feedback will continue to play a critical role in defining the relationships between funders and providers. By researching these questions and others, scholars can help to improve current feedback practices so that organizational learning is maximized.

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