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Ten women to watch

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Philanthropy in China
Top philanthropists and corporate givers

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Quality not quantity – Europe's venture philanthropists start to lead the way

Several years ago Philanthropy in Europe profiled venture philanthropy's birth in Europe and asked if Europeans could ever catch up with America, where venture philanthropy first emerged and quickly became a part of the non-profit lexicon. Today, as Lee Davis and Nicola Eckhart's follow-up article outlines, it is in Europe rather then the United States where venture philanthropy is taking root and producing genuine value-added results. As Rob John's seven case studies of European venture philanthropists demonstrate, the philanthropists are there and vision is squarely matched by funding.

The quiet revolution: Engaged Philanthropy Comes of Age in Europe

By Lee Davis & Nicole Etchart

Lee Davis and Nicole Etchart are co-founders & CEOs of NESsT, an international organisation applying a venture philanthropy approach to supporting the development of social enterprises in emerging market countries, particularly Central & Eastern Europe and Latin America. They are also authors of the recently-published "All in the Same Boat: An Introduction to Engaged Philanthropy," a primer on venture philanthropy: www.nesst.org

While venture philanthropy[1] may have gained initial notoriety in the United States due to the momentum of high profile "new philanthropists" during the booming economy of 1990s, it has found new - and perhaps more lasting - momentum on the other side of the Atlantic.
In September 2004, some 250 venture philanthropy fund managers and academics convened at Stanford University in California for the "Venture Philanthropy Summit" to share lessons learned in the field.[2] While the event lived up to its expectation of convening the "leading" venture philanthropy organizations of the USA, it fell short of its goal to "determine standards and formalise our practices." As the Summit organisers rightly observed, despite more than 10 years of practical expertise, the emerging field of venture philanthropy in the USA "has no formal structure beyond Venture Philanthropy Partners annual report of the venture philanthropy landscape publication.[3] Sometimes in the same neighbourhood and throughout the country, even abroad, venture/high engagement philanthropy groups work in isolation through similar issues."

Venture (i.e., engaged) philanthropists typically operate among three pillars of activity, providing their portfolio of grantees with financial capital, intellectual capital, and access to social capital:

Pillars of an Engaged Philanthropy Strategy

1. Financial Capital: Engaged philanthropists typically provide large, multi-year grants to a select number of non-profit organisations.

2. Intellectual Capital: Engaged philanthropists typically provide mentoring, consulting and assistance for day-to-day management, planning, strategy, and institutional growth issues. Some donors serve as board members to amplify their involvement and expertise.

3. Social Capital:
Engaged philanthropists typically introduce grantees to colleagues and friends to obtain pro bono advice and in-kind gifts, as well as to leverage additional financial support.

Source: "All in the Same Boat: An Introduction to Engaged Philanthropy" (NESsT, 2005)

Amidst the Summit audience at Stanford were two venture philanthropists from "abroad" – two of the five founding trustees of the fledgling European Venture Philanthropy Association (EVPA), an organisation established to promote venture philanthropy and effectiveness in Europe (www.evpa.eu.com). Ironically, the two attended the event as observers to learn from what was perceived a field far more evolved in the USA than in Europe. But journalist Ben Gose of the *Chronicle of Philanthropy*, who covered the Summit, captured the reality quite concisely in his subsequent article[4] when he wrote: "the roughly 200 people who gathered last month at Stanford University to discuss venture philanthropy's future seemed relieved that it has gained a toehold, even if a modest one, in the grant-making world." The Summit possessed a definite quality of defensiveness – participants (mostly venture philanthropy fund managers and philanthropy representatives) were decidedly focused on articulating the rationale for venture philanthropy. Most panelists seemed conscious of their marginalised position in the world of philanthropy and set on demonstrating their relevance. What's more, what was decidedly lacking from the event were the venture philanthropists themselves: the self-proclaimed philanthropic revolutionaries whose money is managed/allocated by the "leading" venture philanthropy fund managers at the Summit. As Gose noted, a member of the Summit audience "chimed in that more dollars will flow to venture philanthropy when it can point to some clear-cut success stories. He noted that investments in venture capital and leveraged-buyout firms took off in the 1970s, after a small number of groups experienced extraordinary success." That participant, perhaps one of the handful of venture philanthropists in the room, was none other than Doug Miller, a founding trustee of EVPA.

What is ironic about Miller's comments is that the venture philanthropy field in the US has failed to formalise and flourish not due to a lack of funds but in spite of one. A recent front-page article in the *New York Times* accentuates this point.[5] The article focuses on the "eye-popping" levels of money currently being raised by a handful of venture philanthropy funds in the US thanks to the terrific wealth, competitive generosity, and matching egos of hedge fund professionals. And this competitive generosity of donors has extended itself to the venture philanthropy fund managers themselves. One such manager was quoted in the article as saying that "We're in the business of saving lives," adding that he'd like his venture philanthropy fund to "raise more money than any other non-profit organisation." This comment reflects two potentially detrimental trends that have marked the evolution of the venture philanthropy field in the US (and perhaps here the parallel with the venture capital/private equity/hedge fund industry is clear to a fault): 1.) a focus on raising more money as an indicator of effectiveness; and 2.) a competitive rather than cooperative relationship between venture philanthropy funds (and fund managers) themselves.

A quiet revolution in Europe

The "extraordinary success" of the early venture capital/private equity funds that Miller referred to was not realised solely by *raising* a large investment fund, but by the ability of the fund manager to realise an excellent financial return for his/her investors. The evolution and legitimacy of the field implied by Miller's comments are particularly important: legitimacy and effectiveness will be measured not by how much money is raised but by the impact (i.e, the social return on investment) one realises through the venture philanthropy approach. The metaphoric roadside is already strewn with the stories of over-financed and ineffective venture philanthropy organisations – revolutionary ideas of the booming 1990s drowned with money but lacking a capacity to allocate philanthropic resources effectively.

Meanwhile, nine months after the Stanford event (and nine months after obtaining its charitable status in the UK), the European Venture Philanthropy Association (EVPA) hosted its first annual conference in London on June 15 2005. The event attracted over 150 attendees from 13 European countries and the US (observers to learn about a field far more evolved than that at home?). The event, sponsored by JPMorgan Private Bank and opened by the Chairman of 3i (the largest and most prominent UK-based venture capital firm), featured two keynote speakers who are prominent European foundation executives/founders as well as panels on measuring performance of venture philanthropy investments, cooperation with foundations, and case studies of EVPA members and their investees. What was most remarkable about the event was not simply that an organisation like EVPA could have such a short history and yet attract such an impressive number of participants but rather it was the diversity of participants from both the philanthropic and business sectors that was so striking. Attendees included members of the private equity community, foundations/trusts, banks, professional service groups and the non-profit sector.

International Venture Philanthropy Award : Promoting Excellence in Venture Philanthropy in Europe

In an effort to promote excellence in the field of venture philanthropy and to create international role models in the field, NESsT established the International Venture Philanthropy Award in 2001. Also known as the "NESsT Golden Egg Award," the award recognizes an individual and/or organisation that has applied venture philanthropy approaches in a particularly effective or unique way to address a pressing community need. The recipient of the NESsT Golden

Egg serves as an international role model to practitioners, investors, philanthropists and donors for applying venture philanthropy approaches.

The 2004 NESsT Golden Egg was awarded to Daniel Lynch, a senior partner with 3TS Venture Partners (Prague). The Award recognizes Mr. Lynch's leadership as one of the first and most active advisors, donors and volunteers to the NESsT Venture Fund in Central Europe. The 2005 award will be presented at the C5 CEE Private Equity Forum in London, 13-14 October 2005. For information, visit: www.nesst.org/furthering_award.asp

The ability of the five founding trustees, Doug Miller (from the US but a UK resident), Luciano Balbo (Italy), Stephen Dawson (UK), Michiel de Haan (The Netherlands), and Sege Raicher (France), all pioneers in the venture capital/private equity industry in Europe, to leverage their networks, reputations and resources, has led to much of the early success and moment of the EVPA. What makes this endeavour so promising is its collaborative approach and its focus on promoting effectiveness in the field. The founding trustees have been adamant in their concern to not create false expectations – perhaps their investment acumen has taught them that the long-term view is far more important than short-term hype. And the EVPA's commitment to share and promote best practices among its members through three member working groups (performance measurement, funding/financing, and capacity-building) also helps to ensure that practical lessons learned are shared and that common mistakes are avoided.

The promise and potential of venture philanthropy in Europe may still be in its nascent stage and only time will tell how effectively it will be applied. However, while the US venture philanthropy "industry" may have experience and financial advantage, its younger European sister has already invested far more in defining a compelling rationale/vision for venture philanthropy and strengthening the foundation of the field itself through collaboration and shared learning.

[1] Several terms have evolved to describe this more involved approach to philanthropy: high-engagement philanthropy, philanthropic investment, strategic philanthropy, venture philanthropy. For this article, we have chosen "venture philanthropy," to capture the essence of a highly involved donor who combines financial "investments" in nonprofit organisations with additional capacity-building, mentoring, or management assistance to help charities succeed in meeting their goals. In selecting this term, however, we do not mean to imply business "superiority."

[2] See: www.svpi.org/Calendar/VPSummit.pdf

[3] This is a reference to the study *High-Engagement Philanthropy: A Bridge to a More Effective Social Sector Perspectives from Nonprofit Leaders and High-Engagement Philanthropists* published jointly by Venture Philanthropy Partners and Community Wealth Ventures. See www.vppartners.org/report2004.html.

[4] See www.nesst.org/COPVenturePhilanthropySummitOCT2004.htm

[5] See *Fund Managers Raising the Ante in Philanthropy*, by Jenny Anderson (*New York Times*, Wednesday, August 3, 2005).

All in the Same Boat

In August 2005, NESsT released a primer for donors considering an engaged approach to giving. The 24-page primer, *All in the Same Boat: An Introduction to Engaged Philanthropy*, was produced with support from the Philanthropic Advisory Service of The Citigroup Private Bank.

For more information, or to order *All in the Same Boat*, visit the NESsT Publications link on the NESsT website at: www.nesst.org