Reflecting on Risk and Failure

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Foundations have long advocated “risk-taking” in their grantmaking on the supposition that it connotes both the necessity of the work undertaken and the gravity of the problems that philanthropy seeks to solve.

Degree of risk (at least up to a certain point) seems to correlate to degree of need. If foundations were simply to fund existing channels of activity, one might ask why all previous funding had thus far failed to solve the selected problem. From the inception of the large, private, multi-purpose foundation at roughly the turn of the last century, this new type of organization committed to tackling the thorniest problems besetting humankind and, furthermore, tackling problems with a reputation for being intractable. Large-scale philanthropic interventions in the early twentieth century included enormous campaigns to increase access to public education in the United States (the General Education Board and the Rosenwald Fund), reform and professionalize medical education (the Rockefeller Foundation, the Commonwealth Fund, and the Carnegie Corporation), establish a permanent infrastructure for scientific research in universities (the Rockefeller Foundation and the Carnegie Corporation), eradicate diseases such as hookworm, yellow fever, malaria, and tuberculosis (the Rockefeller Foundation), build international legal and diplomatic infrastructure such as the Academy of International Law and the United Nations (the Carnegie Endowment for International Peace, the Rockefeller family, and the Rockefeller Brothers Fund), and establish social work as a profession (the Russell Sage Foundation).

Not all endeavors produced positive results, however, or even the results for which the funders originally aimed. The Russell Sage Foundation, for example, describes how its thirteen years of investment, from 1909 to 1922, in building Forest Hills Gardens as a planned suburb for working families in New York City instead produced housing that quickly became unaffordable for these very families. The Carnegie Corporation’s 1932 Poor White Study aimed to improve living conditions for impoverished Afrikaners in South Africa but inadvertently encouraged the establishment of apartheid government.

An elementary school class at Caledonia School, East Cleveland, OH. The school received an Award in Arts Education in the 1980s. Photo courtesy of the Rockefeller Archive Center.

The Rockefeller Brothers Fund (RBF) has experienced similar instances of unintended consequences to conscientiously designed programs.

Its Awards in Arts Education , launched in the early-1980s, aimed to both recognize outstanding school arts programs and help ameliorate the widespread budget cuts on arts in public schools. The Fund also hoped to identify and spotlight the components of successful programs so that other schools might emulate them. Instead, the awards had several surprising outcomes. Occasionally the schools themselves defunded the award-winning programs out of the belief that they had already been taken care of. Sometimes the awards provoked resentment and competition with other school programs. And, finally, the Fund concluded that strong arts programs had more to do with highly talented and charismatic teachers than with structurally replicable conditions. In the end, the awards failed to spark field-wide sustainability and vitality as hoped. Slated to run for 10 years, the RBF Awards in Arts Education program was terminated after five years, with four years of awards made.

These historical failures, now in the distant past, are easier to identify, admit, and discuss than projects that might be deemed failures in the recent past or the present. For one thing, the long-term results of recent grantmaking may not yet have become clear. Also, foundation program officers may feel the urge to defend, protect, or positively spin the grants, strategies, and initiatives in their current portfolios.Yet risk-taking implies that some failure is inevitable, else it would not be true risk.

A 100 percent success rate would mean that a foundation's activities were not, in fact, very risky at all.

The question then becomes: how does a foundation manage risk, making the best possible bets, but simultaneously expect to deal with and learn from some percentage of failed endeavors? First, we might ask why foundations should even be concerned with taking risks and inviting failure. A central rationale for the necessity of the third sector is that it can afford (and is obliged) to take risks that the public sector cannot. Moreover, in contrast to the business sector, the third sector's freedom from generating profit means it can take risks on behalf of the common good, rather than serving the interests of stockholders and investors.

The founding brothers of the RBF pictured in 1958. Left to right: Laurance Rockefeller, Winthrop Rockefeller, John D. Rockefeller 3rd, Nelson Rockefeller, and David Rockefeller. Photo courtesy of the Rockefeller Archive Center.

The Rockefeller Brothers Fund had several advantages in terms of risk from its 1941 beginnings. It was established by five brothers who were already very well versed in the practice of philanthropy, and it utilized the equally experienced staff of the Family Office. Consequently, there were systems already in place for the investigation of new interests, including networks of well-connected, high-level contacts, and procedures for vetting the reliability and qualifications of potential grantee organizations. The brothers had also grown up in a family in which risk was well understood—from the meteoric rise of Standard Oil to the bold philanthropy of their father and grandfather. Nelson Rockefeller, in particular, seemed to follow Franklin Delano Roosevelt's dictum: "It is common sense to take a method and try it. If it fails, admit it frankly and try another. But above all, try something."

Program officer William Moody, hired in 1967, had a forty-year career at the RBF and worked in Africa, the Caribbean, and Central and Eastern Europe. He is pictured here in Kenya in the late 1970s. Photo courtesy of William Moody.

In addition, the RBF was not founded with a narrowly defined mission, but rather was free to make wide-ranging grants according to the brother's commitments and interests. It was not until much later, as the Fund professionalized in the 1960s and 1970s, that it began to try to seed or spark entirely new fields of endeavor. Building upon longstanding Rockefeller family traditions, however, the Fund has always been careful to fully investigate new areas of interest, usually placing a program officer on the ground for a significant period of time to conduct a thorough survey of needs and existing resources. This has been an important mechanism for reducing risk.

So what do we mean by "risk" in a foundation context when we don't mean losing money or failing to turn a profit, as risk is understood in a market context? Grantmaking risk, by and large, is not existential risk. A foundation rarely closes down for bankruptcy or for failing to meet its objectives. But the risks that foundations take extend from legal and political risk to financial and reputational risk, as well as the potentiality of failing to achieve intended impact in programmatic work. Legal risks include violating the regulatory restrictions that govern private foundations; political risks include funding activities that go against convention, political ideology, or prevailing political currents.

There are several ways in which foundations might fail to design programs with impact.

First, by being too rigid or ironclad about institutional identity, and thus missing key opportunities. Conversely, a foundation may have too little clarity about its identity, taking on projects that are "outliers" to program and sap energy, time, and resources.

Timing can be a crucial factor, and misfires include jumping into a field too soon for the field to benefit from philanthropy, or jumping in before the foundation itself is sufficiently prepared to work in that field. Sometimes the issue of timing is beyond a foundation's ability to assess. Areas of work are also subject to external pressures and unexpected events. For example, the RBF invested in work supporting Egypt's move toward a democracy after 2011, only to find that repression redoubled in the few short years following the so-called "Arab Spring." It is now difficult to know whether the Fund can achieve a positive impact on fostering emergent democratic processes and culture in Egypt and whether it is worth "staying the course." The RBF is known for its long-view commitments, and remains committed to supporting grantees working toward democracy, transparency, and justice in Egypt.

The Fund supported the Czech Greenways Project, whose participants are seen here in Podyjí National Park in 1999.

Exit strategies become an equally important question when considering long-term impact. Pulling out too early, not "staying the course," is often driven by a foundation's own compulsion for measurable results and its frustration at not seeing enough progress. This is a complicated issue, as it is difficult to know whether (and how much) patience will pay off, what the tipping point is between sufficient investment and inadvertently cultivating long-term dependence. Sometimes a decision has to be made to exit in light of other opportunities pressing for the Fund's resources. The unknown is whether a field has developed enough other resources and strengths to survive after foundation funds have been withdrawn. In the case of Central and Eastern Europe (CEE), after more than ten years of engagement, in the mid-2000s the RBF devised a multi-year exit plan so that local organizations could plan ahead. Furthermore, the Fund's involvement in CEE had been predicated all along on building capacity for indigenous philanthropy and civil society mechanisms, recognizing in advance that RBF engagement could not last forever. While by and large this was a successful tactic, there has also been some reflection in the years since that many CEE nations have not been able to sustain civil society as well as hoped.

Another risk for program impact is taking on too much. While most foundations are aware of the perils of "scatteration," as it used to be called in the 1910s, that is, taking on activities across too many fields, it is often harder to recognize when too much has been taken on within a single field or area.

One of the most common forms of foundation grantmaking today is widely spread, relatively small grants across a field for projects or programs enacted by other nonprofit organizations, coordinated toward broader aims. In a sense, this approach is fairly risk-free. Foundations refer to their programs as having "portfolios" and, as is true in the world of financial investments, a portfolio's function is to spread risk, to achieve in aggregation more success than failure.

Project Literacy was a key grantee of the Fund's basic education work in South Africa in the 1990s.

Boards are often risk-averse, understandably wanting to assure that the financial resources they are charged with disbursing are used wisely. Due diligence can verge into conservatism. Yet the RBF board has more often exercised caution in the service of prudent, well-calculated risk-taking, rather than as a means to avoid risk altogether. The trustees have provided vision and leadership, for example supporting civil rights organizations in the United States in the early 1960s, or engaging the Fund in South Africa in the 1980s, when the apartheid regime remained oppressive and potentially dangerous to grantees. More recently, beginning in 2002, the Fund initiated and co-sponsored a U.S.-Iran track II dialogue that ultimately contributed to the 2015 Iran Nuclear Agreement but, at its start, had no guarantee (and perhaps even little chance) of success.

Perhaps the most painful way to fail is the attempt to change a paradigm. Changing a paradigm is very difficult. External factors make a considerable difference: the intended audience has to be able to hear the message, and it has to be receptive to the message. Timing is essential. Changing a paradigm is an especially painful way to fail because when it doesn’t work, there are few residual positives left in its wake. It cuts right to the heart of a foundation’s perception of its own identity, as no one tries to change paradigms in which they aren’t morally and ideologically invested. The RBF has had several difficult encounters with this type of risk and failure. The Project on World Security (PWS), launched in the 1990s, attempted to change common understandings of the very concept of “security” by expanding it beyond military and foreign policy connotations to include food security, resource security, and other complex forms. Other institutions working globally on the issue simply were not as receptive to the effort as the Fund had anticipated. The project produced several significant reports, and to some degree informed the Fund’s renowned 2003 publication *The US in the World*. Yet PWS never really achieved the wholesale redefinition of concept for which it had aimed.

Similarly, in 2013, the RBF launched the National Purpose Initiative (NPI), hoping to re-engage the American public with democratic processes. However, NPI assumed that technology would bridge the gap between elite influence and grassroots participation, as the Fund desired to move beyond outdated approaches that relied upon top-down projects. NPI ultimately failed for two reasons: 1) to apply it at scale would have required millions of dollars in funding and it was clear the funding community did not have the appetite for this; and 2) the Fund’s research showed that Americans, while hungry for the sort of conversation the RBF wished to foster, were not prepared to devote time and energy to it unless they could have confidence it would produce tangible change in national politics. In 2014, the Fund retooled NPI into the Pluribus Project, which continues its operations today, albeit with more circumscribed aims. This promises to be in many ways a successful pivot, although it remains too early to say. But, like PWS before it, the Pluribus Project also represents a reduction in expectations and scope, and thereby underscores a point about the risks of thinking big. Sometimes big thinking produces big results, but when it doesn’t, a foundation must consider whether smaller efforts can produce adequately meaningful results.

Marta and Kjell Beijer, who endowed a Swedish center to study ecological economics, which was one of the Fund's first climate change related grantees in 1986. Photo courtesy of the The Beijer Institute.

Pivoting is often a necessary response to unexpected obstacles within higher-risk endeavors, lest a foundation lose all of the energy and resources already invested in a field. One key example of this strategy at the RBF has been its retooling of its approach to climate change. The Fund has been influential in building climate change awareness since at least the mid-1980s, when its grants to Sweden's Beijer Institute helped pave the way to global limitations on the production of chlorofluorocarbons through the Montreal Protocol. The 1992 Earth Summit in Rio de Janeiro produced the Rio Declaration on Environment and Development, affirming and reinforcing RBF program emphases on sustainable economic development and the preservation of biodiversity. But the United States' refusal to sign onto the 1997 Kyoto Protocol, as well as the failure to achieve international agreement on carbon emissions at Copenhagen in 2009, prompted the RBF to undertake new strategies in its environmental work. Shifting away from trying to achieve regulations at the national or international level, the Fund instead began to focus on state and even municipal-level regulations, support business community engagement in efforts to reduce carbon emissions, and support other non-profit organizations in their campaigns to align trade, agriculture, defense, and other policies to reduce the threat of climate change. This shift stemmed in part from the Fund's realization that it had not been effective to seek one, overarching limitation on carbon emissions. Rather, change would need to come through a series of multi-pronged, simultaneous efforts. This pivot has helped build a movement from the ground up, and ultimately contributed to the success achieved in reaching an emissions agreement at the United Nations Paris Climate Change Conference of 2015.

Foundations' growing receptiveness to discussing the benefits of risk-taking and failure raises the question of how to foster a culture of productive failure. As RBF President Stephen Heintz has put it, how can a foundation cultivate an "experimental disposition?" Heintz envisions a day when foundations might treat their work as roughly analogous to that of a scientific laboratory, in which the prevailing assumption would be that the normal process of grantmaking is one of trial and error. "If we are not failing some of the time," he says, "we aren't doing our job."