Philanthropic Social Ventures: A Framework and Profile of the Emerging Field

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The capacity to differentiate a public and direct the corresponding interest has tremendous potential to affect the opportunities available and shape the access to those opportunities. Shifts in influence and sector boundaries between the public, private, and nonprofit sector continue to be a source of tension over the legitimacy of collective, private, and voluntary action in matters described as the "public interest" in the United States. This paper outlines a framework for understanding venture philanthropy in the United States. I provide a profile of the characteristics of philanthropic social ventures that have their base of operations in the United States and describe the legal environment in which they operate. This paper concludes with a discussion of the opportunities, challenges, dilemmas, and implications of this "new" philanthropy and offers some directions for future research.

Recent attention has turned to how to best conceptualize and implement philanthropy in the public interest. Defining who deserves assistance, what kind, and how much is influenced by the charitable. The capacity to differentiate a public and direct the corresponding interest has tremendous potential to affect the opportunities available and shape the access to those opportunities. Moreover, the devolved, contractual nature of the provision of public goods within the current governance context results in increasingly blurry boundaries between the public, private, and nonprofit sectors in social service delivery systems. As a result, the intentions, functions, and enactment of social objectives are expressed in a complex, competitive, and highly variable display of civic engagement. Some describe the shift in public interest orientation in pluralist terms, suggesting a socialization of the private sector; while others are concerned that the shift is essentially a colonization of the public and nonprofit sectors by the private sector that may enhance wealth inequalities.

Where traditional philanthropy has served those who tend to be undervalued; modern philanthropy insists upon assigning economic value to social ends or reconstructing economic value as a means to a social end rather than an end in itself. Modern philanthropy is infused with the notion that promoting social wealth yields self-sustaining benefits through innovative practices that create value and maintain their worth. The consequence of which may enhance investments among the underserved but also has the potential to further marginalize the interests of those who continue to be undervalued in the market context.

In many ways, philanthropic innovation is a developing arena in which the public interest is increasingly contested and entrepreneurial processes are transforming the field. Venture philanthropy refers to the financing of innovative social investments; whereas social entrepreneurship encompasses "the activities and processes undertaken to discover, define, and exploit opportunities in order to enhance social wealth by creating new ventures or managing existing organizations in an innovative manner" (Zahra et al. 2009, 522). Venture philanthropy is a form of social entrepreneurship in itself, and alternatively, social entrepreneurs may be funded by foundations using the venture philanthropy model. The evolution of these innovative social investments and the social entrepreneurs implementing them characterize the worth and consequence of the social wealth created by these endeavors.

The purpose of this paper is to outline a framework for understanding venture philanthropy in the United States, provide a profile of the emerging field understood within this framework, and suggest avenues for future research. First, I review the development of the practice of philanthropy in the United States. Second, I outline the theoretical framework for understanding this emerging field. Third, I provide a profile of the characteristics of philanthropic social ventures that have their base of operations in the United States. Fourth, I describe the legal environment. Fifth, I discuss the opportunities, challenges, dilemmas, and implications of this "new" philanthropy and offer some directions for future research.

Development of the Practice of Philanthropy in the United States

The following section chronicles the emergence, practices, and shifts in charity and philanthropy in the United States. The intention is to describe the shift from traditional philanthropy to the increasing prominence of the practices of venture philanthropy. Refer to the works of Peter Dobkin Hall (2006, 2002, 1992) for a comprehensive overview of the history of voluntary action, philanthropy, and the development of the nonprofit sector in the United States.

Traditional Philanthropy. Charitable institutions in the United States emerged in a context in which there was initially a considerable degree of hostility toward private philanthropy. Yet, the progressive realignment of the party system early in the 20th century paved the way for the establishment of the first modern grant making institutions (Hall 2006). The various foundations established by Carnegie and Rockefeller did demonstrate to the American public that wealth may be more than simply predatory and self-serving, but the resistance of political officials during that period suggests concerns regarding the influence of foundations persisted (Hall 2006). And, the threat of the potential for political, economic, and social reform originating outside the democratic process was to some extent perceived as a threat to the legitimacy of government. Shifts in influence and sector boundaries between the public, private, and nonprofit sector continue to be a source of tension over the legitimacy of collective, private, and voluntary action in matters described as the "public interest" in the United States.

Historically, traditional philanthropy was conceived of as serving the following functions in ways that were thought to be consistent with the public interest as it was defined at the time (Prewitt 2006): (1) a redistributive function; (2) a more cost-effective distribution of public goods than the public sector could (or would not) provide and that the private sector had no incentive to provide; (3) a liberal function in which public goods provision through foundations was seen as imposing the least cost on economic liberty; and/or (4) a pluralist function that afforded the opportunity for the expression of benevolence with the potential to inspire social change. These boundaries began to blur with the first reference associating venture capital and philanthropy by F. Emerson Andrews who described foundations as the "venture capital of philanthropy" (Andrews 1950). It was again political reform and wealth accumulation that eventually led to a shift in influence and the convergence of practices in philanthropy that are now described as venture philanthropy.

"New" Philanthropy. Broadly speaking, two factors help explain the rise of social entrepreneurship and venture philanthropy: the challenges of the welfare state in the modern global context and increased competition within the nonprofit sector (Perrini and Vurro 2006; Robinson 2006). Nonprofits face the pressures of lower financial reserves, increased competition, and increased pressure to perform. Financial support fell as policy was privatized and decentralized in the welfare state (Perrini and Vurro 2006), resulting in reduced government financial support for nonprofits (Wei-Skillern et al. 2007). Lower marginal tax rates in the Bush era also reduced tax savings and the incentive to give to charities, philanthropies, and other nonprofits; the recent recession also contributes to this trend. At the same time, nonprofits face increased public scrutiny and pressure (Boschee 2006). Greater demands for professionalized services and an increasing emphasis on accountability along with escalating competitive pressure among nonprofits for diminishing sources of funding, particularly where there are service redundancies, places tremendous pressure on the nonprofit sector (Alter 2006). Nonprofit organizations are expected to strengthen their evaluation methods, enhance performance, and broaden strategic alliances with increasingly lower levels of financial support. The broad societal trend toward consumerism and moral individualism in conjunction with the rapidly changing market forces of the new global economy dominated by neoliberal managerial ideals have produced a social economy in which welfare demands are not met by the state but may be met by social entrepreneurs (see Mayo and Moore 2001). Yet, meeting these social expectations relies on exploiting opportunities to create social wealth through mutually beneficial exchange in contexts that have been traditionally undervalued.

Venture philanthropy differs from traditional philanthropy in the following ways:

1. The foundation, philanthropreneur(s), partners, investors, and/or consultants are "highly engaged" with the organizations that they support (Pepin 2005; Raymond 2004) in a relationship conceived of as long-term (Frumkin 2003), usually lasting between 4-7 years, beginning with a one-year planning stage (Wei-Skillern et al. 2007).
2. The outcomes and effectiveness are defined by the foundation's business metric and are often referred to as impact (Frumkin 2003; Nicholls 2006).

3. The focus is on strategic management for the sustainability of the organization (Frumkin 2003), dominated by aggressive revenue generation strategies (Bornstein and Davis 2010).
4. Philanthropic social ventures operate within business models that define an "exit strategy" at the outset (Walker 2004).
5. Venture philanthropy tends to involve a wider range of investments and engage in risk management rather than mitigating risk (Osberg 2006).

It is a relationship presumed to be built on mutually beneficial partnerships as well as one recognizing that social investments are maintained through relationships in which all parties are committed to and accountable for turning problems into opportunities. Venture philanthropy is an approach to philanthropy that borrows heavily from private sector concepts, based on the assumption that development models, efficiency, microfinance techniques, and professionalism are optimal in the private sector and that applying these concepts to traditional philanthropic approaches may enhance the social impact (Raymond 2004). Venture philanthropy attempts to improve the strength and sustainability of nonprofit organizations by facilitating sector collaboration through diversified investments, conferences and networking opportunities, fellowships, technology, and advocacy. Ultimately, the ideal of philanthrocapitalism rests on the notion that investors maintain long-term interests in substantial progress toward the goals of a social enterprise by minimizing transaction costs, as opposed to granting funds for a cause.

Measuring performance is a critical component of venture philanthropy. Many qualitative performance measures are available for social ventures such as Triple Bottom Line accounting and the Balanced Score Card. Quantitative measures available to stakeholders include the Social Return on Investment model from the Roberts Enterprise Development Fund, which can help attract investment or establish benchmarks (Nicholls 2006). Venture philanthropy often utilizes benchmarking to enhance mission-driven performance by comparing the social enterprise to the best in the chosen social arena (Raymond 2004). However, benchmarking is often difficult in the nonprofit sector since comparisons only work when the same thing is being compared, and nonprofits can differ in significant ways, even within the same social arena making a good market measure or benchmark for a nonprofit obscure (Raymond 2004). Despite these complexities, scalability and performance metrics are critical components of venture philanthropy that may add value.

McKinsey and Company (2001) present three general lessons of capacity building from case studies of thirteen nonprofits. First, resetting aspiration and strategy is critical in improving an organization's capacity. Second, it is important to have good management and strong leadership committed to driving capacity building. The third lesson is about the importance of patience. Capacity building is a difficult, expensive, and time-consuming process. The best results are attained with a deliberate, proactive approach to capacity building and a thorough assessment of needs. The Capacity Assessment Grid is a diagnostic tool that measures organizational strength along each capacity element: aspirations, strategy, organizational skills, systems and infrastructure, human resources, and organizational structure.

Many venture philanthropists pick out social enterprises based on performance, not need (Walker 2004). Unlike traditional philanthropies in which applications are open or invited, venture philanthropies take a proactive approach and seek out partners (Osberg 2006). The nonprofits that demonstrate a willingness to engage in the venture philanthropy model and have high potential for social impact are the most likely candidates for philanthropic investments. When choosing grant recipients, venture philanthropists look at the nonprofit's entrepreneurial orientation, the project's sustainability, and the potential social change impact (Vurro 2006). For example, Venture Philanthropy Partners pools together a group of wealthy investors who help children in low-income communities around Washington by assessing 3,000 nonprofits in the area to choose the twelve investment partners it currently supports. Foundations succeed when the grantees selected for their potential (not need) grow stronger, achieve more, and gain leadership status (Osberg 2006; Conkey 2006). Thus, venture philanthropists seek to make foundations successful by choosing high performing nonprofits and helping them generate new revenue streams.

Critics argue that the venture philanthropy model is structurally inappropriate (Shakely 2003), over-extended (Kramer 1999), does not apply after the dot-com boom (Sievers 1997), or that it tries to impose an economic model on an ethical or moral discipline (DiMaggio 1997). Sievers (2001) raises concerns about the potential for venture philanthropy to redefine the frame of reference of civil society in ways that may not benefit society resulting from a narrow emphasis on performance indicators, the trade-offs inherent in scalability that contribute to the conceptualization of the community and its corresponding responsibilities, the potential for inordinate influence by highly engaged investors, and the fact that commercializing nonprofit organizations is likely to distort the mission. Venture philanthropists themselves contend that there are several factors a foundation should consider when evaluating whether venture philanthropy is suitable. The following have been outlined in several reports and speeches provided by the Chair of Venture Philanthropy Partners, Mario Morino:

1. The mission of the organization needs to be conducive to leveraging financial resources to foster innovation without compromising the organizational principles.
2. The intellectual resources of the staff and board must be sufficiently diverse, given the financial, technical, experiential, and methodological demands of the issue at hand.
3. The funding capacity needs to be large enough to generate innovation on a scale that is proportionate to the mission over the long-term.

Studies have explored the organizational development and social construction of a professional identity for venture philanthropy (Moody 2008), how information technology can improve information flows between social entrepreneurs and foundations (Simon 2008), "international benchmarks" in charity law (O'Halloran 2006), and funding for private voluntary organizations (McCleary and Barro 2008). Some researchers contend that venture philanthropists should develop long-term, close relationships with the organizations they fund and monitor progress through consensus standards (see Frumkin 2003; Letts, Ryan, and Grossman 1997); although emerging evidence suggests that the "entrepreneurial orientation" (which is dependent upon the mission of the organization) and divergent interests of the various stakeholders may condition levels of support in some contexts (Voss, Voss, and Moorman 2004).

To date, the bulk of the literature consists of practical prescriptions or theoretical critiques, but the various claims and concerns about venture philanthropy are based on assumptions about the character of the market rather than direct evidence. Understanding the extent to which venture philanthropy might improve performance and the circumstances within which such performance enhancement might result in a greater social impact requires a framework for mapping the emerging philanthropic landscape (see Frumkin 2003; Moody 2008). This paper addresses that gap in the literature by mapping the organizational and legal context.

Theoretical Framework

Entrepreneurial behavior has historically been underestimated and remains undervalued outside the private sector (Sundin and Tillmar 2007), and a more comprehensive definition of value creation that includes economic and social dimensions is necessary (Harding 2004). The following section outlines a typology of the organizations that might receive investments or support from venture philanthropists and illustrates the spectrum of organizational motives. This section also defines the various strategies utilized for leveraging impact in order to understand the different components of the venture philanthropy movement.

The Hybrid Spectrum of Funding. The venture philanthropy movement diversifies the types of investments that philanthropists might make by expanding the types of organizations that are conceived of as contributing to the development of social wealth. Venture philanthropists may invest in the following types of entities: (1) traditional nonprofits; (2) nonprofits engaged in income generating activities; (3) social enterprises; (4) socially responsible businesses; (5) corporate social responsibility; and/or (5) traditional private entities. Social entrepreneurship refers to the hybrid spectrum of organizations that attempt to balance civic motives and market logic. Because philanthropic social ventures may also involve cross-sector collaborations, public-private partnerships, and/or contracts for social service delivery implemented by the public, private, and/or nonprofit sectors, some venture philanthropists further their objectives by engaging the full spectrum of governance partnerships. These relationships are illustrated in Figure 1.

The hybrid spectrum includes nonprofits engaged in income generating activities. Those activities include, but are not necessarily limited to, the following:

- cost recovery mechanisms such as special events, conferences, seminars, and fee-for-service; and/or
- earned income revenue streams such as membership dues, sales of publications and products, and consulting programs.

Social enterprise, social entrepreneurship, and social entrepreneurs are often used to refer to a field of research despite the fact that the concepts are distinct and suggest different levels of analysis. In terms of the types of entities that might receive venture philanthropy investments, the social enterprise is the level of focus. The social enterprise is characterized by having a social purpose, an entrepreneurial approach, and an emphasis on stewardship (Fayolle and Matlay 2010). Social enterprises may be structured as depart-

Figure 1.

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<tr><td></td><td colspan="5">MARKET LOGIC</td></tr>
<tr><td>Traditional Nonprofit</td><td>Nonprofit Engaged in Income Generating Activities</td><td>Social Enterprise</td><td>Socially Responsible Business</td><td>Corporate Social Responsibility</td><td>Traditional Private Entity</td></tr>
<tr><td colspan="6">GOVERNANCE PARTNERSHIPS</td></tr>
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ments or affiliates within an organization or as a separate legal entity – either nonprofit or for-profit. Social enterprise is distinct from the socially responsible business in that the latter operates with the dual purpose of generating shareholder profits while contributing to a social good. In the socially responsible business, every decision is anchored in the company's core values. This is distinct from corporate social responsibility in that for-profit businesses operating under the profit motive and also engaging in philanthropy make business decisions apart from the social values supported by their philanthropy.

Strategies for Leveraging Impact. Zahra et al. (2010) outline a typology of social entrepreneurship, focusing on identifying different types of social entrepreneurs. They propose the following three categories: (1) the social bricoleur; (2) the social constructionist; and (3) the social engineer. Each of these types employs distinct strategic repertoires.

Bricolage is an idea developed by Levi-Straus (1967) that refers to the process of combining and transforming existing resources to innovate and add value. Baker and Nelson (2005) refine this concept by specifying the following conditions: (1) focus on the resources at hand; (2) utilization of existing resources for new purposes; and (3) recombining existing resources for the creation of new economic and social value. The processes, relationships, and interconnections among these networks are the focus of evaluation and the genesis of solution-focused intervention. Bricolage assumes that path creation is possible for rational individuals or firms in interaction with the environment or context in which the individual or firm operates. Generating novel solutions and targeting underserved markets is a part of the process of innovation sometimes referred to as intrapreneurship (see Mair and Martí 2006). Intrapreneurship patterns are theorized to occur in episodes that Corner and Ho (2010) characterize in the following manner: (1) opportunity development; (2) collective action; (3) experience corridors; and (4) spark. These innovative episodes are the critical components of entrepreneurship broadly.

Capitalizing on local markets with minimal or depleted resources that may be accessed at low cost by what is referred to as knowledge spillovers, economic regeneration, and proximity designs, which describes how bricolage functions (see Fayolle and Matlay 2010). Knowledge spillover occurs when a non-rival mechanism for distributing facts, information, and/or skills that have not previously been accounted for are picked up, stimulating broader improvements (Arrow 1962). Economic regeneration is distinct from economic development in that economic regeneration refers to the reinvestment in industrial or business areas that have suffered decline (Stohr 1990), and proximity designs group related items to maximize gain (Lagendijk and Oinas 2005).

Social constructionists attempt to create social wealth by identifying the inadequacies in existing institutions or organizations and launching ventures to better address those social issues. Constructionists operate at the regional, national, or global level, and they design systemic solutions to address the perceived cause of a broader social problem. Constructionists may fund bricoleurs to build the infrastructure and/or code the operations for the systemic reform. The strategies that characterize the social constructionist are knowledge transfer and scalable solutions.

Social engineers find fundamental and irreparable flaws in the existing system and seek to undermine, deconstruct, and replace present practices in existing institutions. Social engineers require political capital to legitimize their projects. The strategies that characterize social engineers involve education and advocacy in addition to influencing the policy process through lobbying, resistance/protest, and the media. While all social entrepreneurs are likely to engage in these activities to some degree, social engineers rely on them to build the political capital necessary for collective, collaborative, or voluntary action.

Profile of the New Organizational Field of Venture Philanthropy

The following section describes the characteristics of philanthropic social ventures. For the purpose of this study, philanthropic social ventures are defined as foundations established as a public charity or public trust. This section is intended to profile the characteristics of philanthropic social ventures and map the legal environment. The profile is based on information compiled from the following sources: (1) the 990 annual reporting form that federally tax-exempt organizations submit to the Internal Revenue Service (IRS) available from the Foundation Center; (2) annual reports to the governing boards of each of the organizations included in the study; (3) state statutes; and (4) the rules and regulations defined by the office responsible for the regulation of charity in each state.

Characteristics of Philanthropic Social Ventures. There are three distinct but not necessarily mutually exclusive models for engaging venture philanthropy: traditional foundations practicing high-engagement grant making; social value organizations funded by individuals and implemented by a professional staff; and the partnership model in which financial investors become highly engaged with the grantees. These philanthropic models reflect the structure and operations of the foundation as well as symbolize the role the philanthropists envision themselves playing in the generation of social wealth. Zahra et al's (2010) typology describes the strategies of social entrepreneurs. Since the focus of this study is philanthropic social ventures and the purpose is to outline the organizational field of venture philanthropy, organizational level functions are described in addition to identifying the individual level strategies. These models and strategies are outlined in Appendix A and mapped with the mission, community, and spectrum of funding of 28 philanthropic social ventures. The foundations included in this study were compiled from the National Venture Capital Association, the Grantsmanship Center, and the National Center for Charitable Statistics.

Venture philanthropists funding traditional nonprofits are likely to do so with the expectation that the nonprofit begin engaging in more income generating activities as a means to sustainability. This trend is likely to select from the nonprofit sector those "high performing nonprofits" with market potential. However, it is unclear if this is likely to result in a net loss or net gain in constructive civic action. There are also some patterns evident in the data. It does appear that philanthropic social ventures regularly utilize bricolage strategies. It is common for philanthropic social ventures utilizing constructionist strategies at the global level to also fund local bricoleurs, which is essential to implementing a scalable solution and potentially beneficial to local organizations. Engineering and promoting corporate social responsibility are uncommon strategies among philanthropic social ventures. However, these strategies may be more common among other types of changemakers. It is also important to note that some philanthropic social ventures appear to position themselves as a hub for orchestrating change at multiple levels and/or coordinating action among like-minded individuals and organizations.

Understanding the Legal Environment. With the rapid growth in the number and size of foundations and the greater publicity given to the nonprofit sector, there is increased interest and focus on foundation activities. This increase in interest has also created a corresponding interest from the government and legal sector. However, the legal environment is rarely a coherent regime (Pross and Web 2003). The dimensions of the legal environment include the following:

- the rules related to legal status;
- the regulation of tax receipts, exemptions, and incentives;
- constraints on contracting; and
- performance metrics accountability systems

Each of these dimensions varies across levels of government, by contract, and through voluntary regulation.[1]

The attention of government and the legal sector has resulted in changes along several dimensions as it relates to the practice of modern philanthropy. Supervisory legislation has appeared in many different states, and the IRS has started to police the exemption provisions of the tax laws that govern nonprofits (Fremont-Smith 1965). At present, the following states have enacted legislation that stipulates mandatory reporting and/or licensing provisions from foundations: Alabama, Arkansas, California, Colorado, Connecticut, Florida, Hawaii, Illinois, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Pennsylvania, Rhode Island, South Carolina, Tennessee, Utah, Virginia, Washington, and West Virginia.

Government plays a large role in the realm of philanthropy as a major source of nonprofit revenue as well. Government grants, contracts, and reimbursement from public agencies account for about 36 percent of the sector's revenue (Raymond 2004). Government policy is pivotal in catalyzing new social ventures by defining the laws, regulations, and support given to social enterprises (Mulgan 2006). For example, organizations that solicit contributions nationwide can utilize the Unified Registration Statement, which allows such organizations in 34 states to file a single form in lieu of separate state registration state-ments.[2] Governments may utilize technology to minimize transaction costs for nonprofit accountability as well, such as the online charitable registration system available in Colorado, Hawaii, and New Mexico (among a handful of other states) or the e-Postcard required by the IRS. Legal environments that reduce barriers to entry facilitate social entrepreneurship (Mulgan 2006, 82).

Government also defines the flavor of philanthropy. Foundations can either be classified as public or private foundations. Public foundations are supported by a variety of public sources, and private foundations are privately funded or endowed. One million dollars is the minimal opening bid to establish an independent foundation (Raymond 2004), but each state has its own set of rules for forming and starting a foundation. In some states, foundations have to report back to a state official on the status of the corporation at certain intervals. Foundations are created in one of two distinct legal forms, either as a corporation or a trust. Corporations are treated as an individual entity by law (Fremont-Smith 1965), but community trusts are treated as a single entity if the trust satisfies several requirements by the IRS affirming that the funds are controlled by a common governing body.[3] Community trusts are often established to attract capital to benefit a specific community, and the funds are generally managed by banks or other corporate trustees. Once the organization is formed under state law, the foundation is required to seek IRS recognition as a tax-exempt charity. With this status, the foundation will not have to pay federal taxes on its income and can receive tax-deductible contributions. However, despite their tax-exempt status, private foundations have to pay a 1-2 percent annual excise tax on net income depending on the amount of grants given each year (Council on Foundations 2008). This tax is incurred to settle the costs the government undertakes to regulate private foundations.

Once established, a private foundation has to follow certain legal requirements. Private foundations are subject to higher scrutiny than public foundations. The foundation's charge is defined in the statement of purposes in its individual charter or deed of trust (Fremont-Smith 1965). These legal limitations vary by state. Excepting Georgia and Pennsylvania, legal standards are generally set in case law and not in statue. Foundations are governed by a set of laws referred to as the laws of charitable dispositions (Fremont-Smith 1965). The IRS requires that private foundations give away five percent of their net investment assets (Raymond 2004, 18). Also, private foundations cannot spend more than fifteen percent of their annual charitable budget for administrative expenses, and total annual legal and accounting fees should be no more than $5,000 (Council on Foundations 2008).

Similar to corporations, foundations are governed by a board of directors. The board is the ultimate legal and ethical authority for the foundation (Andringa and Engstrom 2002). However, the board for a foundation differs on several levels from a corporate board. On the most fundamental level, a foundation board's overarching goal is to generate social impact, not to generate profits for the shareholders. Foundation boards tend to be larger than corporate boards, with a median membership of seventeen (Council on Foundations 2008). Following the social nature of the foundation, foundation boards are often unpaid. Also, corporate boards tend to be very private, while foundations are increasingly held to a greater standard of public accountability to the local community (Andringa and Engstrom 2002). A nonprofit board's basic responsibilities include determining the organization's mission and purpose, and ensuring effective organizational planning and adequate resources to support this mission to its fullest capacity. The board also selects, supports, and assesses the chief executive. Most importantly, the board is charged with ensuring the highest standards of legal and ethical integrity as well as maintaining the organization's accountability to its stakeholders (Andringa and Engstrom 2002). The full board is required to set the policy because group action is an essential requirement for effective foundation board performance (Andringa and Engstrom 2002).

Many foundations are now encouraged to perform a voluntary legal audit. This is a decision made by the board to systematically review all legal processes and documents to ensure the minimization of legal risks (Andringa and Engstrom 2002). Because of the changing legal and financial landscape surrounding philanthropy, foundations are being held to higher legal standards and accountability demands. Federal law, IRS regulations, state statues, and court decisions in recent years have started to remove the traditional hands-off approach. At the same time, donors and employees have become more demanding and litigious (Andringa and Engstrom 2002).

Venture philanthropy is dramatically revamping the role of private foundations. Despite some legal limitations, the legal environment surrounding foundations and philanthropy is relatively lenient and in a state of evolution. When the legal environment minimizes barriers to philanthropy and provides incentives for giving, venture philanthropists can minimize transaction costs for nonprofits that have the potential to develop income generating revenue streams without heavy tax burdens. Additionally, the demand for greater accountability parallel venture philanthropy's demands for accountability and performance metrics from nonprofits. Evidence that the optimism surrounding venture philanthropy is well-placed may provide incentives for the government to relax the legal environment. However, since the legal environment varies across several dimensions, venture philanthropy is likely to evolve at different rates and possibly in different directions depending on the region.

Conclusion

This study addresses a gap in the literature by exploring the evolution and characteristics of venture philanthropy after having been scarred by the dot-com bust and revived by social media. Additionally, the framework presented affords future research the opportunity to gather empirical data regarding the extent to which venture philanthropy may actualize its potential. This study goes beyond the existing scholarship that tends to present either practical prescriptions or theoretical critiques to characterize the emerging venture philanthropy landscape and contribute to the organization of a research agenda for understanding the impact of "new" philanthropy on civil society.

Venture philanthropy developed within the broad conceptual umbrella of social entrepreneurship due to increasing competition for limited philanthropic dollars, entrepreneurial development, and public demands for greater accountability and efficiency within philanthropic foundations. As the legal environment surrounding philanthropy starts to change, venture philanthropy is in a position to influence this level of change. Venture philanthropy groups differ in number, motivations, characteristics, and pace of evolution by region. Venture philanthropy rapidly evolved and enjoys the most supportive environment within urban areas and California. However, as the venture philanthropy model continues to spread throughout the United States, these regional distinctions are likely to become less pronounced.

One of the defining characteristics of venture philanthropy is its focus on sustainability. Venture philanthropists combine philanthropic grants, subsidies, and earned revenues. By generating earned revenues, venture philanthropists encourage the chosen social enterprises to move toward a market-based self-sufficiency strategy (Boschee 2006). However, creating self-reliance is difficult, and market sustainability is a constant struggle for organizations with a double bottom line (Raymond 2004). Perhaps more importantly, market-based self-sufficiency may not be a reasonable objective for organizations that serve people who are marginalized by market forces. Many social goods do not lend themselves to market approaches (Bornstein and Davis 2010). The profile presented in this study suggests that future research is necessary to understand the extent to which the strategies utilized may (or may not be) sustainable in various contexts of social service delivery.

In addition, the mixed motives in the hybrid spectrum present some challenges. First, there is an inherent trade-off between risk-taking and accountability that poses at least the following potential challenges:

a. Complex contracting relationships compound the cross-pressures of accountability and make risk assessments difficult at best (see Romzek and Dubnick 1987); and
b. Even adequately managed risk decreases the likelihood that accountability for performance metrics can be achieved.

Second, while social entrepreneurship and venture philanthropy are characterized as proactive, there are factors in the nonprofit sector that inhibit organizations from being proactive. For example, increasing competition within the nonprofit sector inhibits the collaboration that venture philanthropy intends to foster. Third, there are also factors in the public sector that constrain proactive behavior that are not likely to be remedied by private sector practices. The most striking example of these factors is evident in the provision of services to clients who are perceived as less "deserving." The patterns evident in the profiles presented in this study suggest that selecting "high performing nonprofits" for marketability has the potential to further marginalize services that are undervalued by the market. Future research is essential for understanding whether venture philanthropy reduces or reinforces inequalities of wealth and power, and this study provides a framework for gathering empirical evidence regarding shifting influences in the political and policy processes.

Yet, venture philanthropy is revitalizing the realm of philanthropy, and its evolution has the potential to generate sustainable social value. There are clear opportunities for social entrepreneurship as a vehicle for social value creation (Wei-Skillern et al. 2007). The publicity and growing reputation of social entrepreneurs such as Muhammad Yunus, awarded the Nobel Prize for his work with the Grameen Bank, have spurred other potential social entrepreneurs to utilize their talents to help the social sector. However, many nonprofits remain skeptical about applying business practices to nonprofit organizations, and organizational preparedness can affect the partnership (Pepin 2005). In fact, there are some indications that the pattern of management consultation is, at least in some cases, originating in successful, well-established nonprofits that subsequently established for-profit subsidiaries, affiliates, and/or venture capital funds. The aggregate origins and the nature of these relationships are aspects of the emerging sector that deserve attention in future research. Despite the problems with venture philanthropy, it has created new attention, new networks, and new donors that have enlivened the field (Frumkin 2003). Yet, it is doubtful that the propagation of this model is appropriate for all forms of philanthropy in the public interest.

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Notes

[1] See Brody (2006) for an outline of the legal framework for the nonprofit context, Brody (2010) for a comprehensive description of property tax exemptions for charities, Lynn, Heinrich, and Hill (2000) for a model of governance that outlines contracting relationships, and Gugerty and Prakesh (2010) for a model of voluntary regulation.

[2] This streamlined system developed from a collaborative effort on the part of the charitable community and the National Association of State Charity Officials (NASCO) and can be downloaded at www.nonprofits.org/library/gov/urs/.

[3] Refer to IRS tax code 7.26.3.9.1 (11-19-1999) for the detailed requirements.

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Appendix A

FOUNDATION	PHILANTHROPY MODEL	MISSION	COMMUNITY	SPECTRUM OF FUNDING	STRATEGIES UTILIZED
Acumen Fund (NY 2001)	**Social Value Organization** Hierarchically organized individual and institutional investor networks	*create a world beyond poverty by investing in social enterprises, emerging leaders, and breakthough ideas*	Global	Traditional Non-profits; Income Generating Non-profits; Social Enterprises; Socially Responsible Small Businesses	**Constructionist** funding local bricoleurs; knowledge transfer; scalable solutions
Ashoka (Arlington, VA 1980)	**Social Value Organization** Individual & institutional endowments	*shape a global, entrepreneurial, competitive citizen sector: one that allows social entrepreneurs to thrive and enables the world's citizens to think and act as changemakers*	Global	Social Enterprises & Fellowships	**Changemaker Hub** entrepreneurial level interventions, constructivist interventions, and conceptual & representational guidance for engineering infrastructure for "citizen sector"
Austin Social Venture Partners (Austin, TX 1998-2005)	**Partnership Model** Fundraising group	*provides financial support and business expertise to help its nonprofit "investees" develop more efficient, sustainable organizations. ASVP works with Central Texas nonprofits "to address root causes of community problems."*	Regional	Traditional Nonprofits; Income Generating Nonprofits; Social Enterprises	**Bricolage** knowledge spillovers; economic regeneration; proximity designs
Coastal Enterprises Inc (Wiscasset, ME 1997)	**Diversified Social Value Organization** (1) social investing by private foundations, financial institutions, & public entities; (2) donations; (3) new market & IDA tax credits; (4) venture capital affiliates & subsidiaries	*help create economically and environmentally healthy communities in which all people, especially those with low incomes, can reach their full potential*	Regional	Socially Responsible Businesses	**Bricolage** knowledge spillovers; economic regeneration; proximity designs
Center for Venture Philanthropy (Mountain View, CA 2008)	**Community Foundation**	*strengthen the common good, improve quality of life and address the most challenging problems.We do this through visionary community leadership, world-class donor services and effective grantmaking*	Regional	Social Enterprise; Socially Responsible Business; Corporate Social Responsibility (CSR)	**Strategic Partnership Hub** intrapreneurship; networking; capacity building

FOUNDATION	PHILANTHROPY MODEL	MISSION	COMMUNITY	SPECTRUM OF FUNDING	STRATEGIES UTILIZED
Charity Partners of Austin (Austin, TX 2005)	**Partnership Model** Fundraising group; funds managed by the Austin Community Foundation	*support nonprofits in the greater Austin area through the production of musical and artistic events, and to provide the highest quality entertainment experience for performers and their audience. The members of CPA coordinate the production, underwriting, and marketing of several events per year, with all net proceeds donated to other 501(c3) organizations on a grant basis*	Local	Traditional Nonprofits (particularly with difficulty attracting larger sources of funding); Income Generating Nonprofits	**Bricolage** knowledge spillovers; economic regeneration; proximity designs
The Chicago Public Education Fund (Chicago, IL 1999)	**Social Value Community Partnership**	*serves as a catalyst and strategic investment partner with businesses, foundations, civic and community leaders, and the Chicago Public Schools to invest dollars and ideas in high-impact programs that improve school leadership and student achievement system-wide*	Local	Governance Partnerships	**Bricolage; Strategic Community Partnership Hub** knowledge spillovers; intrapreneurship; capacity building
Community Development Venture Capital Alliance (New York, NY 1993)	**Social Value Trade Advocacy Organization**	*provide equity capital to businesses in underinvested markets, seeking market-rate financial returns, as well as the creation of good jobs, wealth, and entrepreneurial capacity*	National	Governance Partnerships*	**Bricolage** knowledge spillovers; economic regeneration; proximity designs
E+Co (New York, NY 1994 - legal domicile Bloomfield, NJ)	**Social Value Investment Partnerships**	*supporting, developing, and promoting environmentally sound, efficient energy projects and enterprises in the developing world*	Global	Social Enterprise; Socially Responsible Business; CSR	**Constructionist** funding local bricoleurs; knowledge transfer; scalable solutions; public-private partnerships for green energy solutions

**Portfolio consists of primarily of for-profit entities defining themselves in terms of their social value and/or organizations selecting nonprofit form to ease market entry*

FOUNDATION	PHILANTHROPY MODEL	MISSION	COMMUNITY	SPECTRUM OF FUNDING	STRATEGIES UTILIZED
Echoing Green (New York, NY 1987)	**Social Value Organization**	*bring venture capital investment strategies to the social sector*	Global	Traditional Nonprofit; Nonprofits Engaged in Income Generating Activities; Social Enterprise; Socially Responsible Business; Nonprofit Engaged in Income Generating Activities; Traditional Nonprofit	**Social Engineer** Private Foundation started by the senior leadership of General Atlantic, LLC
The Entrepreneurs Foundation (Natl Office in San Jose, CA 1998)	**Network of Social Value Organizations Partnering with Community Benefit Organizations**	*develop corporate citizenship*	Local; National	CSR; Traditional Private Entity; Socially Responsible Business	**Promoting CSR**
The Enterprise Foundation (Washington, DC 1982)	**Diversified Social Value Organization** (1) social investing by private foundations, financial institutions, & public entities; (2) donations; (3) new market & IDA tax credits; (4) venture capital affiliates & subsidiaries	*create opportunity for low- and moderate-income people through fit, affordable housing and diverse, thriving communities*	National	Traditional Nonprofit; Nonprofits Engaged in Income Generating Activities; Social Enterprise	**Bricolage** knowledge spillovers; economic regeneration; proximity designs
Global Partnerships (Seattle, WA 2002)	**Social Value Organization**	*expands opportunity for people living in poverty by supporting microfinance and other sustainable solutions*	Global	Social Enterprise; Socially Responsible Business	**Bricolage** knowledge spillovers; economic regeneration; proximity designs

FOUNDATION	PHILANTHROPY MODEL	MISSION	COMMUNITY	SPECTRUM OF FUNDING	STRATEGIES UTILIZED
Jewish Venture Philanthropy Fund (Los Angeles, CA 2002)	**Collaborative** Traditional Foundation & Partnership Model	*JVPF is a group of individuals who have pooled our financial resources and business planning skills to fund and support new and innovative programs, consistent with Jewish values. We provide a special emphasis on incorporating business principles in, and ensuring scalability and sustainability of, the organizations we fund. We seek to select causes that reflect our passions and community needs that can benefit from our time, commitment, abilities and insights.*	Diaspora	Traditional Nonprofits; Nonprofits Engaged in Income Generating Activities	**Traditional Foundation** Practicing High Engagement Philanthropy
Kirsch Foundation (Mountain View, CA 1999)	**Collaborative** Traditional Foundation & Partnership Model	*invest in causes where high-impact, leverageable activities can result in a safer and healthier world. Using whatever means are most effective, we work to solve significant problems and issues that place individuals, the world community, and the world itself at risk*	Regional; Global	Traditional Nonprofits; Nonprofits Engaged in Income Generating Activities	**Traditional Foundation** Practicing High Engagement Philanthropy & Environmental Sustainability Advocacy
Los Angeles Social Venture Partners (Playa Del Rey, CA 2004)	**Networked Partnership Model**	*work with nonprofits to help them strengthen their organizations and expand their capacity; and through this work and other educational activities, we expand the philanthropic capacity and expertise of our individual Partners, creating a venture philanthropy network that transforms our community*	Local	Traditional Nonprofits; Nonprofits Engaged in Income Generating Activities	**Bricolage** knowledge spillovers; LSVP connected to 25 other SVP affliliates across US, Canada, & Japan

FOUNDATION	PHILANTHROPY MODEL	MISSION	COMMUNITY	SPECTRUM OF FUNDING	STRATEGIES UTILIZED
New Profit, Inc. (Cambridge, MA 1997)	**Strategic Social Value Organization**	*help visionary social entrepreneurs and their organizations bring about widespread and transformative impact on critical social problems*	National	Traditional Nonprofits; Nonprofits Engaged in Income Generating Activities; Social Enterprise	**Constructionist** funding local bricoleurs; knowledge transfer; scalable solutions; emphasis on strategic management & capacity building
Nonprofit Enterprise and Self-sustainability Team (NESsT) (Turlock, CA 1997)	**Strategic Social Value Organization**	*works to solve critical social problems in emerging market countries by developing and supporting social enterprises that strengthen civil society organizations' financial sustainability and maximize their social impact*	Global	Governance Partnerships	**Constructionist** funding local bricoleurs; knowledge transfer; scalable solutions; emphasis on strategic management & capacity building
Pacific Community Ventures, LLC (San Francisco, CA 1998)	**Strategic Social Value Organization**	*invest in business providing economic gains to low/moderate income communities in CA*	Regional	Governance Partnerships	**Constructionist** funding local bricoleurs; knowledge transfer; scalable solutions; emphasis on strategic management & capacity building
Pittsburgh Social Venture Partners (Pittsburgh, PA 2000)	**Networked Partnership Model**	*to support and educate a network of individuals who invest their time, expertise, and capital in nonprofits serving at-risk youths in Allegheny County, PA*	Local	Traditional Nonprofits; Nonprofits Engaged in Income Generating Activities	**Bricolage** knowledge spillovers; PSVP connected to 25 other SVP affliliates across US, Canada, & Japan
Robin Hood Foundation (New York, NY 1988)	**Traditional Foundation** Partnering with High Performing Nonprofits	*fight poverty in NYC; finds and funds innovative poverty-fighting organizations in NYC*	Local	Traditional Nonprofits; Nonprofits Engaged in Income Generating Activities	**Constructionist** focusing on systemic change; emphasizing performance metrics to evaluate partnerships and impact

FOUNDATION	PHILANTHROPY MODEL	MISSION	COMMUNITY	SPECTRUM OF FUNDING	STRATEGIES UTILIZED
Root Capital (Cambridge, MA 1999)	**Strategic Social Value Organization**	*extend finance to businesses not currently reached by commercial lenders; pioneer finance for grassroots businesses that build sustainable livelihoods and transform rural communities in poor, environmentally vulnerable places*	Global	Socially Responsible Businesses; CSR; Traditional Private Entities	**Constructionist** fill gap between microfinance and corporate banking
Share Our Strength (Washington, DC 1984)	**Collaborative** Traditional Foundation & Partnership Model	*ending childhood hunger in America*	National	Traditional Nonprofits	**Traditional Foundation** Practicing High Engagement Philanthropy through subsidiary, fee-based consultation and corporate partnerships; networking public-private partnerships
Share Our Strength (Washington, DC 1984)	**Collaborative** Traditional Foundation & Partnership Model	*ending childhood hunger in America*	National	Traditional Nonprofits	**Traditional Foundation** Practicing High Engagement Philanthropy through subsidiary, fee-based consultation and corporate partnerships; networking public-private partnerships
Silicon Valley Social Venture Fund, "SV2" (Mountain View, CA 2008)	**Partnership Model**	*support nonprofit capacity building to scale impact in the areas of education, environmental sustainability, and international development*	Regional; Global	Traditional Nonprofits; Income Generating Nonprofits; Social Enterprises; Socially Responsible Small Businesses	**Constructionist** funding local bricoleurs; knowledge transfer; scalable solutions

FOUNDATION	PHILANTHROPY MODEL	MISSION	COMMUNITY	SPECTRUM OF FUNDING	STRATEGIES UTILIZED
Skoll Foundation (Palo Alto, CA 1999)	**Social Value Organization** Individual & institutional endowments	*live in a sustainable world of peace and prosperity*	Global	Governance Partnerships	**Changemaker Hub** entrepreneurial level interventions, constructivist interventions, and conceptual & representational guidance for engineering "innovations that disrupt the status quo and trans-form" the world
Venture Philanthropy Partners (Washington, DC 2000 - legal domicile Delaware)	**Traditional Foundation** Community Trust Partnering with High Performing Nonprofits	*provides growth capital and strategic assistance to build, strengthen, and scale high potential community-based organizations serving the needs of children of low-income families*	Regional	Traditional Nonprofits; Income Generating Nonprofits	**Constructionist** focusing on systemic change; emphasizing performance metrics to evaluate partnerships and impact