Good Results Will Be Addictive

High Engagement Giving/Venture Philanthropy: Future Trends

Prepared by: Warren Tranquada and John Pepin
John Pepin and Associates Limited (March 2005)

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This paper should be read in conjunction with:

Venture Capitalists and Entrepreneurs
Become Venture Philanthropists
By Warren Tranquada and John Pepin
(Revised August 2004)

In-House Charity Based Venture Philanthropy
Social Equity Fund (SEF)
An Approach to High Engagement Giving
Concept Development and Discussion Document
By Warren Tranquada and John Pepin
(October 2004)

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1 Executive Summary

1.1 Overview of Paper

The venture philanthropy movement[1] is evolving out of the incubation phase into a mature and increasingly accepted practice. The dialogue of prominent innovators in the field has permanently influenced the shape of the social sector and grant making practices. The growth of new venture philanthropy funds has appeared to plateau in the United States, although European activity is at an earlier stage and continues to grow. How will this movement evolve and expand in the future?

John Pepin and Associates Limited has looked at its experiences and the experiences of its clients, leveraged other public research, and interviewed international thought leaders to establish some predictions as to the positive trends that will be felt from venture philanthropy activity. This paper summarises our thoughts on the future of the movement. We are excited about the opportunities for positive and innovative social impact that will be part of this movement.

1.2 Venture Philanthropy Today

The field of venture philanthropy is at the forefront of innovation and creativity within the social sector. It has proven itself to be valuable within the markets where it has taken hold and continues to expand on an international scale. Tom Donlea, Director of Social Venture Partners International, notes that “The momentum is building. There is a burgeoning network of people who are only beginning to see their ability to make social change”.

Venture philanthropy activity today in Europe can be found in a small number of dedicated funds, such as Impetus Trust, and its influence can be felt in a larger number of venture philanthropy-like organisations, such as Futurebuilders and Diageo’s corporate citizenship initiatives. Whilst the total capital employed today is relatively limited, it is having an impact on a broader scale. Further, the expertise that typically accompanies venture philanthropy giving can be considered to be more valuable than the funds being contributed – some have described the value of expertise and connections at more than three times the financial investment.

1.3 Future Trends

The opportunities to positively impact the social sector using venture philanthropy are growing and it has an exciting future. At the same time, the definition of venture philanthropy is expanding – the principles that led to the movement are leading to new innovations that will change the nature of how innovative organisations and their supporters interact.

[1] Also known as “high engagement giving”

Venture philanthropy has continuously adapted to meet the needs of the sector. Whilst some have noted a perceived downturn in venture philanthropy related to the end of the venture capital boom of the 1990s, we believe that the future of venture philanthropy is strong, both in terms of capital employed and its influence on the social sector.

We see six major trends developing, which form the basis of this paper:

1. **Increased Capital -** There will be increased financial capital and expertise employed in the movement.
    - Venture philanthropy will represent new philanthropic giving, rather than substituted giving.
    - Venture philanthropy will engage people or corporations who may otherwise not be philanthropic.
    - Venture philanthropy will enable business impact through engaged philanthropy, opening up opportunities beyond CSR departments to access funds and expertise from the various business units within a company.
    - Successful venture philanthropy will increase the level of commitment of existing donors, reinvigorating and advancing mature funding relationships.
    - Success stories will lead to expansion in Europe.
    - Venture philanthropy will increase the social impact of trust endowment funds.
2. **Leverage Outside Of Movement -** The leverage of the movement will be felt throughout the sector.
    - Traditional grant makers will adapt many of the principles of the movement, including government, trusts and corporations.
    - There will be an increase in the acceptability of capacity funding.
    - The culture of high profile giving will increase in Europe.
    - Traditional grant makers will co-invest with venture philanthropists.
    - Venture philanthropy investment will act as a positive signal to other grant makers.
    - Venture philanthropists will provide services to support other grant makers.
3. **Evolution Of The Model -** The model will continue to evolve and improve.
    - Current venture philanthropists will increase their understanding of the charitable sector, partnering in a true sense - working within the mission of the organisation as opposed to driving the mission.
    - Innovations will be created in partnership between charities and funders.
    - Social return on investment evaluation will continue to be applied to the venture philanthropy model itself, leading to more efficient practices.
    - There will be an increase in mission-based investing.

4. **New Capital Structures –** On the leading edge, new fund models will emerge, including recipient driven captive funds and diverse blended fund portfolios.
    - Funders will create diverse blended fund portfolios.
    - Charities will lead the creation of captive funds in support of their mission.
5. **Changes In Charitable Organisation Behaviour -** Charitable organisations will adapt and change their behaviour in response to the movement.
    - Charities will proactively encourage venture philanthropy and create venture philanthropists.
    - Fundraisers will become more strategic about matching capital to needs and reduce opportunistic behaviour.
    - Increased emphasis on social return on investment will encourage a more efficient, thoughtful and independent use of resources.
    - There will be an increased familiarity with business language and practices.
6. **Impact On Larger Charitable Organisations -** The impact of the movement will start to be felt in larger charitable organisations as well.
    - Venture philanthropy will be used to seed innovative new projects, such as new programmes and services, and commercial activity.
    - Venture philanthropy will enable access to high net worth funders who otherwise might not be drawn to larger charities.

1.4 Potential Impact

The innovations and influence of the venture philanthropy movement stand to have significant leverage as a force of social sector innovation. Whilst the direct capital employed is expected to remain relatively small, the movement will positively enhance grant making practices broadly, and will stimulate innovations at charities (whether directly through engagement, or indirectly through the profile of success stories and support of existing venture philanthropists as in the European Venture Philanthropy Association).

We believe that charities will continue to be encouraged to think more strategically about their use of resources, ultimately leading to a higher social return on all philanthropic investment. Charities have the potential to leverage venture philanthropy trends to take more responsibility for developing partnerships that work, and assume more accountability to reduce the repackaging of ideas to fit defined trust and government criteria.

2 Introduction

2.1 Purpose of Paper

The venture philanthropy high engagement giving movement is evolving out of the incubation phase into a mature and increasingly accepted practice. The dialogue of prominent innovators in the field has permanently influenced the shape of the social sector and grant making practices. The growth of new venture philanthropy funds has appeared to plateau in the United States, although European activity is at an earlier stage and continues to grow. How will this movement evolve and expand in the future?

This paper was written to explore the future trends that will impact or will be influenced by the venture philanthropy movement, broadly defined as grant making by highly engaged funders and influenced by venture capital investment principles.

This paper is a prediction about the future of the movement, rather than an assessment of the present. Our hope is that this paper will inspire additional dialogue about potential innovations and lead to creative applications of venture philanthropy principles.

2.2 Methodology

John Pepin and Associates Limited prepared this paper. We looked at our experiences and the experiences of our clients, leveraged other public research, and interviewed international thought leaders to establish some predictions as to the positive trends that will be felt from venture philanthropy activity.

The trends identified in this paper are predictions and cannot be proven. However, for a trend to be included we had to have seen at least one example of the trend in action. The experts we interviewed are not in universal agreement about the direction of the movement and do not necessarily agree with every trend we have positioned here. We have used quotes from our interviews to support our conclusions; however, the conclusions are our own.

It may be useful to read this paper in tandem with two other recent papers on venture philanthropy written by John Pepin and Associates Limited:

- "Venture Capitalists and Entrepreneurs Become Venture Philanthropists" (August 2004).
- "In-House Charity Based Venture Philanthropy Social Equity Fund – An Approach to High Engagement Giving" (October 2004).

3 Overview of Venture Philanthropy

3.1 What Is Venture Philanthropy?

Although there was no single defining event or cause, over time the need for a more social entrepreneurial approach to philanthropy has increased and become more obvious, eventually being popularly termed "venture philanthropy", or more recently, "high engagement giving"[2].

In the U.S., the many different parties within the charitable sector were dramatically influenced by both the influx of new capital during the IT boom of the late 1990s as well as the decrease in government and private funding in the early 2000s. The IT boom led to a number of new investors, primarily individuals and private funders, seeking to revolutionise philanthropy through relationship-based investments in charities. It soon became clear to these investors that there were a number of challenges that venture philanthropists could address that were perceived as not being well addressed by other funders, including government and trusts.

Keeping in mind the needs and challenges that the players in the social sector face, how exactly does venture philanthropy work and how does it address these needs? Venture philanthropy is continuously evolving but at the heart it consists of a core set of principles (which may vary by funder). Venture philanthropy (VP) has had many definitions since its origins, but for the purposes of this document, VP is defined as:

> *Capital and human resources invested in charities by various types of investors in search of a social return on their investment. VP involves a high engagement over many years with fixed milestones and tangible returns and exit achieved by developing alternative, sustainable income.*

This definition incorporates many of the principles that venture philanthropy is built from. Investors who engage in venture philanthropy are driven by a desire for a social return on investment (SROI). As investors, venture philanthropists seek the most efficient use of their money in achieving a desired social goal. Like venture capitalists, VP investors seek to maximise their return by adding value beyond the monetary contribution through the contribution of expertise and strategic guidance. Like venture capitalists, management is seen as one of the primary drivers of success, leading VPs to be motivated to invest in building managerial capacity. This is one of the defining features of VP, given that traditional grant makers have tended in

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[2] The term "venture philanthropy" was first used by venture capitalists who wanted to apply the same principles they used for investing in companies with their investments in the charitable sector. The term "high engagement giving" has recently emerged as an alternative, both to make the concept more inclusive and to broaden the movement to include a wider array of highly engaged approaches. In this paper, we have used the term "venture philanthropy", but our definition includes the broader developments that have occurred within the movement.

recent years to avoid or minimise funding administration, particularly in Europe.

3.2 Underlying Principles

A typical venture philanthropy approach generally entails the following principles:

- **Close relationship between the investor and the organisation:** A hands-on approach is taken by the investor in the management, governance, and accountability of the organisation and/or its venture. This addresses the needs of investors through an ability to actively monitor that their investment is creating an SROI, and to make a positive value-added impact through their own expertise. In addition, charities receive much-needed capacity building technical assistance through the expertise of the investors.
- **Extended relationships:** Typical VP relationships last from three to five years. Generally, VP relationships are intended to be longer than traditional funder-grantee relationships and efforts are made to reduce the burden of applying for funding on an annual basis. This characteristic addresses the needs of both charities and investors because it allows for a continuing relationship that can be developed based on shared ideals and goals. It changes the focus from a transaction to a partnership.
- **Larger investments:** VP focuses on increasing the amount of the investment per organisation and offering this to a decreased number of organisations. VP is built on the belief that building organisational capacity and removing funding constraints improves the ability of organisations to make sustainable and scalable impact. This addresses the need of investors because it allows for more strategic philanthropy – targeted investments in activities that will provide a desired social return on the investment. For charities, larger investment allows organisations to develop the skills they need in order for their activities to make a positive impact as well as fill the funding gap in operational support.
- **Increased risk management and accountability:** Investors take on some of the risk and accountability that comes with investment in an organisation. Because they are investing and partnering in an entire programme, they have the same accountability as the organisation running the programme. One grant maker compared the philosophy to having children, in terms of the feeling of accountability and the natural life cycle of building capacity in anticipation of the day when the organisation will become independent of the help. This principle addresses the need of investors to ensure a social return on their investment, through the ability to have active involvement with the charities and stress accountability.
- **Stringent performance measures:** VP seeks higher standards of outcomes measurement, measured regularly in order to assess programme performance. Outcomes are not measured in terms of operational statistics (such as number of participants), but rather

against the impact of the change (such as reduced unemployment). The need for performance measurement and management has continually increased over the last five to ten years. Increased performance measures assure investors of an SROI and provide charities with a method to quantitatively and qualitatively demonstrate the success of their programmes.

- **Adoption of exit strategies:** VP seeks to invest in organisations whilst helping them develop strategies to sustain their impact after the initial investment is complete. Exit strategies are not developed in a typical funder / grantee relationship. The increasing need for charities to diversify their funding sources and lessen their reliance on a small number of funders shows that exit strategies would improve the ability of charities to continue to be successful in their programmes upon the conclusion of specific investments. Exit strategies also provide investors with the confidence that their investments will produce sustainable programmes that can expand or grow even after their involvement has ended.

Venture philanthropy provides investors with the ability to infuse capital into charities to help them expand and sustain programmes. The philanthropic field has traditionally relied on government to replicate successful programmes. Charities often require a significant investment to achieve scale, and without this investment successful programmes are unable to grow and expand to achieve greater impact. Venture philanthropy addresses this issue by providing charities with the internal resources to drive its own growth – a constant revenue stream and capacity building technical assistance.

3.3 Potential Impact of Venture Philanthropy

Venture philanthropy, in its current form, will lead to a number of positive long-term outcomes for the social sector, including the following:

- Resources are more efficiently allocated towards projects that have the tools in place to effectively address social need.
- Increased accountability of charities to their funders leads to improved social programming.
- Increased accountability of funders to their governing bodies leads to improved screening of charities and more effective grant making strategies.
- Increased social outcomes as charities replicate and bring to scale their successful programmes.
- Successful charities have the resources and programmes in place to grow and more effectively influence social change.
- Increased revenue diversification allows charities to reduce their dependence on funders and sustain their ongoing operations.
- Increased capacity of well-trained employees results in more dynamic and vibrant sector in which to work.

4 Future Trends

4.1 Increased Capital

4.1.1 Venture philanthropy will represent new philanthropic giving, rather than substituted giving

We feel that venture philanthropy is a new source of funds, rather than a new approach to investing existing capital. Whilst some current investors will adapt VP principles, we expect the bulk of VP capital to be incremental. VP will release funds that previously have not been part of the social sector. This feeling was overwhelmingly supported through our interview process.

Susan Mackenzie, an independent consultant, agreed with this assessment. “I don’t see traditional grant makers in Europe becoming venture philanthropists in the next few years. They will more likely continue to provide seed capital to venture philanthropists, rather than emulate their practices directly.”.

Lee Davis, CEO of NESsT, felt that the goal of the movement should be to bring in new capital, rather than to convert existing donors. “I would actually discourage foundations from becoming venture philanthropists on a large scale. There is an important continued role for traditional grant making. But I do want to encourage foundations to find unique and alternative ways to leverage their capital.” The remaining trends in this section support the potential for increased giving.

4.1.2 Venture philanthropy will engage people or corporations who may otherwise not be philanthropic

Venture philanthropy makes philanthropy accessible to individuals and entities that may be sceptical or cautious about charitable giving. Early adapters of VP tended to be venture capitalists who were frustrated with the perceived lack of accountability and strategic thinking of charities. Tom Donlea noted that “Venture philanthropy activity is increasing because there is a certain unrest for donors”. Lee Davis explains, “I think the opportunity for charities is not with their current donors. Instead, engaged grant making can open up opportunities with people who could not be approached before.”

We believe that many of the investors who will be drawn to VP in the future will be reluctant to invest without the accountability and resource prioritisation that is part of VP principles. A Social Return on Investment (SROI) approach helps prove that capital is being productively employed.

4.1.3 Venture philanthropy will enable business impact through engaged philanthropy, opening up opportunities outside of corporate citizenship departments to access funds and expertise from the different business units in a company.

In many companies today, corporate citizenship or corporate philanthropy is a marginalised area of the firm. It is seen as a public relations tool, or perhaps an opportunity for cause-related-marketing. VP practices have the potential to dramatically change this perception and increase corporate value from philanthropy, both internally and externally.

Companies are under increasing pressure from shareholders to justify the value of their philanthropic activity, and from consumers who question the sincerity and impact of their efforts. The SROI component of VP enables companies to prove the value, and increase efforts where there is success.

Engagement can have especially high leverage in a corporate context. Engagement allows companies to expose their managers to new communities and challenges, building leadership skills, increasing understanding of markets, and increasing community profile. Corporations also can offer high value to charities in terms of the skills of employees. The investment of employee talent helps the charities whilst highlighting corporate competency.

Diageo plc is an example of a company that has taken a highly engaged approach to its philanthropy, accompanied by extensive measurement of impact. Diageo has created or significantly helped to turnaround a select number of charities that are closely aligned to corporate citizenship goals.

Diageo's emphasis on measuring impact helps communicate the value of the company's investment to various stakeholders. The measurement drives decisions and holds the company accountable for its efforts. According to Geoffrey Bush, Director of Corporate Citizenship, "For Diageo, community involvement is a vital part of corporate citizenship. The key is "involvement"; it marks the difference between simply making charitable donations and taking action for positive and sustainable change within our communities. By concentrating our resources and business skills on a few themes and working in partnership with others, we aim to maximise the effectiveness of our community investment."

4.1.4 Successful venture philanthropy will increase the level of commitment of donors, reinvigorating and advancing mature funding relationships

In addition to attracting new philanthropists, we believe that successful venture philanthropy practices will help to retain current philanthropists and increase the level of their support. We fundamentally believe that charities are doing great work, and that improved social return assessments will serve to highlight the value proposition of investing in charitable organisations. Good results will be addictive.

In addition, the engagement factor of venture philanthropy will serve to be a hook for continued philanthropic commitment, reversing donor burnout and moving donors up the ladder of support. Studies have routinely shown that volunteering and engagement leads to increased giving. For example, a Canadian study (The National Study of Giving and Volunteering) found that engaging youth as volunteers is a strong predictor of their likelihood of giving increasing large monetary contributions as adults. Anecdotally, organisations who can engage trustees and volunteers in meaningful ways frequently cite increased giving from those same people.

One of the experts we interviewed noted that with engagement comes ownership, and with ownership comes commitment.

4.1.5 Success stories will lead to expansion in Europe

Rob John, visiting fellow at the Skoll Centre for Social Entrepreneurship, was amongst the many experts who noted that the movement is at an early stage in Europe. "Crossing Europe, there are only two or three isolated examples of venture philanthropy funds, and these are mostly in the UK. I expect Europe to be the next growth region for venture philanthropy." Susan Mackenzie notes "In Europe, it will be important to have some initial success stories in order to raise both awareness of and confidence in the venture philanthropy model.."

Like any industry or trend in the early adopter stage, many interested investors are waiting to see how VP works in the European context. The leverage of a few high profile successes could be tremendous at bringing in new capital. This would mirror some of the development in the US, which started to explode when influential business leaders like John Doerr (Kleiner Perkins) and George Roberts (KKR) began to publicly embrace the principles and launched their own funds.

The European Venture Philanthropy Association (EVPA), with the support of the European Venture Capital Association, is playing a role in highlighting and celebrating the activity that is already happening in Europe. Doug Miller, a founding member of EVPA, notes, "Before we started this we thought there were about three or four VP funds out there. It turns out there are between ten and fifteen with more coming out of the woodwork[3]."

As the European market expands, innovative and forward-thinking philanthropists, driven to improve the social sector will bring new ideas, renewed passion, and new investors to the field. The amount of capital will continue to increase and there will be a number of exciting opportunities in which venture philanthropists can invest. The success of these investments will generate more momentum within the sector, leading to bigger and larger venture philanthropy investments.

4.1.6 Venture philanthropy will increase the social impact of trust endowment funds

Increasingly, venture philanthropy inspired trusts are looking at investment opportunities that provide both financial and social returns on investment. VP funds may provide loans, investment in commercial subsidiaries and social

[3] "The rise of venture philanthropy", European Venture Capital Journal, November 29, 2004.

enterprises, and may make Programme Related Investments (PRIs) – subsidised investments that provide a modest financial return (or at least recycle capital) whilst advancing the mission of the trust directly. Trends of blended investing are discussed in more detail in sections 4.3 and 4.4.

The impact of mission-based investing on available social capital can be exponential. Consider that a typical US trust grants 6.3% of its endowment annually towards the social programmes it supports[4]. The remaining 95% is invested for financial return to sustain the trust, but does not directly have a social purpose. Mission-based investing allows a trust to put more of its assets to philanthropic purposes, without sacrificing the long term sustainability of the trust. Whilst a trust would be unlikely to choose to invest the entire 95% in social purpose investments, there is tremendous power in accessing even a small portion of this portfolio. Bill Young, President of Social Capital Partners, a Canadian VP fund, notes that "Mission-based investing (such as PRIs) would be an ideal way to unlock more funding from foundations for the sector. This would be very welcome in Canada, which historically has not had a large number of sizable foundations."

4.2 Leverage Outside of Movement

4.2.1. Traditional grant makers will adapt many of the principles of the movement, including government, trusts and corporations

The impact of venture philanthropy and its principles is expected to be felt even by organisations that do not subscribe to the entire philosophy. Already, many of the tenants of VP have been adapted by traditional funders, such as an attitude of partnering, capacity support and evaluation of social return.

The experts we interviewed strongly felt that this influence would be positive and would impact far more capital than is in the movement directly. John Kingston, founding Director of Venturesome used this analogy: “Venture philanthropy is the pea under the mattress. Whilst the direct activity is really miniscule in the UK, it can be a model that influences the much larger pot at other grant makers. For example, currently only a few trusts in the UK really fund capacity. We hope that the influence of some success stories in VP will lead other funders to consider capacity grants instead of project funding.”

Bill Young felt that the impact could be positive even for adversaries of the movement. "The debate on venture philanthropy encourages grant makers to assess the principles and will probably move 'non-believers' to think about them more and act on what they deem to be the best aspects of these principles. In this sense, the movement can play a positive role even amongst those organisations that dismiss it as a passing fad."

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[4] Commonfund Benchmarks Study 2004 - http://www.commonfund.org/Commonfund/Archive/CF+Institute/06_21_2004_press_release

Trusts

Allen Grossman, a Harvard Business School professor, notes that “One challenge to the growth of venture philanthropy is that accountability for funders does not exist. There is no competitive pressure.” We believe that more and more trusts are seeking increased accountability and assurance of sustainable programmes from the charities in which they invest.

Going forward, an increasing number of trusts will focus on reducing the number of funding relationships and increasing the depth of these relationships. This provides trusts with the opportunity to become more engaged donors and provide a true value-add to the charities they support.

With the development of more venture philanthropy-oriented trusts, this may lead to more money going into and through trusts, which could significantly alter the way the social sector operates in the UK. This could, in turn, be a catalyst for increasing numbers of people who give through trusts rather then directly to charities. Individuals will give their money to trusts because they do the screening and due diligence that is often difficult for individual donors, and more importantly, the trust creates value through an engaged relationship. In addition, trusts will no longer be seen as the middle man but as a direct channel to charities and a direct agent of change.

Some of experts disagreed with this assertion. For example, Rob John feels that “Traditional grant makers are not going to be convert to become venture philanthropy funds – they don’t have the resources or the outlook. However, I do see some wanting VP to be a powerful part of their portfolio.”. At the very least, we expect that VP will encourage trustees to question established traditions and assumptions, leading to more powerful practices.

Government

As government continues to face increasing pressure to fund a growing number of social concerns, they will begin or continue to take on the principles of venture philanthropy in order to more effectively address the needs of the social sector. In the UK, there has been a shift to a contracting culture at the government level as well as the development of a number of public/private partnerships. Government has also played an increasing role in meeting the organisational support needs of charities. Charities will take this opportunity to redefine the nature of their relationship with government – proactively helping government understand the type of support that will be most meaningful in advancing the social cause of the charity, and becoming a preferred partner in the process.

In the US, parts of the government have already begun to ask charities to be more accountable through the creation of performance-based contracts. In addition, the US government has begun to increase the funds available for capacity-building services in order to address the technical assistance needs of charities and the social sector. In Canada, some government entities have stopped giving one-year grants and have shifted to three-year grants.

All of these trends suggest that governments are rethinking the way they structure their relationships with the charitable sector. As a result of the influence of venture philanthropy and other influencers, government funding will be more secure and charities will have the ability to be more creative and innovative in their programming. As these trends continue, governments will realise that they have already begun to adopt the philosophies of venture philanthropy and that there is a role for them to more effectively interact with the social sector to achieve their goals and missions.

Judith Brodie, Chief Executive of Impetus Trust, similarly sees the influence in government funding as a significant outcome for the movement. “The biggest potential for impact is with statutory funding. Futurebuilders is a good example of the potential influence of the movement.” Allen Grossman sees that this is already happening. “Government is becoming the unsung hero. They have been demanding accountability.”

Corporations

The demand for the corporate sector to become more socially responsible has skyrocketed over the last five to ten years. Large corporations such as Starbucks, Diageo, and the Shell Foundation in the UK have shown that businesses can be both profitable and achieve a double or triple bottom line[5]. Indeed, companies are increasingly seeing social impact as part of their competitive advantage and long term industry health.

Some companies will begin to see venture philanthropy as a way to advance social change in an effective way, targeted at areas that ultimately enhance the environment in which they compete. For example, oil companies might develop venture philanthropy funds that ensure the long term survival of natural resources, but do so in a manner that is driven by corporate partnership rather than an adversarial approach. The example of Diageo was described in 4.1.

Kurt Hoffman, Director of the Shell Foundation, explains how the VP approach is applied at Shell. “Anyone can say they act like an investor, but the problem is how to judge risk. In our case, we have instant access through Shell to people who really understand risk, the small business environment and the rural energy sector in developing countries - which is where some of our programmes focus. For example, I can get a local manager in Uganda to review small enterprise proposals for our SME investment funds and they will immediately be able to assess the robustness of the idea. You could never buy this capability as a grant maker.”

[5] Double bottom line refers to achieving both financial and social outcomes. Triple bottom line refers to achieving financial, social and environmental outcomes.

Some were more sceptical of the degree to which corporate philanthropy would adapt VP principles. Rob John cautions that “Corporate Social Responsibility (CSR) is fashionable and will do some good, but it is rarely an engaged form of corporate philanthropy. Whilst I do see potential for some companies to use VP practices in their CSR, I can’t see a way to engage a large company on venture philanthropy directly.”
We see the financial and human capital of companies, especially as it relates to the various business units within a company, as being a significant underutilised resource that can be leveraged for the mutual gain of both companies and the social sector. We see VP as being a key to unlocking this potential.

4.2.2 There will be an increase in the acceptability of capacity funding

The funding world in recent years has tended to fund programmes rather than administration. Management expense ratios are commonly used by funders as a signal of expense inefficiency, rather than as an investment in quality leadership. Charities have reported feeling tensions in being able to develop capacity to achieve their missions.

A core philosophy of VP, as in venture capital, is that quality management teams and infrastructure are a predictor of strong social return on investment. VP explicitly funds management and capacity. Already in the US, capacity building has come into favour with traditional trusts, and we believe this has been influenced by the high profile of venture philanthropists in challenging traditional assumptions. Capacity building is believed to be a particularly difficult issue in the European and UK funding environment and we believe that VP will similarly challenge government and trusts to invest.

4.2.3 The culture of high profile giving will increase in Europe

It is believed that European philanthropists act more anonymously than their North American counterparts today. Some of our experts described a culture that looks down on high profile charity. We believe that VP will help to develop the profile of leaders in philanthropy movements. Positive reinforcement from society will help to increase levels of giving, especially amongst high net worth individuals. VP provides an outlet for highly leveraged public philanthropy that provides significant value to the donor in contributing to an important movement.

4.2 4 Traditional grant makers will co-invest with venture philanthropists

Stephen Dawson, Chair of Impetus Trust, notes that “We see traditional grant makers as partners to co-invest in organisations that we support. We want to be able to leverage our package of support.” A number of the VPs that we interviewed felt that traditional foundations would satisfy the venture philanthropy portion of their giving portfolio by investing directly in VP funds, or co-investing with VPs. The VP fund would provide the engagement, whilst the traditional funder would provide capital.

4.2 5 Venture philanthropy investment will act as a positive signal to other grant makers

The rigor that goes into obtaining funding from a venture philanthropist reflects a tough due diligence process. Because of the relatively few VP funds and the philosophy of high engagement, relatively few charities will receive VP funding. Achieving this goal can become a signal to other grant makers of the quality of the organisation. VP funded charities in the US report that the leverage of a VP fund "seal of approval" can be significant.

In addition, we feel that charities that are serious about the application process will use the opportunity to challenge assumptions and assess their social return on investment, potentially leading to stronger organisations even if funding is not obtained.

4.2.6 Venture philanthropists will provide services to support other grant makers

There is a potential for VP funds to provide due diligence and technical assistance on behalf of traditional grant makers that do not have this capability. This can be a revenue stream for the VP fund, and can be a further manner in which to achieve influence outside of the direct portfolio of investments.

4.3 Evolution of the Model

4.3 1 Current venture philanthropists will increase their understanding of the charitable sector, partnering in a true sense - working within the mission of the organisation as opposed to driving the mission

The early leaders in the venture philanthropy movement leveraged business and investing skills to advance the sector. Most of the early leaders had limited prior experience in the social sector. As these innovators have gained experience, hired staff with charity experience, and begun to measure their social return, they are increasing their understanding of the sector, which will help to continue to evolve the movement into one that ultimately advances social outcomes.

Allen Grossman observes that "Venture philanthropy is moving from the hot, new thing to a more mature, thoughtful approach. People are beginning to understand that the label of venture philanthropy is not as critical as the elements of venture philanthropy (namely partnership and accountability)."

4.3 2 Innovations will be created in partnership between charities and funders

Traditionally, venture philanthropy has been driven by the investor. VPs have actively sought the charities in which they will invest, based on a set of pre-determined criteria and have taken the responsibility of encouraging charities to adapt business-like practices.

The future of venture philanthropy depends on charities to continuously challenge social investors to maximise the potential of VP. It will be through partnership that innovation will occur in the sector, both programmatically and financially.

We believe that charities will direct their inherent creativity towards developing their future investors and the next chapter of venture philanthropy. David Carrington, independent consultant, agrees. “It can’t be a funder imposed formula, or the requirements will just become a chore that adds no value. I think that corporate philanthropy has had a bad record in this regard.” As noted earlier, we believe that there is particular potential for corporate funders to take on this approach.

4.3.3 Social return on investment evaluation will continue to be applied to the venture philanthropy model itself, leading to more efficient practices

Lee Davis feels that “The real question should be ‘VP, for what?’. Venture philanthropy is a means to the end – not the end itself.” This means that venture philanthropists should hold themselves to the same standard they expect of grantees – their actions should be measured for SROI and they should be accountable to increasing performance. This is a core principle of the investment community and we expect that VP investors will rise to this challenge, using their evaluation tools internally to continually enhance the model.

4.3.4 There will be an increase in mission-based investing

In addition to the opportunity for venture philanthropy to continue to expand on its current trends, there is the opportunity for it to expand its focus. With the rise of social enterprises, or the creation of for-profit businesses by charities, investors and venture philanthropists may seek a financial return as well as a social return, thus embracing a truer form of venture capitalism.

Philanthropists will increasingly consider loans and other non-grant means of investment, as a way to recycle philanthropic money beyond a single year. Although the financial return may not include a full return on investment, it does provide incentive for charities to be aware and accountable for the profitability of their programmes, in particular social enterprises. Some trusts may go as far as to bring together the investment and programme functions of their organisation, seeking the highest impact that can be generated from the assets of the trust.

There have been challenges in the past for trusts that have considered loans and other mission-based investments. John Kingston explains the cultural gaps that need to be overcome. “It’s ironic that when a grant maker makes a loan, they suddenly become commercially oriented. Grant makers worry that they will lose money, even though they are used to giving it away with no expectation of return. If you stay with the core donor philosophy of a grant maker, you can feel much more comfortable taking on this risk."

We believe that venture philanthropists will be at the leading edge of making the cultural leap to measure both social and financial return in assessing endowment/trust performance.

4.4 New Capital Structures

4.4.1 Funders will create diverse blended fund portfolios

Venture philanthropy is just one component in a diverse set of innovative approaches to philanthropic giving. Most of the experts we spoke with talked about the need to consider charitable giving as a portfolio. There was some excitement expressed at the potential for funders to create a single trust (or joint venture) that combines multiple philosophies in order to create packages that are the best strategic fit for an organisation. Rob John explains. "I would like to see a 'philanthropy fund', that is not just VP, but is a diverse group of funders connected by a common mission. This group would jointly support organisations through packages, combining traditional funding with venture philanthropy, consulting, legal advice and debt. Rather than dealing with each grant maker separately, the charity would work with the group."

This is a powerful concept. Charities that establish a relationship with such a fund could develop long-term partnerships that seek support that offers the strongest strategic fit in achieving the mission. The relationship would not be built on competition, but rather on maximising social outcomes.

4.4.2 Charities will lead the creation of captive funds in support of their mission

The most progressive charities will go a step further in developing investment vehicles that enable venture philanthropy to occur. A "captive fund" would provide a mechanism for those who support the mission of a charity but want to employ VP principles. This may be particularly well suited to medium to larger charities, which typically have a more difficult time providing opportunities for meaningful impact from a single grant. These captive funds would not replace existing funding, but could seed special innovative projects (such as new programmes or social enterprise) that could benefit from an engaged approach. Captive funds have the potential to create internal marketplaces that use the force of investor market capital to prioritise new ideas.

Internal funds create an opportunity for a wide range of investors, stakeholders and other collaborators to adapt venture philanthropy principles in support of a common mission. They can be a vehicle for charities to define key priorities and match them with investors who share the same vision. They can also be a means for charities to drive social innovation not just through their own organisations, but also through potential partners.

As individual investors are influenced by VP principles, many are choosing to donate and invest in a limited number of charities, rather than a broad array. Going forward, this will make it difficult for charities that rely on a broad base of funding to secure donations, requiring a new way to attract both high net-worth and low net-worth individuals. An internal fund can be a key differentiator, providing a mechanism to proactively engage donors in a new way, whilst creating a measurable and sustainable social return on their investments.

John Kingston found this idea intriguing. “It would be an interesting pilot if a large charity started a captive venture philanthropy fund. It might attract high net worth individuals who would not otherwise put that type of money into one of the big organisations.”

John Pepin and Associates Limited is working with a number of charities of different size in assessing the feasibility of this approach. This is described in more detail in the complementary paper, “In-House Charity Based Venture Philanthropy Social Equity Fund”.

4.5 Changes in Charitable Organisation Behaviour

4.5.1 Charities will proactively encourage venture philanthropy and create venture philanthropists[6]

Going forward, the most innovative and forward-thinking charities will proactively approach trusts and individuals to encourage them to adopt venture philanthropy practices, in effect creating venture philanthropists. Organisations will bring investors’ proposals that go beyond the mere cheque, but instead suggest innovative ways to become partners in the creation of social return. Charities that do this successfully will be able to define the type of relationship that will maximise the power of their work, and may have the ability to start to screen their investors on this basis. Charities will only take restricted income from those investors who are willing to have a stake in the outcome, rejecting funding sources that come with non-productive strings and do not entail true partnerships. In doing so, charities will have the flexibility and ability to focus on their work and not back down on their agendas.

Charities will be at the forefront of creating a class of investors that are excited about what they are doing and invested in the outcomes of the organisations which they support. Tom Donlea, stated that “The smart charitable organisations have been working to change investor behaviour for years”.

As charities take on this responsibility, there will be an increasing number of collaborations between individuals and other social investors, such as that created by SVP. This pooling of capital and resources can enable smaller investors to become venture philanthropists.

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[6] This is described in more detail in the complementary paper, “In-House Charity Based Venture Philanthropy Social Equity Fund”.

4.5.2 Fundraisers will become more strategic about matching capital to needs and reduce opportunistic behaviour

The traditional fundraiser culture has been opportunistic, seeing each funder as an unrelated pot of money to obtain. Grant requests are written to maximise the potential of receiving money from a particular investor. In some cases, operational decisions are made to maximise funding potential, rather than social impact.

We see VP as one influence in a trend to integrate fundraising with operations and strategy. Increasingly, the best fundraisers will look at their funding base as a portfolio of partners in support of a mission. Funder fit and value add will become as important as funder financial resources. VP has the potential of encouraging fundraisers to say “no”, and encourages organisations to develop a diverse capital strategy, including VP (where appropriate), government, trusts, individuals, debt and private investment.

David Carrington noted the possibilities. “It is exciting to see that some fundraisers are changing their mentality. Instead of just chasing the next pot of money, they are becoming strategic about capital needs and sources, and are encouraging their funders to be more adventurous.” Stephen Dawson sees this as essential. “It is dangerous for a charity to look at VP from an opportunistic perspective. If this is just another pot of money to chase, it won’t have impact. We want to work with organisations that say ‘For what we are trying to achieve strategically, this makes sense in our mix and we know what we want to get out of it’.”

4.5.3 Increased emphasis on social return on investment will encourage a more efficient, thoughtful and independent use of resources

Charities that have taken on a venture philanthropy approach, such as those supported by the Edna McConnell Clark Foundation, have demonstrated success at a rapid pace. Venture philanthropy principles inherently add value to the work of an organisation, providing managerial and programmatic support in addition to funding.

The embrace of venture philanthropy provides the opportunity to have more control over funding, and the independence to effectively advocate for the mission with the full support of philanthropic partners. In a recent speech at the Canadian Conference on Social Enterprise, Charles King (Chief Executive Officer at Housing Works, a U.S. based charity) told delegates how their lack of dependence on government funding has enabled them to lobby government in provocative ways on important social issues without fear of retribution. Other AIDS organisations have had to sit on the sidelines during this debate, resigned to having politicians shape their agendas.

4.5.4 There will be an increased familiarity with business language and practices

VP today tends to reward organisations that learn business practices and language. David Gold, CEO of Prospectus, notes that "Charity executives who understand the 'language' of a venture capitalist are going to have an easier time leveraging the venture philanthropy model. They can make the investors feel comfortable." The VP dialogue should, by its very nature, encourage charity executives to learn to speak with investors as comfortably as they speak with government or trusts. We believe this will have a positive impact on charitable leadership, encouraging leaders to be well versed in the best practices of both the corporate and third sector.

4.6 Impact on Larger Charitable Organisations

4.6.1 Venture philanthropy will be used to seed innovative new projects, such as commercial activity

Rob John has observed that "Venture philanthropy today is primarily a small organisation trend." However, he sees the potential for it to extend into larger organisations. "Large established charities don't need 'capacity building', as it is defined by VPs. If larger charities want to be part of this, it will be to support new commercial projects, and probably through a subsidiary." Judith Brodie agrees. "For venture philanthropy to work in a very large charity, it would probably need to be project based."

We believe that few venture philanthropists will be drawn to support the general capacity of a large organisation. However, we do see the opportunity for VPs to fund innovation and riskier projects, particularly commercial activity, core projects and special services. This is especially true for programmes that need to leverage new skills.

This further supports the idea of a captive VP fund supporting a large organisation, as noted in section 4.4. A captive VP fund could be the seed source for risky innovation, attracting innovators who can add value and capital and who understand risk.

4.6.2 Venture philanthropy will enable access to high net worth funders who otherwise would not be drawn to larger charities

It can be difficult for an investor seeking engagement to feel that they have impact with on charity with a £100M+ budget. Larger charities are often supported by a broad base of individual supporters, but some have not historically done well at attracting high net worth giving. Providing targeted opportunities to high net worth individuals can be a way to draw them into a large organisation. Captive funds are one approach for making this happen.

5 Conclusion

There are a number of opportunities that venture philanthropy brings to the charitable sector. Venture philanthropy provides an entrée for a new type of investor – those looking for a high-engagement, measurable social return on their investment. It also addresses the financial, organisational and capacity-building needs of charitable organisations.

Venture philanthropy is at the forefront of revolutionising traditional philanthropy. It provides a way for investors to support charitable organisations and support their work in making a significant social impact in targeted communities and the world. Venture philanthropy creates opportunities for organisations to engage with investors in a new and sustainable way.

Whilst venture philanthropy is not the right fit for every organisation, there are risks for those organisations that do not participate - they may be left out or lose opportunities to receive important and strategic investments in their work. In addition, those organisations may also end up dependent on investors that do not address their needs.

Going forward, we see that venture philanthropy will continue to take hold within the social sector, advancing its principles throughout charities and their investors. We believe that those at the forefront of this movement will drive innovation and creativity in the sector – and derive the most benefits.

We expect that the evolution of VP, following the trends we have identified in this paper, will lead to the following long term impact beyond what has already been felt:

- Increased diversity of funding (not just in venture philanthropy) leading to more sustainable and less vulnerable charitable organisations.
- Stronger social return on investment throughout the sector.
- Increased capital and expertise available to charitable organisations, especially in Europe.
- Improved use of social capital, leading to a more robust social sector.
- Increased strategic partnership activity, leading to a more dynamic sector.
- Improved evaluation techniques within the sector, leading to improved techniques for achieving social goals.
- Charities becoming less dependent on meeting the needs of specific funders, and more focused on addressing priority social needs.

APPENDIX A – Venture Philanthropy Business Models

There are four main venture philanthropy business models:

- **Managing Partner:** Investors invest directly in nonprofits using a venture philanthropy framework.
- **Donor Managed Support:** Investors, generally trusts, manage internal donor organisations that apply venture philanthropy principles and practices with nonprofits.
- **Traditional Philanthropy:** Investors, generally trusts, practice classic methods of philanthropy, but also apply limited VP practices with the organisations in which they invest.
- **Corporate Philanthropy:** Corporate trusts that apply one or more VP principles through in-kind product and monetary grants.

Typically, venture philanthropists, including private for-profit funds, non-profit funds, and trusts make one of four types of investment:

1. **Investments in social innovators:** targeting high-capacity individuals that can make significant impact in addressing social problems.
2. **Investments in social enterprises:** targeting the for-profit enterprises run by non-profit organisations that will generate revenue for the parent organisation and achieve significant social aims.
3. **Investment in organisational development:** provide financial and capacity-building support to organisations in order to help them scale up their successful programmatic activity.
4. **Investment in infrastructure:** provide financial support to build infrastructure within the organisation.

APPENDIX B – Venture Philanthropy Case Studies

Case 1: 'Donor Managed Support': Centre for Venture Philanthropy (CVP)

CVP was launched in 1999 to create an environment where community donors could collaborate and drive positive change in targeted communities. Using a venture capital model, investors base their investments on results-orientated business plans. Investors work directly with the CVP staff and non-profit leaders to understand community and non-profit issues, problem-solve, and structure their investments. CVP's first Social Venture Fund, the Assets for All Alliance, has won national recognition for its anti-poverty efforts. The Raising a Reader venture fund, which encourages early literacy, is expanding its local and national outreach, and has garnered praise from child development experts.

There are five key elements that frame the way CVP works with the philanthropist to generate the greatest social impact. These elements are:

- **Investment in a long-term plan for social change**: Comprehensive plans for social change start with an audacious goal with an action plan to achieve it.
- **Managing partner relationship**: All ground rules are set, including written agreements that define the roles and responsibilities of the participants – non-profit leaders, investors and CVP fund managers.
- **Accountability-for-results process**: A rigorous methodology that holds participants accountable and delivers measurable results on a quarterly basis.
- **Provision of cash and expertise**: CVP provides cash and critical expertise – subject matter specialists, investor forums, evaluation expertise, etc. – all necessary to tackle the biggest social issues.
- **An exit strategy:** A unique exit process is created for each fund, making possible shared responsibility for sustained change.

It has taken CVP years to narrow down the number from hundreds of potential organisations in which to invest to a short-list of 30 organisations. CVP has committed a number of resources, both time and money, in order to truly embrace the venture philanthropy model.

Case 2: Managing Support: Edna McConnell Clark Foundation (EMCF)

EMCF began to overhaul its grant making process to embrace a venture philanthropy model in 1999. By the end of 2000, EMCF had made multi-million dollar, multi-year investments in three youth-serving organisations. EMCF has transformed its grant making strategy from making a number of grants each year, to maintaining a small but growing portfolio of outstanding youth-serving organisations. Grantee organisations now receive support ranging from business planning to large, multi-year grants to strengthen operations and undertake evaluation. Support from EMCF typically includes an investment in consulting services from the Bridgespan Group, the results of which are published to inspire the sector broadly.

EMCF has developed a five-step investment process for identifying and supporting organisations:

- **Sourcing and Reconnaissance**: EMCF scans communities for successful youth-serving organisations that meet a predetermined set of criteria. The foundation also consults youth development experts, foundation colleagues, and local groups to help it identify organisations with effective programmes, outstanding leadership, and an interest in expanding.
- **Due Diligence:** EMCF examines the programmes, leadership and management, financial strength, operations and internal performance measurement systems of potential grantees. Equally important is determining the compatibility and fit between the foundation and potential grantees. At the end of this stage, if due diligence produces a positive result, EMCF makes an initial grant to the organisation, in order to defray the costs associated with business planning.
- **Business Planning:** The plan, which is developed over several months by the grantee, outside planning specialists and foundation staff, specifies organisational growth objectives and the steps the organisation will take to achieve its goals. The plan also establishes how the organisation will track and measure results over the next several years.
- **Investment Structuring:** The final business plan serves as the basis for structuring a substantial multi-year grant to support the organisation's development and growth. The milestones developed are used to determine performance goals and measures the organisation intends to meet annually and to which it will be held accountable.
- **Performance Tracking:** EMCF and the organisation work together to address unexpected developments or new opportunities that might arise. EMCF assists the organisations in developing the capacity to evaluate its programmes and make ongoing improvements in their operations.

Adopting a venture philanthropy model has required several changes internally at EMCF, in its infrastructure, internal controls, culture and staff. They continue to track the progress of their initial investments and look for new investments on a regular basis.

Case 3: Strategic Partnerships: New Profit, Inc.

New Profit, Inc. brings together a group of investors who are committed to effecting social change. These investors are asked to make a commitment of $100,000 or more over four years and provide business expertise to a portfolio of organisations chosen and managed by New Profit.

New Profit, Inc. partners with the Monitor Group, a strategy and management consulting firm, to apply venture philanthropy principles to its portfolio of eight organisations. Currently, several teams of Monitor Group consultants work with New Profit Inc.'s portfolio organisations to shape their strategy, solve problems and develop future-oriented thinking. Leveraging the intellectual capital that Monitor brings with the financial capital of New Profit, investors are able to maximise their financial investment.

The following criteria are assessed to evaluate potential investments:

- Social entrepreneurship and leadership team
- Past performance
- High social impact
- Organisational capacity for growth
- New Profit Inc. fit and value add

Organisations that are accepted into the portfolio have access to the following resources:

- Grants averaging one million dollars over four years.
- Deployment of a CEO coach from Monitor Group, a Board of Directors member and a Portfolio Manager to work with the CEO and senior management.
- Customisation of the Balanced Scorecard.
- Case team to strengthen growth plan.
- Fundraising assistance to support growth plan's goals.
- Access to New Profit Inc.'s extensive network and *pro bono* resources.

Case 4: International Venture Philanthropy: Nonprofit Enterprise and Self-sustainability Team (NESsT)

NESsT is an international, non-governmental organisation dedicated to finding lasting solutions to systemic poverty and social injustice through the development of social enterprises. NESsT has been operating out of Central Europe since 1997 and Latin America since 1999 and has found the VP approach to be well suited to the needs of nonprofits. To explore VP opportunities, NESsT launched the NESsT Venture Fund (NVF) in 2000. NVF was launched in order to address the two primary obstacles that organisations launching social enterprises in international markets face: insufficient capital and insufficient capacity.

NESsT has found that social enterprises require most assistance during the initial stages of their development. For this reason, NVF focuses in investing in organisations, through both financial and capacity-building assistance, from the inception of the enterprise idea through to the point at which an enterprise becomes self-sufficient. Even before inviting social enterprises into their portfolio, NVF provides tailored coaching to help candidates develop feasibility studies for their enterprise ideas and ‘venture planning grants’ and training to help develop full business plans. NVF believes that this coaching helps those who enter the portfolio with viable enterprise ideas to clarify their strategy and increase their likelihood of success in the face of the many unknowns that exist in emerging market economies.

Case 5: Shell Foundation

The Shell Group of Companies (Shell) created the Shell Foundation as a UK-based charity in 2000, in an effort to internally and externally transform itself into an organisation that advances sustainable development worldwide. The Shell Foundation aimed to move away from being a traditional "reactive" or passive grant maker towards taking a proactive approach in identifying strategic partners. They have embraced a venture philanthropy approach to investment, including taking an active part in the overall governance of the organisations they support, actively partaking in the development and design of the initiatives they support and providing financial support in the form of grants, loans, guarantees and other financial vehicles.

The Shell Foundation leverages the human resources and expertise of the Shell Group of Companies in assessing and adding value to its investments.

Case 6: EVPA

An emerging organisation is the European Venture Philanthropy Association (EVPA), a membership organisation for those individuals and organisations practicing venture philanthropy. Established in January 2004, the mission of EVPA is to increase philanthropic giving throughout Europe and support its member organisations.

To achieve this, the EVPA:

- Provides a forum within which European based venture philanthropists can network, exchange ideas and debate best practice;
- Informs potential donors and others of the role and benefits of VP and facilitating its development, with the aim of increasing knowledge of the benefits of VP in the charitable sector;
- Facilitates and promotes new venture philanthropic efforts; and
- Seeks to increase the effectiveness of venture philanthropy.

The EVPA and a number of European universities are currently completing a mapping exercise of venture philanthropy in Europe.

Case 7: Social Equity Fund

An emerging concept, particularly in the UK, is the idea of an internal venture philanthropy fund, created by a charity to further its social aims. John Pepin and Associates Limited has worked with organisations at the forefront of this model, including one outlined in the complimentary paper, "In-House Charity Based Venture Philanthropy Social Equity Fund". A Social Equity Fund concept consists of an independent investment fund within a charity or setup as a charitable trust that seeks and attracts high-engagement donors to achieve the social aims of the charity's mission. This provides a way for charities to create and engage a new breed of venture philanthropists, enabling individuals to shift from the traditional model of pure donations to one of actively partaking in the good works of charities.

There are a number of benefits for charities to develop their own investment funds including:

- A high control over the types of investments and funding that will be accepted.
- An ability to determine which activities and social aims will be supported and what outcomes will be achieved through the investments.
- The ability to develop a competitive process within the charity, ensuring that those programmes that are most sustainable and mission-related will receive the required investment.

As charities continue to find themselves in an increasingly competitive environment for funding and sources of revenue, a Social Equity Fund will give them the control to differentiate themselves from other charities as well as focus on achieving their social aims with a targeted investment strategy and means of attracting investors. The types of investors attracted to charities with Social Equity Funds are those that will be highly engaged, ensuring that charities receive the capacity building and organisational support that they need, and is often very difficult to obtain.

APPENDIX C – Acknowledgements

We would like to thank the following thought leaders in the venture philanthropy movement who agreed to be interviewed as part of our research process.

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Stephen Dawson	Impetus Trust	Chair
Judith Brodie	Impetus Trust	Chief Executive
Susan Mackenzie	Independent Consultant	
David Carrington	Independent Consultant	
Lee Davis	NESsT	Co-Founder and CEO
David Gold	ProspectUs, Ltd. A Glimmer of Hope	CEO Chair of Trustees
Kurt Hoffman	Shell Foundation	Director
Rob John	Skoll Centre for Social Entrepreneurship	Visiting Fellow
Bill Young	Social Capital Partners	Founder and President
Tom Donlea	Social Venture Partners International	Director

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