ORIGINAL PAPER

Allocative Failures: Networks and Institutions in International Grantmaking Relationships

Meghan Elizabeth Kallman[1]

Abstract Using neo-institutional theory to guide my inquiry, I ask how foundations award international development grants in an institutionally complex environment, and if and how that process contributes to homophily in grantmaking. Employing a qualitative multiple case study method, I show that grants are awarded via interpersonal networks, a meso-level finding that suggests a second, macro-level research question: how are interpersonal networks institutionalized in this context? In my analysis, I contribute to a theoretical understanding of the recursive relationship between networks and institutions: I show how macro-level institutional practices and forms emerge from networks, and how the micro-level character of the network participants themselves ultimately shapes institutional forms. Combined, my results provide a mechanistic, multi-level understanding of the relationship between networks and institutions, as well as of how homophily operates in grantmaking. Because of the potential for social stratification and exclusion based on the structure of the network itself, I argue that such networks should be understood as "allocative failures."

Résumé En guidant mon enquête sur une théorie néo-institutionnelle, je cherche à savoir comment les fondations octroient leurs subventions au développement mondial dans un environnement institutionnellement complexe, et si et comment ce processus contribue à l'homophilie dans l'octroi des subventions. À l'aide d'une méthode d'étude qualitative de cas multiples, je démontre que les subventions sont octroyées par l'intermédiaire de réseaux interpersonnels, un résultat de niveau méso suggérant une seconde question de niveau macro : comment les réseaux interpersonnels sont-ils institutionnalisés dans ce contexte? Dans le cadre de mon analyse, je propose une description théorique de la relation récurrente entre les réseaux et les

✉ Meghan Elizabeth Kallman
  meghan_kallman@brown.edu

[1] Institute at Brown for Environment & Society, Providence, RI, USA

institutions: je démontre que les pratiques et structures institutionnelles de niveau macro émergent des réseaux et décris comment le caractère méso des intervenants du réseau sculpte ultimement les structures institutionnelles. Combinés, mes résultats dressent un portrait mécanistique à niveaux multiples de la relation entre les réseaux et les institutions, ainsi que de la façon dont l'homophilie opère dans l'octroi des subventions. En raison de la possibilité de stratification sociale et d'exclusion basées sur la structure même du réseau, j'affirme que lesdits réseaux devraient être abordés sous forme « d'échecs en matière d'allocation » .

Zusammenfassung In Anlehnung an die neoinstitutionalistische Theorie stelle ich die Frage, wie Stiftungen in einem institutionell komplexen Umfeld internationale Entwicklungszuschüsse gewähren und inwieweit dieser Prozess zur Homophilie bei der Fördertätigkeit beiträgt. Mithilfe einer qualitativen multiplen Fallstudie demonstriere ich, dass Zuschüsse über interpersonelle Netzwerke vergeben werden. Dieses Ergebnis auf der Mesoebene führt zu einer zweiten Forschungsfrage auf der Makroebene: Wie sind interpersonelle Netzwerke in diesem Kontext institutionalisiert? Meine Analyse ist ein Beitrag zum theoretischen Verständnis über die rekursive Beziehung zwischen Netzwerken und Institutionen: Ich lege dar, wie institutionelle Praktiken und Formen auf der Makroebene aus Netzwerken hervorgehen und wie der Mikrobenen-Charakter der Netzwerkteilnehmer selbst letztendlich die institutionellen Formen gestaltet. Zusammen bieten meine Ergebnisse ein mechanistisches, mehrebiges Verständnis über die Beziehung zwischen Netzwerken und Institutionen und zeigen, wie die Homophilie in der Fördertätigkeit funktioniert. Aufgrund des Potenzials zur sozialen Schichtung und Exklusion beruhend auf der Struktur des Netzwerkes selbst argumentiere ich, dass solche Netzwerke als „allokatives Versagen"zu verstehen sind.

Resumen Utilizando la teoría neoinstitucional para guiar mi investigación, me pregunto cómo las fundaciones otorgan las subvenciones internacionales al desarrollo en un entorno institucionalmente complejo, y si dicho proceso y cómo dicho proceso contribuye a la homofilia en la concesión de subvenciones. Mediante el empleo de un método cualitativo de estudio de múltiples casos, muestro que las subvenciones son otorgadas a través de redes interpersonales, un hallazgo de nivel meso que sugiere una segunda pregunta de investigación de nivel macro: ¿cómo se institucionalizan las redes interpersonales en este contexto? En mi análisis, contribuyo a una comprensión teórica de la relación recursiva entre redes e instituciones: muestro cómo las prácticas y formas institucionales de nivel macro emergen de las redes, y cómo el carácter de nivel micro de los propios participantes de la red dan forma en última instancia a las formas institucionales. Combinados, mis resultados proporcionan una comprensión mecanicista multinivel de la relación entre redes e instituciones, así como también de cómo la homofilia opera en la concesión de subvenciones. Debido al potencial para la estratificación social y la exclusión basadas en la estructura de la propia red, argumento que dichas redes deben ser entendidas como "fallos distributivos".

Introduction

In 2014, private community foundations in the United States held $71 billion in assets, received $8.3 billion in gifts, and awarded $5.5 billion in grants (Foundation Center 2014, p. 4). Of that money, approximately $1,864,564,800 was directed internationally, towards groups working in development outside US borders (Foundation Center 2015). While this is an impressive amount, managing funding for international development can be administratively difficult—grant cycles are inconsistent, the field is multi-faceted and constantly changing, and because of pressing poverty and related social issues, the stakes for this development can feel very high. The environment in which international grantmakers and grantees work is complex and co-evolving; at any given point, programs must satisfy clients, funders, international bodies, governments, professional norms, and employees, usually all at once.

At the center of many of these complicated issues is money. Grantmaking organizations (such as the private foundations that I consider here) are frequently designed to support development, but there has been a great deal of debate in the past twenty years about if and how funder involvement may be injurious to grantees while at the same time supporting them (cf. Gottlieb 2005; Jenkins 1998; Roelofs 2003). Some of this debate centers on the nature of the funding relationship, but there has been a surprising dearth of documentation on how, exactly, grants for human development are awarded—knowledge that could help us make sense of how grantors and grantees affect each other and shape each other's agendas. Grant relationships between philanthropic foundations and NGO grantees typically consist of two actors: the grantor (in this study, exclusively private US philanthropic foundations) and the recipient (in this study NGOs working in environmentally focused development in Latin America), but the social dynamics that govern this relationship remain somewhat obscure. The goal of the organizations in this study, as drawn from their organizational documents, is to ultimately increase the amount of resources supporting grassroots development projects. However, research suggests that grant relationships tend to be homophilous (Spires 2011)—that is, grantors frequently give money to organizations and groups that are most like themselves. This raises questions about distribution of development resources to a diverse grassroots base.

Therefore, in this paper, I ask how grants are awarded in an institutionally complex environment, and if and how that process contributes to homophily in grant funding. I find, in brief, that development grants are awarded via interpersonal networks, a discovery that leads me to a second, related question: how are such networks institutionalized within this environment? I find that awarding funding via interpersonal networks is institutionalized because grantors lack other, efficient ways to deal with information shortages and time constraints inherent in their work. As a consequence of these two findings, I arrive at a third research question, originally set forth (but not answered) by Owen-Smith and Powell (2008): how do institutional relationships ultimately depend on the character of the participants themselves? In other words, how do specific network participants shape the institutional field in which they exist? Combined, my results provide a mechanistic,

multi-level understanding of the relationship between networks and institutions, as well as of how homophily operates in grant making.

Throughout the course of this analysis, I heed the call of scholars of politics who ask us to be better attuned to why and how social institutions hold their power. Specifically, in this work, and following the recommendations of Clemens and Cook (1999) I disaggregate institutions into resources and values, and parse ideas of "durability" into the specific processes. I analyze how social networks become "institutionalized," and, specifically in this case, how that process shapes the distribution of grant funds.

An important theoretical component of this work is to probe the co-constitutive relationship between networks and institutions. Scholars have argued that networks and institutions are mutually reinforcing [or that "institutions are the landscape and networks are the social relations on the field" (Owen-Smith and Powell 2008)], but the view that I adopt here, following Owen-Smith and Powell, is that the social relations can affect the landscape itself in meaningful ways. Network relationships shape social institutions (instead of just existing within them). Thus, the meaning and consequences of institutional relationships depend on the character of the participants.

And such institutional relationships, in this case, have important and long-term consequences for which actors receive what type of funding within international development. I document a case of how the institutional macro-structures of grantmaking depend in character on the types of micro-level network participants, and are mediated by conflicting meso-level organizational pressures. Empirically and theoretically, the relationship between networks and institutions can help explain the mechanisms of homophily and social stratification in funding international development.

Empirical Background: Foundations, Nonprofits, and Grantmaking

My empirical work uses as a multiple case study method to analyze the world of US-based foundations funding sustainable development work in the global south. This scenario shares similarities with many other interorganizational contexts: it is a competitive environment in which organizations vie for scarce resources and negotiate between different institutional logics, in which there are both multiple demands from a single set of stakeholders, as well as multiple sets of stakeholders making different demands. It is a global system, and though it is not deeply embedded in any one national context, it is donor-led and shaped by both its funding structure and institutional history (Tvedt 1998). Though the case is particular, there are important analogies for other settings, making this a particularly revealing and consequential site in which to observe the impact of these important, general processes of multi-institutional complexity.

This project takes as its starting point third sector or not-for-profit foundations and organizations.[1] The sector—both its domestic and international components—

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[1] Though many foundations are also incorporated as not-for-profit non-governmental organizations, the term NGO shall be used to refer only to grantees in subsequent discussion.

faces the challenge of solving a highly complex set of problems that no single organization, public or private, could undertake on its own. These organizations depend heavily on multiple private, public, and third-sector entities in order to carry out their work, which necessarily implies the presence of conflicting demands on time, discourses, and legitimacy.

Third-sector organizations appeared widely on the international development scene in the 1980s, and were rapidly heralded as the "magic bullet" solution to problems that traditional development organizations faced. They were commonly understood as more proximate, sensitive, and nimble than their larger counterparts (such as USAID or the UN Development Programme). Since then, NGOs have come to be seen less as an alternative to traditional development organizations and more as part of a wider "good governance" project (Lewis 2010), subject to the institutional norms thereof.

Importantly, many of these nonprofit development organizations receive funding in the form of private foundation grants (which differ from fee-for-service payments or government contracts). In this study, philanthropic grants make up the majority of grantee organizations' funding streams (that is, their income is relatively concentrated); this pattern has some interesting consequences for organizational behavior. First, concentrated funding sources are generally indicative of a less stable financial position (Chang and Tuckman 1994), and grant funding (as opposed to fee-for-service income) reflects the degree to which grantees' programs are understood as a public good (Wilsker and Young 2010; see also Weisbrod 1998). The basic argument is that the more a nonprofit receives in charitable or philanthropic donations, the more apt they are to be understood as providing public services. The nonprofit grantees examined in this study are all heavily reliant on philanthropic donations, suggesting that development is, at least in principle, understood as something of a public good. Similarly, the impacts of foundation grants with on organizational process (including goal displacement and unpredictable income) are likely greater than that of fee-for-service or corporate philanthropy, rendering these foundation grantees vulnerable to volatility (Froelich 1999, p. 253). Foundations' systems and practices, institutionalized as they are, also help make a heterogeneous array of grantee organizations more similar (Hwang and Powell 2009, p. 293). Thus, foundations and their grantees represent an important field that reveals a great deal about the specific strategies through which social and human development organizations manage the tensions among stakeholders.

Philanthropic foundations particularly have been greatly affected by processes of globalization and political decentralization that delegate many social problems to third-sector organizations, but simultaneously require more transparency from them—this transparency is an institutional requirement that bears on an organization's social legitimacy. As a consequence of working more closely with governments (DeHoog and Salamon 2002; Salamon and Elliott 2002), an increased emphasis on fiscal and programmatic transparency has emerged within the third sector and within the governments that regulate them. These pressures have generated new institutions to put accountability procedures and policies in effect (Ospina et al. 2002; Ylvisaker 1987). This, in turn, is thought to help generate greater legitimacy in the public eye. In other words, even private philanthropic

foundations in the United States are subject to legislation from Congress that requires proof of "good work"; these regulations form a chain of pressures that act on different organizational entities within the third sector.

Because of these pressures for transparency and accountability, both philanthropic foundations and NGOs have become heavily professionalized in the last several decades. The professionalization of the third sector has developed concurrently with broad environmental changes, and transformations of nonprofits' institutional environment have "expanded the scope of what it means to be a professional, and professionals now include a wide array of activities, roles, and persons" (Hwang and Powell 2009, p. 288). A major disadvantage of competitive grant funding is the uncertainty that it implies. Grants come in cycles, and there is always that possibility that a grant may not be renewed, or rejected outright. Uncertainty in resource flows raises the stakes for NGOs, incentivizing them to invest a great deal of time into measuring and demonstrating impact to secure funding. Shifts in funding policy, priorities, and swings in the economy create a "perennial state of insecurity" (Kramer 1989, p. 226), and compliance with accountability requirements, as well as documenting quantifiable outcomes, takes on new significance for NGOs when resources are short. This compliance further necessitates professionalization.

As part of this change, transparency and accountability procedures originating in the legal arena, as well as managerial philosophies originally developed for the government and for the private sector, are increasingly applied to third-sector organizations (Speckbacher 2012). Institutional forces are dissolving the variation among nonprofit, private, and public entities, resulting in hybrid organizational forms that have all look quite similar (Frumkin and Galaskiewicz 2004, p. 303). In this context, institutional theory might predict that an organization would attempt "to gain legitimacy from its external environment by creating visible, largely symbolic compliance programs that signal fulfillment of legal requirements while simultaneously decoupling those structures from core processes" (Maclean and Behnam 2010, p. 1500)—it would expect nonprofit organizations to mimic the structures of their public or private counterparts because those types of organizations are already perceived as legitimate.

In sum, observers have argued that accountability pressures have increased the number of stakeholders in third-sector relationships in the past thirty years, foregrounding issues of oversight and accountability for foundations particularly. As part of those accountability procedures, there have been changes in grantmaking structures, requiring more transparency, both in terms of how grants are awarded, as well as how they are documented and evaluated (see also Maclean and Behnam 2010), all processes that bear on an organization's legitimacy. The grant process has professionalized, and the requirements for grantmaking have become stricter. These dynamics form a chain of pressures, making demands on organizations at every stage in the grantmaking process.

These processes are the background for the dynamics I describe below.

Theoretical Background

This empirical background—a major point of which regards nonprofits managing their resource shortages and legitimacy issues—suggests theoretical work on institutionalism as an analytic frame. Institutionalism within organizational sociology argues that the patterns of social life are not only products of the aggregation of individual and/or organizational behavior, but rather, that institutions structure action, and that such institutions are stable beyond the preferences of individuals. Ultimately, these institutions exert an isomorphic pressure, making organizations more similar to each other. In order to explain how this occurs, institutionalism also looks at how organizations manage their social legitimacy within complex environments. The literature has spent a great deal of time documenting how certain behaviors can increase an organization's survival prospects (Jepperson and Meyer 1991)—in other words, how organizations can give the impression that they are adhering to a system of values, and how such an impression helps their survival prospects and the general perception that their behavior is right or proper. The basic argument is that organizational actors adopt practices that conform to centralized "rational" myths to make themselves look consistent, while their actual practices may differ from their public presentation (DiMaggio and Powell 1983; Meyer and Rowan 1977).

These rational myths become somewhat more complicated to uphold in scenarios of institutional complexity, or in situations wherein the desires of multiple stakeholders conflict. The literature has probed the various tactics that organizations employ in trying to manage such complexity, finding that conflicting pressures can drive (a) hybridization and creative solutions (Battilana and Dorado 2010; Jay 2013), or (b) organizational decoupling (Boxenbaum and Jonsson 2008; Maclean and Behnam 2010; Meyer and Rowan 1977). That is, sometimes institutional conflict is generative and helps spur desirable innovation, while other times it drives decoupling, miscommunication, and increasingly difficult problems of coordination and presentation. Like much of the seminal literature, I document a case of decoupling in this article. However, in my findings, I also document a new way that organizations manage decoupling, showing how grants are awarded through personal networks as a way to manage coordination challenges. I show how, in this process of making grants via network relationships, a "logic of confidence" emerges: performative displays of conformity that masks the social dysfunction of an organization's interactions.

A "logic of confidence," first described by Meyer and Rowan (1977), outlined mechanisms of trust that enabled organizations to maintain credibility in the face of decoupling. It pointed to how organizational actors were able to use general trust to avoid close supervision or sanctions for their decoupled behavior. A logic of confidence suggests that people trust that the organization does what it says it will do—in and of itself, that trust prevents inquiry into an organization's practices. Meyer and Rowan's original theory described how organizations professionalized (by hiring professional staff), used abstraction (mission statements such as "we seek to be a positive force in the world"), goal ambiguity ("our mission is to alleviate poverty"), and eliminated outcome data ("we create instances of transformation") to create a sense of confidence and good faith in its work, which then diverted

attention from decoupling and reinforced the institutional logic of the field. In my work, I extend this notion—the respondents in my study use highly specific indicators, highly rationalized goals, and depend heavily on precise data—in order to bolster the logic of confidence within their field. While the original conception of a logic of confidence turned on vagueness and ambiguity, I show how a logic of confidence may also be achieved with high degrees of specificity, even if, as we shall see, the specific measures map imperfectly onto the lived reality of the actors. These mechanisms absorb uncertainty within the organization.

If institutionalism looks at how more organizations become the same, strikingly understudied components of that process are the social networks that help shape institutions. Networks and institutions, I argue here, are mutually constitutive—that is, they permit for each other. Owen-Smith and Powell elaborate: "the cognitive categories, conventions, rules, expectations, and logics that give institutions their force also condition the formation of relationships and thus the network structures that function as the skeletons of fields…institutions shape structures and condition their effects, networks generate the categories and hierarchies that help define institutions and contribute to their efficacy" (2008, p. 594). Networks are important to institutional fields two ways: they are both a circulatory system (through which information and practices travel), as well as a mechanism for sensemaking (through which actors learn to frame and understand their own experiences).

And indeed, much network research takes up isomorphism and diffusion as a point of inquiry, though most does not use institutional terminology to do so. Organizational practices diffuse, network research has found, both on the bases of cohesion (actual network ties between actors) and structural influence (in which network actors do what they perceive other actors in structurally similar positions are doing) (Davis and Greve 1997). Galaskiewicz and Burt (1991) paper, for instance, tested to see whether the spread of organizational practices occurred through cohesion or structural equivalence, and found overwhelming evidence for the latter. Their findings indicated that field-wide behavior occurred on the basis of perceptions of similarity instead of direct communication—actors did what they believed that others like them were doing. Networks' institutional function is clear in both the pieces cited above, and in seminal institutional theory (cf. Meyer and Rowan 1977). DiMaggio and Powell (1983), for instance, argued that professional networks that straddled organizations were institutionally responsible for the dispersal of many forms of organizing. Both of these strands of institutional theory argue that social networks are carriers of practices and visions in a particular way— they are the channel by which isomorphism occurs. This theory also suggests the inverse, a point that is of particular concern to me in this paper: that the types of micro-level dynamics reflected in networks in turn affect institutions themselves.

If networks and institutions are co-constitutive, and if institutions will reflect the individual-level interactions that occur within them, scholars must more thoroughly understand the social and organizational consequences of this process. We must therefore examine the nature of networks in hopes of gaining understanding about our institutions. Given the institutional homophily that can result from networked approaches to grantmaking, and the lasting effects on the institutions that I document in this article, I categorize such networks as allocative failures.

In general, the literature on networks holds that network forms of organization are desirable in fields that are characterized by unstable demand, rapidly changing requirements, and complex interdependencies, as long as there are sufficient safeguards against opportunism (Schrank and Whitford 2011). As governance structures, networks can provide a host of socially favored outcomes, including mitigating uncertainty, increasing communication, and promoting social learning of adaptive responses (Kraatz 1998). Only when network organization both desirable in light of extant conditions, and also underperforming, should we consider them to "fail." Scholarship on network failure is somewhat fragmented; I attempt to situate my findings within extant categories. However, I suggest that researchers should be attentive to the possibility of allocative network failure both in this specific empirical case, as well as in other social arenas.

The first category of network failure within the literature is termed "dark networks" (cf. Milward and Raab 2006; Raab and Milward 2003). This strand deals with the structure of network relationships, largely focusing on groups that use network forms of interaction to illegal, illicit, and/or unethical social ends. The literature on dark networks typically treats them as entities designed to accomplish socially disfavored goals and, as such, subject to external attacks (cf. Baker and Faulkner 1993; Morselli et al. 2007). The major findings of this line of research are that dark networks structure themselves around the needs to defend themselves.

Network literature tends towards structuralist analyses, and the second strand of literature on network failure looks to explain how socially undesirable ends can diffuse through that structure (cf. Gulati et al. 2012; Labianca and Brass 2006). For instance, Brass et al.'s (1998) well-known study on the diffusion of unethical behavior within networks identifies the conditions under which "bad apples" may contaminate large networked communities. Brandes et al. (2013) have shown that the use of networks creates negative performance effects. Abrahamson and Fombrun's (1994) insightful look at interorganizational macrocultures hints at the negative effects of some of these network relationships, but does not fully explore them.

Related, Schrank and Whitford (2011) provide the beginnings of a compelling candidate framework for thinking about the structural issues of network failure, even pointing to a dynamic they term "involution," in which "there are institutional safeguards against opportunism but where exchange partners have for one reason or another become overly dependent on each other and therefore fail to absorb information from outside the network [that] they need to maintain their competencies" (162). This involution is visible to some degree in my interlocutors. Yet, their excellent study still does not focus on the political or social consequences of networks' organization, even in scenarios in which networks are a conventionally desirable form of governance.

A third body of literature, most similar to this paper's focus, explores the political and/or social consequences of networked approaches to resource allocation. Unlike, the first two categories of literature on network failure, this work tends to emphasize the potentially socially adverse consequences of network relationships. Selznick (1966) documented the ways in which garnering organizational support may mean shifting priorities in order to survive, and this line of thinking spurred research on co-optation in various forms. In related papers, O'Toole and Meier (2004, 2006)

have demonstrated, for instance, that there can be unintended consequences of networking that can perpetuate disparity or socially negative outcomes; their study of public schools found that individual network nodes can bias organizations in ways that benefit the more privileged or advanced network actors. This literature encourages us to be sensitive to the fine line between subtly democratic networking practices, and exclusionary networks, what the vernacular might call "old boys' clubs." This branch of research studies the social consequences of networks as problems of interaction (Bueren et al. 2003).

Although these studies outline some of the mechanisms by which socially undesirable ends are related to networks, as a whole there is only a modest amount of research examining how the very structures for which networks are typically lauded (such as dense social relationships that facilitate information transfer), can also *create adverse outcomes* without being *illegal* or explicitly *unethical*. While research on the structure of networks will often include a brief comment on the potentially negative consequences of network structure for outlier groups, these addenda frequently read as afterthoughts.

This paper specifically contours such a network failure—what I term an "allocative failure"—in which the outcomes of the social network work against the ultimate goals of the network itself through a structure that reproduces homophily in resource allocation. My interlocutors are not engaging in illegal behavior; in fact, most of them understand themselves to be contributing constructively to their organization's mission and even to society as a whole. However, the homophilous outcomes that arise from networked distribution of resources create a circumstance in which participants are actively working against the stated goals of network actors.

Mine is not the first article exploring the role of networks in solving both inter- and intra-institutional conflicts. While other research portrays conflict being mitigated by alternative network ties (cf. Flap and Völker 2001; Khanin et al. 2012), these prior studies are suggestive in another way—they indicate that achievement of a particular goal (such as distribution of grant resources) requires *specifically structured networks of ties that are oriented to that goal* (Flap and Völker 2001). In other words, it is not sufficient that network actors share a vision or a set of values; rather, *the structure of the network ties itself must help promote a goal*. A network must be oriented in its composition towards a desired outcome.

This is the basis of my argument that these data represent a case of allocative failure. If we understand the goal of the network as ultimately increasing the flow of resources to grassroots development projects (an understanding culled from pages of foundation and grantee websites), then we must necessarily critique the structure of the network itself as regards that goal.

Methods

In this paper, I address the question of how grants are made in a multi-institutional context. This context—the grantmaking relationships between foundations and grantees—is particularly well chosen to highlight the tensions between varying institutional demands that are inherent in the process of awarding money.

Because this study emphasizes questions of how and why a set of social processes occur, case studies are the logical methodology (Leonard-Barton 1990; Yin 2013). Following Small (2009), I approached this project as one of multiple case studies. A single case study such as this is subject to limitations in its generalizability and representativeness; however, multiple cases can augment validity and help protect against bias (Tversky and Kahneman 1986). Multiple case study logic (as opposed to sampling logic) proceeds sequentially: each case provides an increasingly accurate understanding of the question at hand; each case yields a set of findings and a set of questions that inform treatment of the next case, towards the objective of saturation, rather than towards the fulfillment of a predetermined sample number. Each case is selected so that it either predicts similar results, or contrary results for a predictable reason (Yin 2013).

I therefore designed a study that examined the process of allocating grant funds from grantors all the way down to the grantees, relying on in-depth semi-structured interviews, recognized as a valuable way to make sense of processes occurring in naturalistic settings (Malsch et al. 2012; Patton 1990). In other words, I spoke with both the grantors and the grantees within five different two-way grant relationships—those grant awards are what I understand as my case studies. This approach of studying different perspectives on the same grant was intended to aid in theory building. Gioia et al. (2013) argue in new work that, in a quest for rigor, qualitative researchers often place too much emphasis on operationalization of constructs, at the expense of less measurable concepts, which are the crux of theory development. My work therefore emphasizes the study of organizational *process*—the ways in which organizations construct their world and how they understand their experiences—as critical to theory building. Additionally, I conducted interviews with five other grantmaking and grant receiving organizations about the process in more general terms.

I utilized semi-structured interviews because this format permitted interviewees to discuss their work according to their own interpretive schemes. I draw on two waves of interview data with both grantmakers and grant recipients working in sustainable development between the United States and Latin America. These interviews were conducted over the course of a two-year period, from 2010 to 2012.

My interviews explored the awarding of six grants from six major US grantmakers through two small intermediary foundation grantees, to grant recipients working in sustainable development (all names, of organizations, programs, and staff members, have been changed to protect privacy). I selected grantmakers via the Foundation Center, (the world's leading database of grants and philanthropy information, see www.foundationcenter.org); respondents all belong to a top stratum of grantmakers in the United States and operate similar programs in sustainability, development, and conservation. Grantmaking organizations, particularly larger ones, typically have many areas of focus and distinct programming goals for each area. Many of the US foundations that comprise this study had their roots in autonomous family foundations.

In total, I interviewed staff from twelve organizations and one consulting firm dedicated to nonprofit management. Five grant-seeking organizations were successful in their funding application processes, and one was not. The study

consists of fifteen in-depth semi-structured interviews, conducted over the phone and in person, between January 2009 and February 2012. A table of the organizations, their status as grantor or grantee, their application status (as successful or unsuccessful), and staff roles[2] is presented below. Note that all names of both individuals and organizations have been changed (Table 1).

As noted in the table, representatives from two foundations and secondary grantmakers, the Morrison Fund, and the Clearwater Foundation, were in the unique position of being the funder as well as the funded, as their organizations both received and awarded development-related grants. They provided unique insight into how a single organization can embody all the demands that its multi-institutional environment makes of it, and how an organization's approach changes with its role as grantmaker or grant-receiver.

Generally, grant relationships between philanthropic foundations and NGO grantees consist of two actors, and most grantmaking in this field entails similar steps. Typically, the NGO conducts a series of informal conversations with the foundation, after which it submits a letter of inquiry, outlining an organization's goals and alignment with those of the funder. When the letter is accepted, the foundation invites a full proposal. If the foundation's Board approves the full proposal, a grantmaking period begins that typically lasts between one and three years. Grantors engage in some monitoring during that time, and usually conduct a final evaluation at the conclusion of the grant. Therefore, all subjects were asked to describe the creation of a funding partnership with other relevant organization(s). Interviews with grantors and grantees were conducted during the same months during both waves of interviews, rather than beginning with one actor and moving to the other sequentially. Interviews lasted between one and three hours. The length of these interviews is noteworthy, and permitted me a much deeper conversation with these organizational actors than research often affords. All interviews were conducted, recorded, transcribed, and if necessary translated, by myself. I have included only the English translations of Spanish conversations.

Because a case study is analysis of a phenomenon drawn from multiple sources of evidence (Leonard-Barton 1990), I examined the published documents that each organizational respondent had made available online, including mission statements, vision statements, program descriptions, and information regarding application processes. I reviewed grantee program descriptions, funder acknowledgements, and published reports for the time under consideration. These documents constitute an important part of the dataset, as they are the public "face" of the organization, and both the language and values articulated therein contribute to the public perception of the organization's legitimacy.

Although these data offer important insights into social processes, they are not exhaustive. The perceptions that any one interlocutor holds may differ substantially from others within the same organization. The dataset is small, geographically focused, and though it probes a number of social mechanisms and is appropriate for theory building, we must exercise caution in generalizing. Nonetheless, I believe

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[2] All names are pseudonyms.

Table 1 Respondent organizations

Organization	Institutional role	Data wave	Organizational characteristics	Interviewee(s) organizational role	Interview medium	Documents analyzed
Bentley Foundation	Grantor	Wave 1, 2010	Largest organization, multiple areas of focus	Program officer Program associate	In-person In-person	Website, annual report, program report
Calhoun Foundation	Grantor	Wave 2, 2010	Large organization, multiple areas of focus	Program director	Telephone	Website, annual report
McKidzie Foundation	Grantor	Wave 2, 2012	Large organization, multiple areas of focus	Program officer	Telephone	Website, annual report
Maple Foundation	Grantor	Wave 1, 2010	Medium-sized organization, several areas of focus	President and CEO	Telephone	Website, annual report
Morrison Fund	Grantor & Grantee	Wave 1, 2010	Large organization, multiple areas of focus	Director of special initiatives Scout and board member	Telephone Telephone	Website, annual report, program report
Clearwater Foundation	Grantor & Grantee	Wave 1, 2010	Medium-sized organization, several areas of focus	Program director Program officer	Telephone Telephone	Website, annual report
Eco-Justice International	Grantee	Wave 1, 2010	Small NGO, sustainable development and environmental focus	Executive director	Telephone	Website
Fundación Paz	Grantee	Wave 1, 2010	Small NGO, sustainability, peace, and development focus	Board member Founder	Telephone Telephone	Website
Asociación Esperanza	Grantee	Wave 2, 2011	Small NGO, sustainable development focus	Founder	Telephone	Website, annual report
Proyecto Pacifico	Grantee	Wave 1	Small NGO, arts and sustainability focus	Executive director	In-person	Website, annual reports, grant applications
World Poverty Initiative	Grantee	Wave 1, 2010	Small NGO, poverty and sustainability focus	Program associate	In-person	Website, annual report
Point Consulting	Nonprofit consulting firm	Wave 2, 2012	Mid-size nonprofit consulting firm	Consultant	In-person	Website, annual report

they are highly instructive and offer valuable insights into both networks and institutional processes.

Data Analysis

My analytic approach both permitted me, the sole analyst, to identify the underlying interorganizational problem (tensions among institutional pressures), as well as the ways that organizational actors resolved the problem (through interpersonal networks). This project was analyzed using grounded coding, which differs primarily from other qualitative research in its emphasis on theory development (Strauss and Corbin 1994, p. 274) that occurs alongside data collection. For instance, as insights around the critical question of interpersonal networking emerged within interviews, I adjusted my questions to subsequent respondents more fully probe this issue, asking about specific networking relationships and what their roles were in the awarding of grants, creating both more information about, and a conceptual code to describe, those relationships.

I did further grounded coding of recurrent points that emerged in the data—primarily in this case of the types of institutional logics backgrounding respondents' decision making, and the characteristics, frequency, and nature of interpersonal relationships and networking processes among respondents. Using prior work on institutional logics and the third sector (cf. Cooney 2006), I was able to identify more abstract themes in the data that propelled the recurring concerns of each party (such as the institutional concerns around legitimacy and professionalism). The combination of themes and codes enabled me to develop a grounded theoretical approach to data analysis. I detail and explain my results in the narrative below.

Results

Private Philanthropic Foundations Exist in Complex, Multi-institutional Environments that Make Multiple and Conflicting Demands

My fieldwork demonstrates that private philanthropic foundations in the United States regularly confront pressures resulting from multiple and conflicting demands; their responses to these conflicts articulate throughout their activities. Specifically, I find that grantmaking organizations in this study face three institutional pressures. The first is the imperative to *achieve good results* (efficiency), and the second is to account for those results (transparency). The final pressure is one of meritocracy—the ability to enact, or at least present the impression of enacting—a meritocratic, open, and grassroots grantmaking process, in faithful dialogue with potential grantees and organizations "on the ground." All three of these demands are institutionally legitimate, rendering conflict among them particularly difficult to manage.

The pressure towards meritocracy, for instance, is expressed in the presence of "open programs" (programs that are open to any potential grantee, though restricted geographically or thematically). Open programs also appeal to an image of

grassroots accessibility, in which dreamers from any background may find support for their visions. Such programs are common, and reflect a general idea that funding organizations that work with the grassroots, especially around issues of environmentalism and social justice, also have a social imperative to be as accessible as possible.

Related is a common perception that grantmaking organizations should be, in the words of one respondent, "more rational, less charitable," and that such an approach will lead to better results. All of the foundations in this study were at some point family foundations—private grantmaking entities originally established by individual philanthropists. Some professionalized sooner than others, but the overall attitude among respondents is that strategic, rational "philanthropy" that aims to tackle social problems at their roots is more legitimate than individual, idiosyncratic "charitable" interventions. This idea is part of a trajectory within the nonprofit sector that has increasingly come to value rationality, professionalization, and for-profit logics and tactics (Hwang and Powell 2009; see also Speckbacher 2012). One executive director recounts the evolution of his foundation:

> The foundation was started in '48 by a couple who were in 60s and were well-established philanthropists, and who gave extensively to all sorts of causes. […] At time of their death […] they both left significant amounts of money to foundation, so by '86 there was something like 45 million dollars in the foundation endowment. At that point the foundation began making its first tiny steps towards figuring out how it was going to organize itself in a more rational, less charitable purpose […] The board entered into an active self-evaluation process, where they hired outside consultants to try to figure out where board interests overlapped, where they diverged, what areas made sense to be involved in […] they then spent a huge amount of time on retreats focusing on mission and values and governance […] That culminated in decision to hire professional staff. […] That's how we made it, in broad strokes, from being a collection of individual interests loosely organized around shared values to a foundation with a stated sense of values, defined programmatic areas, and a staff.

For this foundation, the decision to formalize, strategize, and professionalize came in concert with major changes within the third sector, and the rapid professionalization of the sector in the 1980s–1990s. A third-sector consultant describes this field-wide transition generally:

> [There was] momentum that was building within Congress in the US, but also more at the local level, where there are community foundations and things like that. [The message to foundations was], "you guys are spending […] hundreds of millions of dollars a year, and there needs to be some accountability here! If you weren't spending it, presumably, you'd be giving it to the government and the government would be spending it on similar social services or conservation services […]. So you need to open up a little bit here!"

This comment hearkens to the pressure for transparency that originates in Congress. In general, as foundations professionalized, they embraced practices like

"RFP's" (requests for proposals) and open funding programs. However, these open calls bring administrative difficulties: foundation staff reports being inundated by requests for funding, and having difficulties evaluating a potential grantee's trustworthiness or capacity in a timely fashion via the application alone. These expectations may conflict with other expectations. First, foundation staff complains that open programs are inefficient:

> If you're a program that's only been around for two years, you *want* to hear about new ideas, you want to be open […] If you're a foundation—a program—that's been around for twelve years, thirteen years, you pretty much know what's going on. And so it ends up becoming a bit of a drag in terms of management time on your end, because you're still getting these unsolicited ideas […]

This program officer believes that getting new information is an inefficient use of his time, reflecting the conviction that his network is already complete. Second, foundation officials report that open calls for applications (supplemented by online research by NGOs) cannot communicate the nuance of what foundations want in their grantees. One director says:

> Every foundation has some degree of uniqueness about it, and it's very difficult from someone looking from the outside to make any great conclusions about what foundation is up to […] By definition, almost any source of information about grants is tainted, never reflects the nuance about what foundations want. NGOs can only get this from ongoing dialogue with the foundations that may ultimately end up supporting them.

This respondent's perspective is particularly interesting, as it points at the performative aspect of foundations' self-presentation, and the decoupling that occurs as foundations attempt to publicize their preferences (while at the same time recognizing that the process itself is somewhat in vain). All of the organizations in this study had an organizational website; all of them also published annual reports, missions, and values statements and the like, in keeping with both best practices in the field and with legal requirements for charitable organizations. And yet, as this person points out, it remains "very difficult for someone from the outside to make any great conclusions about what the foundation is up to," suggesting that this web-based transparency not only represents meticulous adherence to rules, but also is largely ceremonial. For this respondent—the director of a major foundation—the only effective way to *actually* develop an understanding is through ongoing dialogue. Another program officer shares this perspective:

> So much of what we do is based on trust and knowledge and just building the relationship. And there are so many things that happen with these organizations, all the turnover, all the strife […] Because these are often small organizations. They are often managed by people who are very dynamic, and the minute that person leaves there's this huge vacuum. All sorts of things happen that we have to be in constant contact with them.

These simultaneous pressures appear pointedly in the specific process of running grant programs. It is here that the ideal of a professionalized, meritocratic, transparent grantmaking process stands in explicit tension with an equally legitimate notion of the responsible, efficient, complete, and collaborative process of grant allocation. The time required in order to manage a fully meritocratic and transparent grantmaking program is unrealistic, given the competing pressures within organizations for timely reviews of grants and well-developed relationships with grantees. Another program officer reflects on the nature of these pressures:

> I think every foundation should do everything within its power to be as transparent about how it does business as possible. […] but the reality is that that there are 70,000 [foundations] in country, of which maybe […] twenty percent have staffing. So many of them are run out of the back pocket of a lawyer, or a trust fund or something like that. My main point is that it is a very difficult challenge, and I can't imagine any structural solution to it. The only thing I can speak to is the willingness of individual foundations to make efforts on their own parts to be as transparent as possible.

This grantmaker is frank about the challenges the organization face in information and coordination particularly; as he says, he "can't imagine any structural solution to it." It is also worth noting that, from the perspective of the grantors themselves, these conflicting pressures—of transparency and meritocracy on the one hand and efficiency on the other—can create unexpected side effects. For instance, the emphasis on accountability creates, as one foundation program officer says, a more "contractual" approach to the awarding of money instead of a grassroots, collaborative relationship that such organizations claim to ideologically prefer. Foundation staff expressed frustration about their inability to mediate competing institutional demands. One summed up the tensions:

> When it comes right down to it, we make grants! […] and a grant, is very intentionally, money going to an organization so that it can pursue the things—the mission, the agenda, the issues—that *it* identifies as important. Not that *I* identify as important […and] foundations are being asked to be more accountable, more strategic, more effective and efficient in the way that it gives the money and in measuring where its money goes […] As that pressure increases, it also increases the pressure for foundations to treat their grant recipients more like *contractors* than like *grant recipients* [original emphasis].

Another foundation program officer discusses the same dynamic, pointing to the ways in which the ethic of collaboration within a network shifts as a result of institutional complexity:

> We're not staffed to deal with the increasing complexity of the requirements that are put on us […] it's a lot easier to assume responsibilities for outcomes if you become more informational. And these strategies become more specific, in which case *you're basically looking for people on the ground to carry out the work that you think needs to be done* [emphasis mine].

As both of these quotations suggest, actors who are confronted with such dilemmas are self-reflective; they understand that this decoupling carries potentially problematic social consequences. Their responses appear to be affected by structural equivalence, in response to the demands made of them. The pressures that foundations face in awarding grant money—imperatives for transparency and meritocracy on the one hand and efficiency on the other—stand in explicit institutional tension with one another, and that tension has consequences (as a more contractual, informational approach to evaluating their impact). Both foundations and grantees indicated a dissatisfaction with the way that decision making articulates through the grant relationship. In other words, foundations are not evil anti-heroes out to decouple the universe, but rather perplexed actors attempting to make sense of the conflicting demands in their environment.

Foundations Use Networking to Resolve this Multi-institutional Dilemma, a Practice that Becomes Institutionalized

In this study, foundation staff faced with incommensurate pressures resolve those pressures by using the seductive organizational tactic of creating "personal relationships"—the philanthropic term for network ties—to manage the time demands, the uncertainty, and the questions of trust inherent in awarding money for development projects. That is, foundations award grants via networks (though they continue to require a formal grant proposal because to eschew it completely would compromise their transparency and thus their legitimacy) rather than via the proposal process alone. They use network approaches to resolve the conflicts created by multiple conflicting demands from a group of stakeholders.

My data show that foundations rely principally on an informal process of solicitation and vetting within their networks in order to both find new grantees and to make grants, rather than on their formal strategy for doing so. Some foundations cite the 2008 financial crisis, and the accompanying shortage of funds, as the impetus to "close" their previously "open" grantmaking programs. Importantly, many programs remain formally "open"; however, this study found that foundations know what sorts of grantees they are looking to support and do the majority of their grantmaking via networks, regardless of whether they put out an open call for proposals. Others manage "closed" programs, believing they have already found the relevant organizations doing work in their area, relying instead on a process of scouting within the field, of building relationships through conference attendance, funder networking events, and research. Foundation staff noted that grantees "come to [us] from a variety of sources, primarily through the work of my two program officers in environmental and human rights, and they are out in the field. That ranges from meeting with all sorts of people, attending conferences, collaborative efforts…" Another describes the process in these terms:

> The vast majority […] is based upon direct contact with the grant recipient, someone that we know, somebody that we've worked with, somebody that we've funded in the past. It's phone calls, it's, you know, them calling us up and saying "look, you know, we have this grant, we need funding to do X, Y

and Z, how does that work with you guys?". It's all of those built-up relationships, and what essentially become solicited requests.

The final line of this quotation is particularly instructive, suggesting that those "build up relationships" that become solicited requests are how network relationships become institutionalized, and further, that the practice of "building up" relationships is how the process is *expected* to work. Consider as well an Executive Director's account of a specific grant that the Maple Foundation made:

[After I was hired] I started to review the grant work that we were doing, and quite frankly, when I discovered [a grantee in El Salvador], I saw it as an outlier. It didn't seem to fit anything else that we did. [...] I didn't have any expectation that this was going to be a project that the foundation would continue to support for the long term. But I was approached [...] by the head of [the organization] and asked if the foundation would help [it] transit through a three-year strategic planning process/changing of the guard. [...] So I said fine [...] that process moved forward, and didn't play out exactly as everyone had hoped [...] When the 3 years ended there was in place a tentative new US-based structure for continuing the work of the [organization], but it still seemed quite shaky [...]. In the meantime, I had spent much of my time focusing on what the foundation's work was, trying to figure out [our own] strategy moving forward, so I proposed to Board [...] that we re-articulate our human-civil rights focus [...] In meantime got invited to El Salvador [...] to see the work of [our grantee]…

And it was a transformative experience for me. Because I got to see in place, on the ground, what appeared to me to be a very compelling, very rights-focused, environmentally sensitive effort by a grassroots, coordinated community group to bring together communities that had literally fought each other in civil wars into an effort to save themselves, their effort, their livelihood, and to promote human rights in El Salvador. As a consequence of that, I recommended to board what it supposed to be a final three-year grant.

While as in this quotation, the grantor's perspective tends to frame these personal relationships as "transformative" and as parts of sensitive collaboration, grantees frequently view the nature of these interpersonal relationships as unpredictable and slightly distasteful, though necessary. The grantee's perspective reinforces the finding that the quality and nature of the personal relationship with the foundation is responsible for getting grant applications funded. A grantee program associate at the Morrison Fund says:

…when we were first mulling over approaching [the Bentley Foundation], we had just brought on a deputy program director who had previously done some consulting for Bentley, and he knew the director [...]. At that moment Bentley had just opened up the funding round for their [Latin America] program, which is clearly a Morrison geographic priority area. I had also met [the director] at an international funders conference and introduced myself. Those personal relationships [...] led to eventually submitting the letter of intent [...] We had been trying to get their ear for quite some time.

Practices like the funders' conference to which this respondent refers suggest two things: first, that the practice of networking is being institutionalized through such events, illustrating a mechanism by which actors form perceptions about what their peers do; and second, that access to the network is mediated by gatherings of this sort, which are necessarily stratified by language, geography, and travel resources. When asked why she thought the Bentley Foundation ultimately chose her organization over other worthy applicants, this program associate responded firmly:

> It has to do with the specific [program officer] that was really advocating for us. […] His support of our work was absolutely essential in the process of getting approval for the grant. Without it, there would have been more serious questions from the Board of how they could demonstrate the contributions that we've made, which you really can't do.

This quotation is especially telling, as it highlights the critical value of the network relationship, the institutionalized nature of that relationship, and the pressure for transparency within the foundation regarding evaluations. This particular grantee program was described to me as difficult to measure, due to the nature of the human development project that it undertook, which is problematic in the field of grantmaking that tends to value outcomes (Easterling 2000). In this case, as in many others, the individual relationship became the mechanism by which a foundation was able to mediate multi-institutional complexity and to assuage concerns about transparency.

Ralph Kramer, Executive Director of Eco-Justice International, also credits personal relationships with program officers for obtaining funding from a large foundation, said in a matter-of-fact manner, "our man at Bentley is a good one. Bentley is autocratic in nature, so we rely on his cleverness a lot. Anyway: *asi es la vida* (that's life)." The delivery of this comment suggests that relying on individual network connections and advocates is, for most network participants, a standard part of the grantmaking process.

The reliance on personal networks in grantmaking is masked by a logic of confidence within these data. This logic of confidence is illustrated most clearly in the remarks from a staff member at the Bentley Foundation, remarking upon how her organization awards money:

> What we pursue is very much in line with what we publish. That is really what guides us when we're looking at grants.
> Perhaps what *isn't* published is that what kind directs it, actually, is that there [are] a limited number of organizations that are working in the area that we work in […] And a lot of the grantees have been the same because they are so involved in the work. And so it makes sense, a lot of the time, for them to work on the projects, to continue, or to begin new initiatives, because in a lot of places where we work the capacity is limited.

This staff member began her comments stating clearly that the foundation's grantmaking practice was aligned with the organization's published strategy—a type of conformity with the established norms and best practices of transparent, accountable grantmaking. However, even with very little prodding from the

interviewer, this staff member then went on to describe a practice of decoupling, in which the organization adheres to a *different set of guidelines in actually making grants*. The published strategy on the organization's website and in its documents is performative adherence to a set of desirable standards, functioning as a logic of confidence and a way to forestall criticism. Yet the actual practice of grantmaking departs significantly from that strategy.

Together, these data all tell the same story—that regardless of what grantmaking processes exist "on paper," interpersonal network relationships are the catalyst for most successful grants. However, neither these data nor other published literature to date provide definitive explanations as to *why* foundation staff turns to networking to resolve multi-institutional dilemmas, rather than seeking other solutions. The illustration above of the program officer who had a "transformative" trip to El Salvador does provide a starting point for theorizing this issue. In many cases, workers in socially oriented or community organizations are driven by their own convictions or altruism, and the distance between the ideals and the on-the-ground work can feel very real. In such cases, compelling interpersonal relationships may serve to mediate some of this distance and help organizational participants feel more connected to the ideals that drive them.

Allocative Network Failure? Networked Grantmaking Reproducing Homophily

Processes of interpersonal networking to resolve multi-institutional tensions have consequences for who is funded. There are three primary consequences that demand our consideration. They are as follows: (1) grantees who are funded resemble their grantors in important ways, suggesting that processes of both homophily and isomorphism are at play; (2) grantmaking networks can become closed to new information due to the former issue; and (3) grantees do not feel that their values and priorities are reflected in the framing of the grantors, forestalling mutuality and trust. Here I take each consequence by turn.

My work has found, like others' has, that grant funding from US foundations favors grantmaking to NGOs that resemble US foundations: organizations built on rationality, strategy, measurability, literacy in English, the ability to travel, and relatively high levels of formal education. The process of making grants via network relationships can exaggerate these dynamics. It is worth noting that characteristics like rationality, strategy, and the like are in many ways culturally specific, and are often in short supply among the most disadvantaged populations, particularly those in the global south—and those whom environmentally focused international development projects are targeting for assistance.

The people who are able to enter the network of funders—even funders that primarily work internationally—frequently belong to an elite group, or are not typically representative of the grassroots. Rather, they possess skills, education, and the facility for international travel that marks them among the most privileged, enabling them access to these elite networks. For instance, a consultant who works exclusively with nonprofit clients tells me:

A lot of my friends just go back and forth between nonprofits and [Capitol] Hill. And that is where a lot of that currency gets built, and why a lot of these smaller organizations don't have it.

This respondent's comment hints at the consequences of this lack of "currency"—presumably because respondents are unable to build it through high-level political access, particularly given the international nature of the work. This dynamic results in a socially stratified, closed network, which may become, as the above quotation suggests, exclusionary.

Returning to Flap and Völker (2001), I compare their conclusion—that network ties must promote the goals by their very structure—with the data presented here. The network in this study is not structured to support giving money to the grassroots; rather, it is structured to give money to grantee organizations that are similar enough to grantor organizations that they might access the network. Therefore, the network can be said to have allocatively failed.

Second, even grantees that are institutionally similar enough to grantors to be funded tend to dislike the way they frame grant applications, and report that the language they must employ to secure funding feels inconsistent with their work. That is, the network relationship has yielded grant funding, but not mutuality or trust. The tension is a pattern that emerges repeatedly in my data, and is exemplified in one grantee's comments about his relationships with grantors:

Many [donor] organizations think that they know firsthand what the poor people need […] They define strategies and they demand that people stick to those. This seems to me to be a mental poverty, a certain arrogance, to define the world *here* from the perspective of the world *there* […] There are ideas like that, which are so schematic, so "strategic", not integral or holistic [original emphasis].

In this case, the processes that the foundation requires for funding do not resonate with the values of the prospective grantee, forestalling trust. The founder of Fundación Paz in El Salvador discusses why foundations' systems of evaluation may disadvantage grassroots peace efforts:

[In the US] they want to know: what is the objective, what are the results. The emphasis is much more on results that you can measure, and for that reason it is much more difficult to seek funding, for example, for peace. With an economic project you can say, "these chickens will lay twenty eggs a week", but the question of peace is a question of values, of change, of mentalities, of activities, and it's difficult to subject it to a measure.

A heavy focus on results and outcomes for nonprofit grantees is, as I described earlier, a common phenomenon. It originates in institutional pressures towards transparency and accountability, which are in turn thought to increase legitimacy. In this case, we see how the work of the grantee organization focused fits uneasily into the outcome measurements its funder requires. This grantee points to a dearth of funding to support valuable social outcomes (peace, for instance) because of the

challenges inherent in measuring it. This process, though it may not represent the lived experiences of grantees, is held in place by a logic of confidence.

Related, some of the most common purported benefits of network relationships (communicative openness, democratic relationships, and the like) are absent in this instance of foundation-grantee networking. A program associate speaks directly to these issues:

> The entire [grant application] process makes me die a little inside. It's this radically asymmetric relationship, and the power dynamics in it are the antithesis of everything that we're trying to do with our organization […] it is a given that the relationship we have with our funders is *not* honest—You go in with the understanding that you're going to talk nice and smile and things like that […] in order to gain an outcome that you can go back and report to your Board, and that sounds nice. That's the usual goal. We lie to each other just enough so that at the end of the day we'll have money and they'll have something they feel like they can talk about [original emphasis].

It is in this area that we see the most dramatic contrast between accounts from grantors and grantees. While the grantee quoted above says that the application process make him "die a little inside," the executive director the Maple Foundation is much more optimistic about the role of interpersonal relationships in grantmaking, and indeed, reframes the issue as a question of staying grounded in the work:

> Is it good that that grants depend upon one [individual staff] person's interaction with the organization? […] The reality is for most foundations [is that it's…] impossible to do anything more than go out yourself on occasion and see examples of work [you]'re supporting, or use some kind of intermediary whose professional judgment you depend on […]. I personally believe, even though it's impossible to view all the work we support, it's important to periodically figure out how to get out and see some of it. Because it's so easy to become so distant from the work that it becomes an abstraction, not a real reality, until you see people on the ground, living their lives, pursuing the objective you're supporting. And until you see that, it's difficult to make value judgments […]

In this response, a grantor expresses that it is impossible to have deep, practical relationships with all the work that they are supporting, and reframes the question of idiosyncrasy to talk about the opportunity to "see people on the ground." While a grantee might experience a network relationship as idiosyncratic and unpredictable, this grantor emphasizes the individually meaningful experiences that program officers have when visiting grantees.

The overwhelming sense is that the values of mutuality, trust, and democracy for which networks are typically lauded are not present among network participants—grantor organizations face pressure to treat grantees like contractors, while grantees might prefer to forego rationalistic evaluations in favor of more holistic reflection. The tension is structural, and borne of the conflicting pressures that organizations in both positions face; however, it suggests that the network relationships that have been shown to be beneficial in other contexts may fall short of their potential here.

Implications

The theoretical implications of this work all have to do with the recursive relationship between networks and institutions, suggesting that scholars should be especially attentive to how institutions and practices are shaped by the networks and network actors that comprise them. I have disaggregated institutions into ideas and resources, and parsed ideas of structural "durability" into the specific processes of institutional reproduction. Specifically, I have shown that the extant model of nonprofit funding is so heavily institutionalized around network relationships that it is relatively immobile. The possibilities for receiving or giving grant money through a means other than a network are relatively slim within these data. I have shown that the micro-level dynamics among network actors shape the macro-level institutions: as the networks are homophilous, so too do the institutions become homophilous.

I have argued that this type of homophilous network—that is not specifically illegal or unethical, but that produces effects contrary to the goals of participants because of its structure—should be understood as a network that has allocatively failed.

It is worth noting that macro-cultural homogeneity in the pool of grantors and grantees (borne of a closed network dynamic) can also act negatively on organizational actors' abilities to respond to both threats and opportunities from outside the network—what Schrank and Whitford (2011) might term a dynamic of network "involution." Because their information space is homogeneous—grantors fund the grantees who are most able to justify their work in a language of strategy, accountability, impact, and the like, and the network thus lacks new information from other parts of the social system—actors become less able to identify both possibilities for innovation and areas of weakness among their pool of potential partners, thereby imperiling their search for long-term collaborators.

The consequences of networking, in this study, are that foundations award to organizations that are more like themselves—professionalized, and discursively strategic and rational—qualities that may not be widespread among the most disadvantaged populations. Further, communicative openness and heterogeneity of network participants are in short supply in this network because of its particular incentives.

My results provide a mechanistic understanding of how homophily operates in grant making, which itself bears on questions and issues of distribution in grassroots development work. This work also suggests some practical revisions that foundations and practitioners might make within their work. If networks and institutions are recursive, then practitioners in the field may wish to consider practices that could alleviate some of the concerns that drive networking, as well as looking for ways to make networks more socially inclusive.

Given that efficiency, transparency, and meritocracy are macro-level dynamics, institutionalized within the field (and thus difficult to offer on an individual or organizational basis), the most immediate recommendations have to do with the nature of the network itself. Specifically, this research suggests that practitioners might (a) carefully consider the composition of their networks, and how they might

be expanded in more socially inclusive ways. These ways might include accepting proposals in languages other than English or in media other than writing (such as video); having "scouts" or community partners on the ground in the countries where they work, and holding open events to advertise their funding opportunities; and (b) consider how allocative schemes other than networks may be useful in awarding money. Homophily is a social dynamic that is usually stronger than the behaviors of individual actors, but can perhaps be challenged by an active recognition of how individual-level processes become institutionalized.

Conclusions

In the context of the resource scarcity, technical uncertainty, and information asymmetry, we must make allowances for the imperfect nature of any governance structure. It is worth reiterating here that my analysis of an allocative failure within a network evaluates the network both on the goals of the network participants (increasing the funding to grassroots development) as well as on the valued characteristics of a network (mutuality and trust). While one may certainly argue that in many of the cases in this paper, in the context of bureaucratic overload and conflicting imperatives, a network-based grant procedure may most effectively further the organization's goals, my findings have more to do with the ways that networks, when driven by institutional conflict, may create or reproduce certain social relationships.

My data represent something of a cautionary tale about how networks, so frequently lauded within organizational studies and sociology, can have and potentially troublesome implications for distribution of resources to the grassroots. I am not alone in probing this aspect of networks. The data remind both scholars and practitioners that the other side of the networking coin may frequently be cliquishness and exclusion that reinforces questions of access and hierarchies that have been documented in development and elsewhere (cf. Mosse 2011).

The broader concern, however, should perhaps be of the role of institutional dilemmas in social life. Philanthropic foundations must balance professional and civic mandates of transparency and meritocracy on the one hand, and competing organizational demands of efficiency on the other, all while giving out grants to organizations on the vanguard of international social change—a tall order for any type of organization, regardless of governance structure. Ironically, the very structures that can empower these organizations (funders, legislation, expertise) can also act negatively on them. Thus, in order to fully absorb their benefits and avoid the potential pitfalls of networks, and to better amplify the positive outcomes of development work, both theorists and administrators must be more conscious of the exclusionary tendencies that such approaches may engender.

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