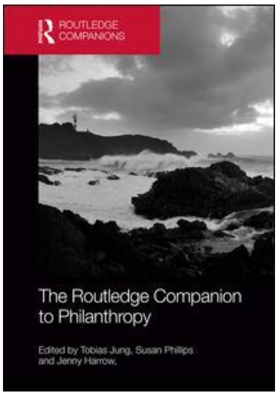

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Venture philanthropy

When philanthropy meets social entrepreneurship

Jacques Defourny, Marthe Nyssens and Severine Thys

With the emergence and growth of 'venture philanthropy', the traditional, and very close, relationship between philanthropy and the nonprofit sector has seen major changes. Keen to break away from 'old fashioned' ways of philanthropy, venture philanthropists are seen as concentrating their support on innovative answers to social challenges. Rooted in the ideals of New Public Management, an approach first developed in the UK and focused on using 'knowledge and expertise acquired in business management and other disciplines to improve efficiency, effectiveness, and general performance of public services in modern bureaucracies' (Vigoda, 2003: 1; Van Haeperen, 2012), venture philanthropy tries to overcome the perceived weaknesses of traditional philanthropy and charitable actions. These are prominently spelled out in Salamon's (1987) critique of the field: 'voluntary failures', 'philanthropic amateurism and inefficiency', as well as 'philanthropic insufficiency', that is, an 'inability to generate resources on a scale that is both adequate enough and reliable enough to cope with the human service problem of an advanced industrial society' (Salamon, 1987: 111). Venture philanthropy, through its support of social enterprising claims to address some of these concerns. To this end, venture philanthropy specifically looks to, and borrows its practices and vocabulary from, the finance and venture capital field (Wei-Skillern *et al.*, 2007). As such, it moves beyond some of the ideas and ideals of entrepreneurial philanthropy discussed by Gordon and colleagues in Chapter 21.

Venture philanthropy has traditionally been seen as being closely intertwined with social enterprising: venture philanthropists look towards the activities of 'social entrepreneurs' with whom they desire to develop strong relationships and from whom they expect substantial social returns on investment (Wagner, 2002; Pepin, 2005). This is achieved through investing, not only money, but also time, skills, talent, expertise, strategic thinking and management experience (Wagner, 2002; Knott and McCarthy, 2007). Thereby, venture philanthropists focus on longer-term support for fewer projects, at times only one, launched by what they consider to be a highly promising social entrepreneur.

In this chapter, we explore the links and interactions, similarities and differences, between venture philanthropy and social enterprising. We question the often explicit and sometimes implicit overlap between venture philanthropy and social entrepreneurship. Consequently, the chapter refines our understanding of the interactions between the 'social enterprising' (SE) discourse on the one hand, consisting of theoretical approaches to, and empirical research on, social entrepreneurs, social entrepreneurship and social enterprises and venture philanthropy on the other.

The first section of the chapter is devoted to developing a more precise understanding of venture philanthropy. Thereafter, we look at the various conceptual SE approaches and assess the extent to which they give place, or perhaps even require, venture philanthropy as a major input. In the third part, we address the same question from a more pragmatic or technical point of view: in the evolution of organizations launched by social entrepreneurs, does the place and role of philanthropy vary according to actual phases of their development?

Venture philanthropy: Concepts and practices

Venture philanthropy was brought about by the arrival of a new set of actors in the philanthropy arena. Symbolized by the 'golden boys', individuals emerging from the US West Coast's IT boom or the East Coast's financial sector who had accumulated huge amounts of wealth in a relatively short timeframe, these philanthropists laid claim to a new way of giving. They refused 'old charity practices' and promoted a new philanthropy based on market principles, usually borrowed from the venture capital industry (Maximilian and John, 2007). According to Grenier (2006), the resulting perspective can be distilled into five overarching principles.

The first principle is to provide expertise alongside financial support. Venture philanthropy usually involves several resources to build institutional capacity of the beneficiary. It provides advice in a range of areas such as human management, accountability, and so on. This leads to the second focus of venture philanthropy: to promote organizational development before specific programs. This is an important difference from 'traditional charity', usually leaning more towards specific projects than on reinforcing institutional building. Another main characteristic of venture philanthropy is its focus on performance and impact assessment. Venture philanthropists want to assess the social impact of their action, looking for a social, and sometimes financial, return on their investment. For that, they try to develop methods and metrics to measure social impact, and calculate the cost benefits of their actions. In addition, venture philanthropists will usually develop long-term, and close, relationships with the supported organizations. A final, key, aspect of venture philanthropy is its 'exit strategy'. In the venture philanthropy framework, a supported organization must, in the end, become self-reliable. Venture philanthropy is, therefore, transitional, the goal being to achieve financial self-sufficiency. Financial engineering could be added to this list of venture philanthropy specificities, as many venture philanthropists try to go beyond pure grantmaking and to develop new financial tools specifically dedicated to nonprofits/social enterprises such as loan funding, shared equity and bonds, and so on (Grenier, 2006). Therefore, venture philanthropy can be defined as

> human resources and funding invested as donation in the charity by entrepreneurs, venture capitalists, trusts and corporations in search of a social return on their investment. It involves high engagement over many years with fixed milestones and tangible returns, and exit achieved by developing alternative, sustainable income.
>
> *(Pepin, 2005: 165)*

Within the venture philanthropy field, four groups of initiators can be identified (Grenier, 2006). The first of these is composed of wealthy individuals, usually enjoying new wealth from venture capital or finance backgrounds. The second is made up of nonprofits interested in fundraising for their own activities or for those of their individual or organizational members or associates. A third driving force can be companies or corporations that develop a venture philanthropy initiative aimed at supporting social causes. Finally, government departments or public agencies may initiate a venture philanthropy organization, but then they usually do it in partnership with others instigators. What is interesting here is the collaborative aspect of venture philanthropy; funds are often the results of several initiators who will try to attract further resources.

In addition, venture philanthropy can operate through three main channels. First, a venture philanthropist can provide direct financial and nonfinancial support, especially if his or her own offer in terms of specialized services and financial means is large enough and well suited to the needs of the supported organization. Second, when this is not the case, or when the investor or donor prefers not to play a direct active role, he or she can choose to provide funding and skills to a venture philanthropy organization which is generally set up as a foundation, a fund or a structure that incorporates both (as for instance, LGT Venture Philanthropy Foundation and Impetus Trust). Pulling together various financial sources and other inputs, the venture philanthropy organization becomes the major partner of the 'investee'. Third, it can happen that a venture philanthropist becomes a social entrepreneur himself or herself, for instance, when he or she realizes that partnerships at hands with existing social organizations and/or cooperation with public agencies do not lead to the undertaking or to the scale he or she is seeking (Van Slyke and Newman, 2006).

However, it must be underlined that the definitions and characteristics depicted above represent, in a Weberian sense, more an 'ideal-type' picture than what can be observed on the ground. This is particularly applicable to Europe, where the venture philanthropy field is still relatively young; it is a theoretical approach claimed by a new generation of philanthropists, it is certainly not always the result of empirical observations. In other words, there are possible gaps between vision and reality, between theory and empirical evidence, between project and concrete implementation. Second, venture philanthropy is only one new trend in the world of philanthropy, not the new rule. Moody's (2008) research in the US, emphasizes that not only has the construction and diffusion of the venture philanthropy field depended on opinion leaders who strategically defined, legitimated and advocated the new model, but also that, since its beginnings in the 1990s, 'its proponents are more modest'. What the proponents of venture philanthropy sometimes call 'Old Philanthropy' still exists and even still dominates the field. Moreover, it often keeps its legitimacy because venture philanthropy, as we will see, is not adapted to all kinds of nonprofits and social missions. Furthermore, as Cunningham outlines in Chapter 2, there are wider questions as to what constitutes 'new' and 'old' philanthropy.

Comparing SE with venture philanthropy

In order to explore the links between SE and venture philanthropy it is useful to focus on the three SE schools that have been put forward within the literature: the 'earned income' school of thought, the 'social innovation' school of thought and the EMES European approach of social enterprise (Defourny and Nyssens, 2010). This section outlines these three lenses and discusses their relationship with venture philanthropy.

Earned income

The first school of thought, the earned income one, is rooted in the US. It set the original ground for conceptions of social enterprise by mainly focusing on earned-income strategies. The bulk of early publications in this area are based on nonprofits' interest in becoming more commercial (Young and Salamon, 2002). As such, it is relatively prescriptive: many of the ideas were developed by consultancy firms and focused on strategies for starting a business that would earn income to support the social mission of a nonprofit organization and that could help diversify its funding base (Skloot, 1987). On that basis, the Social Enterprise Alliance in the late 1990s, a central player in the field, defined social enterprise as 'any earned-income business or strategy undertaken by a non-profit to generate revenue in support of its charitable mission'.

Within the earned income school of thought, a distinction between an earlier version, focusing on nonprofits and that embraces all forms of business initiatives can be made: the former can be seen as a 'commercial nonprofit approach', the latter as a 'mission-driven business approach' as it refers to the field of social purpose ventures as encompassing all organizations that trade for a social purpose, including for-profit companies (Austin *et al.*, 2006). It should also be noted that, relatively early, authors, such as Emerson and Twersky (1996), shifted the analysis from a sole market orientation to a broader vision of business methods as a path towards achieving increased effectiveness (and not just a better funding) of nonprofits. For this earned income school, social enterprise can be characterized as 'business solutions to social problems' (Grenier, 2009). This was picked up by venture philanthropists towards the end of the 1990s and combined this focus with the practices from venture capitalists for launching new businesses (Wei-Skillern *et al.* 2007: 67). Consequently, the connection between venture philanthropy and the SE earned income perspective is relatively straightforward as both place emphasis on both business tools and sustainability.

If venture philanthropy is viewed as a long-term relationship between the donor and the beneficiary organization, the goal is to ensure independence and financial sustainability of the initiative (Reis and Clohesey, 2001), not to engage in an indefinite dependence relationship. After staying involved over a specific time and once a project has achieved autonomy, efficiency and sustainability, there is usually a planned exit strategy for venture philanthropists (de Courcy Hero, 2001). Therefore, venture philanthropists are more likely to finance organizations that can, at least partially, earn income from their activities. Typically, organizations providing social services at a price below production cost or local businesses in underprivileged communities would be better partners for venture philanthropists than organizations just advocating for the rights of disadvantaged populations. However, it must be noted that venture philanthropy discourse about 'sustainability' does not necessarily imply supporting organizations which have to rely solely on earned incomes.

As part of its development, the net for venture philanthropy has broadened. Initially, nonprofit organizations were the main beneficiaries and venture philanthropy wanted to 'identify and support "social entrepreneurs" hungry to shake up the nonprofit work, and quantify their results' (Wagner, 2002: 347). Today, however, there is a clear tendency towards supporting any kind of organization, encompassing a wide variety of legal forms, as far as they are primarily driven by social goals, although corporate social responsibility (CSR) projects of conventional firms seem to be excluded from the spectrum of venture philanthropy put forward by the European Venture Philanthropy Association (EVPA) (Metz and Hehenberger, 2011). This then clearly places venture philanthropy in line with the mission-driven business approach of social enterprises at both conceptual and empirical levels; both put emphasis on social impact through business solutions and on sustainability. At a secondary level, however, venture philanthropists, and social enterprises looking for earned income, often realize that fulfilling social missions tends to require reliance on other types of resources that may prevent them from achieving self-sufficiency. Indeed, as acknowledged by EVPA (2010), organizations that are considered for investment by venture philanthropists actually range from charities relying on grants or a mix of grants and trading revenue, to social businesses only relying on sales income.

The social innovation school of thought

The second school, developed by the pioneering work of Young (1986), emphasizes the profile and behaviour of social entrepreneurs in a Schumpeterian way. Accordingly, entrepreneurs in the nonprofit sector are 'change makers'. They carry out 'new combinations' in at least one of the following ways: new services, new quality of services, new methods of production, new production factors, new forms of organizations or new markets. Social entrepreneurship may therefore be a question of outcomes rather than just a question of incomes. Moreover, the systemic nature of innovation brought about, and its impact at a broad societal level, is often underlined.

Within this perspective, the best known definition of social entrepreneurs is provided by Dees (1998: 4) who considers them to be

> playing the role of change agents in the social sector by adopting a mission to create and sustain social value, recognizing and relentlessly pursuing new opportunities to serve that mission, engaging in a process of continuous innovation, adaptation and learning, acting boldly without being limited by resources currently in hand, and finally exhibiting a heightened sense of accountability to the constituencies served and for the outcomes created.

In practice, this approach can be traced back to *Ashoka: Innovators for the Public*, the organization founded by Bill Drayton in 1980. The mission of Ashoka was, and still is, 'to find and support outstanding individuals with pattern setting ideas for social change' (Drayton and MacDonald, 1993: 1). Ashoka thus focuses on the profiles of very specific individuals, first referred to as public entrepreneurs, able to bring about social innovation in various fields, rather than on the forms of organization they might set up. Today, such social entrepreneurs are often portrayed as heroes of the modern times (Bornstein, 2004).

Venture philanthropy strongly resonates with this school of thought: such a social entrepreneur is often described as the 'natural' partner of venture philanthropists, the ideal form among the huge organizational diversity characterizing the third sector with whom to establish partnerships and cooperation. In other words, social entrepreneurs are the figure researched, and/or discovered by venture philanthropists; they are the one who fits with venture philanthropists' aspirations. There is also a reputational advantage: by involving themselves in the 'adventure', new philanthropists may themselves be perceived as social entrepreneurs.

Although Ashoka itself does not dwell on the notion of venture philanthropy, several of its key features mirror the discourse of most venture philanthropy organizations and platforms. First, the emphasis is put on financial as well as nonfinancial support. In a survey carried out by the EVPA (2011), its members consider that nonfinancial support is the key element for 58 percent of supported social organizations. This nonfinancial support is, in decreasing importance, of the following types: strategy consulting, coaching, networks, fundraising, governance, financial management and marketing. Second, the emphasis on the SE social mission and its social impact ('outcomes rather than incomes') as underlined by Dees and Anderson (2006) finds a clear correspondence in the venture philanthropy landscape: half of the responding venture philanthropy organizations in the above survey claim they focus on societal return only, and 38 percent seek both societal and financial returns with priority given to the former.

Despite such strikingly similar features, differences can be identified as to the place of social innovation. As such, venture philanthropy may be seen as an innovative methodology to support social organizations in the wide spectrum of philanthropic modes of action. Moreover, venture philanthropy itself witnesses the emergence of brand new instruments, as in the case of the Social Impact Bond in the UK. However, in the selection of social organizations to be supported, venture philanthropists look more for social or societal impact than for social innovation, i.e. the novelty of answers to social problems. More precisely, venture philanthropy will typically make social organizations stronger at all stages of their development to increase their societal impact, while the social innovation school of thought will focus more on the very conception and start-up phase of initiatives offering new systemic solutions to social challenges. Of course, such differences should not be overstated, neither from a conceptual nor from a practical point of view. In particular, the fast growing number of venture philanthropy organizations enlarges the spectrum of strategies and priorities among the latter and some of them claim explicitly their interest for social innovation.

The EMES school of thought

In Western Europe, the EMES European Research Network has developed the first theoretical and empirical milestones of social enterprise analysis. The EMES approach derives from extensive dialogue across several disciplines, including economics, sociology, political science and management, as well as across the various national traditions and sensitivities which coexist in the European Union.

To capture the SE phenomenon with its diverse expressions, the network, from the outset, preferred the identification of indicators over a concise and elegant definition. Such indicators were never intended to represent the set of conditions that an organization should meet to qualify as a social enterprise. Rather than constituting prescriptive criteria, they describe an 'ideal-type', i.e. an abstract construction that enables researchers to position themselves within the 'galaxy' of social enterprising. In other words, they constitute a tool, somewhat analogous to a compass, which helps analysts to locate the position of the observed entities relative to one another, and to eventually identify subsets of social enterprising that they want to study more deeply. Those indicators allow for the identification of brand new social enterprises, but they can also lead to the designation of older organizations being reshaped by new internal dynamics as 'social enterprises'. Within this perspective, three categories, each containing three criteria, provide a framework for exploring the SE field: economic and entrepreneurial dimensions, including a continuous activity producing goods and/or selling services, a significant level of economic risk, and a minimum amount of paid work; social dimensions, covering an explicit aim to benefit the community, an initiative launched by a group of citizens or civil society organizations, and a limited profit distribution; and participatory governance, referring to a high degree of autonomy, a decision-making power not based on capital ownership, and a participatory nature, which involves various parties affected by the activity.

Although resembling the other two schools of thought previously discussed in stressing a primary social objective embedded in an economic activity, the EMES approach differs from them mainly by stressing specific governance models (rather than the profile of individual social entrepreneurs) which are often found in European social enterprises. Such governance models could be seen as a channel to ensure the primacy of social aims and high levels of accountability as requested by venture philanthropy. First, a democratic control and/or a participatory involvement of stakeholders reflect a quest for more economic democracy inside the enterprise, in line with the tradition of cooperatives which represent a major component of the third sector/social economy in most European contexts. This generally means that the organization applies the principle of 'one member, one vote', or at least that the voting rights in the governing body that has the ultimate decision-making power is not distributed according to capital shares. Then, the ideal-typical social enterprise defined by EMES is based on a collective dynamics and the involvement of different stakeholders in the governance of the organization. The various categories of stakeholders may include beneficiaries, employees, volunteers, public authorities and donors, among others. They can be involved in the membership or in the board of the social enterprise, thereby creating a 'multi-stakeholder ownership' (Bacchiegga and Borzaga, 2003). The involvement of a diversity of stakeholders in the ownership structure of the organization can be a valuable asset. It can bring key resources to the organization in terms of skills, networks, political influence and financial resources as put forward by the literature on the board diversity in the nonprofit sector and its impact on organizations' performance (Cornforth, 2001; Brown, 2005). This is also a way to collectively build the social mission of an organization. By mobilizing different types of stakeholders concerned by the social mission, multiple stakeholder ownership can be a channel to unfold that mission and make it more explicit and precise (Laville and Nyssens, 2001). Therefore, combined with constraints on the distribution of profits, the participative governance can be viewed as a way to protect and strengthen the primacy of the social mission in the organization. This meets a concern of venture philanthropy, as it desires to work, foremost, to build stronger 'social purpose organizations' to primarily increase their social impact.

Second, those two combined guarantees also act as a 'signal' allowing other external funders including public bodies – not just philanthropists – to support social enterprises in various ways. Without such guarantees, often involving a strict non-distribution constraint, the risk would be greater that external support would simply induce more profits to be distributed among owners or managers. It is probably the same fear that leads authors to exclude traditional business, even CSR initiatives, from the venture philanthropy spectrum, as they are primarily, or ultimately, driven by the quest of financial return (Metz and Hehenberger, 2011). Moreover, financial support by public authorities and by venture philanthropists often allow social enterprises to avoid purely market-oriented strategies, which, in many cases, would lead them away from those who cannot afford market prices and nevertheless constitute the group that they target in accordance with their social mission.

This leads us to the issue of 'economic risk'. Social enterprises are generally viewed as organizations characterized by a significant level of economic risk. Such an economic risk even seems at the heart of social entrepreneurship as it reinforces the 'entrepreneurial flavour' of organizations pursuing social goals. In the EMES Network's perspective, however, instead of being mainly related to market sales and competition, the risk borne by social enterprises simply means that their financial viability depends on the efforts of their members to secure adequate resources for supporting the enterprise's social mission. These resources often have a hybrid character: they may come from trading activities, from public subsidies, or from philanthropy, including volunteering. In spite of the influence of business tools and market vocabulary upon venture philanthropy, such a broad conception of economic risk meets a key concern of venture philanthropy as part of the social organization resource mix. It even becomes a more prominent issue at the time of financial exit by the venture philanthropy organizations:

> Exit can create uncertainty, particularly for social purpose organizations with little or no earned income.… Depending on the profile of the next investor in line, issues such as potential social mission drift of the investee have to be taken into account. An exit in venture philanthropy can imply providing the social purpose organization with the necessary fundraising capabilities to be able to continue working towards its social mission without further venture philanthropy organizations involvement.
>
> *(Metz and Hehenberger, 2011: 18)*

Venture philanthropy tools and SE development stages

Taken together, the above outline the different issues to be addressed by venture philanthropy and SE. Let us now examine the various forms of interaction between venture philanthropy and SE that may be found at their different development stages.

Early-stage support

First, let us stress once more the 'proactive' overall attitude which characterizes venture philanthropy towards supporting certain initiatives: instead of just setting a few priorities in terms of fields of action and target groups, and then analyzing requests for grants from nonprofit organizations meeting such criteria, venture philanthropists will choose a smaller number of partners and provide multidimensional support. Using market-inspired competition among bids, venture philanthropists can, for instance, send a 'call for projects', give grants, and provide nonfinancial support to the most appealing parties with the highest expected impact/cost ratio. It is, therefore, the philanthropist who enhances the capabilities of the nonprofit organization, not the nonprofit who develops its project alone using philanthropic grants.

Such an ambitious involvement from the outset sometimes takes a form which is probably emblematic of early-stage support: the setting up of an incubator or more broadly the implementation of an incubating strategy for emerging social enterprises (although such initiatives may also be created by other private or public institutions without any venture philanthropy contribution). Beyond the diversity of their founders, these incubators may take different forms. Centralized incubators will be conceived as hubs, which physically host social entrepreneurs who get training, technical advice, and support in a dedicated setting where most services, including all types of administrative support, are mutualized. More decentralized incubators, or incubating strategies, will only organize a limited number of joint activities for their social entrepreneurs and send consulting firms and other advisers to places where the initiatives are taking shape.

Centralized incubators purely initiated by venture philanthropy are not easily found, as they have to cover a large range of services independently. In China, the Nonprofit Incubator (NPI), created in 2006 by a foundation and now established in four major cities, may be seen as a good example: NPI hosts leaders of emerging nonprofits which, in that country, can be seen as social enterprises as they represent innovative responses to social needs while raising alternative resources. Centralized incubators make particular sense within local development strategies, for instance in deprived urban areas to be regenerated. In such cases, however, they are generally the result of alliances among various local supporting institutions and venture philanthropy may just be one of them. In such settings, an incubated social enterprise may sometimes be conceived from the outset as a 'community enterprise', even involving various local stakeholders – volunteers, local firms, users, venture philanthropists, etc. – in the ownership structure of the enterprise. With such a 'multi-stakeholder ownership structure', the social enterprise can benefit from financial, knowledge, and intellectual capital on a long-term basis.

Social enterprise incubators involving venture philanthropy as a key driving force more commonly represent a combination of both centralized and decentralized operating strategies. Most prominent examples are provided by the increasing number of foundations, mainly based in the US, which have launched programs through which they select and support early-stage social entrepreneurs through fellowships. Organizations like Ashoka, Echoing Green, the Skoll Foundation, and the Schwab Foundation, among the best known, grant two- or three-year fellowships to emerging social entrepreneurs, and part of their support is designed and provided centrally. This may include joint training sessions, deep in-house interactions among fellows, promotion of a strong common identity and celebration of the greatest achievements. At the same time, these venture philanthropy organizations usually try to enlarge the range of partners able to provide financial or nonfinancial services; consulting companies, funds dedicated to the provision of seed money or credits, as well as other kinds of external tools frequently represent highly valuable partners. For example, another Chinese pioneering incubator, the China Social Enterprise Foundation, is currently developing various partnerships in the emerging and fast-growing field of philanthropy in that country.

In fewer, but quite interesting cases, venture philanthropy acts as a key actor from the outset to set up strong partnerships with the public authorities, even at very early stages, resulting in joint actions close to incubating strategies. In the mid-1990s, pilots projects experimenting with a new type of social enterprise, i.e. 'work integration social enterprises' (WISE), were selected and supported by a venture philanthropy program of the King Baudouin Foundation and the latter succeeded in mobilizing subsidies and seed money from the European Social Fund and from regional governments.

In some contexts, venture philanthropy does not play such a central role, but is involved in incubating strategies initiated by a major third sector organization, by an umbrella organization such as a federation of cooperatives (like 'SCOP enterprises' in some French regions), by partnerships between local communities and universities (for instance the Brazilian incubators of solidarity-based economic initiatives), or by a local authority like the incubator InVerso launched in the early 2000s by the City of Rome in a suburban area (Carrera, Meneguzzo and Messina 2006).

Project consolidation

Beyond its starting phase, the social enterprise has to find an economic model which is financially viable while targeting its social mission. When a social enterprise is solely conceived as a separate, earned-income strategy, developed to provide market income to another activity fully oriented towards social aims, the social enterprise's main concern is raising market income. However, although such a dual model is quite common in some contexts, our discussion here focuses on more integrated SE models, as the true novelty of social entrepreneurship is precisely to produce goods or services that meet otherwise unmet social needs while making production financially sustainable. In such cases, we can hypothesize that the social demand, if solvable, could have been detected and met by a for-profit company, and therefore the social enterprise operating model cannot generally rely only on market sales.

As a matter of fact, the viability of most social enterprises depends on the long-term capacity of their leaders to combine different kinds of resources, and these combinations will vary heavily according to the field and the assigned social mission. This generally means selling goods or services to the possible extent, as well as mobilizing traditional donations, venture philanthropy and volunteering and /or applying for public funding to compensate the organization for services provided for free or below the cost of production (Laville and Nyssens, 2001; Gardin, 2006).

There are many foundations which prefer not to get involved in the very early stages of social entrepreneurship and try to avoid dealing with the very diverse needs and challenges of an infant social enterprise. For instance, LGT Venture Philanthropy Foundation, among many others, clearly focuses on phases of maturity and social investments of a certain size. Consolidation may also be supported by some other private or public institutions providing risk capital, guarantees, or credit to social enterprises.

In terms of economic theory, the role played by philanthropy, as well as public redistribution may be explained by the social dimension of the production at stake. It is well-known by economists that the presence of collective benefits renders market-based financing inefficient. Indeed, market mechanisms do not generally internalize collective externalities or equity issues. Non-market intervention is then fully justifiable. In such a context, although inspired by business methods, venture philanthropy generally remains fundamentally a philanthropic and therefore a non-market resource for social enterprises.

As supported organizations grow, venture philanthropy tries to innovate, producing 'new public good' (Knott and McCarthy, 2007: 321) through new approaches to solve social issues, becoming a kind of 'incubator' of possibly new public policies or a large-scale private approach; or by financing research and lobbying activities. Then, inevitably, to improve SE effectiveness, venture philanthropists must cooperate with public agencies and other public institutions involved in the field that they choose to 'sponsor' (Van Slyke and Newman, 2006). Reis and Clohesy speak (2001: 111) about 'an emerging societal shift to a more entrepreneurial focus on the common good, resulting in new partnerships among the commercial, public, and nonprofit sector'. Challenging the 'old opposition' between public and private funding, they try to cooperate to maximize the efficiency of the programs, organizations or projects supported. In certain cases, foundations can even become a meeting, discussion and exchange platform between civil society organizations and public agents (Van Slyke and Newman, 2006; Pirotte, 2003).

Scaling up

Once a social innovation has been validated in a local context, the issue of its scaling up refers to the growth of the organization itself beyond a critical size or the development of other organizations for replication in different contexts. The main concern is then coming closer to a systemic change.

While the role of social enterprises in clearing up emerging social demands and in introducing innovative practices often supported by philanthropic resources is increasingly acknowledged, governments may sometimes consider the leadership of the scaling up phase to be their responsibility. A government takeover of funding might then suggest that the mobilization of philanthropy can weaken or even disappear over time. This may take place when public authorities backed by public opinion are particularly concerned with the limitations of traditional philanthropy and venture philanthropy. As listed by Salamon (1987), this could involve 'a philanthropic shortfall' (not enough resources), 'a philanthropic particularism' (trend to support specific groups or causes) and 'a philanthropic paternalism' (certain individuals are in a position to determine which services will be provided since they control the source of funding).

In the European context, the process of institutionalization of social enterprise has often been closely linked to the evolution of public policies (Defourny and Nyssens, 2011). In fact, social enterprises significantly influence their institutional environment and they contribute to shaping institutions including public policies. The sustainability and future growth of social enterprises can, therefore, be linked to recognition by government funding sources that social enterprises make a distinctive contribution to the community. The collective benefits associated with the delivery of certain services can, therefore, be produced by the introduction of new forms of redistributive policies from which all enterprises benefit in the more competitive context.

For example, following the pioneering Italian law adopted in 1991 about social cooperatives, several European countries introduced new legal forms reflecting the entrepreneurial approach adopted by this increasing number of nonprofit organizations, even though the term of social enterprise was not always used as such in the legislation (Defourny and Nyssens, 2008). So far, 16 new laws of this sort can be identified across European countries (Roelandts, 2009). In many European countries, besides the creation of new legal forms, the 1990s saw the development of specific public programs targeting social enterprise in the field of work integration. Indeed, Work Integration Social Enterprise (WISE) has increasingly represented a tool for implementing active labour market policies. In several countries, they have really become a 'conveyor belt' of such policies. In turn, legal frameworks tend to shape, at least in part, the objectives and practices of social enterprises. If this dynamic can be seen as a channel for the diffusion of social innovation, the key role of public bodies in some fields of social enterprises may also reduce them to instruments intended to achieve specific goals which are given priority on the political agenda, with a risk of bridling the dynamics of social innovation.

This issue, among others, has been analysed by the EMES Network in the field of work integration through a large empirical survey covering 160 social enterprises in 11 EU countries over four years (Nyssens, 2006). Analyses tend to show that a multi-stakeholder approach may be a resource to pursue a complex set of objectives and may consequently support the innovative capacity of social enterprises. The reliance on a variety of resources, both from the point of view of their origin (e.g. from private customers, from the business sector, from the public sector or from the third sector) and regarding the mode of resource allocation (e.g. sales of services, public subsidies, gifts and volunteering), also appears to be a key element to enabling social enterprises to fulfil their social mission. Keeping and managing such a hybridity nevertheless constitutes a daily challenge for social enterprise.

In the US context, the stronger reliance on private actors to achieve a large scale impact could result from a kind of implicitly shared confidence in market forces to solve an increasing part of social issues in modern societies. For Maier *et al.* (2014: 8), conducting a systematic review of literature on nonprofits becoming 'more business like', the application of venture capitalist methods to philanthropic funding produces in return philanthropists' high expectations regarding results and accountability. Even if various scholars stress the need to mobilize various types of resources, it is not impossible that the current wave of social entrepreneurship may act as a priority-setting process and a selection process of social challenges deserving to be addressed because of their potential in terms of earned income. This probably explains to a large extent why large segments of the nonprofit sector in the US, as well as the community and voluntary sector in the UK (Di Domenico *et al.*, 2009; Teasdale, 2010), express major fears of excessive confidence in market-oriented social enterprises on the part of both private organizations (foundations and major corporations within CSR strategies) or public policies seeking to combat social problems while reducing allocated budgets.

Past experience with some initiatives in the social economy has shown the following (Evers and Laville, 2004): when the distinctive features which characterize this 'third force' are downplayed over time, organizations tend to drift toward institutional isomorphism – a progressive loss of their inner characteristics under the pressure of legal frameworks or professional norms spilling over from the for-profit private or public sectors (DiMaggio and Powell, 1983). More precisely, some cooperatives have gradually come to resemble other forms of enterprise in the market economy. Similarly, certain mutual benefit societies, through their integration into the social welfare system, have turned into virtual copies of organizations in the public administration. To a significant degree, this kind of trajectory can reflect a mission drift.

Even if, on the one hand, governments provide funding for the production of the collective benefits, and on the other hand, earned income contributes to the sustainability of the social enterprise, experience shows that the mobilization of philanthropy and civic engagement can remain central to the creation of certain collective benefits in the long run. Social enterprises, by mobilizing volunteers, philanthropy and social networks, have a specific ability to strengthen social capital (Evers, 2001). In the same line, if stakeholders like workers and users get involved, this can create a capital of solid trust, so important for the provision of certain services.

Conclusion

We have highlighted how venture philanthropy can find echoes in the various SE schools of thought. For the earned-income school, venture philanthropy can help social enterprise adopting business methods and solutions to tackle social problems while building an operating model which exploits market opportunities to the larger possible extent. The social innovation school puts the emphasis on the profile, motivations and behaviour of social entrepreneurs who may often appear as ideal partners for venture philanthropists focused on innovative solutions and increased social impact. As to the EMES approach, it highlights specific governance models based on the involvement of stakeholders able to reflect converging, as well as diverging legitimate interests, as a major channel to ensure the primacy of social aims and high levels of accountability as requested by venture philanthropy.

Venture philanthropy often seeks to create a leverage effect which may contribute weakening the typical philanthropic shortfall and lead supported organizations toward a sustainable operating model. However, such a quest of sustainability in venture philanthropy discourses and actual practices does not necessarily mean looking mainly for market incomes. Such an open approach, more focused on outcomes than on types of incomes, tends to see sponsored organizations as hybrid ones which have to secure the best mix of resources to support their social mission. To a large extent, it seems close to the EMES conception of social enterprise, as well as the social innovation school of thought.

Being complementary to each other, the social enterprise's different types of resources can guarantee its autonomy – autonomy based on multiple linkages – and its economic viability. Hybridization not only means relying on different types of economic relations over a long period, it also means balancing these economic relations through negotiations with the various partners. Instead of imposing its own priorities and, therefore, bearing the risk of generating particularism, we would hypothesize that venture philanthropy at its best will probably find its very own place as one (important) partner among various stakeholders.

Along the same lines, the place and role of venture philanthropy, as well as its tools vary according to development stages of the supported organization. At each stage, venture philanthropy may contribute significantly to reducing amateurism through rigorous and well-designed modes of support. Here again, however, acknowledgement of the specific contribution of each type of financial and nonfinancial resources will help stakeholders converging to the social mission and reduce the risk of mission drift.

In a more fundamental perspective, what is at stake with the rise of venture philanthropy and SE is the need for many more efforts towards improving the appraisal of an organization's overall performance, the concept of performance being taken here as the capacity of an organization to achieve its objectives. This raises various key issues, which may be seen as major avenues for further research. How to capture social value is certainly one of those key issues. Indeed, SE and venture philanthropy are driven by social objectives and venture philanthropists want to assess the social impact of their investment. However, if methods to grasp social impact are flourishing, most often these measures are still confined to raw indicators of the volume of activities, which don't grasp the net effect (social return) of the investment. This is a major research challenge for the coming years.

In fields where research is still in its infancy, empirical evidence is of utmost importance. Too many discourses regarding SE and venture philanthropy can still be described as 'prescriptive', as they focus on strategies that a social entrepreneur or a venture philanthropist should adopt. As we have already underlined, there is a possible gap between wishes and reality. In such a context, case studies can provide relevant information about the dynamics underpinning SE and venture philanthropy, but databases on a large scale are needed to test more general hypotheses, thereby helping to provide the critical research underpinnings for this developing field.

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