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Philanthropy and Mistakes: An Untapped Resource

Robert Giloth, Ph.D., and Susan Gewirtz, Annie E. Casey Foundation

Introduction

An astute and longtime observer of the philanthropic world scolded foundations several years ago for not consistently sharing their lessons about investments that did not work as intended — what some might call “failures” or “mistakes” (Frumkin, 2006). This call for transparency was not simply about the need for accountability; it represented the belief that foundations collectively are missing an important opportunity to improve the design and implementation of their social investments.¹

Not all foundation mistakes are the same, but three aspects of philanthropic investing are mistakes that can be avoided. First, foundations mismatch their reach and their resources. They sometimes overreach in the ambition of their investments, thinking they alone can address the complexity and scale of important social issues. Conversely, foundations sometimes underperform by not taking substantial risks on behalf of change and innovation. Second, foundations sometimes ignore the need to generate knowledge, by failing to commit to and invest in evaluation, self-reflection, and communicating lessons to relevant audiences. Third, foundations are sometimes not transparent about their knowledge of what works and what does not.

Not as easy to avoid are “constructive failures” — those mistakes that occur in spite of thought-

¹ This article draws on Giloth (2004, 2007).

Key Points

- Sharing and leveraging lessons learned from mistakes is an important but underutilized resource to improve philanthropic investments and nonprofit performance.
- Philanthropic mistakes extend beyond the results of program evaluations to include questions of mission, role, investment strategies, and implementation.
- Distinguishing between “constructive” and “non-constructive” mistakes focuses attention on those factors that shape the outcomes for even the most well-designed investments.
- Sharing and reflecting upon mistakes has the potential to improve philanthropic capacities for anticipation, learning, and adaptation.
- Philanthropy must recognize the sometimes blurry lines between success and failure, constructive and nonconstructive mistakes, and philanthropic and nonprofit sector accountability.

ful design, implementation, and evaluation by foundations and their nonprofit partners (Cohen & Gooch, 1991). These failures are unexpected given the state of theory, experience, and best advice. Such failures call into question foundations’ assumptions about roles, problems, strategic interventions, implementation, partners, indicators of success, and methods of documentation. Constructive failures provide invaluable insights into problems and solutions, laying the groundwork for the next generation of investments. Constructive mistakes can be acts of commis-

sion or omission — that is, opportunities that are pursued or neglected.

Philanthropy has recently accelerated its sharing and reflecting on foundation failures (Strom, 2007). The Annie E. Casey Foundation and the Chicago Community Trust set the tone in the 1990s with their critical reflections about major community-building initiatives (Frumkin, 2006). More recently, the Irvine, Gates, Heinz, Hewlett, and McConnell Clark foundations have shared what did not work in specific education, youth, and community-building investments (Strom, 2007). In addition, the 2008 Council on Foundations national conference in Washington, D.C., featured a workshop on “The Advantage of Sharing Failures.”

This article discusses how foundations and their nonprofit partners might think about failure and share their hard-learned lessons. We first distinguish among different types of mistakes and how they relate to specific types of foundation investments. The article then discusses three examples that represent different types of mistakes that foundations and their nonprofit partners make. Finally, we offer lessons to foundations about adapting, learning, and sharing in the face of failure. The overarching argument of this article is that foundations face certain dilemmas in their grantmaking that are related to mistakes and that need to be acknowledged and reflected on.

Thinking About Mistakes

A rich and somewhat iconoclastic wave of literature has begun to explore the power mistakes have to generate innovation in the nonprofit sector (Giloth, 2004; Brehm, 2008). Mistakes are valued in some ways, even though culturally many nonprofit organizations find it difficult to talk about and acknowledge failure. In the business world, for example, one’s prospects are related to one’s resume of constructive mistakes or failures, regardless of whether this is made explicit. Entrepreneurs pick themselves up and try again.

There are several types of common mistakes²:

² Robert Hughes of the Robert Woods Johnson Foundation divides constructive failures into “valid failures” and failures resulting from “environmental and policy” shifts.

- The hubris of acting alone or thinking one can change the world, taking on challenges beyond the scope of any one investor or stakeholder (Wooster, 2006).
- “Groupthink” (individuals in a group thinking too much alike) blinds decision makers to alternative courses of action and contrary evidence, sometimes leading them to folly and tragedy.
- Losing focus and failing to pay attention enough to do routine tasks well.
- Trial-and-error mistakes, which stem from prototyping new, untested ideas, resulting in a high likelihood of failure. Different types of trial-and-error mistakes occur at different phases of the development or innovation cycle, whether in model-building or scaling-up demonstrations. Knowing where you are in the innovation cycle and what you need to learn is critical for creating durable social inventions.
- Unintended consequences of social action (McKnight, 1995). Mistakes of this kind are especially apparent when the goal of the investment is to change systems — educational, ecological, or community based. As systems adjust or try to maintain the status quo in response to the intervention, the repercussions of trying to do good might be seen as violating the basic rule “do no harm.”

Philanthropic Dilemmas — Mission and Culture

Foundations contribute to mistake making in two fundamental ways.

The first has to do with their mission and culture, as embodied in the roles and investment approaches of foundations. The very nature of foundation resources and governance as well as their high public profile can lead to some predictable mistakes.

Part of the nature of foundations is their ideological assumptions or preferences, which can narrow the design and effectiveness of social investments, although in the aggregate they may stimulate a healthy competition of ideas. Many times, their ideology leads to “either/or” thinking rather than to “both/and” thinking, thereby limiting the

reach, adaptability, and effectiveness of foundation investments.

The old story of the hedgehog and the fox, reinterpreted in 2001 in Collins' *Good to Great*, underscores the advantages and perils of foundations doing only a few things well, compared to having multiple irons in the fire. Foxes know many things and are always trying out new approaches; hedgehogs have one unifying theory and are always setting specific goals to move the world in that one direction. This parable plays out in complex and unexpected ways, however, because even foundations that do multiple things — the foxes — may do them in only one or two ways, such as only taking over-the-tansom proposals. Likewise, the foundation that appears to emulate the hedgehog may, in fact, use multiple philanthropic approaches, such as grants, social investments, consulting, operating programs, technical assistance, and advocacy.

Similarly, it is too simple to contrast the active social investor and the reactive grantmaker. The investor may be expertise-driven, drawing on favored experts to design foundation investments and solicit partners. The reactive grantmaker, on the other hand, may place more emphasis on and value in external entrepreneurs and organizational capacity in addition to the good idea, and thus be more open to the whole world.

Finally, one might think that the transparent grantmaker is a clear winner over more secretive foundations. While true overall — and being transparent about mistakes, after all, is the focus of this article — the secretive grantmaker may actually be more humble and prefer a behind-the-scenes approach, while the transparent grantmaker may sometimes just be a better communicator, not necessarily a more effective one.

Philanthropic Dilemmas — Operational Strategies

The second major way in which foundations contribute to mistakes is in how they implement their mission through their investments and how they carry out social policy initiatives. As with mis-

sion and culture, foundations differ dramatically in investment approaches, but no one approach guarantees a consistent escape from mistakes. Rather, these differences lead to different kinds of mistakes on the ground.

One might think that the transparent grantmaker is a clear winner over more secretive foundations. While true overall — and being transparent about mistakes, after all, is the focus of this article — the secretive grantmaker may actually be more humble and prefer a behind-the-scenes approach, while the transparent grantmaker may sometimes just be a better communicator.

Whether foundation initiatives follow a blueprint or grow and adapt investments organically is a perennial problem, especially for national foundations that invest large sums of money with relatively little local knowledge and high expectations. Another version of this challenge is the branded single-foundation effort versus collaborative grantmaking with local funders, which inevitably requires more flexibility to meet the needs of all investors. Still another variant is a program replication versus a design replication, which tries to transplant design ideas into new contexts.

Blueprinting is rigid in many respects, but defining guidelines and metrics is essential for generating serious knowledge, especially knowledge that can be compared with results elsewhere. At the

same time, the organic, local approach may be a substitute for a lack of ambition or may simply be renaming what is already being done. Although blueprinting can provide a focused way to cut through competing local agendas, wide local ownership is needed in the long run if successful investments are to be sustained.

There is no one tried-and-true way of doing effective grantmaking, although various advocates would like us to think so. Mistakes occur no matter what the approach, especially when an organization follows an approach rigidly.

Another version of the blueprint/organic challenge relates to grantee engagement and accountability. High engagement with grantees, favored by venture investors, promises “added value” but at its worst descends into technical interference and micromanagement. Low engagement may signal that making the grant was the high point of the relationship or may communicate the message that grantees should only come back when they have results or a serious problem to talk about. Accountability, as we have seen, can be present or absent with varying intensities of engagement.

The duration of foundation investments can be controversial as well. Many foundations use a one- to three-year grant cycle, which doesn’t even give grantees long enough to fail. Without failing, sometimes it’s difficult to learn and succeed. On the other hand, longer term, five- to eight-year initiatives can discourage urgency and unconsciously create the incentive for drift and lack of focus, not only for implementers but also for foundations whose program officers eventually move on to other opportunities. Most foundations want results, but they also want to help the most underserved populations and

communities. Ironically, these objectives can pull nonprofits in different directions. High-performing nonprofits often resist blueprinting, and yet, they are the most capable of fulfilling foundation expectations for ideas, results, and scale. On the other hand, places of need and the organizations that serve them tend to be more willing to adopt foundation blueprints and put up less resistance to foundation knowledge and assistance. But in too many cases, they cannot deliver on the results.

There is no one tried-and-true way of doing effective grantmaking, although various advocates would like us to think so. Mistakes occur no matter what the approach, especially when an organization follows an approach rigidly. Foundations would be best served by understanding the dilemmas all grantmaking poses and by being aware of the potential pitfalls and mistakes.

Examples of Philanthropic Mistakes

Three examples of foundation mistakes illustrate the dilemmas of grantmaking. None of these differently sized and structured cases fits the image of the big, single foundation-generated initiative that failed. What these examples highlight are the more nuanced partnerships between nonprofit grantees and foundations. Who makes and owns each operational or strategic mistake is a matter of perspective, especially when projects have a blueprinting component. A cross-cutting theme in all of these mistakes is a failure to evaluate, document, and communicate.

All in the Neighborhood?

When failures are not made transparent or when they are not analyzed and digested fully, they endure below the surface of community affairs, popping up when least expected to do more damage. In Chicago, when foundations began talking about forming a funder collaborative for workforce development, foundation program officers raised the specter of a past funder-collaborative failure, the Austin Labor Force Intermediary, or ALFI, as an impediment to the new collaboration. Unfortunately, almost all of the evaluations, foundation files, and key players related to this effort were nowhere to be found.

During the early stages of the design and implementation of the Casey Foundation's Jobs Initiative (JI) in the mid-1990s, we made a number of grants to facilitate our learning about the challenges of workforce innovation on the ground. South Shore Bank and its nonprofit affiliate, The Neighborhood Institute (TNI), approached us to invest in ALFI, a new and ambitious project that was part of The Austin Initiative, Shore Bank's expansion into the west-side Chicago neighborhood of Austin.

The protracted, multiyear planning process for ALFI produced a price tag of several million dollars per year for a very ambitious initiative. The key assumption informing ALFI was the perception that Chicago's west side suffered from a disconnection between available jobs in the neighborhood and neighborhood job seekers. This contrasted with the growing belief that urban job seekers should be connected to concentrations of regional jobs. Research showed that few west-side residents worked for neighborhood businesses, mostly small manufacturers, yet these firms employed many people in the aggregate. ALFI represented a new vision of community building — constructing a preparation pipeline to connect residents to neighborhood jobs, which would enhance local income and partnerships that would contribute to rebuilding the whole neighborhood. ALFI would invest in both the supply and demand sides of the labor market as well as in bridging mechanisms that would bring them together.

ALFI failed to get traction after several years and ultimately closed down. There were many reasons for this failure. Early on, the over-the-top budget was cut in half to what was seen as a more appropriate size, although the program's complex and ambitious theory of change was left relatively untouched. The Ford, MacArthur, Casey, and Mott foundations joined other local funders without sufficient public sector buy-in, except for targeted projects that launched ALFI as a welfare-to-work project. Foundations should have questioned the overall feasibility more closely and considered revising the theory of change when the budget was cut. A part of the problem was that funders were attracted by a high-performing grantee, South

Shore Bank, even though community building and workforce development in the Austin neighborhood were not its strengths. Foundations went along with the project and, perhaps because ALFI really was not central to their portfolios, took their eyes off the ball.

A related problem was that, despite the rhetoric of partnerships, ALFI essentially created a new organization and brought in new executive staff. The Austin community certainly required expanded nonprofit capacity, maybe more than existing nonprofits realized, but ALFI failed to take advantage of significant experience already in the community, especially related to working with local industries and designing and implementing job-training and placement programs. At the same time, ALFI lost some degree of focus by having to work with so many neighborhood nonprofits, not all of whom had the capacity or interest in collaborating.

Attempting to bring off an ambitious agenda with insufficient funding and without strong community and public-sector partners ultimately undid ALFI, and mixed goals didn't help. Was ALFI trying to grow local businesses, especially minority businesses, through technical assistance, mentoring, and access to capital? Was ALFI trying to maximize the hiring of neighborhood residents into local jobs and careers? Was Shore Bank trying to rebuild the neighborhood? ALFI needed to do all of the above, but having one start-up organization simultaneously doing all of these things in the same neighborhood would have been a tough charge, even for the highest performing organization.

Finally, key design assumptions proved to be incorrect or difficult to build on. ALFI was unable to place many local residents in local jobs and did not mount a larger effort to place people in jobs outside of Austin. Residents lacked requisite skills and readiness, and, as it turned out, firms lacked jobs and an openness to creating community employment opportunities.

In some sense, ALFI was another case of a theory-driven investment by a high-performing grantee

that could not or would not adapt. ALFI pushed forward despite a lack of resources and in the face of skeptical questions. Funders invested in a formative review of ALFI by Rainbow Research, Inc., that raised many issues and challenges, but key questions were not asked or answered until staff exited or funding dried up (Rainbow Research, Inc., 1995). Funders gradually peeled off, leaving ALFI to make its own way on a downward path.

Foundations failed to give a high-performing grantee appropriate feedback: that ALFI's design was too complicated and infeasible in many respects. But just as important, no one told the complete story of ALFI, so knowledge about how to link community building, workforce development, and economic opportunity suffered. It would have been a cautionary tale for many subsequent initiatives, including those efforts to connect job seekers to regional jobs. That lack of documentation and reflection about this experience was perhaps the biggest mistake in the end.

The Dangers of Outcome Measures³

The nonprofit world has had an ongoing debate about the importance of results and outcome-based thinking. Although most agree that using data, setting targets, and managing for results are critical elements of accountability, continuous improvement, and organizational learning, there are many concerns as well. For example, does a focus on results crowd out innovation and drown out new voices or important stories? The mistake we focus on is not anticipating the unintended consequences of establishing "robust" indicators of program success.

The Casey Foundation's Jobs Initiative illustrates the problem of how choosing complicated or higher standards can lead to effective programs' looking worse than other programs in their communities and to evaluations that minimize results.

The JI was an eight-year, six-city, \$30-million effort to connect low-income, urban communities to good jobs and regional economies. It sought to address the poor performance of much of the

employment-training field by adopting higher standards and evidenced-based models of program design such as the Center for Employment Training (CET). A nonexperimental evaluation design showed income and retention gains and underscored the importance of integrating human service supports, work readiness training, education and training, and targeting the right jobs (Abt Associates & New School University, 2003)

The JI defined and counted job placements as those that had a starting wage of \$7 per hour and were full time. In the mid-1990s this wage was above minimum wage, and several sites set the wage threshold even higher. For several sites that were serving very hard-to-employ individuals, this meant that many of their placements did not count, which lowered their placement rate among people enrolled in the program.

The JI focused on keeping participants employed for one year, a longer term retention goal than the existing standard of three months, to focus investments on long-run labor force attachment and success. Moreover, the JI adopted a conservative definition of retention, requiring workers to remain in the same- or higher-wage job and have only short interruptions in work, and discounting participants who dropped out of sight, thus lowering retention numbers.

Though the use of "robust" metrics encouraged learning about job-retention strategies, it took place in a somewhat self-contained hothouse environment that did not reflect what other investors required. Rather than encouraging other public and private investors to change their ways and adopt more meaningful indicators, the JI inadvertently encouraged its sites to keep double books to satisfy the demands of JI funders and others who were not involved.

In deconstructing this mistake, the Casey Foundation came to believe that it was correct in setting ambitious targets with precise and robust measures, but it erred by establishing performance measures in isolation from other workforce actors in the JI communities. By

³ Drawn from Gewirtz (2007).

recognizing that the low-income earners and job seekers that JI sites would be serving often had work experience but limited continuous attachment, it made sense to push for longer term labor market attachment. Recent research suggesting that wage progression for low-income earners often involves changing jobs has also affirmed the decision to allow for multiple jobs with short gaps in between to be taken into account when defining retention.

The Casey Foundation, however, did not sufficiently take into account the competitive environment in which workforce development programs operate. The 1990s were particularly eventful years for changes in federal policy related to welfare and workforce. Policy shifts reduced funding for education and training and signaled an emphasis on work-first strategies. JI sites, while receiving substantial philanthropic resources, still needed to leverage public funding and foster partnerships, which in turn required them to demonstrate their comparative effectiveness.

The JI was successful in many respects, and the focus on retention drove better results in a number of sites. What was not so successful was getting workforce systems and other nonprofits to adopt more robust retention measures. The JI's key metric was not adopted more broadly, and using it ended up disadvantaging grantees. This was a lost opportunity to engage in a debate about the preferred outcomes of workforce investments. Lack of common metrics remains a big problem in the workforce field. This motivated the Casey Foundation to invest in the Benchmarking project of Public/Private Ventures as a next-generation effort to grapple with workforce metrics.

A Goal Too Far?

The Earned Income Tax Credit (EITC) is arguably the most successful and popular US poverty alleviation program of the past several decades (Annie E. Casey Foundation [AECF], 2007). Started under President Ford and expanded during with 1990s, the EITC now represents a federal investment of more than \$40 billion, an average of about \$1,600 per eligible household, and lifts

five million families out of poverty each year (AECF, 2007). The EITC rewards working adults in families with children and tapers off as household income rises. Although estimates of overall EITC eligibility and take-up are challenging, given data availability and changing economic conditions, a commonsense rule of thumb is that about 80% of eligible households take advantage of the EITC. Take-up is lower for those with the lowest incomes, the most isolated, and non-English speakers.

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The delivery mechanism for most EITC recipients is private tax preparers, such as H&R Block, that charge several hundred dollars to prepare and submit returns and frequently lure EITC recipients into taking out rapid anticipation loans (RALs), which are high-cost loans that allow for immediate access to tax refunds. By contrast, the VITA free tax-preparation movement relies on volunteers and public and private financing and accounts for about 5% of EITC submissions. Twenty-three states have legislated state-level

EITCs, and policy advocates are now seeking to deepen the federal credit and expand eligibility to noncustodial fathers.

Foundations of all sizes have jumped on the EITC bandwagon, supporting every aspect of the work, and even forming an EITC Funders Network. One of the newest entrants is the United Way of America with its Financial Stability Partnership. All of these funders support VITA's free tax-preparation services or other low-cost alternatives, and each claims to have had a large impact, as measured by tax returns filed and money refunded. Some of this reporting hoopla is misleading because many EITC recipients are merely abandoning paid commercial services in favor of free tax services, thus producing savings in tax preparation costs and fees. In reality, those costs are now simply borne by others, notably foundations. The other underreported aspect of these big numbers is that almost half of the tax returns submitted by tax-credit campaigns are from low-income taxpayers who are not EITC-eligible. This is a worthy service, but it does not foster an influx of additional income as promised in the advertising for investing in EITC campaigns. Misleading reporting about EITC impact is a first mistake.

Many funders, including the Casey Foundation, supported EITC campaigns, not only because they extended the reach and affordability of an important public benefit or work support but also because they saw them as mechanisms to help low-income people build financial assets. The Casey Foundation's campaign slogans, *Earn It! Keep It! Save It!*, or, more ambitiously, *Earn It! Keep It! Grow It!*, conveyed the hoped-for linkage between tax credits and asset building, in which families work toward positive net savings. Foundations hoped most optimistically that people would take their EITC returns, sign up for Individual Development Accounts (IDAs) through which a nonprofit would match their savings, and eventually buy homes. Saving residents from high fees and predatory loans through free tax preparation would accelerate family asset building, an essential element for family economic success. Therefore, local tax credit campaigns, at least in

their start-up phase, crammed their tax sites with bank offerings, benefit screenings, financial education, and reams of paper about asset-building products and services.

As data about campaigns has been gathered and reflected on, the challenges of reaching this asset-building goal have become more apparent. A lot of people getting their taxes done already had bank accounts. In addition, those who did establish accounts as part of the tax-preparation service did not always maintain them for long and frequently maintained transactional banking relationships with alternative financial service providers such as private check cashers. Most people also did not take up asset-building services and products at tax sites at the time of tax preparation; they were there merely to get their taxes done. Likewise, many people saw themselves as taxpayers, not as public benefit recipients. Tax sites compiled lists of potential participants who might return throughout the year for an array of services, but tracking the impact of these asset-building services has been difficult.

The asset-building mistake resulted, in part, because of the clunky and time-consuming ways the public sector and nonprofits sometimes deliver services. Two innovations, however, have the potential to overcome the cognitive overload and identity issues that, among other factors, seem to prevent people from asset building in the EITC moment — refund splitting and the availability of online savings bond options. Both of these administrative and product innovations allow EITC recipients to take immediate, albeit small, asset-building steps. Yet another lesson was that many EITC recipients are ensnared in debt and other financial traps; campaigns need to help people get their heads above water before asset building can begin.

Foundations and tax credit campaigns have not given up on the goal of asset building, but experience has shown that doing so during tax preparation season is easier said than done. This instructive story, ultimately, is about using data and analysis to uncover mistaken assumptions and goals and to undertake several rounds of

additional innovation and research to get it right. In this case, the IRS's administrative reform, pushed by the nonprofit sector, has allowed split refunds for savings instruments. It may turn out in the long run, however, that the worthy goal of encouraging refund splitting and savings is not achievable in tax campaigns.

What Can Foundations Improve?

Two cross-cutting themes emerge from the mistake examples discussed above — learning and adaptation. The ALFI undertaking neither learned nor adapted, although it did invest much energy and many resources. The JI's mistake regarding its outcome measure limited broad adoption of new retention metrics, but the real adaptation only occurred with subsequent foundation investments. Finally, the tax campaign and asset-building mistake reflect both learning and adaptation, although the story is far from complete.

Learning and adaptation should go together. Learning emphasizes the ability to seek and accept information from the environment, including information that calls into question operating assumptions. Learning is about testing these assumptions with some rigor and with attention to short-term corrective adjustments and long-term lessons. Adaptation is the ability to take lessons of this sort and to reformulate theories of change, project designs, and partnerships. This may involve adding or subtracting program elements, disinvesting in a project or prototype, or redesigning partnerships.

Learning and adaptation represent important aspects of ongoing social investment. Indeed, this process must ultimately become a part of foundation and initiative culture — the deep-seated values and habits shaping everyday activities. Foundations can do several things to improve learning and adaptation:

- Invest directly in the capacity of nonprofits to learn and adapt. Such investments involve recognizing the extra resources needed to build this capacity and to overcome resistance to self-evaluation. Long-term investments, tolerance for mistakes, peer learning, and investor

self-evaluation are key ingredients for building this capacity. It must be acknowledged, however, that nonprofit partners often have different and perhaps harsher expectations and feedback than do foundations when things go astray.

- Understand the dilemmas created by foundation investment designs. Foundations not only need to be clear about their assumptions and the findings they are based on, they also need to engage in discussions with grantees and others about the general and specific tensions produced by high-engagement investing.

Learning and adaptation should go together. Learning emphasizes the ability to seek and accept information from the environment, including information that calls into question operating assumptions. Adaptation is the ability to take lessons of this sort and to reformulate theories of change, project designs, and partnerships.

- Anticipate mistakes for different investment arenas and at different stages of investment. Many mistakes, including our examples, were constructive in most cases, but they were not unfamiliar or esoteric. Others had faced these problems. Foundations need to be much more aware of the types of mistakes likely to stem from social innovations, and they must be on guard for the unintended consequences that inevitably arise. We do not suggest that all mistakes can be avoided, but higher levels of recognition at the outset of investments may help mitigate the damage of mistakes and improve the process of learning and adaptation.

Conclusion

Philanthropy provides high-risk financial resources to help solve messy social problems and improve our overall quality of life. This role involves not only generating social innovations, but also discovering how they can be adopted and spread throughout society. There is no tried-and-true road map for this role, and foundations confront multiple dilemmas in mission, culture, and operational strategies. Hence, philanthropy inevitably makes mistakes.

Some observers question whether foundations really take enough risks and whether they are open and forthcoming about their mistakes and what they have learned. Unfortunately, sharing mistakes openly is not always embraced as contributing to or advancing knowledge and effective practice. In fact, sharing mistakes — as welcome as it can be in the business world — may produce negative feedback and contribute to skepticism about efficient nonprofit practices. This intolerance of mistakes encourages a resistance to the evaluation and documentation that are a foundation for learning. The recent discussion of foundation failures has the potential to reshape these perceptions and encourage a more open dialogue about investments that didn't work out.

Sharing mistakes is about both transparency and learning. It is at the heart of the knowledge-generation role of foundations that is so important for social innovation and effective policy development. Foundations have the unique ability to demonstrate how sharing mistakes — or even failures — and lessons can be done effectively and in a timely manner. Not to take up this challenge would be the biggest mistake of all.

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