



ADVISING HANDS-ON DONORS

The Portsmouth Community Foundation has a wealth of resources and local connections that can help you help your clients become engaged in their philanthropy. Call us today to find out more about how you can help your clients become hands-on donors and do spectacular grant making.

During the economic boom of the late 1990s, new philanthropists began to apply the same entrepreneurial approach to giving that they applied to building their businesses. This new movement — known as “venture philanthropy” — had the same effect in the philanthropic world as the dot-com expansion had in traditional business. By providing seed capital to nonprofits, supervising strategy, and constantly evaluating results, these hands-on givers hoped to revolutionize philanthropy.

At first, it didn't work out exactly as planned. Much of this new funding injected into existing and start-up organizations lasted barely a year before changes in their founders' own fortunes slowed financial backing. These days, the oft-overused term venture philanthropy means many things to many people. But the movement's legacy — the concept that donors, nonprofits, and the causes they support can all benefit from a closer relationship between donor and recipient — continues to grow and thrive today.

In fact, as the economy stabilizes and the financial markets improve, hands-on giving is proving to be an increasingly popular and rewarding strategy among donors. However, it can be difficult to get it right. That's why many prospective donors and their advisors are turning to community foundations, which in turn are creating their own venture philanthropy divisions to provide advice and generate further local interest and participation.

Finding Your Client's Inner Venture Philanthropist

What type of clients should consider hands-on giving? Successful baby boomers who have the time and funds and other resources to allocate to nonprofits find the hands-on approach to be especially attractive. It also has appeal for recently retired donors who want to keep on contributing. Still, hands-on giving holds appeal for committed donors of any age, and so the approach may be of interest to a variety of your clients.

The required commitment, though, can be substantial. Paul Shoemaker, executive director of Social Venture Partners in Seattle, says donors must be willing to develop long-term relationships with recipient organizations, and to focus on both growth and measuring results. “A venture plan does all that together, in a hands-on relationship with that nonprofit,” he says. Created in 1997, Social Venture Partners links venture philanthropists with nonprofits. The organization now has 23 participating organizations and almost 1,000 partnerships, and works closely with community foundations across North America.

The Community Side of Venture Philanthropy

Increasingly, community foundations are the go-to resource for budding venture capitalists and their advisors. The Center for Venture Philanthropy, a division of the Peninsula Community Foundation in San Mateo, California, is a particularly receptive model. “A community foundation is an ideal place for venture philanthropy to flourish,” says Executive Director Carol Welsh Gray. “It has all the skills and connections to make it effective.”

Gray acknowledges that her center benefits by being located in an area that particularly values innovation, but says that foundations everywhere can become more involved in hands-on philanthropy — and, as a result, more successful in raising money — if they assume an active role and allocate the necessary funds and staff.

At present, a few community foundations are developing their own venture philanthropy approaches in cooperation with local donors.

For instance, the Baltimore Community Wealth Collaborative was formed in February by the Washington, DC–based Community Ventures and several area nonprofits and foundations, including the Baltimore Community Foundation. The group has chosen eight local for-profit ventures (out of 37 applicants) to receive 10 months of technical and other support to become financially viable, with the expectation that they will then be able to earn revenue to support their nonprofit parent organizations.

Amy Gleason, senior consultant at Community Ventures, notes that the foundations are backing the technical support rather than funding program activities — a new twist on the concept of venture philanthropy. Her organization has completed similar projects in Washington and is currently working on another in Boston.

Other venture philanthropy efforts involving community foundations are in the works in Boulder, Colorado; Grand Rapids, Michigan; and dozens of other towns and cities across the United States.

As community foundations participate in these kinds of projects and develop expertise, the organizations are increasingly well placed to help prospective venture philanthropists and their advisors on their own undertakings with what the Baltimore Community Foundation describes as a “complete tool kit for charitable giving.”

Getting Started

The first step for prospective donors and their advisors, community foundation officials say, is to decide if venture philanthropy is the right approach for both the individual donor and the nonprofit(s) he or she would like to support. Even the most enthusiastic advocates agree that their approach shouldn't be a template for all givers or for all types of support. For example, a donor may prefer to fund specific programs instead of providing ongoing operating support, which is often the purview of venture philanthropists.

Charities will also have to think long and hard about working with venture philanthropists; they may feel, for instance, that generating measurable outcomes, such as improved test scores, is not necessarily the be-all and end-all in determining success and may even be a distraction. Charities might also not welcome the extensive time commitment required – or the close involvement of working with donors.

Donors who choose a hands-on giving model must structure and monitor their participation appropriately. The Center for Venture Philanthropy highlights the following five key elements in a venture philanthropy program:

- Investments in long-term (3-6 year) business plans
- A managing partner relationship — the venture philanthropist is fully committed to the non-profit
- An accountability-for-results process — such as regularly measuring test scores, rates of teenage pregnancy, or progress on vaccines
- Provision of cash and expertise
- An exit strategy — such as the recent spin-off by the Center of Philanthropy's early literacy program, “Raising a Reader.” (This program is now a separate nonprofit.)

Like many forms of giving, venture philanthropy will continue to develop and change as both donors and nonprofits refine (and redefine) their relationships with each other. Meanwhile, the increasing number of philanthropists with energy and commitment to hands-on giving is proof that venture philanthropy, as a concept, is far sturdier now than in the heady era of the late 1990s that helped popularize it. An advisors who can steer his or her client — before the client makes any significant financial commitments — to helpful resources, such as a community foundation, can help ensure that any long-term giving commitment is consistent with the client's overall financial goals and wealth management plan.

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