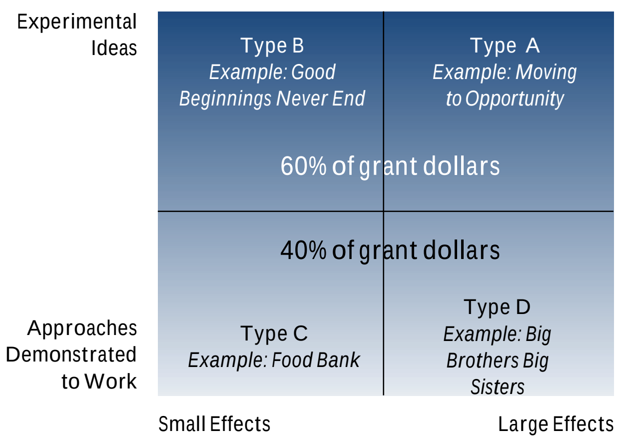
Hypothetical Risk Tolerances

The chart depicts tolerances for "idea risk" by a hypothetical foundation interested in investing 40% of its resources in relatively safe approaches and 60% in experimental ideas. Grant investments fit along three dimensions: 1) the magnitude of the intended benefits (horizontal axis), 2) the degree of risk associated with the idea (vertical axis), and 3) the potential for gaining new insight into effective practice (light-to-dark shading).

Experimental Ideas Evaluation is a priority. Assessing process and program outcomes is critical to learning what worked, what didn't, and why.

Type A: Relatively high risks are offset by the potential for large benefits. Requires long-term investments. *Example: Moving to Opportunity – a national experiment using housing vouchers to help poor families secure homes in safer neighborhoods.*

Type B: Investments dip a toe into uncharted waters. The investment and the expectations for effects are small. Incremental gains may build toward something larger. *Example: Good Beginnings Never End – a door-to-door training service in Long Beach, California that lends a hand to adults who run child-care programs in their homes.*



Approaches Demonstrated to Work Evaluation of these programs monitor implementation and the community conditions in which practitioners are working.

Type C: Short-term investments where the benefits are small, but relatively certain. Are critical for sustaining momentum in communities. Benefits are often highly visible. *Examples: Food banks and coats-for-kids programs.*

Type D: Have strong track record of producing relatively large effects. Require long-term investments. *Example: Big Brothers Big Sisters program.*