Edited Transcript

Mistakes to Success:
Learning and Adapting When Things Go Wrong

February 10, 2011, 12:00 – 2:00pm

Program and Panel

12:00 p.m. Welcome by Hudson Institute's William Schambra
12:10 Panel discussion

Rick Cohen, National Correspondent for Nonprofit Quarterly
Robert Giloth, Co-Editor of Mistakes to Success and Vice President of the Annie E. Casey Foundation's Center for Family Economic Success and Community Change
Rachel Mosher-Williams, Assistant Vice President at the Council on Foundations
George Roter, Co-CEO of Engineers Without Borders

1:10 Question-and-answer session
2:00 Adjournment

FURTHER INFORMATION
This transcript was edited by Kristen McIntyre. To request further information on this event or the Bradley Center, please visit our web site at http://pcr.hudson.org or send an e-mail to Kristen McIntyre at Kmcintyre@hudson.org.
WILLIAM SCHAMBRA: Good afternoon. My name is Bill Schambra, and I’m director of Hudson Institute’s Bradley Center for Philanthropy and Civic Renewal. Kristen McIntyre and I welcome you to today’s discussion of an important new book in the field of nonprofits and philanthropy entitled Mistakes To Success: Learning and Adapting When Things Go Wrong, edited by Robert Giloth and Colin Austin. This is certainly the occasion to remind the audience that the Center is a proud grantee of the Lynde and Harry Bradley Foundation in Milwaukee, Wisconsin, just a bit down Interstate 43 from Titletown, USA, which explains the tie I’m wearing today. It’s as close as my wardrobe permitted me to come to the green and gold of the NFL World Champion Green Bay Packers.

First, our customary preview of coming attractions. On March 30th the Bradley Center will co-host with the outstanding journal, The Nonprofit Quarterly, a discussion of a two part website article that ran last week by Tim Delaney¹, President of the National Council on Nonprofits. The article presents a spirited defense of nonprofits in the face of severe pressures to cut or impede in other ways public support for them. So please watch for that invitation in your email.

Now for today’s panel, we have all heard the familiar refrain that foundations should place themselves at the cutting edge of social change by trying out approaches to public problems that are promising, but as yet unproven. Here is Rockefeller Foundation President Raymond Fosdick’s affirmation of that in 1952. “A foundation should be a pioneering institution, rather than a regular source of support for tried and established activities. Its capital is venture capital.” This is 1952 and he is already referring to it as venture capital and that it should be used adventurously. Indeed, its business is to take risks. Its primary obligation is to blaze trails, to find new methods, to explore new ideas, to keep its work in John Dewey’s phrase, “close to the growing edge of things.”

Yet for all our professed admiration for foundations and nonprofits that take risks, we’ve long behaved as if those risks can be taken without mishap. The literature of philanthropy is full of cheery and glowing reports of grantee successes. Indeed, so full that one can only be amazed that our national problems stubbornly linger. But somehow we never hear about the mistakes that are built into the very definition of risk, as opposed to what Fosdick described as “tried and established activities.” It is therefore very much to the credit of Bob Giloth, Vice President of the Center for Family Economic Assistance at Baltimore’s Annie E. Casey Foundation, that he undertook to collect some stories about mistakes he and some of his colleagues have made, and from which they have learned in their various programs. It is very much to the credit, as well, of the nonprofit Engineers Without Boarders, Canada, that is has for several years compiled an annual failure report and has just launched a new website entitled, Admittingfailure.com, to confront and learn from mistakes made by the organization.

It’s our honor to have with us today Bob Giloth, as well as George Roter, CEO of Engineers Without Boarders, Canada², and we’ll hear from both of them in that order at the outset of the panel. Then we’ll turn to two distinguished commentators for thoughts and reaction, namely Rachel Mosher-Williams, Assistant Vice President for Partnerships and Strategy at the Council on Foundations³, and finally Rick Cohen, a national correspondent for The Nonprofit Quarterly.

ROBERT GILOTH: Thank you Bill (Schambra) for putting together this panel. I look forward to the discussion with all of you. What I want to do briefly is give you a set of the ideas behind Mistakes For Success, and at least I’ll start with a few of the stories that they portray. In general, as Bill said, I’ll be arguing for the improved sharing of mistakes, stories and their aftermath, and how we adapt in the nonprofit arena. I won’t cover all the ideas or stories from the book, but I think there will be enough to get us started.

¹ http://www.nonprofitquarterly.org/index.php?option=com_content&view=article&id=9256&Itemid=336
³ http://www.cof.org/
Let me say a few things at the outset, though, about how I got in the mistakes business. I have to thank the Annie E. Casey Foundation for that. I’ve been there for 17 years, and one of the distinctive, and I think positive features of Casey is, that we tend to make long term investments, eight, ten years or more, and we retain a lot of our staff over that period of time. So unless you’ve really got your head in the sand, and I probably have some colleagues who do, you can’t help but take a look at some of the things you’ve invested in, and see both successes and things that didn’t work out so well. And when I saw some of those things that didn’t work out, I started thinking about them and started cheering.

Now right as I started doing that, I talked to some of our technical assistance providers and our communication folks, and I can still remember the pitying look that they gave me, that I was about to walk off the cliff. They said in a very sort of condescending voice, ‘Bob, you’re being thoughtful. That’s interesting, but you know, the time just isn’t right. Why don’t you call them lessons or something like that?’ However I decided to stick to mistakes or failures, because I think we really need to confront ourselves with some of the things that didn’t work out and not try to gloss them over. In fact, glossing them over prevents some of the learning that we need to do.

So *Mistakes For Success* is a compilation of stories gathered in two rounds over the last three or four years. They are almost all about what I would call ‘community economic development’, connecting people to jobs and building wealth. But they are also about local and state policies and how to build and maintain organizations. They cover different phases of nonprofit work and implementation. How do you get ready and design an initiative or investment? How do we think about best or promising practices? How we invest in outcomes, and so on.

There are 12 stories. For the most part, these stories are not about big, macro national strategies or policies. They are stories about investments of consequence to get things right or different customer groups. And what I want to do first is just give you a quick summary of the opening chapter that is entitled, “A Primer on Learning from Mistakes.” This will give you a sense of some of the ideas behind this kind of thinking. And let me make the obvious comment at the outset, though, that mistakes are not the sole province of the nonprofit sector. We see them all the time in the public sector and certainly in the private sector. However the way they are treated and the way they are understood can be quite different.

So simply, failure is an important part of success. It’s an important part of the innovation cycle. For instance, the Wright Brothers finally achieved flight in 1903 after a series of failures. In fact, up until the last moment, Wilbur Wright didn’t think they would ever quite get off the ground in his lifetime. So innovation and mistakes always go together and I think that is a really important thing to think about.

Focusing primarily on success can be misleading. There is a mistakes guru engineer you may have heard of, Henry Petroski, who has written quite a bit on this subject. And to quote him, “Things that succeed teach us little beyond the fact that they have been successful. Things that fail provide inconvertible evidence that the limits of design have been exceeded. Emulating success risks failure. Studying failure increases our chances of success.” And I think that that is the motivation for the book.

Now, as someone who has had a strong practitioner background in community development, I’ve always found my mistakes more motivating than my successes, and I realize this may be a distorted part of my temperament, but I found it to be true of a lot of other practitioners. We ponder what we didn’t get right and what assumptions in retrospect seem to just be absolutely wrong headed. We also are embarrassed, maybe even shamed a little bit, when we use philanthropic resources and we don’t get it right. We’re motivated to figure out a better way of doing it.
And it’s important to acknowledge that mistakes produce a lot of successes, but not always in a linear fashion and sometimes by accident. Success is derived from mistakes, and that’s the side of innovation. But I think that when we talk about mistakes we have to be real about it. I mean, I know I want success. There was an article in the Washington Post about a month ago, and the title was “Errors by Air Traffic Controllers Set Record, 52 mistakes in the DC region.” I’m absolutely sure we’ll learn a lot from those mistakes. But I for one, especially since I’m taking a flight today, would prefer much more success in this arena. I’m not an advocate for more mistakes. We need to think about different kinds of mistakes. Some are about implementation versus innovation. Some are about just the limitations of human cognitive processing of lots and lots of information. Some are about zero tolerance activities, like air traffic control, running nuclear plants, landing a plane on an aircraft carrier or many medical procedures.

In this book, we really focus on what I call ‘constructive mistakes versus nonconstructive mistakes.’ And this ends up being a blurry line, but I think it’s useful to try to keep it in mind. A constructive mistake or failure is where you’ve really done your homework. You’ve had really good implementation partners. You go out. You make the grant. You do the work. And it still doesn’t work. That’s where, as Henry Petroski said, “You are pushing the envelope of what is out there.” Now there are a lot of nonconstructive mistakes and it is not like we shouldn’t pay attention to them. But those are sort of the human frailty kind and I’m not sure what they teach us, except that we have to be vigilant about them.

A good example of a constructive mistake is when we received a series of grants to try to scale up different aspects of promoting access to the earned income tax credit. What we discovered was that when you have a pilot project mentality, often what you end up with is pilot projects. You don’t end up with scale, because you never go through the thinking process of what scale, meaning getting larger and being sustainable, really means. Now one of the reasons for that is because in the nonprofit sector we don’t put as much investment into developing innovations as they do in the private sector. So we sometimes cheat on that process by the loveable pilot project. Well, in this case, the pilots failed. Luckily, we thought about it again, went through another round and created something called the EITC technology platform, which is a web-based tool with a private sector partner that delivers training and access to goods and services that serves all the campaigns that promote access around the country.

It is a good story. But we have to ask ourselves, how many of us glorify the pilot project as the baby step that will lead to scale? A big problem we face in the nonprofit sector, and more broadly, is that the cheering mistake has real consequences, and therefore, we have a human penchant to hide those mistakes. In fact, several authors who we initially got involved in this project dropped out when their executive directors found out that they were writing about this. The organizations decided they were only about success. They didn’t want to have failures. That would somehow be a chink in their armor of success.

Now, they’re not absolutely wrong. A lot of this is a function of how investors, philanthropic and the public sector treat failures, so nonprofits are rightly concerned about that. There are certainly a lot of issues about the image of nonprofits in terms of results. My feeling, and we’ll probably come back to this, is it is really going to be up to investors, philanthropy, the public sector and the private sector to create the space to more openly share mistakes, and that expecting the nonprofits to be able to do this alone won’t work.

There are three types of mistakes that run through a lot of the stories in the book and I think we can do a good job minimizing some of these mistakes, as well as learning from them. The first, and I think this is a particular problem for philanthropy, is that we have a big appetite for taking on complexity. We somehow don’t think we’re really involved in social change unless we can’t understand it. We want to be audacious. We want to be bold. And indeed, the world is complicated and sometimes simple things aren’t enough. But we make them very complex. At Casey, we are doing some reflection on the community change initiatives that we’ve done over the last 20 or 30 years, and I have to admit it’s startling to look at the kind of complexity we took on. And
what’s even more startling is that halfway through the initiatives, we decided we weren’t being ambitious enough, and so we made them even more complicated.

I think the thing we have to pay attention to is how we get the right balance between focus and hitting the right levers to make change, while acknowledging that things are complicated. The second challenge is evident in all these stories and is that we don’t do a good enough job with feasibility studies and risk assessments at the outset before we make investments. For instance, think of previous branding fiascos that were done in the private sector, and then pulled back overnight. We assume that they did some market analysis and focus groups. One of the stories in the book talks about the fallacy of focus groups and the dubious kind of results they produce, and yet so often we rely on these focus groups as if they are the fount of knowledge about the world. And yet they don’t work.

In my mind, we need a better sense in philanthropy of some standards that we can use in doing these kinds of feasibility studies. For instance, what is the risk tolerance that we want to put up with? Now feasibility studies, given their complexity, are not going to be foolproof, but we really need the capacity on the ground to do these and do them well. One of the chapters in the book deals with site selection and feasibility questions, and it’s amazing how little science, if I can say that, we have about site selection. What do we know about picking good sites? Has anybody written a treatise on that?

The third challenge concerns foundation funding or any single source of funding that can sometimes distort nonprofit projects. It shields them from market feedback and from having to make the sale on an idea, on an approach to a broader market. Now, this kind of problem cuts both ways. We do need flexible, upfront money to shelter projects as they get off the ground. At the same time, we need to expose them to critical thinking, because unless they have that, and market feedback from real customers is one way that happens, they’re not going to get off the ground.

I won’t tell the story now. Maybe I’ll come back to it. But I have a great example of a project called the Austin Labor Force Intermediary Project that Casey and a number of other funders did in Chicago with Shore Bank. It was a complicated model, all foundation funded. It made all these mistakes, such as having no convincing feasibility study. Then the fund was cut in half, but there wasn’t any reduction in ambition. It didn’t build on existing assets. So you have to wonder, was this even a constructive mistake? What were we thinking by that?

The final big challenge is a question of timing, and this timing issue affects local sites, the marketplace, and the life cycle of organizations, communities, policies, and administrations. We often say projects succeed or fail because of timing, but I think we need to do a much better job of thinking through what the specific timing means for individual investments up front. For me, it’s sort of a paradox. It’s hard to know when a success is a success or when a mistake is a mistake. One of my chapters looks at what I call sector-based or industry-focused workforce development over 30 years, and sometimes it’s a success. Sometimes it’s a failure. Evaluations show this. Evaluations show that. How do you stick with good ideas that just take time to develop? How do you exit from bad ideas early enough? That’s a difficult challenge.

There are three recommendations the book makes, and let me just go over these quickly. The first is what social psychologist Gary Klein calls a “pre-mortem.” We all know how to do post-mortems, or sometimes we do. But a pre-mortem is really training ourselves better to do risk assessments before we start an investment. There are a set of questions that we ought to ask and the purpose of this is not simply to create a checklist. It is actually to train our intuition about what’s working, what’s not working and what to look out for. So we are increasing the probability that we might actually catch something in midcourse and make an adaptation. It’s somewhat easy to look at mistakes when all the dust has cleared. It’s much harder when you’re in the middle of implementation. And yet that’s when we want to have a better sense of what’s working and what’s not working.
Secondly, we need to really work to change the culture around mistake sharing. I call these “mistake pot lucks.” We’re doing them at Casey, and we’ve done them at other foundations, where we actually, with program officers, bring our mistakes around the table and share them. And what’s interesting is not just talking about the mistakes, but actually that there is a lot of implicit knowledge about how we do work in philanthropy that we don’t put on the table with each other. For instance, there is no manual that is really convincing about how to be a program officer. A lot of it is in the experience of people doing it every day. This offers one way to do that.

Now, the best stories in my mind are where we have enough time to learn something, and then we get better at it. The purpose of mistake stories is not simply just to document or out failures and hold responsibility. We want to tell stories where we can understand how people acknowledged the failure, how they intervened, and how things worked out. Now, this may not happen the first time around. That would be too hopeful. But at least we’re better prepared for the second time around.

Then finally, leadership really matters in saying that it is okay to talk about mistakes. Paul Brest, the former CEO of Hewlett, really created quite a model for doing that. He said, “Almost always when the grant failed, we and the grantee shared responsibility.” So, it’s important when we talk about mistakes for philanthropic leaders to say how we share responsibility. There’s a temptation, sometimes, for philanthropy to point at its partners and say, ‘Well, you failed. We had a good idea, but you didn’t do it.’ And I think shared responsibility has to be part of this whole process if we really want to use mistakes fully.

So that gives you a little bit of a flavor of Mistakes For Success. It’s a small initial effort. We want to create some other tools, such as a website. There is a good amount of fear about talking about mistakes, but that’s matched by a lot of interest by people who maybe have held back their mistake stories and not found an audience they can share them with. So let me stop there, and I’ll be glad to be part of a discussion after the talk. Thank you. [APPLAUSE]

GEORGE ROTER: Great. I guess I’m up next. I don’t know if there is an implicit metaphor by bringing a Canadian on a panel to talk about failure or mistakes. [LAUGHTER] But I got into the mistake business by starting a nonprofit, and you actually can’t start anything without making a whole lot of mistakes and being faced with them on a daily basis. And I think that the real genesis of Engineers Without Borders, Canada, ten years ago, was very much a process of failing a whole lot, progressing a little bit, and having a lot of faith that the future would be better than what we just experienced. I think it’s actually quite a normal thing for nonprofits, for-profits or when you’re starting out anything, whether it’s an organization or a new project venture.

Being quite reflective in our early years, it informed the culture of Engineers Without Borders as we tackled issues around international development. The international development space is a very interesting one on a variety of dimensions, in terms of failures and mistakes and also in what success looks like. I want to start off with a story that will demonstrate a little bit about why I think this is interesting and why Engineers Without Borders Canada has ended up with a culture of embracing failure as a very central part of the organization and how we work. We are trying to spread that culture, and I want to finish off by talking a little bit about what that spreading of having a failure culture, which is kind of a strange thing, looks like.

So I’ll take you back about 18 months ago. I was traveling to Malawi, which is a small sliver of a country in southern Africa. It’s a place that we had been working in for about four years or so, but it was my first visit to Malawi. One of the sectors that we were working in was the water sector. It’s a sector that I think connects with a lot of people for a variety of reasons. It’s incredibly important to communities to have
clean water for a variety of reasons, including health benefits and the results of having better health. So getting clean water in rural Africa is quite critical, and there’s been substantial investments over the years.

I arrived in an area of Malawi called Cholo. It’s a cluster of communities that probably has about 100,000 or 200,000 people, somewhere in that range. To give you a sense of this area, there are these rolling hills that are very lush, particularly in areas where there are tea plantations, and that are less lush anywhere where there’s not a tea plantation. In Cholo, people are living very, very simple, in some cases, vulnerable lives. To put it in context, you have about 15 percent of kids dying before the age of five because of either malaria or diarrheal disease, or in some cases tuberculosis. So it is a very poor area and there are a lot of challenges.

I arrived in Cholo in particular, because I was going to be taking a look at a gravity fed water system that had been installed two years prior to when I got on the ground. It was installed over a five year period of time and had been funded by the Canadian government. I was supposed to be looking at this as a water distribution project that was typical. To give you a sense, and I won’t be too technical about this, but basically this was a gravity fed water project to take water from springs in the mountains and pipe that water down, and then distribute it to a variety of different communities, usually with a variety of standpipes. And you have taps that are community-based taps, rather than household taps, that people take water from.

So I went to this one community, arrived at this tap, and the water was working, and the kids were splashing water on their faces, and it was a great picture that I could get of this water project that was functional. Then I talked with a community member who was the chairperson of the water committee that was in charge of maintaining this infrastructure and in charge of insuring that people were respecting it. And if I had stopped there, everything would have been great. But later that day, we actually toured other parts of this project.

This particular gravity fed water scheme had 113 taps and 81 of these taps were no longer working a year and a half after implementation had finished. So while I saw the first success, with the kids splashing in the water, I then proceeded to go to a variety of other communities who were on the same project and see where the taps were no longer working. There were failures because spigots or valves had been stolen. I saw failures where pipes that were further up the system had broken and not been repaired for a variety of different reasons. I saw a failure where I would talk to somebody who was ostensibly part of the water committee, but they told me that the water committee quickly disbanded after a year. Even though there’s still a chairperson for the water committee, they don’t actually meet so it is not really a committee.

The other thing I saw, and it was quite remarkable, was in one village I saw a Canadian-funded, and it wasn’t us, but a Canadian engineering company implemented project situated literally 30 feet from the water taps of a very similar piece of infrastructure that looked almost identical. It had a concrete slab, and most of them didn’t have spigots, but I discovered this because one of them had the remnants of an old spigot.

So I started asking about this. I started saying, “What is this? This looks really similar.” And they said that it was an American-funded project that had been implemented in the late ‘80s and ‘90s. I said, “Oh, really.” So I started inquiring a little bit more, and I found out that in fact there was originally an American-funded gravity fed water distribution system, and it had precisely the same design, almost exactly the same implementation. In fact, when the Canadian engineering company was building this, they reused the old trenches for the pipes and built out exactly the same system. I asked about what had happened with the American one and was told that it had failed after about a year and a half after it was installed. So literally the remnants are sitting there. You can actually see them, yet you still have that type of failure.
I actually looked into this even further, because I really wanted to understand what was happening here. “Did anybody see this?” “Did anybody understand it?” “Why wasn’t this identified earlier in the process?” And in fact, what I understood eventually was that it was and it was ignored, or virtually ignored. About halfway through the implementation of the Canadian-funded project, you had an interim evaluation that identified all of these problems. The implementer and the funder got together, and they talked about it. There was a report back and forth, and then it was put on a shelf to gather dust. Nobody talked about it, because there was no incentives to actually talk about that failure, address it, look it in the face and do something about it. To me, it’s a great example of what happens in the international development space with failure. It is quite hidden. In Bob’s (Giloth) book, he talks about this a lot. It is this notion that there is this treasure trove of mistakes and innovations that are completely silent, and they’re completely out of site in many cases in international development. And since they are kept in the dark, it prevents innovation and the same mistakes keep happening repeatedly.

With Engineers Without Borders, to give you some quick context of where this story actually goes, we were on the scene because one of the things that we see in the water sector in Africa, and in a lot of other sectors, is that you have a lot of outside funding and outside organizations that don’t invest a lot in local capabilities. They don’t work with or invest in local governments for operations and maintenance. And one of the things that we were trying to do as an organization, and continue to try and do in Malawi, is to invest in those local governments, so that they are able to actually manage infrastructure projects, innovate on their own and to prove that they can work really well. In doing so, we’ve made lots of mistakes.

The Malawi example, where we got engaged, is a great example of a lot of mistakes that we made in trying to learn how to address the more macro-level mistakes. A lot of the mistakes that we made were very micro in nature. One of the major reasons that we saw why projects like this could happen was because local governments weren’t involved in planning, because when somebody showed up to actually plan a water project, they had very little to offer. They had no data on where existing water was. They had no data on what the community’s needs were, and they had no ability to help guide outside people on making better decisions on what those investments should be.

So we decided that we were going to tackle that problem by helping these local governments get data on where water points were, what they looked like, what community needs were, and to have that data in a form that they could utilize to make decisions. This is not sexy stuff. You are trying to convince a donor in Canada by telling them, ‘You know what we’re going to do with your money? We’re going to build spreadsheets of municipalities in Africa.’ It’s not as sexy as building water pumps, but it’s extremely important in order to have functioning water pumps.

One of the things that we wanted to do was really get on the ground and find out how a municipality could collect data, so that this type of gravity fed water project wouldn’t have these same mistakes happen again. The first thing we decided to do was to send people off with a checklist and have them collect the data. And we gave them a financial incentive to do so. One of our volunteers who was in the field, he’s actually been there for about three years so I think you kind of cease being a volunteer at that point, but he was out in the field and he got this great data. He collected this fantastic data set by giving financial incentives and working closely with people on where about 900 water points were within this district. He went to try and do this at another district, and really evolve it. He then came back three months later, because they were supposed to recollect this data every three months. However without the financial incentive this time, they had only collected about 50 percent of the data. He knew that this wasn’t great, but he was working on something else at that time. But then when he came back again three months later, at the six month mark, they had actually ceased collecting any data.
So even as we were trying to address this macro-level failure, we were seeing at a micro level some of these challenges on how do you actually do this. And one of the major problems was that we had created a financial incentive that wasn’t going to continue. It’s kind of a bonehead error, but you’re on the ground there and you want to make stuff happen. Twenty bucks makes stuff happen, so you go for it. And the important part of this story is that that learning was internalized into the way that we actually run this project, and numerous other micro learnings on this exact same thing were internalized into how we were working with the water sector in Malawi. Learnings such as, if somebody comes into a village from one direction, at one time they count water point number one, two, three, four, five. If they come in from another direction, they count water point number one, two, three, four, five. So the data actually becomes inaccurate if you’re collecting on a water point by water point basis. But if you collect on a village basis, then you actually get much more accurate data.

The reason that I’m telling these stories that are quite detailed is because it’s those micro innovations, the learning that comes from them and the failures that were associated with them, that got us to the point where we actually have this program in Malawi that we are able to scale to a country level. We were able to scale it so that every district is going to be able to have this data driven planning process that actually works, that doesn’t require us being there, and that can be sustained.

I also use this example because I think it really relates a lot to what I read in the book, which is that micro matters. We often forget about that, especially when we’re talking about things at scale. But it’s those very small details and the ability of organizations to adopt a culture that focuses on those details incessantly, that is constantly learning from them and that has feedback loops within the organization to learn from them really, really well, that is so important. This certainly came out and was a central feature of all of the stories that I read throughout the book. This notion of micro innovation and micro failure, and the culture within these organizations that allowed them to turn these micro failures into something more useful.

The other theme that I took away from the book, and I certainly have felt it within Engineers Without Borders over the years, is what I call the “failure innovation paradox.” If you actually make failure fairly visible and talk about it a lot, it can enable innovation, because it makes people very comfortable with this notion that it’s okay to fail, so I’m all right trying. But what it can also do is have the opposite effect, which is actually stifling innovation by compelling people to want to really think through everything to a great depth before they act. And if I had done that when we had the conception of Engineers Without Borders, I never would have started Engineers Without Borders. There’s no chance.

I think that the notion of doing a pre-mortem is a really good one. I would worry if those pre-mortems had the effect of actually stifling or stopping people from even trying. I think we’ve seen the failure innovation paradox in our organization, because finding the balance between those tensions is actually very, very challenging to do. And it’s something that I think as we move forward and look at embracing failure, I want to start to understand a little bit better, and perhaps we can even chat about today. I’ll quickly talk a little bit about this failure culture at EWB and admittingfailure.com, which is something that we’ve just launched.

One of the things that we did fairly early on with EWB is we admitted our failures quite publicly. We actually had a failure part of our annual general meeting where myself and our cofounder would stand up and talk about these things. And it was important part of connecting with our base, because we involve a lot of millennials in EWB and they expect authenticity. In fact, they demand authenticity. So it was an element of connecting. But it was also an element of maintaining a sense of humility, because I don’t know how many of you have ever stood in front of 500 people and talked about how you screwed up in a lot of detail, but it really creates a sense of humility and an understanding of what that failure meant and what it looked like. It hurts to do. So you start to internalize that, to understand what that feels like and
how to understand that a little bit better. You start to create that culture within your organization, where people are open to talking about failure, they’re excited about talking about failure and they are excited about sharing it with other people. And that’s really where our failure report came from.

In fact, it wasn’t me and it wasn’t any formal leader within EWB who created our first failure report. It was our staff in the field who said, ‘We’re screwing up a lot and we want a lot of other people who are staff in the field to know about these screw ups, so that they can learn from it. So we’re going to create a failure report.’ They brought it to our annual general meeting, printed it out and surprised us with it, which was a wonderful gift. I hesitated for about two seconds, and then I said, “This is absolutely genius and we need to be able to support this.” And we’ve increasingly institutionalized it. This year it’s kind of glossy and pretty, but it’s something that we really are embracing as an organization, and it’s just the start.

The second part of creating a report is to institutionalize the process of collecting failures, learning from them, articulating what our organizational knowledge is, and how we actually feed that forward into future action. I would say that we are currently maybe a seven out of ten right now, which leaves a lot of room for improvement.

The international development sector has unique feedback challenges in that there are not a lot of feedback mechanisms back to donors, because projects are happening a long way away from where the money is usually coming from. So what would it look like if you actually created this culture within the international development community from funder all the way to implementer? And that was really where admittingfailure.com came from. Admittingfailure.com is a platform that we are codeveloping with a number of others to collect failures from around the international development community.

We want to be able to shift the culture to where talking about failure and admitting it is important and useful. Where it is accepted and much less scary, but also to collect these lessons in a way that makes them useful and allows some of those similar types of errors that have been made in the past not to be made in the future. In addition, we hope to encourage innovation by creating a space where people can talk about these micro failures and micro innovations. They can then build off of each other almost like researchers do at universities, when they’re constantly in touch with each other in research groups. So that is the notion behind admittingfailure.com.

And the really interesting thing about it is, since we launched the website about a month ago, we have gotten nothing but positive feedback. We’ve had none of our donors say, ‘We’re not giving you any more money.’ In fact, we’ve had donors come up to us and say, ‘We want to give you more money.’ And when we send our failure reports out to our donors, they say, ‘Wow, you know, I know you’re failing. It’s great that you’re actually admitting it. It means that you guys are a serious organization.’ So actually admitting our failure has done the opposite of what everybody fears, which is that it’s actually attracting more resources. It’s attracting more energy. It’s attracting more people. And I can tell you for this next generation, this millennial generation coming up, they’re actually not going to accept anything less than this. There is a different authenticity that exists among the millennials, and the international development sector at the very least, and maybe even the whole nonprofit sector, needs to understand this a lot better.

I’ll probably leave it there, other than finishing up that original anecdote about Malawi with a very quick and poignant extra piece to it. While I was preparing for this talk, I started wondering if the project failures in Malawi could have been anticipated. Not just the Canadian one, but I wondered if the American one could have been anticipated too. So I did a variety of Google searches, spent about a half an hour, dove through the USAID website, and came across a report that was written in 1981. It was based off of a variety of water projects in Malawi, and the number one conclusion in the lessons learned section, which was, of course, buried in the middle and very difficult to find, was that if you’re going to
have successful water projects you need to spend an equal amount of dollars and intellectual energy on
the infrastructure at a district government capacity level. So all of the lessons, I think, in many cases are
out there, or many of them, and we just need a better way to figure out how to heed them and feed them
forward. So thank you very much. [APPLAUSE]

RACHEL MOSHER-WILLIAMS: Hello. So it sounds like everybody is starting by saying how they got
into the mistakes business. So I’ll play along, too. I got into the mistakes business by raising children.
And I don’t mean that raising children is a mistake, but that if you’re a parent, mistakes are kind of an
hourly occurrence. So I want to start by telling a little story that was on my mind when I was thinking
about mistakes, and as I read this book it occurred to me.

It relates to my kids, because I like to talk about my kids. My ten year old is a really gifted drummer.
He’s this little short Jewish kid, and he just rocks it out on the drums. So we enrolled him in something
called the School of Rock, which allows them to perform in a band and play real shows. And then we
found out that not only is he a great drummer, but he is also a really good bongo player.

So he had his first performance coming up. We were very excited. We sold a lot of tickets. We showed
up, and we realized that we had forgotten the bongos. So this was a bongo emergency. [LAUGHTER]
And not only was it bad, because he was going to be in the show and participate, but he had a bongo solo
in the song Brick House. If anybody knows the song Brick House, it’s a great song. So we were an hour
away from home, and we didn’t have the bongos. We were faced with a dilemma. Do we just make him
learn his lesson, so that next time he’ll remember to bring the bongos? Or did we drive back and get
them?

If you have kids, you know that we drove back and we got the bongos. But what was important to me
about that, and this is the way I rationalized it, was that we didn’t have this knee jerk response to the fact
that he made the mistake of not bringing the bongos. Instead, we used that experience to say, ‘Next time,
you’ll bring the bongos.’ So it’s really the issue of the difference between a knee jerk punishment and
reflective behavior modification based on experience. And I think how you respond to mistakes is really
how you perceive mistakes. It’s correlated to that. So if they’re bad, if they’re a sign of weakness, of
incompetence, of unworthiness, then you hide them and you’re embarrassed. We talked about that
already. You get embarrassed, you take it personally and then you hide them. But if you know how to
learn from your mistakes, you sort of shrug your shoulders. You modify your behavior, you move on and
you do something differently.

So my point with that story was not just that I have a rocking kid, which I do, but that the world is a
complicated place. Mistakes are inevitable in any human effort, and I think particularly in cases where
we’re working with a lot of other people and other organizations to address very complicated problems.
This is what our sector is faced with when we’re thinking about failure. It’s how we respond to those
stumbles and what we do after them that makes a difference in how we make the world better. So in
terms of foundations, I think it’s true that they don’t broadcast their mistakes or program failures as much
as might be useful, but I do really think they know when they make them and they try to learn from them.
So I have another little story about that that I’ll tell later.

I want to talk about the book for a minute, because I really think it is a good book. And I’m not just
saying that because it was available for download on Amazon.com, which was extremely helpful.
[LAUGHTER] So the premise that foundations and their grantees don’t share their failures enough,
either with each other, between grantees and foundations, or with the public, in ways that could help us
improve our approaches to whatever social good we’re trying to achieve, is definitely true. We lack a
culture of acceptance of mistakes.
Also, we don’t have safe mechanisms to do it. Nonprofits are pressured to raise money. They have multiple funders. So if we admit something didn’t work, will the money disappear? Or will the funder give us space to learn, to modify and to reapply for the funding again? We’re working off one to three year grants. Will the money be there the next time if we actually admit to some failure?

I want to tell a story about something I just heard in the last two days that I think is a little telling about how foundations and program officers at foundations think about failure. I was in a large meeting convened by a major foundation with a set of their grantees to discuss the foundation’s new framework for change. It was sort of this new big framework. It’s very exciting. It’s great. We heard a lot about their new measures of success. I was doing a little field work for today, so I raised my hand and asked the question, “What might failure look like for this new framework?” And the speaker replied that the board had shared with the program staff that they wanted to see return on investment dollar for dollar of the grants made. Dollar for dollar return on investment. Think about the pressure that that puts on foundation staff, who are creating these new programs that they really believe in and that they are emotionally, personally invested in. They’re invested in their portfolios. They’re invested in their careers. So when a board tells them that, and they have to sit in a meeting and report on their findings, they are going to want to focus on what they did right, not what didn’t work well.

Then this woman, who has been in the field for a long time and is very smart, said directly, “We’re not successful as a foundation if our grantees fail or go out of business.” So then my thought is, ‘Well, where do risk and innovation, and frankly, just being a human being, fit into this sort of directive that the program officer is being given by the board?’ There is sort of that timing constraint. So many nonprofits, and I count the Council on Foundations in that, receive program grants for a year, maybe two, maybe three. So what can you really know? What can you tell them about the effect of that grant? It’s hard enough to know even how effective it’s been, let alone if something didn’t seem to go right, what the reason was. That’s a tricky challenge for us as nonprofits.

I’m going to tell another slightly different story about how a foundation sort of did learn from their mistakes, and really acknowledge and embrace what they found. A program officer at another foundation shared with me that one of his grants for health education at an organization that served immigrant communities had not really worked at all. It was just misguided. They weren’t ready. It was sort of a failure. It was a little disappointing. But what they found very soon afterwards was that this group, because of this grant, suddenly had the capacity to help the communities who were affected by the Gulf oil spill. They could just jump right in there and work with the communities, because they had gotten enough operating support from this grant. And I could tell from my conversation with him that the foundation would have seen this as a failure if they hadn’t taken a broader view that success can be unintended. When the mission is to improve lives, not just to reach evaluation targets, then mistakes can be wonderful.

I want to mention something that we did at one of our recent conferences, because I think it shows that there is sort of a new respect among grantmakers to share their failures. I think the pendulum is swinging that way and that reduced endowments and the belt tightening of recent years has really helped with this. There is an interest in literally talking about their worst grants. We had at our family philanthropy conference last month a session called, ‘Bombs and Brilliance.’ It’s kind of like Bob’s pot luck idea. And 21 philanthropists, and these are family members in some cases, so this is their money and they think of it as their money, each got a minute to describe the worst grant they ever made and the best grant they ever made. I think that that is something. There is a new willingness among foundations to talk about when things go wrong.

Another thing I wanted to compliment Bob on the book about was that there was a minimum of what I call “philanthro-speak.” There weren’t very many acronyms, so good job on that. One of the ideas that I
find really special that he didn’t talk about was this idea that best practices in the nonprofit sector is sort of like the smart car, the catnip of the sector. It’s one of those things we all like to talk about, but it’s sort of the opposite of not acknowledging or learning from mistakes. It’s this bad habit of saying that any new idea that is sexy or intriguing or promising, but not necessarily proven effective, is still a best practice. So I just wanted to highlight and thank him for this idea of developing a shared system of promising versus good versus best practices, based on data and track records.

I didn’t feel like the book got to the heart of an issue that I actually do consider very critical. You hinted at it, but didn’t go deeply into the fact that nonprofits are funded by a multitude of players, and of course, as we know, the biggest of them is government. So they not only get funded by a multitude of players, they also work with a multitude of players and sometimes with a government agency. It takes a lot of time for nonprofit staff to report to these various funders, using their reports, their algorithms, and their online submission vehicles. So it raised questions in my mind of, ‘Well, if a program doesn’t work, who do we tell?’ ‘Do we tell all the funders?’ ‘Do we tell some of the funders?’ ‘The funder of just that particular component?’ It’s complicated. So I think there is an opportunity here to talk about how you develop those systems.

Also, if an organization is working in partnership with others, whose fault is it? How do you decide who is to blame or who has to fix it? I am being a little flip, but I mean, if there is some kind of fix that is required, who has to fix it? That potentially has not just political issues, but it also has potential financial issues if somebody has to go in and clean up. Obviously, social problems like poverty and hunger are not all being solved in one fell swoop. They’re iterative. They’re being iteratively addressed. That process is complicated, and the process of parsing out and learning from mistakes should be a careful and hopefully neutral one.

Foundations who are supportive of the infrastructure could play a role in beginning or in having these conversations, and not just because they can give the space and the financial support for convening them, but because they have a lot to share intellectually. Both government and private foundation funders have a lot of experience in how to fit all the pieces of the puzzle together. They do that when they develop their programs. So I think that it has application here to thinking through, how do we start talking about working on mistakes?

Another thing I wanted to quickly mention was that I really liked the book’s focus on innovation and its potential to continue in a sector, especially with foundations and nonprofits, which is sometimes too focused on evaluation, outcome measures, metrics and logic models. We heard from our engineer (George Roter) that innovation is key. I really liked how the book talked about how we reconcile innovation with a real need for program evaluation.

I know that Bob (Giloth) already talked about the Wright Brothers example, which I loved because it essentially reminds us that there was no single light bulb moment. There was no instant realization, where they then went out to the beach, created a plane, and it flew. It took years, the precise documentation of failures and numerous redos before they made a plane that could fly. I just want to quickly read a quote from page 241 in the book. “The Wright Brothers’ most significant contribution was the learning process that helped place high value on understanding why things went wrong.” So innovation doesn’t occur in a vacuum. It requires a deep understanding of how things can and have gone wrong, and then developing the path forward based upon avoiding those things in the future.

The nagging question that is left with me, and I’d love to talk about it here, put it out to your smart people in the audience, is how do we remove the stigma from admitting mistakes in the nonprofit and philanthropic fields? How do we create an acceptance of failure? How do we talk about this failure culture? One thing that struck me was that in the private sector businesses die all the time, and in a sense,
I think there are a lot of entrepreneurs who sort of wear a badge of honor if they have been at the helm of some startup that has just completely gone down in flames. It’s sort of a cool thing. But I don’t think that that is the case in the nonprofit sector. Design risk is something to avoid, because we’re worried about looking like we’re playing with the donors’, members’ or taxpayers’ money. We are afraid that if the risk doesn’t pay off, the money won’t be there again. And that’s really the case for foundation program officers as well. I mean, they have to make the case for their budgets every year. And if something didn’t go right, will they get that money? Will they get to give away the same amount of money that they got to give away last year? So how do we make it okay? How do we make iterative learning, like the Wright Brothers’ process, something that is encouraged, informed and structured?

I like the sort of humility culture idea. I was thinking about that even just for my organization. How do we not just be rah-rah? How do we talk about what is not working? I don’t have an answer, but I think that there are multiple funders of nonprofit activity out there who might really be able to encourage conversation about this in a real way. They have a level of influence that could make it possible to engender this conversation.

I had an idea that maybe instead of having funders ask grantees how they would define success in their grant proposals, that instead they should ask them what they would consider failure. Also, they should ask them what they will do about it. I know that that is really ominous, but someone has to plant the seed, like Engineers Without Borders. They are filling a role by actually having this conversation. I think someone has to just put themselves out there and start thinking about this. I don’t really think that social change occurs without risk. It just doesn’t seem possible to me. And I know that not all foundations are in the business of social change. They don’t see that as their role, necessarily. But a lot of small family foundations fund things like music in schools. So when they give a set of bongos to a child, he then takes that set of bongos and develops incredible self-confidence, because they can rock it out. That small family foundation should be ready to let themselves and whoever they give the bongos to feel ready to try something new, to try it without embarrassment, to try it without fear of disinvestment, and to try it without fear of silence if the solo doesn’t go well. Thank you. [APPLAUSE]

RICK COHEN: Okay, I agree with everything that has been said. Moving on. Well, I’ll just follow the opening that Rachel gave. Since I’ve made a lifetime of professional mistakes, I am eminently qualified to be on this panel. [LAUGHTER] It was interesting reading the book because it actually deals with community economic development. The whole book is community economic development, which is my field. I’ve been in that field for 40 years. There is a chapter on East Side Community Investments (ECI), which not only did I do the original audit of ECI, but I got booted out of the community by the foundation, because the foundation didn’t want to hear that we had declared a failure there. So there was a slight problem with the foundation’s openness to that.

One of the citations is a report called “Building durable CDCs”. That was actually a program I created when I was a vice president of the Local Initiative Support Corporation (LISC), but I called it “Tanking CDCs”. I was told that you couldn’t talk about CDCs failing. You have to talk about them succeeding. So there is a slight problem with this concept. But anyhow, I’m sure that for all the foundations in the room, because of my experience having led the National Committee for Responsive Philanthropy, many foundations think that my philanthropic career is one of mistakes. So I do have some experience in this.

I used to work for the Institute on Man and Science (IMS), as well, which was also cited in the book. I remember a program we had at IMS, where we were talking about embracing failure. We all tried to brainstorm our biggest failures, and everybody ended up brainstorming their smallest successes. [LAUGHTER] And there is a tendency even in some of the chapters, where you have trouble trying to find the mistake, because you find people talking about the programs that didn’t quite achieve what they intended to achieve, but they are pretty good anyhow. I was a little bit more focused on the word that
Bob helpfully used in the title, which is “mistakes”. So I’m going to focus on my career of philanthropic mistakes and the foundation part of this.

My perspective is to focus not on successes and not on less than successes, but on the real failures. In this case, the failures that are potentially part and parcel of what some foundations actually do when the funders, because of their own grantmaking predispositions or because of institutional prerogatives, actually create some of this dynamic. And I’m not talking about just the valuation of demonstration projects or experiments. I’m talking about the quotidian, day to day activity of foundations engaged in grantmaking that are not structured like the kind of thoughtful, Annie E. Casey kind, even sometimes when they’re not thoughtful.

So not the demonstration projects, but the things that foundations do every day and what the problems might be. And even with those, I have a fundamental critique. It’s partly from my view as having been a funder and an intermediary in community development. Many times you feel like, rather than submitting a proposal, you’re auditioning. You’re reading a script and you’re auditioning. You’re trying to figure out which role you can get cast for. And hopefully the foundation will write me in the script and I’ll be able to be a participant. The reality is that sometimes foundations forget that these projects deal with people. They’re just real people.

All too often, many funders are motivated and excited by the attractiveness of their idea and their vision for a community. They’re captivated by their sense that outside the community they have a model they’ve come up with or they’ve discovered that can achieve benefits far beyond what simply funding groups on the ground can do. They forget, and this goes to building up infrastructure, which I thought was interesting from the Malawi case, that sometimes if you simply just give groups the money they need to build up or build out, you actually achieve a great deal. You can achieve a capacity to innovate in some ways that is very important. Sometimes foundations forget, and sometimes it’s not all that evident in the book.

One of the weaknesses in the book, I think, is that behind the foundation grants, there are people and communities involved in those grants and they shouldn’t be overlooked. In the kind of enthusiastic search for new and different solutions that will vault a community out of it malaise, and this occurred so often in community economic development programs that I’ve been involved in, some funders fail to see that the best innovations occur when they invest in building community capacity and community infrastructure, and when they invest in the ability of a community to identify, address and commit to grappling with its own problems.

There’s a recent article in the latest issue of Democracy Journal, where two authors who wrote that the best role of government is to establish the ideals and the goals for society, but to then devolve more and more of the implementation to a radical localism that embeds the implementation of solutions to communities and their infrastructure of community organizations. But there is so frequently an attractiveness of social engineering from on high that in some foundation initiated community building and community economic development projects that I’ve seen, they underestimate or ignore the fact that there are real people in those communities whose expectations are raised and then dashed. Their ability to control their own destinies is promised and then shorted. Their potential access to foundation resources is out there, and then suddenly it’s dismissed.

I think some foundations get overly taken with their social engineering prowess, and they forget about the community dynamic beneath it. I have a very vivid memory from when I was at LISC. I actually worked

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4 http://www.democracyjournal.org/19/6786.php
for the Enterprise Foundation before I was at LISC. I worked for Jim Rouse, who was a great, great creative genius. But I remember we went to one community where I listened to Jim and a local funder in that community talk about how they were going to make sure that everyone was housed and employed. How they were going make everybody healthy. And we’d go, “Wait a minute. If you go into communities and say these things, even if you’re a big foundation, it’s still micro money dealing with macro problems.” There is a tendency in social engineering to basically forget that the results on the ground can be quite disheartening and devastating to real people. So I want to flag that.

I wrote about this long ago in two analyses of the Northwest Area Foundation’s Community Ventures Initiative, and more recently the Northwest Area Foundation (NWAF) issued its own report taking stock of the program. Overall, despite the absolute best of intentions, the program was a failure. None of this today is saying that these foundations are evil. These were all probably with the best of intentions. But this program was an absolute failure, and not just an insufficient success or just a little success, but an absolute failure. Nobody in NWAF will tell you, ‘Oh that was a little bit successful.’ They will tell you that it was a complete failure. It involved protests against the foundation. It involved litigation against the foundation, for essentially overriding the indigenous structures and the capacity of the community in doing the work.

So in preparation for this session, rather than simply coming up with all the examples that I could about philanthropic failure to see a community behind their grants, I contacted a few dozen people inside and outside of philanthropy – outside to the extent that they are the recipients rather than the grantmakers – to get their perspectives on how foundations recognize and learn from mistakes and what they think foundations can do to create a culture of more sensitivity for their community in the contexts in which they operate. And I also asked about what they can do to create an environment that really gets to some of the culture that I think Bob’s book tries to get at.

I’ll start with a comment that one of them gave me, which was basically that unless a foundation is full of complete deadheads, every foundation learns from its mistakes. The question is, what do they learn and how do they deal with what they might be learning from those mistakes. It’s not that what leads to experiments, pilots and demonstrations that don’t succeed. It’s how do the mistakes affect and turn communities into petri dishes, and people in those communities into lab experiments. That has to be looked at.

So here is what they told me are the causes of the problem, and I’ll give you what they told me might be some of the solutions for foundations dealing with this. For the causes of the problem, first is the learning predispositions of senior management. They said that one of the problems is that there has to be a culture of learning if foundations are to be able to learn from their mistakes and recognize the mistakes as theirs. We all cited the Hewlett piece, and Paul Brest’s quotation about how the mistakes are shared. If you look at the evaluation that was done for Hewlett of the Comprehensive Community Initiative there, what is interesting about the shared mistake is that the community was not ready for the intervention that Hewlett gave them. So wait a minute. That’s an unusual version of shared. It’s like, we had a good idea, and our mistake was we thought you were ready, and you weren’t. So I get a little concerned when it comes to that.

So foundations, if they’re going to recognize mistakes, they have to not get carried away with the rightness of their ideas and a sense that somehow the solutions to social problems and community economic development are lodged in neat technical solutions. The Gates Foundation, for example, is even learning this when it looks at vaccines and medicines in Africa. You can prescribe all the pills you want, but if there is no clean water to be able to wash the pill down, it becomes very hard to do that. So you need to invest in the infrastructure for the delivery of benefits, not just the technical innovation.
Everybody in this, in terms of the culture of foundations, has said that it’s nearly impossible to get honest feedback. And it’s great that your funders are rewarding you for this, but in many cases, nonprofits are quite afraid if they admit mistakes then they are not going to get funded. Despite the language that says, ‘Oh, we invite you to admit your mistakes’, it doesn’t really quite happen.

Moreover, if you say to foundations that the mistake is their grantmaking strategy, well, I won’t use the word, you don’t really get a warm reception in many foundations. Particularly, and I think this goes to the Northwest Area Foundation example, foundation executives that have big ideas, there’s a delight in current philanthropy of being contrarian, of saying, ‘My ideas are different than everybody else’s’, and that I’m bucking conventional wisdom’, so that when your grantees say, ‘You know, it’s not working for us. It’s not working in the communities’ it’s often easy to dismiss that kind of feedback as, ‘Oh, those are conventional wisdom thinkers, and I’m further ahead than they are.’ So there is a problem of the culture of learning. That’s the first one.

The second one is overpromising the benefits of foundation ideas. And this is my point about foundations as micro players, that you’re really talking about micro money addressing macro problems. Often in many cases, when foundations intervene in communities they forget to see that people really have expectations that get raised and lowered quite quickly. Now, one of Bob’s bosses, Ralph Smith, says that foundations should be in the solutions business, funding solutions to social problems, wherever they might be found in the nonprofit sector, the for-profit sector and government sectors. But solutions to social problems are very hard to do with micro money. This is where I think even foundations do themselves a huge, huge disservice.

I’ve sat through many of these meetings where they debate how they’re going to solve all these problems. Even if they act in any one area, the local partners are virtually bankrupt and have almost no capacity to carry some of the stuff out. But community people see the foundation people come in with the clipboards. They see people like me doing interviews, because I’m a big interviewer when I do these things, and expectations go up. We call this “creeping commitment”, which is where foundations start mucking around in a community and so the people start to think that big money is coming. ‘Bob Giloth is talking to me. I know I’m getting the money.’ So there is this expectation issue that occurs as well.

The third issue is that people complained about dopey timeframes. Bob’s volume does a very good job talking about how hard the work is for social change, but foundations, and many other funders as well, often want to see changes in impacts and outcomes in timeframes that simply don’t make sense, particularly on social issues. So here they often think they’re funding technical solutions in economic development. They fail to take the longer view of the capacity that needs to be built in order to carry out economic development in a community context. So frequently, it’s not just the fact that foundations have short attention spans.

Remember the old TV show, *Short Attention Span Theater?* I always think foundations were actually cast in that. But it’s not simply their short attention spans. It is the fact that they have unrealistic views of what they might be looking for, and they pull the plug or declare something a failure, because they don’t have the institutional peripheral vision to see that there is really potential for success there. They need to have a longer view for that. That’s why investments in the capacity of a community to address problems, which is a very long term response, doesn’t fit into a lot of foundations’ social engineering. However, it is actually very crucial to the building of success in communities.

My fourth point concerns pushing evidence grantmaking beyond the realm of evidence. The concept I have is always from Charles Abrams in the international development field. He wrote, *Development Projects Observed*, which is a brilliant book that talked about the concept of the hidden hand of creativity. To me, this is community economic development personified. If you try to imagine all the problems at
the outset, on day one you try to think of all the problems that are going to be encountered and whether it’s technically feasible to do half of the community projects that Bob and I have been doing for years, we wouldn’t do them, because we’d know you can’t do them. It’s impossible. There’s no way these projects pencil out as feasible. But the hidden hand of creativity both allows you to sort of dismiss some of them, or not know some of them, and your creativity helps you solve some of those problems as you encounter them. But if you don’t invest in the capacity to develop that kind of creativity and to create the organizations that are going to be there to do this, you won’t do it. You’ll miss those great opportunities.

I worry, and one of the foundation respondents said to me that they think that the Obama Administration is pushing the evidence-based perspective beyond what is common sense, and that it leads to a process that is not looking at evidence-based planning. It’s a process that creates a lot of work for academics, a lot of work for evaluation people and expensive contracts, but we start losing the idea of just picking grantees that have a sense of what they want to accomplish, some specifics about what they know they can do, and some sense of how they might adapt as they learn. So you’re investing in groups that show the adaptive potential, as opposed to, they’ve thought about everything all the way along the line. In fact, I worry about this a lot in the international aid perspective. One of the top contractors here in the US that gets contracts from the USAID, just dropped all of its aid delivery programs simply to focus on program evaluation, because it is a more lucrative and a more reliable funding stream. So there’s a problem with the evidence-based kind of structure.

My fifth point deals with board culture. We often don’t talk about boards. It’s always been a problem in foundations. We don’t talk about this, but the role of the foundation trustees is problematic. It’s problematic to the foundation staff, because often the trustees have a quicker fix orientation than the foundation staff do. They have even less patience for long term situations. One of the respondents bemoaned the tendency of her board members to fund again and again their favorite personal charities and friends, or to focus on personalities, rather than on the organization and infrastructure of the community as a basis for supporting the community. Plus, she said trustees tend to focus on new grantmaking. So because there is such a large focus on new grantmaking, there’s often a reduced ability to look at what are we learning from our existing grantmaking in some foundations and compromise.

Six, they identify the power imbalance. Everybody here can point to the problem that foundations have significant power over their grantees. That is certainly not news here. But it is exacerbated when foundations fool themselves into thinking that they are undoing the foundation imbalance by switching from funder to partner. In the Northwest Area Foundation project, that was the big concept – the NWAF was going to be a partner to the communities, rather than a funder. And the communities and the funders I spoke to from that region told me that that switch unwittingly exacerbated the power imbalance. Rather than inducing community organizations to design and submit proposals for funding, by becoming a partner Northwest Area was seen as the dominant player in the community organization’s thinking about the design of their initiatives. Therefore, they basically almost gave the decision-making process and the design process to the foundation, rather than keeping it within their community. Northwest Area actually crafted new organizations to carry out its initiatives, rather than building on top of or building off of the existing infrastructure.

Although I give Northwest Area great credit that in retrospect they have been completely straight forward and candid about their results, the reality is that in that region the Community Ventures program is called a “$100 million mistake.” And that’s $100 million that people aren’t going to see again in that community. So they may have learned something about bypassing the nonprofit infrastructure, but it was a very costly lesson. I have trouble calling that a wonderful mistake. Many foundations exist on a class divide, where they view themselves as somewhat better than nonprofits and their grantees, and therefore they basically think that they know best.
The last point is that I was fascinated by the incentive question, because the respondents had said that another problem is the foundation business model itself. What is the incentive for foundations to learn from and avoid mistakes? One of the grantmakers said that the problem is that in the for-profit sector organizations try to learn from mistakes in order to be competitive. They are trying to basically make sure that their products stay ahead of the game and so forth. What is the incentive for competition in foundations that have no competitive incentive, have no base market measure? What presses 100,000 grantmaking foundations, not the self-critical, self-analytical Annie E. Casey foundations of the world, but what presses philanthropy to be digging into the process of learning?

The business model of foundations is to spend the 5 percent minimum distribution that is required, and to make sure that it has a return on its investment so that it doesn’t dig too much into its corpus. You may have a Bob Giloth or somebody there who’s basically pushing this kind of culture, but the business model is problematic. One former grantmaker, who I was sort of taken aback by, said to me that spending money doesn’t require learning at all. In fact, learning can be counterproductive for getting money out the door, compared to the investment that foundations make in their investment strategies, comparing their earnings to other foundations, holding their money management people accountable for good investment results, and changing money managers when they don’t perform. It was almost an argument to think of, what if foundations put the money they spent on the investment side into the foundation learning side? What a completely different kind of situation that would be.

Let me quickly go to what they said the solutions would be. They said, one, inviting criticism. This isn’t just the kind of evaluation feedback that is so common now, where we ask if foundations are responding to their phone calls quickly and do they take three months or two months in terms of making their decisions. It’s more a matter of having foundations really open up to inviting and asking their grantees and communities for feedback or open critical feedback about what they’re doing. The debate among my respondents was whether or not big foundations or small foundations are better at this. I ended up with probably more small foundation respondents, and one of them said to me that she thought that a lot of our larger foundation colleagues, and she identified Ford, Kellogg and Casey, could learn a lot from those of us who are smaller, who try our hardest to be good listeners first and foremost and who are willing to hear the good, bad and the ugly, even if it relates to us. So I don’t know how valid that is. But the question is whether the foundations are inviting critical feedback so that they can actually know what is going on in the community and so forth?

Secondly, is the issue of right sized grant reporting. It is easy to say right sized. The issue is grant reporting that encourages honesty and reflection. I’ve always written reports that way. I remember writing a big one for the California Endowment, where I just said something that had been done at the National Committee for Responsive Philanthropy (NCRP) was a complete and utter failure, based on a strategy that they suggested we pursue. I never got a response back from them. I don’t know why. It’s like, ‘Let’s discuss this. Let’s figure out what we can learn.’ So they say that even with some foundations that are starting to build in these kinds of questions into their grantmaking reports, they feel that nonprofits can’t be as open as they should be, and if they do share, foundations will use that information that goes against any part of the strategy that is the foundation’s strategy. So there is an issue with the reporting.

Third, letting nonprofits develop their own plans for action and letting them exercise self-determination. There is a tendency, again, to bypass community organizations, and it’s important to basically build on their infrastructure for capacity.

Fourth, learning through affinity groups for field learning. The problem is that you have affinity groups in this country, I’ve counted 72, beyond those that are associated with the council. They should be great venues for those mistake discussions that Bob talked about. But too many of those affinity groups
operate as PR. They want to focus on the great things that their foundation is doing, not on internal learning. There’s a great opportunity in the affinity groups, but my respondents were very critical of the affinity groups that turn into what they call “show and tell PR”, versus any true space for reflection, challenge and learning.

Then fifth, do foundations change behavior as a result of what they’re learning? How do you know a foundation is learning? They know they’re learning something, because they’ve changed as a result of it. If they don’t change, what is the learning that is going on? So the question is, are foundations actually making changes that you can say, ‘Here is a foundation that learns, because they are actually changing their behavior, changing their strategies, and taking their lessons to heart.’ It’s a rare kind of foundation that admits that. I’ll give credit to the Northwest Area Foundation. After looking at that $100 million mistake, here’s what they admitted that they clearly misdesigned and misdirected in the program. They laid out the following bullet points:

- We have returned to our roots as primarily a grantmaking institution, rather than designing and operating our own programs.
- Instead of initiating new community-based organizations, we make grants to existing, proven and promising organizations working to reduce poverty and build sustainable prosperity within our region.
- We have embraced the need to listen well and conduct ourselves with humility, recognizing that the greatest wisdom about building prosperity resides in the communities themselves and within the organizations we fund, not within the foundation.
- We have recommitted ourselves to the idea that no funder can afford to go it alone, and we actively seek collaborative opportunities.
- We are striving to communicate more clearly and more regularly with our grantees and to articulate our mutual expectations more precisely.

I thought that was a great summary of real learning where they say, ‘we’ve changed’ and ‘we will do this in the future.’ That is evidence of learning, when you see a foundation make those changes and acknowledge them. So let me stop there at this point. [APPLAUSE]

WILLIAM SCHAMBRA: Well, we are off to a terrific start here. We’re running a little short on time, but let me pose a question to especially George and Bob. It plays directly off Rick’s comments about remembering that we are dealing with real people and real communities when we’re doing these kinds of projects. Bob Woodson, who is with the Center for Neighborhood Enterprise, read the book and enjoyed it very much. He asked these questions:

In our market economy, most innovation and problem solving emanates from small entrepreneurs who create more than 60 percent of the new jobs. According to Dr. David Birch, they tend to be C students. Why is this fact ignored in the social economy, where we rely upon credentialed professionals who continue to produce failures? Why not spend some of your energy exploring what is already working among the people suffering the problems, our social entrepreneurs?

And I think the massive challenge that Rick poses to this approach is also captured in that question. So maybe if the two of you could sort of reflect on that for a second, it would be useful. And of course, anyone else, jump in as well.

ROBERT GILOTH: I think that is a great comment. I know in our community building work across the country in a bunch of cities, one of things that we’ve done pretty consistently that has always been a success, although it’s had a certain amount of failures, is very small, micro grantmaking in
neighborhoods. We literally make grants of $200, almost like micro enterprise, $200, $500, $1,000, and really work with residents to administer those small grants programs over time.

Now, that is really a great way to start to figure out what are the assets, who are the entrepreneurs, and who are the leaders. So I think that’s a terrific idea. The other side of this, Bob Woodson’s comment about small businesses, they also fail three out of five times, and there’s a tremendous amount of churning. So how do you support that, build it and turn it into the kind of outcomes you want? But I think it’s a great idea, and if you want to do community-based work, you’ve got to not simply hold meetings. That resource has to be available to others in the community, and they have to be able to tie it to real things that they’re doing on their block, with their church, with their school and so on. I’d say that we probably don’t do enough that way. But it’s proven very successful.

WILLIAM SCHAMBRA: In other words, if you had gone to the village before you built the Canadian version of the gravity water system, you would have seen the concrete infrastructure already there. So this is a very blatant example of how it might have been useful to look at what was going on already, because you would have seen this structure there.

GEORGE ROTER: I think for us, there are some things that we do culturally as an organization, mainly because of where we came from. What business do engineers have to be in international development? There is sort of a humility associated with that that we had to recognize in ourselves right from the beginning, which suggested that this notion of credentials is actually quite beside the point. What you need to do is find the best ideas from where they come. And it pervades our entire organization of how we operate, right from how we hire, where we actually have a rule that we’re not allowed to put a requirement for a particular educational credential on any of our job postings. It’s just not allowed. We don’t allow it, because we want really talented people from wherever they come, even if they don’t have a Bachelor’s degree, not to mention a Master’s degree or a PhD. And it goes all the way down to how we actually invest in some of the work.

To me, it is not even so much making that recognition that there are a lot of ideas out there and figuring out how to find them. But it’s saying, what then becomes our role in incubating those ideas and allowing them to flourish and grow? It’s a very tricky thing, because you start to understand that if you’re selecting from those ideas, you are bringing a bias. If you are investing in everything, and then waiting for the best success to emerge, then you’re bringing in a bias in terms of what you define as a success and on what timeframe. So it’s actually not surprising that more people don’t do it, because it’s incredibly difficult to do.

If you take the small business analogy and extend it a little bit further, you actually have an entire industry that grapples with how you invest in small promising businesses. You have friends and family money and venture capital. You have venture capitalists (VC) that specialize in different sectors, and VCs who specialize in mezzo funding, and then mezzanine funding, and then pre-IPO funding and post-IPO funding. It is like you actually have an entire system that has figured out, to a certain extent, even though they still have a 60 percent failure rate, how to find and nurture these ideas. In the nonprofit sector, I think one of the things that we need to do, and this is foundations and also people like us who are working close to the ground, is to start to learn from other places on what is the best practice for finding those great ideas, not focusing on credentials, and figuring out how to incubate them, grow them and allow them to flourish from the ground up.

RACHEL MOSHER-WILLIAMS: I was just going to add that I think that the issue with the system, basically, is that those who have credentials know how to work within the system. So I think that with both government funding and with nonprofit funding, that there’s a system of grant proposals. I mean,
once you have been writing grant proposals forever, you just learn the language. There is a programming piece of it that is key. It’s access and knowing the language sort of gives you that access. It’s a bias.

WILLIAM SCHAMBRA: Questions, please, from the audience. Yes, Martin.

Q: Hi, I’m Martin Morse Wooster. I know something about this subject. I wrote a book about it. I had a question for Mr. Giloth, who I know has read my book, because he blogged about it. I was wondering –

WILLIAM SCHAMBRA: But you did make a mistake (to Robert Giloth). You cited him as Mark Wooster. So you should learn from that. [LAUGHTER] But anyway.

Q: I was just wondering, if you could talk for a minute about how foundations discover mistakes and how they end programs. If I have the opportunity to quote myself, “Indeed, the law of motion in foundations is that programs continue endlessly unless stopped by a significant outside force, such as a congressional investigation or a riot.” I was just wondering if you’d comment on it.

ROBERT GILOTH: A lot of our grantmaking over the years has been structured as initiatives, and that may be worth discussing whether that is a mistake in itself. But those tend to be long term efforts to accomplish a particular set of results, and they’re time limited. Some of them actually do end. I came into the foundation to manage a jobs initiative. It was modestly successful. It had too many parts, and so we decided to unbundle the parts. The initiative ended. We went out and funded some of the pieces of it. But it ended. We’re just ending something called Making Connections, which is a ten year community building effort that is ripe with mistakes yet to be harvested. We know some of them. We don’t know all of them. But that’s ending. So we do it as a matter of course.

Have we changed to a certain grantmaking style? Should we change from initiatives? Should we change from being a kids’ foundation? Are there some broad macro kinds of questions? I think it would be harder. We’ve sort of stuck to a certain structure, but we’re reinventing it all the time. But we end stuff. It goes away. In fact, we have a part of the foundation called Transitioning Initiative, where there are a whole set of them that are transitioning out. We’ve even developed the kind of foundation speak about how do you do responsible transitioning, so you’re not simply saying, ‘You know, time’s up. You’re done.’ But how do you do it in a way that maximizes the safe landing of the best stuff that you’ve done? It was a great book, though.

WILLIAM SCHAMBRA: And it’s available.

ROBERT GILOTH: It’s a new edition.

WILLIAM SCHAMBRA: And it’s the second edition, yes. That’s right. In very back, please.

Q: Thank you. This was a great panel, well worth coming out on a chilly day. Michael Brown, Satya Development International, based here in DC. A couple of points. I think the issue of feasibility is really the key. It’s kind of the cornerstone and anchors a whole culture of dysfunctionality that I would suggest prevails and is really difficult to change. I think all four of the panelists touched really well on the topic, so I’m not going to repeat anything that was said, hopefully. But my suggestion is that if we skip quickly to Rick’s (Cohen) point about capacity building, looking at community level people and so forth, and link it back across the foundation world and hand pumps in Africa and getting back to feasibility, I think that social feasibility in particular is lacking in analysis.

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I did an article this past year that was published by a Canadian biodiversity journal on social feasibility. What I suggested was that social feasibility in the fields of natural resource management and conservation in the international arena mostly, is completely disregarded. Technical feasibility gets dealt with a bit better than the social side. However, because social feasibility is not dealt with at all, projects and programs are completely improperly designed. Those are the projects that foundations are funding. There needs to be a culture in the development world, whether it is community development in the US or community development in Africa, which demands that both technical and social feasibility drive the project and program design process. I’m basing that comment on 30 years of work in designing projects in the USAID context in particular.

Second point is an anecdote from when I used to work for a nonprofit downstairs. I ran an NGO and community capacity building project in Africa for eight years and dealt with a lot of hand pump issues. The project was meant to strengthen the technical and institutional capability of NGOs and community groups across sub-Saharan Africa. It was two years of funding, four, six and eight, funded by USAID. At the end of the period, and it was a demonstration type of initiative, USAID decided it didn’t want to refund the project. So we convinced the three institutional partners, World Learning, CARE and the World Wildlife Fund, to have us do an analytical assessment to see what we achieved on a cognitive, behavioral and biophysical level through our training, our information support and our technical assistance. We did the analytical assessment with teams of Africans in Mali, Cameroon, Uganda and Madagascar. It was one of the most fun things I ever did and one of the most worthwhile things I ever did. The document is available now online in USAID’s DEC clearinghouse.

My anecdote is the following. Not once, from anybody, anywhere, any place, any time did I or the institutions I was associated with ever get a call about the failures that we discussed in that publication. It is still available online. I find that fascinating. And the point I want to make about that is that we’ve sort of reached a point where it’s politically correct to talk about failure and to say, ‘Hey, we’re interested in failure, and we want to address it.’ But in reality, the economic pressures are such that people, at the end of the day, just really don’t want to deal with it.

Final point, through USAID funding, mostly in Central Africa, I founded and ran an NGO for ten years. I’m no longer associated with that, but we were dealing with conservation work across massive landscapes in Central Africa. And the question is, how do you involve community groups in conserving tropical biodiversity, while at the same time alleviating poverty and promoting community level development? We looked at methodologies on the shelf, but there still really aren’t too many methodologies that empower people to drive their own programming vision for what’s going to happen.

We developed this thing called the community options analysis and investment toolkit, worked on it for eight years, USAID funded it, and the anecdote on that particular story is that even though I continue to use it in the work that I’m doing today, it is something that nobody has really picked up on. The learned experiences, whether they’re positive or not, they don’t really fit into an institutional paradigm, whether it’s a donor paradigm or a major NGO paradigm, people just don’t really want to learn. So the question that I have is, are people really serious about learning?

WILLIAM SCHAMBRA: That’s a good broader question, because we’re out of time. So this will have to be our last set of responses. What I hear in that question is a really terrific point, which is, the broader question of learning. And George’s anecdote about how there was a piece of data out there that was available, had people taken the time to dig it out. But of course, you know, we’re piling up an enormous amount of information in all sorts of venues and forms. There isn’t the effort to learn in any systematic way from that piling up of information and piling up of essays and studies. And I’m not sure what the answer to that is, but maybe you can reflect on that in this last go around from the panel.
ROBERT GILOTH: One place we didn’t get to in the book, because we had so many stories that were about a similar set of investments, workforce and assets, was on the difficulty in fashioning hypotheses about what the field needed to learn about, because there is such a fragmentation that I think philanthropy promotes, but certainly public sector financing as well, where everybody’s on a million different courses. But actually, there’s probably a more limited set of hypotheses that we all should be working on together. I think it struck me that these stories kind of yield them up, and that we ought to spend some time on that. That way you could actually focus where your investment goes.

RACHEL MOSHER-WILLIAMS: I was just going to say that not that many foundations have evaluation programs, and even fewer have learning officers. Some of them do, but there’s a difference between evaluation and learning. I think that’s a critical difference. So those who have learning officers are really lucky, because they have that historical knowledge, often in folks, and one thing that’s going for philanthropy is that there are people with long tenures. It’s hard to get into it, but people don’t, unless they have to, they don’t leave that quickly.

So that is helpful, but it’s important to either develop more of the culture of learning at foundations, or the wall between funders and grantees has to lower a little bit, because obviously there’s significant expertise within the grantee community to actually help the foundations develop that. Foundations tend to say to grantees, ‘Here’s our framework. You must love this. Now go use it.’ As opposed to the other way around. So I think it’s about changing the culture a little bit, too.

RICK COHEN: I think there’s a significant problem here. Has anybody looked at the report that just came out of the congressional committee that looked at the financial crisis? What is striking about that is, and I’ve been saying this for a long time, that we all knew the crisis was going to happen. We knew about the subprime lending. The evidence was there. The information was there. The ability to learn from that was willfully ignored, as opposed to a surprise like, ‘Gee, we didn’t expect this. Wow, what a surprise.’ This was all predictable. In fact, there were some people who set up responsible lending. Others were writing this stuff in 2006 and 2005 saying that we needed to get ahead of this and nobody did.

I think there is a problem that goes back to your social feasibility question as well, and that is that we often focus on advances in technology, on innovations without the sense of, again, not just the capacity of organizations, but the people behind them as critical elements of what we’re doing. So as a result, we dismiss the learning, because we’re always going to find the next advancement, the next advance to solve a particular problem to make a new synoptic leap into an innovation, as opposed to saying, we have to look at the people, the organizations that are involved in carrying out these activities. What are they capable of doing? How are they structured to do this? Are we investing the right kind of capacity in them? We might be able to avoid some problems, rather than saying, how do we now recover from four million foreclosures and two million people having lost their homes right now? So I think we have some significant problems dealing with mistakes, even though we know they’re there. This problem does relate to the social feasibility question in a very broad way that I think is endemic in our work.

ROBERT GILOTH: One of the problems I have with Obama’s Social Innovation Fund is that it kind of reflects philanthropy’s need to keep doing new things. It didn’t spend the time to figure out what have we learned about replication. We have so many failures in replication. What did we learn about site capacity? Who can do these? All those things have not been really looked into, and there’s a real opportunity to grapple with some of these feasibility questions. And I’ve benefited from this with some of our projects. We have more money out on the street doing some very good things. But I think some of those questions have not been addressed, and I suspect they’ll be a whole bunch of sub-optimal replications of some pretty good ideas.
WILLIAM SCHAMBRA: George. Last word.

GEORGE ROTER: I won’t say too much other than I think that what we’ve done in EWB is create the mechanisms to constantly remind ourselves how little we once knew and how little we know now. We created those mechanisms because we have a lot of open feedback and conversations with people who are in the field and who have an approach to learning about that. But we also have those mechanisms because we have a lot of people who are very new to international development. When I go out, still, and sleep on couches across Canada and talk with someone who is 20 years old and is having their first exposure to what appropriate technology is all about, and you enter into that conversation again for the 150th time, you actually remember what it’s like to learn. And I think that that is really critical. I think it’s the piece that we’ve built into the mechanics of every piece of Engineers Without Borders, and I think could be useful also.

WILLIAM SCHAMBRA: Very good. All right, well let’s give our panel a round of applause for a terrific discussion. [APPLAUSE]