

***THIS IS THE TEXT OF A SPEECH ON VENTURE PHILANTHROPY GIVEN BY DAVID CARRINGTON AT THE ASSOCIATION OF CHARITABLE FOUNDATIONS (ACF) CONFERENCE – April 2003***

## **VENTURE PHILANTHROPY: a new concept or an old idea re-wrapped?**

### **INTRODUCTION**

The debate about Venture Philanthropy (VP) has often been lively – and not always polite! Some quotes:

1. “Venture philanthropy remains something of a Rorschach test. Depending on whom you ask, it is the future of philanthropy, a passing fad, good grant-making, or misguided hubris.”

Neil F. Carlson "But is it Smart Money?" Nonprofits Question the Value of Venture Philanthropy *Responsive Philanthropy Spring 2000*

2. “A sea change in philanthropic giving, an unprecedented creation of wealth in the New Economy, and an Internet-enabled transformation in organizational effectiveness are converging to create an extraordinary opportunity to work in new and different ways to meet society's most vexing and long-standing social problems. The convergence of these forces has set the stage for a fundamentally different approach to philanthropy, one that learns from the past while drawing upon the best practices found in firms in today's New Economy: venture philanthropy.”

Mario Morino, Venture Philanthropy: Landscape and Expectations, Community Wealth Ventures for the Morino Institute March 2000

3. “Venture Philanthropy, new? Hogwash”

Headline to ‘From the President’ of Council of Foundations in *Foundation News & Commentary Sept/Oct 2000*

4. “The Gift of Arrogance: It's blessed to give--but it's a lot harder than Nethead philanthropists thought.”

Geoffrey Colvin *Fortune, December 2001*

3. “Giving money effectively can actually be harder than making it”

Thomas K. Reis, Program Director of the W.K. Kellogg Foundation: "It remains too early to demonstrate that venture philanthropy results in more effective outcomes or more powerful social change in ways that distinguish it from traditional philanthropy. Venture philanthropy so far is more theory than reality."

4. Michael Bailin: Edna McConnell Clark Foundation: “...venture philanthropists are people with a very strong sense of how to do things. While they are definitely well intentioned, they’re not always familiar with the nonprofit world, or how the nonprofit world works. They’re not familiar with a lot of the challenges nonprofits have to deal with, the values that animate people in the sector, or the complexities that attend improving the lives of less advantaged kids or other underserved

populations. The work is simply not the same as making widgets, or writing software applications, or creating web sites.”

5. Mario Morino (2001): concedes that venture philanthropists have been “too strident”, too pushy about the “wonders of running non-profits like businesses” instead of focusing on the importance of strong leadership and good management, too quick to offer solutions to non-profits and too anxious for fast results.”

### **Why does VP attract such strong views?**

After all:

- the actual number of VP funders is small
- the money they are distributing is tiny in comparison with the old names of Ford or Rockefeller (The total amount of charitable funds distributed by the 42 organizations in the US venture philanthropy sector in 2001 was a modest \$50 million, whereby the total amount of funds distributed by all US foundations was \$27.6 billion. Between 2000 and 2002, Seattle Venture Partners, a ‘pooled’ VP fund which has been much copied within the USA distributed just \$1.0 to \$1.5 million in charitable funds annually)
- many of the grants they make seem to be very conservative in purpose, far from innovative.

Yet – 3 years after most of the quotes above were first penned, the debate is still active, questions about VP at every seminar for fundraisers or grant-makers that I’ve been at over the last 12 months – why so much interest? And why ridicule and substance at the same time?

This session is a chance to find out what VP is meant to be, to explore whether it has any substance and to ask what the fuss is about – and to see how it might be relevant to UK Trusts and Foundations.

I end this introduction by observing that the President of the Council on Foundations was right; Venture Philanthropy is not a new label. In 1969, when giving evidence to the House of Representatives, John D Rockefeller III, no less, said:

“Private foundations often are established to engage in what has been described as ‘venture philanthropy,’ or the imaginative pursuit of less conventional charitable purposes than those normally undertaken by established public charitable organizations”.

### **WHAT IS VENTURE PHILANTHROPY?**

**Two Definitions (like much of the literature, from the USA).**

#### ***1. The Institute for Social Entrepreneurs:***

“The use by grant-makers and investors of certain principles traditionally associated with venture capitalists to either build the capacity of a non-profit

organization or to invest in a social purpose business venture. Key elements include long-term relationships (three to six years), development of business plans, provision of cash and expertise, and an exit strategy. Donors and/or investors make long-term funding commitments, closely monitor performance objectives through pre-defined measurement tools, and problem-solve jointly with the leadership team on a regular basis”

## ***2. Social Venture Partners:***

“Venture Philanthropy takes some of the principles of venture capitalism and applies them to philanthropy. Venture Philanthropy is the process whereby, (usually wealthy) individuals invest time and money in voluntary organisations and social enterprises. Venture Philanthropy means funding organizations with not only financial resources, but also management and technical support. This support is focused on enabling nonprofits to build greater organizational capacity and infrastructure via long term, engaged relationships with investees.”

### **What is it Not?:**

#### ***1. Venture Capital.***

Despite the probably apocryphal but no less splendid quote of a business man seeking to get involved in philanthropy:

“Remind me, in the non-profit world, do we crush the opposition?”

– as Jason Scott observed in an article published by the National Committee for Responsive Philanthropy in 2002, *New Economy, New Philanthropy*:

“no one in their right mind actually wants to apply the practices of venture capital to non-profits in the ruthless way that VC’s apply them to their companies. (A commonly accepted rule of venture capital is to expect four of ten companies to fail, three to limp along, two to have moderate financial success, and one to be a home run).” Granted most Trusts and Foundations want to support innovation and would expect to take a few risks – but are any looking for a track record of that sort? “Clearly, some of the practices and principles of venture capital—and some would argue capitalism in general—are inappropriate for nonprofits. But others *are* appropriate”.

#### ***2. A ‘Double Bottom Line’ Social (or Programme Related) Investment.***

Some writers do include PRI/SI as part of the VP menu; I think to do so confuses the situation. The Philanthropy in VP is about a cash grant, made without expectation of a financial return, only a social one. The ‘venture’ relates to the ‘engaged’ or ‘partnership’ nature of the relationship between the philanthropist and the organisation that is being supported – it does not imply that the ‘investor’ is looking to get his/her money back. (One useful ‘tweak’ of this position is the emphasis some place on the likely enthusiasm of the VP for funds to be used as an internal investment – to help develop some aspect of the organisation that can then become income generating and sustainable: the investment is made to create a financial return within the organisation itself).

## **Is it just engaged grant-making – and if so, what’s new?**

A fair question given some of the material I will be taking you through. In the UK, we have some long experience of ‘engaged grant-making’ by Trusts and Foundations in membership of ACF:

- The Joseph Rowntree Charitable Trust (JRCT) and the Barrow Cadbury Trust, for example, with their very long term support and active involvement back up for social justice and community development;
- The Allied Dunbar Charitable Trust which in the 80’s made a series of long term and large scale investments – creating highly engaged relationships with a small number of organisations;
- Housing Associations Charitable Trust (HACT) and World in Need (WIN) have both funded and gone onto the Boards of organisations they helped set up;
- The Trust for London created – with a lot of investment of the time of their own staff – support structures for fledgling community groups.

There are many other ‘engaged’ or ‘proactive’ Trusts and Foundations – all provide useful lessons for us; I think, however, the VP debate adds some issues and clarifies others, not least by seeking to be more explicit about them. Anyway – we can decide at the end of the session whether or not VP in the UK is actually anything other than engaged grant-making!

## **ROOTS – WHERE DID VP AND THE SURROUNDING DEBATE COME FROM?**

### **Main Sources**

There are 4 main sources for the current debate (different perspectives, but overlapping and mutually reinforcing):

1. Harvard – the academics
2. Dot.com millionaires
3. Corporate Social Responsibility advocates
4. Frustrated Trusts and Foundations

### **1. Harvard:**

The key document to which most reference is made was published in the Harvard Business Review in 1997:

*Virtuous Capital: What Foundations Can Learn from Venture Capitalists*

Christine Letts, William Ryan, Allen Grossman 1997 (Reprint 97207)

Others followed – also in the Harvard Business Review, notably:

*Philanthropy’s New Agenda: Creating Value*

Michael Porter and Mark Kramer 1999 (Reprint 99610)

Letts, Ryan and Grossman argued:

“...foundations make grants based on their assessment of the potential efficacy of the programme. Although that approach creates an incentive for nonprofits to devise innovative programmes, it does not encourage them to spend time assessing

the own strengths, goals and needs of their own organisations. Thus they often lack the organisational resources to carry out the programmes they have so carefully designed.

“For decades, foundations have been making large grants to nonprofit organisations in the hope of meeting a wide range of society’s most pressing and vital needs... ..however, many social programmes begin with high hopes and great promise, only to end up with limited impact and uncertain prospects. How can they learn to be more effective with their limited resources?”

“Foundations should consider expanding their mission from investing only in program innovation to investing in the organisational needs of nonprofit organisations as well. Their overemphasis on program design has meant deteriorating organisational capacity at many nonprofits.

“Venture capital firms offer a helpful benchmark. In addition to putting up capital, they closely monitor the companies in which they have invested, provide management support, and stay involved long enough to see the company become strong. The venture capital model can act as a starting point for foundations that want to help non-profits develop the organisational capacity to sustain and expand successful programs”.

The authors highlighted 6 ingredients to the model:

- Fund the general operations of non-profit organizations, not specific programs
- Fund long-term
- Help organizations achieve financial self-sufficiency as an “exit strategy”
- Hold organizations accountable for results and reward them for succeeding
- Take risks
- Actively participate in helping organizations to succeed.

A list of ingredients that would be echoed by all VP advocates (though not always reflected in their grant-making!).

Porter and Kramer suggested that grant-makers:

“can create more value if they move from the role of capital provider to the role of fully engaged partner, thereby improving the grantee’s effectiveness as an organisation” and that a fully engaged partner can offer the organisation it is supporting “...management assistance, access to professional service firms, clout and a host of other non-cash resources. It also means they maintain ...the willingness to engage for the long term.”

## **2. dot.com Millionaires**

The story of the dot.com philanthropists was graphically summarised in the article by Geoffrey Colvin in *Fortune* that I quoted at the beginning:

“In the later parts of their mostly brief careers, many Internet entrepreneurs decided they were ready to revolutionize more than mere business. Having utterly transformed whole industries – nay, the very economy – they would now turn their genius to the next logical objective: fixing society. So they set out to prove

that just as they had made money more brilliantly (or at least more quickly) than anyone in history, they could give it away more brilliantly as well.

“What could be wrong with that? Dispensing huge sums in a sincere effort to solve social problems seems like a good thing anyway you cut it. But there was indeed a problem, which was arrogance. Like 18-carat gold armour, it adorned the dot-com do-gooders, who fancied themselves glittering, rich, and invulnerable. Those old-economy philanthropists, the ones who'd given away billions over the past century, were kind of pathetic. It was time to show the world how to do this right.

“Traditional nonprofits were in ‘a culture of dysfunction’. It was time for ‘a fundamentally different approach’ based on ‘the best practices found in firms in today's New Economy’. That new approach was venture philanthropy – applying the practices of venture capital to charitable giving. The new philanthropists would put their money into projects promising the highest social return, then would offer strategic guidance to make it happen. Recipients would be accountable for delivering rigorously measured results; those that didn't perform would lose their funding.

“And it wasn't just about money: ‘Perhaps more valuable than the wealth Internet entrepreneurs can bring to the non-profit realm are the skills and expertise they offer’. It all sounded intoxicating, and many newspapers and magazines (including this one) ran articles about the radical new way these new zillionaires would spread the bread”.

The dot.com venture philanthropists attracted some harsh words – and not a little ridicule; and a number of the VP funds imploded or died with the end of the dot.com boom. But several survived the dot.com bubble and have opened up new methods of grant-making, including some interesting pooled or ‘donor club’ models: Seattle Venture Partners, New Profit Inc, Venture Philanthropy Partners, for example. But, perhaps more significantly, the intellectual critique that the Harvard academics and the dot.com millionaires developed about ‘old philanthropy’ has struck home and provided an influential force for change among many US foundations – as we shall see later.

### **3. Corporate Social Responsibility**

The mid and late 90's also saw the increased development among corporates of more ‘joined up’ support for charitable and community initiatives. No longer just the donation or the sponsored table at a fund raising dinner – but a more focused, integrated and ‘engaged’ approach combining money, volunteering, pro bono professional help, co-branding and cause related marketing. The phrase ‘venture philanthropy’ was not applied, but for both the corporate and the charity/community organisation the issues about how to get the best – mutually – out of this new relationship were very similar to those raised for donor and grant recipient by VP.

#### 4. Frustrated Trusts and Foundations

Moving away from the US for a second, let me jump back to early 1995 when the Baring Foundation (of which I was then the Director) hit the headlines when the source of 85% of its income went up in smoke. The Foundation was probably ahead of the game in our ability to report in considerable detail on the activities we funded – what, where, for whom; we were good on amounts and quantity; in the jargon, we were very informative about inputs and outputs. This proved invaluable when the press suddenly got interested in us after the Baring Bank crisis; our data base and information management systems meant we could send within a few minutes pie charts and tables to any journalist who asked for factual information about what we funded.

But if one of those journalists – or one of my trustees – had asked:

- What had been the impact of the grant programme? What had been achieved?
- What had been the difference made to the lives of the 100's of people that were being assisted by the organisations who were in receipt of the grants we had provided?
- What had worked and why?

I'd have had to resort to anecdote and example. We were good at 'counting the beans' but we had no real overall evidence of the results – the outcomes or the impact; we could provide little or no solid evidence of the quality of what had been achieved and what lessons had been learnt. Although we were quite a loyal supporter of organisations over time (three year and repeat grants were common) and our assessment process gave a lot of weight to the capacity, governance and 'health' of the organisations that we supported, our approach was primarily that of a project funder. Whether or not we had hit the financial buffers, we would have had to have a rethink – the anxiety about a lack of sustained impact or evidence of demonstrable return was beginning to gnaw away at us, Trustees, staff and advisers alike.

The Baring Foundation experience may have been unique in one sense, but the doubts about the way we were managing our grant-making were not. As Joel Joffe, the former Chair of the Allied Dunbar Charitable Trust, now the chair of The Giving Campaign, wrote in his Foreword to *Monitoring and Evaluation*, the ACF 'practical guide for grant-making trusts':

“All trusts and foundations are in the business of bringing about some form of positive change, and giving grants is the means by which we set out to do this. And yet, all too often grant-makers focus on the giving itself rather than the outcomes of the giving. Having given, they frequently fail to ask the key questions: has our grant made a difference? Has it contributed towards positive change, towards improving the quality of life of others? Has it achieved what we intended it to achieve, and – very important – has it represented value for money?”

In the USA, foundations were also engaging increasingly in debate about effective grant-making – and they also read the *Harvard Business Review*.

## CHALLENGE TO/FROM TRUSTS AND FOUNDATIONS

So how did foundations respond to the challenge? After all, as Jason Scott wrote in the article to which I have already referred, *New Economy, New Philanthropy*:

“It’s easy to see why nonprofits, faced with entrenched foundation bureaucracies, find many of venture philanthropy’s principles attractive. Fact is, traditional foundations haven’t adapted their structures and funding patterns to meet nonprofits’ needs, and in many cases have become even less responsive to their nonprofit ‘customers’. Common complaints of grant-seekers include:

- A lack of money for general operating and infrastructure;
- A lack of transparency in funders decision-making processes;
- A growth in foundation-initiated funding areas;
- Arbitrary funding cut-offs that neither reward nor enable consistent growth and programmatic success; and
- An inability to help organizations become self sufficient while simultaneously demanding self-sufficiency.”

And Paul B Firstenberg, in his new book, *Philanthropy’s Challenge – Building Nonprofit Capacity through Venture Grant-making* (The Foundation Centre 2003), has asserted:

“Over the last decade, the pressure on nonprofit organisations to improve their performance, particularly to deliver specific, measurable results, has intensified. Now, for the first time, attention is being directed also at the performance of grantors and the impact of the grant-making process on grantee effectiveness. The way philanthropic institutions and individuals have traditionally gone about their business is being challenged”

### “If Pigs Had Wings”

Much of the commentary on VP by established Foundations has been defensive or negative. One of the most spirited critics of the VP approach among US Foundations has been Bruce Sievers, of the Walter and Elise Haas Fund. In a series of articles and lectures *If Pigs had Wings: the Appeals and Limits of Venture Philanthropy*, Bruce challenged the key principles of VP and cautioned that they threaten nonprofit distinctiveness. He argued that there are a number of fundamental assumptions of venture capitalism that become deeply problematic when transferred to philanthropy:

“**1. The Bottom Line:** In business there is a single, and elegantly simple test of success: Do you make money or not? But what is the equivalent of the bottom line in the nonprofit world? I would suggest there is none, or, perhaps more accurately, there are many. Nonprofit activity has a complex and intangible range of aims that often elude simple classification and measurement.

“**2. Performance Outcomes:** Champions of venture philanthropy (VP) chide ‘traditional philanthropy’ (by which is meant everything that is not venture philanthropy) for failing to apply rigorous measures of performance to their work, both their own and of that their grantees. While I do think it is healthy for the

field to push itself to become as rigorous as possible in specifying the results it seeks to accomplish and quantifying them wherever feasible, the current mania for measurable performance outcomes can be counterproductive or sometimes just plain silly.

(As an aside, a quote from Albert Einstein seems to me to have some relevance: “Not everything that can be counted counts, and not everything that counts can be counted.”).

“**3. Investor Control:** In a typical VC investment, the investor assumes an ownership role and thereby becomes actively engaged in the management of the enterprise, often taking a board seat, weighing in on hiring/firing decisions, using contacts to secure other investors, and steering company policy. Based on this model, venture philanthropists are encouraged to become ‘highly engaged’ in the organizations to which they allocate their funds, using their personal involvement as well as their funds to advance the work of the nonprofits. Such involvement can certainly benefit the chosen organizations, but it also raises sensitive issues of power and control”.

“Key to the special role of nonprofits in civil society is their ability to direct energy toward self-chosen ends, avoiding control by either the market or the state. An overly intrusive donor/investor can threaten this independence. At first this issue may not seem all that important; after all, what nonprofit would not welcome a supportive and engaged new donor? However, it turns out to be the single most troublesome factor for nonprofits who have been venture philanthropy recipients.

“**4. The Exit Strategy:** In venture capitalism, the return to the investor typically occurs at the time of a successful public buyout, typically three to seven years. At this point the VC investors cash their cheques and either buy their yachts or put their gains into new ventures (or both). What is the analogue in the non-profit world? Lacking any equivalent to a public buy-out, venture philanthropists sometimes suggest financial self-sufficiency as a goal to trigger the end of an investment cycle. But this is a dubious goal ... one suspects that an important part of the search for VP replacement income will involve other foundations”.

Though Bruce Sievers is widely regarded as the ‘resident critic’ of VP among Foundations, he has in fact been a positive advocate for some elements of the methodological critique the VP advocates have made of ‘traditional philanthropy’; and he has joined the Board of the Nonprofit Enterprise and Self-Sustainability Team (NESsT) – an international venture fund which has many of the characteristics of VP in its ways of working).

### **Edna McConnell Clark Foundation**

I quoted at the beginning of the session from the President of the Edna McConnell Clark Foundation, Michael Bailin (and do so often as I am a big fan and recommend you peruse their website [www.emcf.org/](http://www.emcf.org/) for information about their work – and their very welcome enthusiasm for plain English!). Michael’s

assessment of the impact of the VP thinking on US foundations is typically measured:

“Other foundations, for the most part, turned their backs on VP very quickly without doing much to see whether it made sense. I think many traditional foundations were turned off by the arrogance and impatience of the first generation of venture philanthropists. Clearly, many foundations felt threatened by the idea that new people could come in in this highly engaged way, rolling up their sleeves to get stuff done, and might actually succeed. Also, there was anxiety at some foundations that one of the things that the first generation of VPs was asking for was accountability. Many foundations really don't work all that hard on accountability issues. They make their grants, hope things go well, and, if they don't, well, they leave. I think that to the extent that these new guys insisted that things be measured and focused on outcomes, that was a terribly threatening thing and another reason for traditional foundations to want to turn their back on the venture philanthropy approach”.

Michael went on to explain why he has steered clear of using the VP label for the new ways of working that the Edna McConnell Clark Foundation has adopted:

“I felt that the criticism of venture philanthropists as people who were jumping into the field with unwarranted self-confidence and, well, arrogance, was often valid. And I didn't want our efforts (to develop a new ‘Institution and Field Building’ strategy and grants programme) to be lumped in with that. So I just thought it just made sense to call us what we were, which is an old-line foundation that's trying to accomplish its mission of helping kids through much more hands-on, focused, and outcomes-oriented work. And we do that work by helping to strengthen and build the capacities of effective nonprofit organizations in the field of youth development. I didn't see why we had to be called venture philanthropists in order to do that.

However, when describing his new programme, Michael outlines an approach which is very close to that of the VP advocates:

“We begin with a reasonably sized institution where you can get to know the people running it and the programs they're operating. Our goal is to help such organizations operate more effectively, more efficiently, and to better serve more kids with better programs. For us, it involves getting to know the leadership of the organization, understanding their goals, and working with them to develop a thoughtful and well-crafted business plan that will help drive the organization's future growth.

“Let me put it this way: If we find an organization that's already delivering an effective service to five hundred kids, and we believe that with our support, over time, it can become capable of delivering that same service, at the same level of quality and with the same care, to ten times that many kids, we'll say, "If it makes sense to you folks, we'd like to help you move from serving five hundred to five thousand kids." And if we can help the organization get to that point, we'll see a clear and tangible return on our investment over a reasonable period of time.

“With our new approach, we won't get behind an organization if it doesn't look like it is capable of growing, and when we do invest, we won't be guessing whether our investment is producing a return. We assign one of our staff who gets to know the organization well and stays close to it while it implements its growth plans. These individuals serve a very important role. They monitor progress and keep up with activities. When they see a problem, or the organization brings a problem to their attention, they work with the organization on addressing it. Sometimes, that might mean bringing in outside help. The point is, by working against a plan, tracking performance against predetermined objectives and being alert to unexpected developments, everyone — the organization and the foundation — can quickly see whether things are working or not working”.

If not a venture philanthropist, certainly a venture grant-maker!

### **VP – a challenge to UK funding orthodoxy?**

I do believe that we should examine closely and take to heart some of the criticisms of established grant-making practice that the VP advocates have set out. My own view is that – as in the USA – UK funders (including Trusts and Foundations) have been instrumental in creating a funding orthodoxy which has been exposed by the issues and criticisms raised in the VP debate; for example:

- grant-makers have concentrated on short-term support, tied to tangible and measurable outputs and quantitative monitoring – success is measured by compliance not by achievement
- their application forms and programme priorities have tended to concentrate on the activities that their funds will be used to pay for – not the outcomes, the changes in the life experiences or opportunities of the people and communities who are the intended beneficiaries
- grant-makers may have asked how an organisation will evaluate its work and what indicators of success it will use – but they seldom provide sufficient funds to pay for the necessary information gathering or for the resources and time needed to analyse and make use of the lessons learnt within that organisation or the wider community
- many grant-makers have been unwilling to pay for the full price of the work they agree to support, preferring to contribute to a larger number of projects rather than to concentrate resources on a few; and the costs they have been most reluctant to support have been those that the VP advocates argue must be addressed: general operational costs, forward planning, central overheads, the building up of working capital etc.
- too often grantee organisations sweat gallons on completing complicated monitoring reports (too often, as well, several completely different forms for different funders – the lack of collaboration between funders is fantastically wasteful of everyone's time) and then, adding insult to injury, no use seems to be made of the reports – they get no feedback or comment – it's as if the key achievement is the completion of the monitoring form, not the content or outcome of the work itself.

Some of you may have heard me promoting the writing of Jed Emerson (His article *'Horse manure and Grant-Making'* is a particular favourite – copies available on request!). In another article *'Mutual Accountability and the Wisdom of Frank Capra'* (Foundation News & Commentary March/April 2001) he drew a graphic picture of the consequences of one feature of grant-making orthodoxy that will be all too familiar to UK fund seekers:

“We have created what is all too often a collective dance of deceit whereby funders are told what they like to hear and grantees are freed of true accountability for their efforts. Such an approach to grantmaking creates situations where, for example, those operating what may be fundamentally sound youth programmes must “spin” various aspects of the program to fit a variety of funders’ stated interests. Within this funding vortex, the same basic youth centre is simultaneously presented to different funders as an innovative program serving (1) “at-risk” teenage boys, (2) youth “at-risk” of substance abuse and, at the same time, (3) youth “at risk” of teen-age pregnancy.

“What would you like to fund? Take your pick...or, wait...You have a different interest? Give me a minute...I’ll be right back....

“Yet it is often the same organization simply operating related programs presented differently to different funding agents. Within this system, nonprofits plug along for years on the basis of “new” programs and initiatives, yet are never fully capitalized to fulfill the potential promise of their fundamental value proposition and strategy.

“Granted, this dance is not executed by a single set of players, but you dance with them that brought you. In the case of many nonprofit managers those that brought them are those that pay the bills...let me suggest that it is the funding community that should take the lead in altering the terms of engagement. One way we might do this is through a commitment to mutual accountability and honest engagement with those in whom we invest”.

### **Effective Philanthropy**

To help get at some of these issues further, I commend to you another US source: *Indicators of Effectiveness – Understanding and Improving Foundation Effectiveness*, published last year by the Centre for Effective Philanthropy; this combines in a single coherent and helpful set of indicators those that measure the outcomes of the work a grant-making organisation funds together with measures of their own grant-making strategy, operations management and governance. (Website: [www.effectivephilanthropy.org](http://www.effectivephilanthropy.org))

I hope these comments and quotations have indicated why I think the VP debate has had so much greater an impact on the wider grant-making scene than its own scale would have suggested was likely – and will help you assess the relevance to your own work of VP. We may follow Michael Bailin’s wise tactics and avoid using the label – but we can learn a lot from the analysis.

Geoffrey Colvin ends his *Fortune* article as follows:

“Venture philanthropy is far from finished, and its travails will yield lessons that will help everyone. Old-style philanthropy needs reinvigorating. The best established foundations are working with the new ones to learn what they can. Mistakes are the best teacher”.

And Paul B Firstenberg (in his new book: *Philanthropy's Challenge – Building Nonprofit Capacity through Venture Grant-making*) writes:

“...there is no one model that serves all – the object is to be engaged with organisations that are funded in a practical and effective way, following how they perform, working with them to expand their organisational capacity, helping them to meet challenges as they develop, and being prepared to infuse additional funds where it will make a difference in enabling the grantee to ultimately meet the expectations set for it.”

(another aside: one of the organisations that Paul describes as a product of Venture Grant-making is the Children’s Television Workshop which produced the hugely successful, educative and long-running Sesame Street – a product of engaged grant-making by a corporate and a foundation, the Carnegie Corporation and the Ford Foundation!).

### **Adventurous Philanthropy**

I suggest that the key things to take away – and to be encouraged by – from all this transatlantic chatter are that:

- Trusts and Foundations are dependent on the organisations and people that they fund for the implementation of their own charitable purposes; the funder is dependent on the funded, however the ‘relative power’ in the relationship is usually described. Without them your charitable purposes cannot be realised - so it’s sensible to ensure that they are adequately equipped to carry out the work you are supporting – otherwise you have funded them to fail in their (and your) objectives.
- There is no externally set prescription that you must take that determines how engaged (or un-engaged) you are with the organisations that you support – but you (and they) need to have a clear and shared understanding of what you expect of them – and what they can expect of you.
- There is some excitement to be derived – for you, for the organisations you support, and for the people and communities with whom they work – from you trying to be an adventurous funder. Remember Rockefeller’s “imaginative pursuit of less conventional charitable purposes than those normally undertaken by established public charitable organizations.” There’s no need for Trusts and Foundations to be defensive about the critique of orthodox funders that has come from the advocates of VP if we have signed up for ***adventurous philanthropy*** as a more appropriate label for our work.

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