

# MORAL VALUES AND PRIVATE PHILANTHROPY

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**M**y aim is to consider how private philanthropy — and that of foundations specifically — can better serve its social purposes. What I have to say may strike professionals in the field as naive. Admittedly my perspective is limited, for I have sat only on the grantee side of the desk. But I have also often tried to put myself into the grantor's frame of mind. The impressions gained in that way have been confirmed and modified by numerous recent conversations in preparation for this paper. The heads of foundations with whom I talked, the board members, and program officers, all were warmly forthcoming, forgiving of my naivete, and very helpful. I hope that what may be construed as criticism in what I have to say will not be taken as betrayal of those good offices. I mean it as support and encouragement of the positive intent I found in every instance.

When I accepted the invitation to write a paper on moral values and philanthropy, I first reflected on my own experience. I have often been troubled by my own moral standards in dealing with foundations. In nearly every instance, the proposals that I have written have contained an element of exaggeration — a heightening of the importance of the project I was proposing and of the capacity of my institution to carry it out. My end-of-grant follow-up report has almost always contained exaggerated claims for the project's success.

This inflation was not done consciously. It was a tendency learned early in my career from reading other proposals and participating in committees designing projects to be proposed. That is to say, I came of age professionally in a cultural environment where such inflation was the norm.

It seemed to me that prudence required exaggerating my proposals in order to enhance the probability that they would receive favorable action, because I recognized that proposals competing with mine would be similarly exaggerated. It was as if we were all playing a game of rhetorical persuasion where the rules regarding honesty and candor are suspended or subtly altered, just as they are in poker. By the same token, I felt compelled to exaggerate my follow-up reports, because the probability of receiving future funding from the grantor would be diminished by candor. Whether either fear was justified is, irrelevant; what is important is that I believed them to be. It is also important that I believed that others believed the

same. Indeed, I know from talking with deans and presidents that they believed future funding would be diminished by candor, and they believe it now. Once I began self-consciously to reflect on the element of deception in my proposals, I recognized that the whole culture of which I was a part supported such hyperbole.

In writing this paper, I attempt to discern how the forces that promote exaggerated claims can be altered to engender a higher level of honesty in proposal writing and grant reporting. Discussions with foundation representatives led me to recognize that there are substantial institutional or organizational impediments that must first be overcome. In these talks I also became aware of other institutional barriers to philanthropy being what it could be, and I want to address those as well.

As my ideas began to take shape I talked with a number of colleagues in other colleges about the themes of this paper. Many shared examples of misrepresentation in their own grant proposals and reports. I will use one of these as emblematic of the others, having changed the names for confidentiality.

John Ferguson is Dean of Arts and Sciences at a large prestigious private university. One day he was informed by the university president that the head of the Munificent Foundation had indicated in conversation the likely receptivity of Munificent's board to a request for support of a curriculum reform effort. The president asked Ferguson to draft a proposal for the development of some new courses about which they had been talking — courses which would provide broader exposure to the major intellectual disciplines than the undergraduates normally receive. Ferguson knew that the university president and the head of the Munificent Foundation were close friends and that the university had received substantial support from the foundation in the past. For that reason, he knew that his proposal was likely to be accepted and that it should be particularly well written to reflect favorably on the university and on his boss.

In accordance with his discussion with the president, Ferguson drafted a proposal to enable faculty to design a set of new undergraduate courses. The proposal offered financial inducements to the faculty by giving them release-time and a large supplementary stipend. It also proposed

supporting the best graduate students available at the university to serve as teaching assistants, and made liberal allowance for teaching materials, visiting lecturers, and expenses in the courses.

Ferguson was troubled by the fact that money received to support the graduate students would substitute for stipends that would be provided to them whether the program was funded or not. Similarly, the grant would substitute for visiting speaker funds that would otherwise be provided to the departments involved. Funds for instructional materials would be substitutive as well. Actually, it was only the funds for release-time and salary supplements that would otherwise not have been provided by the institution itself. Yet the faculty were normally obligated to design new courses without the benefit of release-time. Also, Ferguson did not think that the design of a few new courses would suffice to meet the need of curriculum reform, although he had been given to understand in his discussion with the president that such representation should be made. It was included in the proposal and it bothered him.

As expected, the program was 'funded by the Munificent Foundation, and it ran for three years. The first year was given over to planning and the last two years, to implementation. At the end of the three years, Ferguson was asked by the president to draft a report to the Munificent Foundation.

The program, on balance, was a failure. While the courses were designed and taught as promised, student reaction was unfavorable: enrollments had declined substantially in the second year. Students complained that the courses were too narrow and technical — exactly the problems with the general curriculum which the courses were designed to correct. Ferguson and the president discussed the report and the embarrassment that would result from being candid about the results. Ferguson was told to soft-pedal the difficulties with the courses and to play up their benefits. His report ignored the decline in enrollments and emphasized the fact that the courses were academically rich and exciting to the instructors who taught them. He did not mention that the courses would not be taught in the future because of inadequate enrollment and the desire of the faculty, after the initial excitement, to return to their traditional courses. In deference to his boss and because he was worried about the possible loss of future funding from Munificent,

Ferguson was satisfied to write a whitewashed report.

Reflection on this case reveals several institutional or cultural factors that contribute to the ethical problems involved. First, of course, is the desire of the university for funding and the belief that the proposal must be presented in the very best possible light. Second is the need of the university to underwrite its budget, and the opportunity provided by the grant for substitutes. Third is the personal relationship between Ferguson's boss and the head of the foundation, a relationship that would be injured by the university's failing to fulfill its promise with respect to the grant. Fourth is the desire on the part of the foundation to support distinguished institutions which it has good reason to believe will spend the monies wisely. Fifth is the fear on the part of the university that an unfavorable report on the grant might jeopardize future funding. Sixth is the tendency of the grantee to "tailor" its proposals to the guidelines or interests of the grantor. Finally, the case raises questions about a foundation's responsibilities for due consideration before a grant is made, for monitoring the project under way, and for assessing its results. The case poses even larger questions involving support for specific programs versus unrestricted support for institutions.

Let me focus on the phenomenon of inflation in proposals and final reports. It led us into the other problems; possibly its solution will lead us out. We will find that 'institutional forces — forces endemic to the current culture of foundation philanthropy serve to perpetuate the phenomena of exaggerated proposals, suppressed failures, and a general lack of candor in grantee communication with grantors.

It might at first blush appear that there is nothing really "wrong" with the exaggerations we have identified, that proposal writing and grant reporting adopt by custom a special kind of persuasive rhetoric. Where's the harm? Program officers and foundation boards were not born yesterday; they know full well that the grantee is trying to sell his program and his institution. There is probably substantially less outright fraud in grantsmanship than in society as a whole. The system works to ensure that much good is done, so why tinker with it?

It is probably true that little direct harm comes from grantee-perpetrated deception. Still, there are

compelling reasons to seek its elimination. In the first instance, there is something unsettling in the idea that a condition of less than honesty is something we should live with. It belittles us all to suppose that telling and being told white lies is simply part of our culture. White lies are still lies. It is not excessive moralizing to maintain that accepting innocent lies in one arena of society functions to encourage deception elsewhere, further lowering the integrity of our society as a whole.

Moreover, and more importantly, philanthropy as an institution has an obligation to achieve a level of integrity well above that of society in general. The overriding purpose of the institution of philanthropy is to improve the world in all its aspects, particularly those that pertain to values. This purpose cannot be accomplished well if philanthropic agencies do not themselves exemplify the highest ideals and values.

If we are to reduce the frequency and magnitude of exaggeration in proposals and reporting, as I hope the reader believes we should, then the burden of promoting that change must rest with the foundations themselves. That "must" is a prudential obligation, not a moral one. Morally it is no more incumbent on foundations to promote candor than on grant seekers to do so. After all, it is the grant seekers who are directly responsible for the shortcomings we are focusing on. The problem is that moral admonition alone is unlikely to change the behavior of grantees. As long as they perceive candor to be reducing the probability of being funded, they will not be fully candid. Grantees collectively can hardly bring about reform while sensing that it is in their individual interests to resist such reform.

We have to look to the grantors for the mechanisms that will correct the problems. Individually and collectively, foundations have the capacity to change the culture in which grants are sought and reported. If you have any doubts, you have only to recall how attentive each of us has been to the slightest nuance in our dealings with prospective donors. Even so, this cultural change will not come easily. It will require the concerted effort and attention of foundation boards, presidents, and, most importantly, foundation program officers. Most of the weight will fall on the shoulders of already overworked program officers because it is they who are in direct contact with

grantees, and it is primarily through direct contact that change will come about. It is only when grantees perceive that forthrightness is the best policy — that it is the foundation's policy — that they will become honest in their representations. It will fall to the program officers to convince them; and for this to occur, there will have to be substantial changes within the foundations themselves.

It is easy to understate the difficulty of enhancing candor and reducing hyperbole. Hyperbole is ubiquitous in our society. It bombards us daily through television and print advertising. We in academe contribute through our admissions and alumni publications. It is so commonplace for sports information offices to exaggerate the exploits of our teams that we do not even think of such "color" as objectionable or as contributing to the spread of hyperbole elsewhere.

The problems are exacerbated and their solutions more difficult because we also live and work in a cultural context of adversarial relationships; secrecy and deception are one way of interacting with each other. It is so easy to see ourselves in a win-lose contest with the institutions of society and with each other. When combined with the grant seeker's belief in the worth of his cause and his conviction that it should therefore be supported by the foundation of choice, the broader context of adversarial relationships promotes truth-stretching in proposals. Foundations, in their relationship with grant seekers, can create a countercurrent to even such broad cultural forces by not acting in accordance with them and by encouraging their clients to follow suit.

This countercurrent can flow only from a foundation culture in which candor is engendered and esteemed, in attitude and in organization. We can safely assume the intent of foundations in principle. Therefore, I can think of nothing more effective in this regard than a substantially improved quality of communication between the foundations and their clients.

Foundations, speaking broadly, could be more open in sharing information about their philosophies, goals, programs, and procedures. They could also be more open regarding their own misgivings about their philosophies, goals, programs, and procedures. For foundations operating in the public trust, to open themselves to

public scrutiny in all respects, including their own misgivings, would do wonders as an antidote to societal secrecy, mistrust, and misunderstanding.

One of the first places for foundations to practice such openness and candor is in the president's letter and the annual report. Another opportunity for continuous candor is in the interaction of program officers with grantees. In a way that I will address in a moment, program officers are constantly under political siege; of necessity they have become defensive in their dealings with grantees. To risk dismantling these defenses, program officers will need the full support and backing of their presidents and boards.

There are forces that operate in opposition to open and honest communication between program officer and grantee. One of these forces results from a tension between the program officer's responsibility to assure that the goals and expectations of the foundation are met and the necessity of his working to help produce a program or project that the grantee and his organization are interested in bringing about. The programs, goals and guidelines of the foundation rarely reflect the interests of grantees exactly. It is a challenge for the program officer to get the grantee to work toward the guidelines. The more specific the goals and guidelines, the stronger the nudge has to be. This tension contributes to the adversarial character of the relationship. It would be better for all concerned, I think, if program officers had more discretion in interpreting the guidelines of the foundations. While being given more latitude to negotiate with grant seekers, the program officer should at the same time be given a mandatory responsibility to report on what he has done. Until such open negotiations are permitted, the undermining tendencies at work will be concealment by the grant seeker and rationalization by the program officer.

The program officer's inclination to be straightforward is diminished by a kind of bunker mentality inherent in being on the firing line. Not all grant seekers are powerless in the relationship between themselves and foundations. Because the program officer says no to grantees so often, eventually he is sure to catch some flak. It usually comes from the trustees of the grantee organization who complain to the president or members of the foundation board about the program officer. The

complaints may not be justified, but they create a psychological pressure on the program officer. The result is a tendency to duck the responsibility for saying no.

As an untoward aspect of career development, the program officer begins to use dishonest techniques for saying no. For example, he will claim that a particular proposal "doesn't fit the guidelines" or that it is "not expressive of the interests" of his trustees. Persistent use of this device creates a psychology of estrangement from grantees. It takes an enormous amount of fortitude to say no directly. It is unreasonable to expect individual program officers to sustain the courage of the Lone Ranger. Part of the fortitude has to be provided by the president and the board. Their program officers must be sheltered by a whole foundation culture directed toward conditions of honesty and openness in all relationships.

Once the culture begins to change, there is likely to be a reinforcing synergism — in the area of personal relationships, for example. Because they fear program officers and feel they must seduce them with beauty while concealing their flaws, grant seekers do not pursue a relationship with program officers built on trust. Grantees are reluctant to question the judgment of program officers for fear of engendering the officers' disdain. The program officer who hears nothing but flattery from grantees, nothing critical of his judgment, naturally yields to a sense of omniscience and omnipotence, which at some level even the program officer knows is not warranted. Once this phenomenon is dispelled by a more candid relationship, the program officer and the grantee will feel less estranged from each other. The job of each should become much easier and their joint effort enjoyable.

Beyond this critical personal relationship, let us consider a deep-seated psychological and sociological phenomenon that tends to perpetuate attitudes of deception toward the self and others. It is one that is present in any organization, and it is an aspect of our individual psyches. Applied to foundations, it is represented by the fact that what a foundation holds at any given time to be important for the foundation to address — its area of priority concern — can in actuality be a kind of indigenous artifice. A foundation's interest at any given time will have arisen from discussions within the staff, within the board, and between the two regarding

the issues of the day. Once an area of particular concern has been delineated for attention, the problems associated with that area tend to take on a greater significance within the foundation than they had when they were simply some among many large problems being considered. It follows that the importance of projects aimed at those problems begins to grow in the minds of people associated with the effort.

Initially there may have been open skepticism; subsequently it tends to be suppressed. What skepticism remains becomes a shared feeling rather than a subject of conversation. Growing enthusiasm for the direction the foundation has taken tends to drive out doubts about its capacity to achieve significant results in that direction. A conventionalization of belief emerges that is mutually supportive and rejects contrary views and evidence. The foundation's vision becomes afflicted by a myopic optimism.

Francis Sutton, who is doing a history of the Ford Foundation, speaks of a "conspiracy of optimism" that arose during the period in the 1960s when an important part of Ford's effort was directed toward improving governance in several African nations. The "conspiracy" arose from a strong desire to achieve something important. On the reasonable belief that formal training in public administration would affect in a significant way the quality of government in African nations, Ford devoted a great deal of effort to providing such training. Confidence was supreme as the program got under way. Mounting enthusiasm drove out doubts. Contrary evidence that was available on the likely success of the program was not perceived in the way that, in retrospect, it should have been. During a fairly short time in the 1970s, the Ford staff's confidence totally collapsed on the realization that the program was a failure. It was analogous to a paradigm shift in science. Once people's apperception had been transformed, much of what earlier should have been seen as contrary evidence came into focus.

Nor are individuals immune to this phenomenon of illusion. As a historian of philosophy, I have often found myself becoming more and more convinced of a particular theory the harder I tried to explain and defend it to someone else. In making our views intelligible to others, we tend to suppress the uncertainties that we might

entertain while those views are being formed, to filter out any vagueness in our understanding. The necessity of having confidence in what we are talking about tends to drive out reasonable doubt. We, as individuals or as organizations, simply cannot live comfortably with misgivings and doubt. We are not at ease with this aspect of being human.

To pursue the phenomenon just a little further, I think it is obvious that something similar frequently occurs with a breadth that is national. This is part of what subtends the phenomenon of fashion in *Zeitgeist*. I have been amused for some time to watch the waxing and waning of investor interest in biotechnology. A few years ago, absolutely astounding forecasts were made for biotechnology's effect on our lives and on business and commerce by the year 2000. The forecasts were simply earth-shattering — and all of the theoretical evidence to support them was right there. An enormous movement of investor interest followed the forecasts. Two and one-half years later it was clear that the favored biotechnology companies had been consuming all of the investment money available to them at a very rapid rate. Investors began to demand the promised products. When they were not forthcoming, the retreat began in earnest.

In the greedy frenzy that fueled the public offerings of the first biotechnology companies, investors had ignored admonitions that products would not be forthcoming quickly. To the extent that they understood the complexity of the science involved, investors overlooked obvious problems that had to be solved before there could be commercially useful products. Early enthusiasm drove out doubt. Later, too late for some, doubt drove out enthusiasm.

The phenomenon I have described — let us call it myopic optimism — makes it difficult for foundations to look critically at large priorities and programs. In its individual manifestation, it makes it especially difficult for program officers and for grantees to look critically at how favored programs might fail. In thinking through his proposal, the grant seeker naturally subordinates his doubts about its success. They have all but disappeared when it comes time for putting thoughts to paper. This shoring up his beliefs, this myopic optimism, enables the grant seeker to marshal arguments and enthusiasm with which he can parry any questions or misgivings the program officer may raise. Of

course, once the program officer becomes convinced, the myopic optimism begins its work on him as well. In advocating the proposal to his colleagues, the program officer will automatically discount the respect merited by any doubts that may be raised.

There is another phenomenon of the human psyche that exacerbates the problem of myopic optimism — our aversion to complexity. Most of us, though not consciously as a rule, are willing to deceive ourselves in order to avoid the discomfort of living with ambiguity and facing a complexity that taxes our capacity to cope. We would much prefer to have our problems and their solutions framed in absolutes; decisions would be so much easier as either/or alternatives. The doubts that may appear around the edges of something we want or need to do are a complication to be put aside.

This aversion to complexity is evident not only in the grant seeker's proposal and in the foundation's consideration of its interests and programs; it is also present in virtually every aspect of our individual and collective lives. At the national level, the media favor this desire for simplicity by cleansing world problems of their complexity. Solutions to the world's big problems tend to look a little simpler immediately following the evening news. This consistent lack of sensitivity to the political, economic, and moral complexity of the world is one more element eroding the quality of international understanding.

Foundations are bound to encounter complexity because, to begin with, they do not have the bottom line of business or a comparable finite standard against which to set their objectives and measure results. Foundations must consider a multiplicity of objectives and measure results. Many of them will be long-range ones. A multiplicity of distant objectives is guaranteed to breed uncertainties and produce complexities. The foundations' response is a kind of subjectivity leading to unrealistic goals, poorly designed programs, and a failure to assess adequately a program's results.

For example, the foundation that sets out to improve the food supply in Ethiopia will be confronted with a challenge of such breadth and having so many facets as to be almost incomprehensible in its true complexity. Given our aversion to complexity and the inclination toward myopic optimism, the natural tendency will be to

solve those problems which, in the design of the idealized program, seem amenable to solution. Attention to those problems which seem hopelessly complex will simply evaporate in the dry desert air. The end result may very well be the illusion that when several problems have been solved, they all have. The illusion of composition I have described as a problem for foundations is a phenomenon that can beguile any organization.

Let us return to some specific things that foundations can do to improve their cultural environment. One of the most important advances foundations could make is instituting a sophisticated system for review, a kind of due diligence before grants are made coupled with systematic post-grant evaluation. Good evaluation is expensive, and foundations will have to overcome the psychological hurdle of committing substantially more resources to administration. I think there is delusion in believing that every dollar that goes to projects rather than to administration is a dollar better spent. My own experience and numerous confirming conversations lead me to believe that it is simply not the case that foundations have the capacity to discern worthy projects and ensure their adequate implementation without a lot of administrative oversight. Even the best institutions, whether grantor or recipient, sometimes have unnecessary or poorly run programs. Without thorough accountability, the probability of that happening is bound to increase.

Before a grant is made, there should be adequate time and funds for the program officer to do on-site reviews and to bring in outside consultants for on-site reviews. Before a proposal is approved, substantial time should be spent with the grantee to ensure that the program is well-conceived and that it is likely to be carried out as portrayed in the proposal. To the fullest extent possible, quantifiable measures of effectiveness should be established before the grant is made. There needs to be a mechanism for periodic monitoring and reporting that is simple, clearly understood by the grantee, and used consistently by the grantor. Such procedures, of course, will increase the expense to the grantee and compensation should be built into the grant.

The foundation should see its interest as intimately bound up with that of the grantee in ensuring a project's success. The atmosphere sought

should be that of a joint venture. While this relationship may suggest undue intrusiveness on the part of the foundation, that need not happen. Openness in communication between the program officer and the foundation, on the one hand, and the grantee organization and its officers, on the other, can mitigate any feeling of unwelcome intrusion. Even a friendly monthly telephone call between the program officer and the grantee officer in charge of the funded project is likely to be sufficient in an atmosphere of candor and cooperation.

While pre-grant evaluation and the monitoring of implementation should be primary responsibilities of the foundation staff, I think it is important that post-grant evaluation be performed by disinterested outside parties. There is a built-in conflict of interest if the foundation evaluates its own work. The foundation, having a stake in the success of its funded projects, will tend to overlook failures, especially those that are not immediately apparent. There will be a similar tendency for the foundation staff to overestimate the degree of success.

Projects should be evaluated against the original suppositions that led to the award of the grant; and they should also be evaluated against values that may have emerged as the project developed. While it may not have accomplished exactly what was originally intended, the project may well have succeeded in accomplishing something wholly desirable even if unintended or unanticipated. Evaluators should also be encouraged to question the foundation's intent in funding the project and the value of the project in this broader context.

Thorough, consistent evaluation of grants will enable a foundation to refine its own pre-grant evaluation procedures by realizing, for example, what questions it should have asked and did not. It will also be able to refine its own goals and objectives by seeing what did and did not work in a program it helped to shape.

After the evaluation is complete and a report submitted, the report should be discussed jointly among the foundation, the grantee, and the evaluator. To the extent that objective measures of evaluation can be used, it is important to use them; but it is probably more important to have the kind of subjective evaluation that an expert is able to deliver. It is especially important that the subjective

aspects of the evaluation be discussed among all the parties involved. This kind of attention to evaluation will substantially enhance the quality of integrity in the whole culture of philanthropy. It provides an atmosphere of responsibility, concern, and communication.

I said earlier that foundations can substantially enhance the atmosphere of candor in communication by sharing information about their own deliberations concerning their programs, goals, and objectives. One way to do this is for the foundation to evaluate formally its own programs. Again, such evaluation should be performed by outside disinterested parties. One of the difficulties will be finding disinterested parties who are sufficiently knowledgeable in the field. Especially for a large foundation with broad influence, it could be difficult to find experts who do not stand to benefit in some way from the foundation's programs. It will be one more task for the president to balance the expertise of prospective evaluators against their likely objectivity.

Evaluation of the foundation's programs should look first at the mechanism used to establish the foundation's own priorities, goals, and objectives. The evaluation should not only proceed grant by grant, but should also consider the effectiveness of entire programs, starting with the procedures for the review of proposals. It would doubtless prove useful to go back and look at earlier programs and projects from the perspective of five or ten years later, helping to provide a more realistic assessment of current directions and interests. In the desire to do something new and innovative, the experience of the past can easily be neglected. That risk is less likely if a foundation is self-consciously reflecting on its experience of the past decade, counteracting the myopic optimism that grows with time.

I want to turn now to consideration of a broad area we might label "the purpose of philanthropy." I want to raise some questions about the kinds of programs a foundation ought to adopt. In my own view, foundations should be more willing than they tend to be to take risks on programs that are not sure things.

One of the reasons that grant seekers tend to dissemble is that they believe, from pretty sound logic, that foundations do not want to fund programs that have an appreciable probability of failure. It is true, as my discussions with foundation

board members have led me to believe, that foundations want to be bold, innovative, and at the cutting edge of world problems — just as long as the proposals served up to them are guaranteed. They want such proposals, understandably, because they want to be sure that their money is not wasted; and they want cutting-edge proposals so they can believe that the money was well spent for progress. More often than not, however, it is caution rather than boldness that guides foundations' selection of proposals to fund; they can be likened more to commercial bankers than to venture capitalists.

While foundations are no longer bold risk takers for the most part, they tend to see themselves in that light. That they perceive themselves mistakenly tends to diminish the probability that they will in fact be bold and innovative. This caution is often reflected in program guidelines that are written and goals that are set in such a way as to preclude failure — an insurance policy that covers both the foundation and its grantees against risk.

That so few foundations thoroughly evaluate the program they support suggests that, in truth, they do not see themselves as risk takers. In an earlier incarnation, George Schultz once said that if 65% of your efforts are successful, you're a genius. I would guess that if a foundation's board discovered that only 65% of its efforts were successful, it would regard itself as a failure.

It will require bold leadership by the trustees and president to make a foundation's program officers bold. The program officers should be encouraged to take risks, and never punished for doing so. They should contribute their share of failures, which is evidence of risk taking and shows that the foundation is in vigorous health. This will be true provided that the riskier a foundation's ventures, the more thorough its evaluation becomes. Evaluation should be regarded as a way to improve future performance, not merely a way to tally the score.

One aspect of risk taking that foundations should support is proposals that come over the transom. Foundations should be willing to break out beyond the grantee organizations they know and trust; they should be known to welcome proposals from new and little-known organizations. There is, of course, the initial time and expense of working with someone the foundation does not know, and the higher probability of error. However, that is the cost of risk which becomes lower as the

foundation increases its attention to evaluation and monitoring.

Having said that foundations should be risk takers, I also want to, argue that they should devote more resources to institution building than they do. These are difficult times for all nonprofit organizations. For many, just coming closer to the break-even point is a mark of success. Foundations have the opportunity to make a difference at the margin by providing the critical increment of funding that will enable existing programs and institutions to remain strong through these difficult times. Because foundations work by setting goals, they prefer to invest in projects rather than institutions. But these are different and critical times. Institutional funding is essential to sustain the core programs of institutions. Without this structural stability, all of those appealing ancillary projects are vulnerable to failure.

I do not mean to suggest that foundations should simply give general operating revenues or endowment funds and walk away. The foundation must feel it is genuinely a part of the institution's success. The institution must know that it is not simply being given unrestricted funding with fiduciary concern. Here, at the highest levels within the foundation and its grantee institutions, is the opportunity for the two to work together in planning, monitoring, and assessing how the committed funds are working for institutional stability and achievement.

Much of the institutional-support funding that I have seen in the past was not particularly well managed by the recipient. In order to encourage efficiency, a foundation should stipulate the control

of its money, making it completely clear to both parties how the funds will be used and how they will be monitored. This commits the institution as a whole to stewardship, while allowing some latitude to adjust as needed. Closely watched in this way while proceeding with a sense of partnership, most institutions will respond with exemplary responsibility — which is another and more positive aspect of institutional funding that I have seen.

A countervailing force to the willingness of a foundation to provide core support is its understandable and strong desire to be an agent of change. However, foundations must recognize that they are a different kind of player now than they were before government involvement in large-scale social spending. They tend to think that they should be solving global problems and that their effects are much greater than they are. Foundations must be willing to recognize their limitations. Philanthropy is a minuscule portion of the money spent annually on social needs in this country alone. For that reason especially, foundation dollars, in order to make a difference, have to be used to fund programs on the margin.

While I have argued that foundations should be willing to provide core support, I am equally emphatic in urging that programs and project funding should be gambled on projects that government is not likely to undertake. It is this dual endeavor of strengthening the core while reaching out to keep pace with change or be ahead of it that represents in my view the ideal use for social venture capital, an ideal and essential investment in society.