THE CONSTRUCTION AND EVOLUTION OF VENTURE PHILANTHROPY

Evidence from Proponents and Practitioners

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About the Author

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ABSTRACT

The new model of grantmaking called “venture philanthropy” burst loudly onto the scene in the mid-to-late-1990s, promoted as a way to revolutionize grantmaking and the nonprofit sector. Today, the field of venture philanthropy has been refined, and the claims made by its proponents are more modest. Qualitative research examining the primary organizations and philanthropic professionals that practice and promote venture philanthropy is used in this paper to explore how this new philanthropic culture was created, and the factors said to explain why the new field emerged and evolved as it did. The findings suggest that while the dot com boom was an important prompt, the construction and diffusion of the field depended on opinion leaders who strategically defined, legitimated, and advocated the new model, the fit of the model with existing culture, and the institutionalization of the field via professional networks. Implementation difficulties and the business-nonprofit culture clash are among the factors forcing current changes in venture philanthropy.

INTRODUCTION

The past decade has been a time of significant change and innovation in philanthropic practice, from the new donors and giving mechanisms of the so-called “new philanthropy” (Cobb, 2002; Salamon, 2002; Schervish, 2000) to the active borrowing of business concepts and practices by nonprofit “social entrepreneurs” and “social enterprises” (Dees, Emerson, & Economy, 2001; Eikenberry & Kluver, 2004; Weisbrod, 1998). Among the most prominent and most controversial of these innovations is the new approach to grantmaking known as “venture philanthropy.” In brief, venture philanthropy grantmakers borrow the venture capital funding model, which has been used so successfully to nurture and grow start-up businesses in the “new economy,” and adapt the model for philanthropic funding.

Venture philanthropy burst loudly onto the scene in the mid-to-late-1990s and prompted both its proponents and many observers to claim that it just might revolutionize grantmaking and the nonprofit sector (for reviews, see Brower, 2001; Cobb, 2002; Frumkin, 2003). Not surprisingly, it prompted vocal criticism as well (e.g., Kramer, 1999; Shakely, 2003; Sievers, 1997). Today, the field of venture philanthropy has evolved as individual organizations focus more on refining their own distinctive approaches, and the claims made by these proponents are more modest (see Morino & Shore, 2004; Arrillaga & Hoyt, 2005).

Whether venture philanthropy is significantly “new,” and whether it has been a boon or a detriment to the practice and reputation of philanthropy, are all matters that have sparked often intense debate in philanthropic circles. But there has been little scholarly analysis of venture philanthropy that examines it closely, addressing the broader analytical questions raised by the
creation of this new model of philanthropy as well as clarifying its relationship to the changing philanthropic landscape.

In particular, studying the case of venture philanthropy can offer illuminating insights into the construction, legitimation, and initial evolution of an ostensibly “new” organizational field and “new” professional culture, dynamic early-stage processes that have been somewhat neglected by scholarship which has usually examined established fields and cultures. Analyzing this young field, we can examine how proponents and practitioners of venture philanthropy explain, justify, and implement their new model of grantmaking and how they went about developing and spreading the shared terminology, concepts, and organizational practices of this philanthropic innovation—new ways of thinking, talking, and acting that make up what can be called a new “cultural repertoire” (see Lamont & Thévenot, 2000; Swidler, 1986). We can examine what factors shaped the emergence, institutionalization, and diffusion of venture philanthropy as an organizational field.

**STUDYING VENTURE PHILANTHROPY**

While there have been numerous popular press and trade publication articles on venture philanthropy, there has been very little scholarly research and writing on the subject despite its analytical appeal. Most of the more detailed work on the field has come from thoughtful practitioners, and some scholars, seeking to defend or debate the merits of venture philanthropy, or summarizing the principles, techniques, and practical examples of this approach to provide “how to” advice (Brainerd, 1999; Firstenberg, 2003; Jegen, 1998; Letts, Ryan, & Grossman, 1999). However, Cobb (2002) and Frumkin (2003) offer brief scholarly summaries of the field that emphasize how it was explicitly created by business-minded philanthropic entrepreneurs seeking to counter the perceived problems with “traditional philanthropy,” and how the model was expressed in quite diverse practices in the early adopting organizations.

Schervish, O’Herlihy, and Havens (2001) studied the motivations and giving strategies of high-tech wealth holders, many of whom were the early supporters of venture philanthropy, and identified several connections between their approach to business and their approach to philanthropy. These high-tech donors preferred what the researchers labeled an “agent-animated” approach to giving, which included conducting venture capital-like “due diligence” reviews of potential grants. They exhibited “hyperagency” in their desire to support the application of human and intellectual capital, as well as financial capital, to problems as a way to nurture more innovative, long-term, and comprehensive solutions. These high-tech, venture philanthropy-oriented donors were different from other wealthy donors in that their identification of causes and giving plans did not arise out of network ties with local community or religious institutions, but more out of professional and work-related networks and through the new types of philanthropic socialization venues they were a part of, such as giving circles. This study suggests a number of factors that might have influenced the creation of the venture philanthropy model—assuming the wealthy donors imparted their approach to the venture philanthropy organizations they supported—and provides a glimpse into the conceptual connections that were made between venture capitalism and venture philanthropy.
As the limited previous research has pointed out, the actual grantmaking that is done under the “venture philanthropy” banner is diverse but actually quite modest in scale. One of the only surveys of venture philanthropy activities found that as of 2001 there were 42 grantmaking entities that could be at least partially classified in this field, and they gave just over $50 million in that year (Venture Philanthropy Partners, 2002). In that same year, according to statistics compiled by The Foundation Center (available at http://fdncenter.org/research), there were well over 61,000 foundations in the U.S. and they gave approximately $30 billion. This means venture philanthropy accounted for less than 0.2% of total foundation giving in 2001. The numbers alone, then, are not sufficient reason to examine this small niche of the “new philanthropy.” But venture philanthropy is a significant and illuminating case to study for a number of other reasons.

One reason is that venture philanthropy is very often identified as the epitome of the new models of philanthropy, particularly of the movement toward adapting business concepts and practices for use in the nonprofit sector (Cobb, 2002; Frumkin, 2003). And more important, it is an approach to giving that (as will be analyzed below) holds special appeal for the most visible of the new breed of donors, the wealthy “dot com millionaires,” who are just now beginning to practice philanthropy but who have a lot of money to give in the coming years. Research on the philanthropic ideas and practices that appeal to these individuals is certainly warranted.

Venture philanthropy also has notoriety and influence beyond its modest scale. The controversy that erupted over this new field in its early years was widely publicized, and the debate surfaced a number of fundamental issues and pressing questions about traditional grantmakers and nonprofit organizations. Much of the reason for the controversy was the audacity with which the proponents of venture philanthropy—many of whom are newcomers to philanthropy—initially presented their “new” model. To highlight the strengths of their approach, they often offered a blunt assessment of the perceived weaknesses of “traditional philanthropy.” This means that, in many cases, comparative philanthropic novices were telling seasoned philanthropic professionals that their way of doing grantmaking was ineffective, inefficient, and frankly in need of replacement in the same way that traditional business models were being replaced. In response, critics of venture philanthropy argued that it was not so new or innovative, not very widespread, disrespectful of the current diligent work of both foundations and nonprofits, and perhaps even a dangerous means by which bottom-line, business values might encroach upon the world of philanthropy. But in the course of this debate, core questions about philanthropy and nonprofits in general were raised, issues such as the proper donor-donee relationship, and whether (and how) to measure the impacts of or “return” from “investments”—this term is widely used instead of “grants”—in a way comparable to how businesses measure results. Moreover, in raising these issues and prompting such scrutiny, the dispute over and example of venture philanthropy has, however modestly or experimentally, influenced the concepts and practices used by some more traditional grantmakers, and has certainly contributed new concepts to the public conversation about philanthropy. Studying venture philanthropy, then, can provide insight into key, broader questions about and developments in philanthropy and the nonprofit sector as well.

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2 The definition of what qualifies as part of “venture philanthropy” that is used in this survey is fairly broad, and even by that method of categorization the amount of grantmaking is still quite small.
Venture philanthropy is also a useful case for the analytical reason noted earlier. It is a unique opportunity to examine the creation and initial spread of a new field and new culture. And it is a distinctive case of an emergent culture because it was so explicitly created by borrowing and adapting the ideas and practices of another culture.

Finally, it is important to do balanced, objective research on venture philanthropy because this field—mainly as a result of the heated controversy over it—has been particularly vulnerable to mischaracterization and misunderstanding. Both advocates and critics of venture philanthropy admit this. Advocates lament the overly dramatic or stark depictions of venture philanthropy coming from critics, while critics argue that venture philanthropy supporters grossly mischaracterize traditional philanthropy.

In this study, I begin to provide a more systematic and qualitatively-rich analysis of this illuminating case of venture philanthropy by closely examining the professionals and key organizations that promote and practice this new philanthropic model. This examination addresses two key questions:

1) How do the proponents and practitioners of venture philanthropy explain the concepts and practices that make up this new professional culture, and how was this culture constructed and legitimated?

2) From the point of view of those professionals most intimately involved, what factors explain the emergence and initial evolution this new organizational field, and how have these factors mattered?

METHODS AND DATA

To address these questions, this study utilized qualitative methods and data that allow for contextualized, but systematic, assessment of venture philanthropy professionals and organizations. The research gathered data from those organizational professionals most intimately involved in creating and implementing the new field and culture, the practitioners and proponents of venture philanthropy. The data includes their views and reflections as they are expressed in public statements, in organizational documents, and in in-depth interviews conducted for this project.

Semi-structured interviews—most conducted in-person, and formally transcribed—were conducted with over a dozen professionals identified as the most prominent in this small field. All interviewees had significant experience working in organizations doing explicit venture philanthropy-related work, and all but two were currently working full-time in such an organization. The majority of interviewees were working in organizations around the “Silicon Valley” region of Northern California, but not all. Additional in-depth and some informal interviews were conducted with various other practitioners, scholars, and others with experience

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3 All quotes from interviewees are presented anonymously. Any organizational or other connections near quotes should not be used to deduce identity as in some cases more than one person in a particular organization was interviewed.
or knowledge about venture philanthropy. The list of interviewees was collected through a review of the media coverage of the field as well as snowball sampling. On the whole, the interviewees reflect the diversity of people and organizations in the field.

Interviewing venture philanthropy professionals rather than wealthy donors—donors who were usually the ones providing the majority of funds for the venture philanthropy grantmaking by these organizations—allowed the exploration of certain questions about the challenges of implementing the venture philanthropy model through developing permanent organizations, building the field through communications with their professional peers, and so on. In addition, most of these professionals had been very active in developing and promoting venture philanthropy—the interviewees include widely-recognized pioneers and leaders in this field—rather than simply implementing a vision they received from a wealthy donor, board, or set of investors. In fact, in the course of their work these professionals are called upon constantly to express the venture philanthropy vision and explain the work of their organizations, so they are the most experienced and adept communicators of the principles and practices of venture philanthropy that this study wanted to examine. Of course, they also had the insider knowledge and sense of what mattered for the emergence and evolution of the field.

Interviewees were asked to describe their organization’s model of venture philanthropy, why it should be seen as legitimate and positive (e.g., how they explain and justify the approach to new staff members in the organization), and how they respond to popular criticisms of venture philanthropy. They were also asked to reflect on the rise and the changes in the field, to offer their explanations of what mattered; they responded with remarkable candor and modesty about issues such as their own mistakes or factors out of their control.

Confidence in the interview findings is heightened by the congruence between the patterns found there with patterns found in documentary and observational data. Hundreds of pages of documents produced by the organizations were collected and analyzed. These include reports, website sections, press releases, speeches, promotional materials, and detailed summaries of grantmaking procedures. Other public statements from proponents and practitioners, such as those in the media or other third-party accounts, were also analyzed. And the data also included field observations made in the offices of various organizations and at a major conference attended by most of the major players in the field.

**HISTORY, DEFINITION, AND SCOPE OF THE FIELD**

The story of the birth of venture philanthropy is one that is often repeated, in a similar standardized form, in philanthropic circles. The story usually begins in 1997 with the publication of a seminal article in the *Harvard Business Review* that, in fact, did not even contain the words “venture philanthropy.” This article, titled “Virtuous Capital: What Foundations Can Learn from Venture Capitalists,” (Letts, Ryan, & Grossman, 1997) claimed there were several notable problems with traditional grantmaking and reported that “some foundations have been studying venture capital firms and their techniques” (p. 3) to look for ways to improve. Letts, Ryan, and Grossman argued that borrowing from this successful business model makes sense, as foundations and venture capitalists “face similar challenges” (p. 3), and they then laid out some
of the specific elements of venture capitalism that might be adopted by foundations, such as a closer and longer-term relationship between funders and grantees and required performance measures.

The standard story of venture philanthropy’s history then goes on to talk about how venture philanthropy took off as the “hot” new idea in philanthropy in the ensuing years (paralleling the “dot com boom”), how many new organizations were formed in a few years, how it fomented controversy in these early years, and then how the field has settled down—some say “faded”—in the past few years as the money flows from the high-tech economy thinned out and as venture philanthropy practitioners faced the difficulties of implementing this ambitious new model. This story is accurate as it stands, but like most taken-for-granted histories it is incomplete. Many people in the field like to point out that the term and the idea of venture philanthropy had been around before the seminal Harvard Business Review article, and that the field has not so much declined as it has been refined, as practitioners have further developed their own special approaches, and as they have become aware of the diversity and limits of the field as a whole.

Offering a succinct and encompassing definition of venture philanthropy is difficult, then. While this field is in some ways defined by its distinctiveness as a “new” approach to grantmaking, there is a range of different activities taking place under the venture philanthropy banner, and recently some organizations have decided to label their work under different, less controversial banners. “High engagement philanthropy” appears to be the most common alternative, with several organizations in the field now using that term explicitly in lieu of “venture philanthropy” (see Morino & Shore, 2004; Arrillaga & Hoyt, 2005). There are also many related new developments that overlap, in specific organizations, with venture philanthropy, such as “social entrepreneurship” and “social enterprise.” As one venture philanthropy professional lamented in an interview, “venture philanthropy is a field right now that’s not apples to apples. You got like one apple, three raspberries, a pear, an orange… Are they all fruit? I guess so… There’s some commonalities. But they’re pretty dramatically different.”

Nevertheless, there is a core set of principles and practices that are, for the most part, embraced and implemented by the majority of venture philanthropy organizations. One recent attempt to summarize these by a prominent player in the field provides a useful definition. The definition used by the Peninsula Community Foundation’s Center for Venture Philanthropy (CVP) says their “venture philanthropy model applies five key elements: 1) Investments in long-term (3-6 year) business plans; 2) A managing partner relationship; 3) An accountability-for-results process; 4) Provision of cash and expertise; and 5) An exit strategy.” They also explain that in venture philanthropy, “investors make long-term funding commitments, closely monitor performance objectives through pre-defined measurement tools, and problem-solve jointly with the nonprofit leadership team on a regular basis” (http://www.pcf.org/venture_philanthropy/definition.html, ¶ 1-2; see also Gray and Speirn, 2004).

This definition is representative of others given by organizations in this field. The venture capitalism notion of “exit strategy” is more controversial in the field, and has been dropped or glossed over by many venture philanthropy groups. But the related notion of “going to scale” is a more common feature of most organizations’ core summaries of their model. The one element emphasized by many organizations that CVP does not explicitly mention in their language here
is the support for organizational “capacity-building,” which is often highlighted by venture philanthropy groups as something that distinguishes them from the program-focused funding of more traditional grantmakers.

**TABLE 1: Selected Venture Philanthropy-Related Organizations, By Geographical Location**

<table>
<thead>
<tr>
<th>ORGANIZATION NAME</th>
<th>HEADQUARTERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Silicon Valley Social Venture Fund (SV2) (c/o Community Foundation Silicon Valley)</td>
<td>San Jose, CA</td>
</tr>
<tr>
<td>Steven and Michele Kirsch Foundation (c/o Community Foundation Silicon Valley)</td>
<td>San Jose, CA</td>
</tr>
<tr>
<td>eBay Foundation (c/o Community Foundation Silicon Valley)</td>
<td>San Jose, CA</td>
</tr>
<tr>
<td>Center for Venture Philanthropy (c/o Peninsula Community Foundation)</td>
<td>Menlo Park, CA</td>
</tr>
<tr>
<td>Entrepreneur’s Foundation (6 separate affiliate organizations around US and 1 in Israel)</td>
<td>Sunnyvale, CA</td>
</tr>
<tr>
<td>Skoll Foundation</td>
<td>Palo Alto, CA</td>
</tr>
<tr>
<td>Legacy Venture</td>
<td>Palo Alto, CA</td>
</tr>
<tr>
<td>Omidyar Network</td>
<td>Redwood City, CA</td>
</tr>
<tr>
<td>REDF (formerly Roberts Enterprise Development Fund)</td>
<td>San Francisco, CA</td>
</tr>
<tr>
<td>NewSchools Venture Fund</td>
<td>San Francisco, CA</td>
</tr>
<tr>
<td>Full Circle Fund</td>
<td>San Francisco, CA</td>
</tr>
<tr>
<td>Philanthropic Ventures Foundation</td>
<td>Oakland, CA</td>
</tr>
<tr>
<td>Social Venture Partners International (21 separate affiliate organizations around US)</td>
<td>Seattle, WA</td>
</tr>
<tr>
<td>Venture Philanthropy Partners (associated with the Morino Institute)</td>
<td>Washington D.C.</td>
</tr>
<tr>
<td>Community Wealth Ventures, Inc.</td>
<td>Washington D.C.</td>
</tr>
<tr>
<td>Calvert Social Investment Foundation</td>
<td>Bethesda, MD</td>
</tr>
<tr>
<td>Robin Hood Foundation</td>
<td>New York, NY</td>
</tr>
<tr>
<td>Surdna Foundation</td>
<td>New York, NY</td>
</tr>
<tr>
<td>New Profit, Inc.</td>
<td>Boston, MA</td>
</tr>
<tr>
<td>Common Good Ventures</td>
<td>Waterville, ME</td>
</tr>
<tr>
<td>Nonprofit Enterprise and Self-Sustainability Team (NESst)</td>
<td>Santiago Chile &amp; Budapest, Hungary</td>
</tr>
</tbody>
</table>

Table 1 lists many of the organizations that are considered by most observers to be part of the venture philanthropy field. Within the list is a diversity of organizational forms and statuses.
Some are private foundations but others are public charities; some are donor-advised funds or “giving circles” working on a partnership model of engaged investors, and others are separate foundations established by a wealthy individual. Still others are intermediary funds that work much like venture capital firms—they raise money from investors (including traditional foundations) for specialized purposes (e.g., for education reform), distribute this “capital” to a “portfolio” of organizations, and then engage closely with those organizations in using the funds (or arrange for outside management consulting firms to do so). Some groups make investments in both for-profit and nonprofit entities (including those operating “social enterprises”), while others only fund nonprofits. Some support any group doing work they find effective, while others focus on “social entrepreneurs” pursuing new ideas or more risky projects. Some are focused on a single issue—youth and education are the most common—while others invest in a few different areas. What ties them together into a field called “venture philanthropy” is both their self-conception as connected (at least historically, or tangentially in some cases) to this field, and their use of similar concepts and similar general elements in their grantmaking model, along the lines outlined in the CVP definition above.

Many of the funders for these organizations—from foundation founders to giving circle participants—are associated with the “dot com boom” and other new economy ventures. But not all venture philanthropy is funded by dot com millionaires, and certainly not all dot com millionaires (or billionaires, such as Bill Gates) prefer an explicit venture approach, even if they share some affinity with its principles. Also, many of these organizations are based in and around Silicon Valley in California, but there are important groups—including some of the pioneers—based elsewhere, especially in other high-tech economic centers such as Seattle, Boston, or Northern Virginia.

The earliest use of the specific term “venture philanthropy” that most people cite is from philanthropist John D. Rockefeller, III, during the 1969 hearings on tax reform before the House Committee on Ways and Means, though Rockefeller was almost surely not associating “venture” with venture capitalism, which was just emerging as an obscure idea at that time. The Peninsula Community Foundation calls itself “the birthplace of venture philanthropy” because it was the first to publicly muse—in its annual report in 1984—about the possible benefits of applying to grantmaking some of the venture capitalism practices that were being perfected in Silicon Valley at that time (see http://www.pcf.org/venture_philanthropy/birthplace.html).

The Letts, Ryan, and Grossman (1997) article mentioned that foundations were already looking at venture capitalism for guidance, which indicates that there was activity preceding that famous article, a fact confirmed by many interviewees in the current research. Work in the late-1980s and early-1990s in San Francisco by Jed Emerson and the Homeless Economic Development Fund—which has evolved into the organization REDF—and in New York City by the Robin Hood Foundation was explicitly borrowing the approach of venture-type investing and management-assistance business models (see Emerson and Twersky, 1996, where they suggest philanthropists might benefit by thinking like venture capitalists). Social Venture Partners, an early and now much-imitated pioneer of a unique engaged partner, pooled venture fund

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4 Also, around 1994, Joint Venture: Silicon Valley, a group dedicated to education reform in the valley, publicly borrowed the ideas and language of venture capitalism in their efforts to develop new education funding mechanisms and to attract new donors.
approach, was founded at this time (1997) in Seattle by Paul Brainerd of Aldus Corporation (Brainerd, 1999).

Then, as the standard history suggests, many organizations were created in the next several years, such as NewSchools Venture Fund, started by Silicon Valley venture capitalists; New Profit, Inc., in Boston, started by a successful nonprofit entrepreneur frustrated with traditional philanthropy; a “giving circle” called the Silicon Valley Social Venture Fund (“SV2”); as well as the Center for Venture Philanthropy, which has its offices on Sand Hill Road in Menlo Park, California, a road famous for its collection of prestigious venture capital firms. A November, 2000, survey of venture philanthropy organizations (N=37) found that nearly three-quarters were founded after January 1, 1999 (Venture Philanthropy Partners, 2001, p. 30).

All of this activity (and other factors, described later) led to what many people remember as a “buzz” that helped popularize the emergent term venture philanthropy, and was fueled by write-ups on this hot new philanthropic trend in major newspapers, in *The Chronicle of Philanthropy*, and in magazines like *Time, Business Week, Forbes, Fortune*, and *Wired*. But these heyday years for venture philanthropy were also when much of the controversy about and criticism of it came up (see Sievers, 1997, for an early, famous critique). And despite all the new organizations formed at this time, many interviewees said the talk about this new field at that time surpassed the actual amount of venture grantmaking going on.

These boom years in venture philanthropy—roughly 1998 through late-2000—echoed, with a slight delay, the high-tech economy’s boom years. The dot com bust in 2000 would also foreshadow, and partly contribute to, the decline in exuberance for venture philanthropy that happened in the years following. The bust was one of several factors (reviewed below) that professionals in the field see as the reasons why venture philanthropy is no longer the “booming” field it was before 2001.

Proponents still tout the significance and influence of their approach, but are careful now to qualify these statements by acknowledging the limits of their approach, and they are careful to describe their work in very precise terms. Some interviewees were even surprisingly willing to downplay the size of the field or confess that, in the early years, venture philanthropy was too liberally applied, too confidently praised as revolutionary, or created too much distracting controversy. In fact, many venture philanthropy practitioners seemed very eager to get beyond the controversy that marked the boom years so that the genuine benefits of their approach could be seen. This change in the ways that these venture philanthropy professionals think and talk about their field, about what venture philanthropy “really” is now, is particularly important for the current study.

We can see this change, for example, in the definition of the field given in two successive reports on the state of the field from Venture Philanthropy Partners, a fund based in the Washington D.C. area. Summarizing the field as of the end of 2000, they make the bold claim, “Philanthropy may be on the cusp of the greatest revolution in the nonprofit sector since Congress granted tax-exemption in 1954” (Venture Philanthropy Partners, 2001, p. 9). But one year later, they define venture philanthropy in strikingly more modest language:
“In the broadest sense, venture philanthropy is a relatively new, largely unproven, and yet potentially powerful movement in grantmaking that seeks to adapt strategic investment techniques to the culture and needs of the nonprofit sector and to serve as a complement to more-established philanthropic models” (Venture Philanthropy Partners, 2002, p. 5).

Many interviewees made a similar point that venture philanthropy should not be the only type of grantmaking, and some put very narrow or specific limits on the instances in which venture philanthropy is most appropriate—e.g., for new organizations or ones attempting a risky or innovative idea. Another person acknowledged that, because venture grantmaking demanded more from the groups being funded, “if all the funders in the world were venture philanthropists, the nonprofits would go crazy.”

The professionals in the field are now also very careful to explain exactly what it is and what it is not, from their perspective. And some admit to avoiding the use of the term. It was common during their interviews for people, when asked about their vision of venture philanthropy, to describe their organization’s work in very meticulous ways and to make very fine distinctions among concepts and labels. Most refuse to say venture philanthropy is dead, however; they say it has just been refined.

Part of this on-going re-definition of the field is the controversy over whether venture philanthropy is really all that “new” or “different” from traditional grantmaking (see Frumkin, 2003; Kramer, 2002; Shakley, 2003). Traditional grantmakers, this argument goes, have always been concerned with finding and funding innovative solutions and promising groups, with helping their grantees succeed, and with evaluating the impact of their grants. While we cannot decide this question here, it is important to note how venture philanthropy professionals respond to this criticism. Most of the interviewees acknowledge that many of their core principles have been shared by traditional grantmakers for years, but they argue that they are implementing these principles in more intensive and conscientious ways. They say, for instance, that they are more focused on organizational capacity-building than mainstream grantmakers, more concerned with documenting performance, etc. They also point out that the language they borrow directly from venture capitalism—i.e., “portfolio organizations,” “due diligence,” “return on investment,” “exit strategy,” “going to scale,” and the like—is distinctive and new in the philanthropic world, even in a time when other business concepts are creeping into the nonprofit lexicon.

Venture philanthropy proponents also sometimes point to ways in which they feel their work has begun to influence or be partly adopted by traditional or more established grantmakers. This influence of venture philanthropy, per se, is hard to judge—especially given the influence of related and much less controversial developments such as social entrepreneurship. And most people in this field say the ultimate impact of venture philanthropy is still unknown. As one assessment of the field by a foundation leader in Silicon Valley put it: “there is still much hope and much hype surrounding venture philanthropy. Its ideas, its practices, and even its name have promoted a healthy evolution, but not a revolution… yet. There is a saying here in Silicon Valley that it takes twenty years to be an ‘overnight success’” (Speirn, n.d., p. 3).
“BUILDING A CULTURE”: ADAPTATION, LEGITIMATION, AND CONSTRAINT

The foregoing review of the story of venture philanthropy started to address the first question of this study by providing some evidence on how the proponents and practitioners of venture philanthropy explain the repertoire of terms, concepts, and practices that make up this new philanthropic culture. But we need also to explore how this repertoire in this new field was created, institutionalized, and justified as legitimate. And the last part of the review above suggested that these institutionalized constructions eventually came to constrain the participants in this field in a way that led them to refine their definition and their use of the repertoire.

Initial Construction Through Adaptation and Critique

The initial construction of the repertoire of terms, concepts, and practices that constituted the new venture philanthropy model was the result of deliberate and strategic definition and advocacy work by key “opinion leaders” and widely-modeled organizations. But it also benefited from the talk and attention and “buzz” surrounding the field in its early years, within the media and within networks of philanthropic professionals. For one thing, this attention forced clarification of the elements of the model, while also helping to diffuse those elements. It also helped cohere what were actually diverse efforts under a single shorthand label, and to encourage a consensus that this was in fact a distinct “field.” The jumpstart provided by the seminal Letts, Ryan, and Grossman (1997) article, the promotion efforts of other early proponents who had started to employ the term “venture philanthropy,” the general hype surrounding the “dot com boom” that was often associated with this new type of grantmaking, and even the controversy about it, all contributed to the process of defining and institutionalizing this as a specific culture. The specific role of these factors in the process of spreading venture philanthropy as a field will be explored later. Here I review how the repertoire itself was created and adapted—a process of cultural construction—and in particular the ways that this creation was driven by the need to enhance legitimacy.

One of the acknowledged opinion leaders in the field, when talking in an interview about the early work of creating venture philanthropy, remarked, “we obviously were really aggressive in terms of building a culture.” This “building” involved documenting and “aggressively” promoting the new model in various ways (discussed later), as well as drawing on specific cultural sources—i.e., business practices and venture capitalist principles. However, it is also significant that while venture philanthropy proponents were borrowing from one established culture in this way, they were also specifically critiquing another—i.e., traditional grantmaking practices and existing nonprofit conventions. They built their culture partly as an oppositional culture, though in the end it appears that they settled on thinking of it more as a hybrid culture—one that, as the report quoted earlier put it, “adapt[ed] strategic investment techniques to the culture and needs of the nonprofit sector” (Venture Philanthropy Partners, 2002, p. 5).

Recall that the Letts, Ryan, and Grossman (1997) article was written as a critique of traditional foundations, including what they called “foundations’ attitudes” (p. 3). Other venture philanthropy advocates explained in interviews that they deliberately presented their new approach to grantmaking to various audiences as a way to make philanthropy better than it currently was—more effective, more accountable, more focused on achieving measurable
results—because this contrast worked well as a way to frame their approach as new, distinctive, and valuable. The aggressiveness of some early promoters is shown by the language used in interviews to describe their efforts—e.g., they were seen as promoting a “gospel” or a “cure” that would bring “salvation” and “save the day.”

On the other hand, the creators of venture philanthropy admit that the process of adapting venture capitalism to the task of philanthropic funding was not easy. For one thing, there are aspects of venture capitalism that are difficult (or perhaps improper) to apply in a nonprofit funding context—e.g., the idea of “exit strategy” discussed earlier, or the risk strategy commonly used by venture capital firms whereby they invest in multiple start-up ventures knowing that most will fail but hoping that at least one will be a “moon rocket” that will “go to scale” and pay off big. In addition, adapting venture capitalism involved translating business terms and principles for an audience—especially the nonprofits who would seek funding—that was mostly unfamiliar with (or in some cases had disdain or worries about) those business terms or principles. One venture philanthropy organizational leader stated that her job involved constantly translating between business and nonprofit vocabularies, and between her donors and “partner” investees who used these two vocabularies. And she explained that this involved more than just forcing the business model, in tact, into a nonprofit mold: “We go so far as to make up words all the time…We, from the beginning, were aware of this bridging and translating—we call it transliterating…It’s sort of more complicated than just translating actually.” This creative invention of hybrids that meld multiple principles is something that Girard and Stark (2002) have found to be particularly common in “new media” enterprises, so it is not surprising to find it in venture philanthropy.

The Legitimacy and Appeal of Business Culture

The fact that venture philanthropy uses business models, however modified, clearly helped to establish its legitimacy because of the widely-accepted validity of business in American culture. And the early proponents of venture philanthropy knew this. Business leaders—especially the successful ones who decide to step into the philanthropic world—have long enjoyed credibility as people who know how to get things done, despite occasional resentment over their hubris or lack of knowledge of the nonprofit world. And “good business practices” are highly-regarded in general, and were definitely being heralded during the years of the emergence of venture philanthropy. This is evidenced by the popularity of the proposal in those years to use the model of entrepreneurial business to “reinvent government” (see Osborne & Gaebler, 1993)—to make it more results-oriented, more “customer”-focused, etc. Venture capitalism in particular was seen at that time as a model that was proven to work (and as a model that appealed in particular to the new sorts of donors).

As mentioned above, venture philanthropy is part of a larger documented trend at this time in the nonprofit sector toward adopting and adapting business practices and concepts, and the legitimacy of business in general is certainly a reason for this trend. Indeed, Dart (2004) has shown how the connection with pro-business values and pro-market ideology provides “moral legitimacy” (see Suchman, 1995) for the revenue-generating “social enterprise” activities that some nonprofit organizations are developing. Entrepreneurialism is perhaps the most highly valued of these business-related notions in America, and “social entrepreneurship” is, not
surprisingly, a significant emphasis in the nonprofit sector these days (see Bornstein, 2004; Brinckerhoff, 2000; Dees, Emerson, & Economy, 2001); many venture philanthropy groups focus explicitly on supporting social entrepreneurs.

The appeal of the venture approach to philanthropy to the new sort of wealthy donors arising in the 1990s is a key explanation offered for the emergence of this new philanthropic field (see below). So it makes sense that the professionals and proponents who created this cultural repertoire strategically tried to build it in a way that would maximize this appeal and resonance. They knew it would resonate with people who came from, as one person described, “a culture where business skills equals success.” In many cases, this was also the culture from which the creators of venture philanthropy had come themselves.

Given DiMaggio’s (1991) and other findings about the importance of professional training for the initial structuralization and spread of new fields, it is certainly significant that a disproportionate number of the professionals leading the new venture philanthropy organizations were either MBA graduates—nearly half of interviewees for this project were—and/or had working experience in the business world. Among the Silicon Valley professionals, there was a notable preponderance of people with ties to the Stanford Graduate School of Business, which apparently served as both a central node in the venture philanthropy professional network and a vehicle for socializing future philanthropic professionals into the mind set that business could and should be used to improve the nonprofit sector. One person, without prompting, raised this connection with MBA-type thinking related to the more general principles of this mind set, saying venture philanthropy was “very much a la a business school, kind of, ‘Let’s figure out the techniques and apply them and we’ll go through these steps and that will produce something valuable. And not only will it produce something valuable, that valuable thing we’re going to measure.’” This focus on applying strategic business management and measurement techniques to the philanthropic sector is also reinforced by the central role played in the daily implementation of venture philanthropy by various management consulting and advising organizations—e.g., the Monitor Group, Bridgespan, McKinsey and Co.—that are often hired by venture grantmakers to help their nonprofit partners improve their management and organizational capacity and help measure results. These connections surely reinforced the place of legitimate business terms and practices in this new culture.

Many venture philanthropy professionals, and the new donors they worked with and tried to attract, were also steeped in the business culture of, specifically, the new, high-tech economy. This new economy culture has been shown to be closely bound up with the cultural milieu of new economy centers such as Silicon Valley, where an entrepreneurial mentality and new innovations are highly valued and cognitively familiar (Kenney, 2000). As Saxenian (1996)

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5 A few interviewees specifically mentioned learning about venture philanthropy for the first time in the very popular social entrepreneurship course offered at Stanford by J. Gregory Dees, who is now at the Fuqua School of Business at Duke. The Harvard Business School, and the Kennedy School of Government, could also be seen as key sources of professional socialization of this new culture, given the number of Harvard people that are acknowledged opinion leaders on the topic of business-nonprofit hybrids (see, e.g., Frumkin, 2003; Letts, Ryan, & Grossman, 1999; Porter & Kramer, 1999).

6 The concept of supporting organizational “capacity building” is also something connected to the culture of business management, although it has now become a buzzword with more widespread use, including among development agencies such as the World Bank.
points out, venture capitalism was the key to the entrepreneurial success of Silicon Valley firms, but venture capitalism emerged out of the area’s high-tech enterprises, not vice versa, and so its legitimacy has deeper sources in the region’s social and cultural context. This made building a philanthropic culture with a venture approach easier and more natural—and helped the institutionalization process—in areas such as Silicon Valley. The donors and professionals there were comfortable with this way of thinking, talking, and acting. This is a repertoire that they knew well. And they believed in it. Many of the donors attracted to venture philanthropy had become very wealthy with the help of venture capitalism. A number of interviewees highlighted this affinity with venture mentality and practices as a reason for constructing the new philanthropic culture around this venture model. As one professional working in Silicon Valley put it, the language of venture capitalism “is in the papers here. It’s just how people speak… In this Valley, venture just has a certain warm place in people’s hearts because of the wealth that it’s helped generate.” He goes on to assert that this is why venture philanthropy wouldn’t have the same appeal in other areas: “We take the language [of venture capitalism] because that’s the language that resonates with the Valley. There’s a lot of money in Arkansas right now because of Wal-Mart and all that. I don’t think you could use the same language there… You’d definitely have to adapt it.”

Despite this apparent connection of this new culture to certain regions or economic sectors, there were some who noted how venture philanthropy also had more general cultural sources for its legitimacy and broader resonance. One person noted that the claim of venture philanthropy to improve grantmaking, “in a way resonates with this desire everyone has to say, ‘What are we doing with this money? How can we defend ourselves? How can we justify our existence?’” It is likely that the venture philanthropy model, in this way, garners legitimacy from the general pragmatist sensibility in American culture, the valuing of things because they work. This is suggested by the fact that the creators of venture philanthropy presented it as a critique of a traditional approach that wasn’t working, and found that audiences responded to that framing of their new approach. This justification for venture philanthropy was also a consistent theme found in the materials and public statements from the organizations that were analyzed for this project. And when I asked the head of one group to give her most effective argument in favor of venture philanthropy, she gave a pragmatist’s answer: “If you had what you considered to be problems that you hadn’t solved with 100 years of traditional philanthropy, then [you] try something else because maybe you’re going to get somewhere. If you don’t try it, you won’t know.”

Dealing with the Constraints of this New Professional Culture

Nevertheless, the way in which venture philanthropy proponents constructed their repertoire by adapting venture capitalism and by critiquing traditional grantmaking and nonprofit practices also led to limitations that affected the extent of acceptance of this culture. One limitation that has been mentioned already was the criticism this new culture received. Some in the nonprofit world—both those being criticized by venture philanthropy and others—worry about the problematic and possibly even corrupting influence of bringing business models and practices into the nonprofit context. In a softer version of this criticism, there is concern that business models—especially venture capitalism—simply cannot be applied in a nonprofit context where, for example, measuring “results” is complicated and might not be the best way to judge success.
As we have seen, these and others were very common and significant criticisms offered against venture philanthropy, and they surely affected the validity of the new approach in the eyes of some potential adopters. At the very least, the criticism forced the advocates of venture philanthropy to work harder to justify the legitimacy of their new approach.

It is also clear from the story of the field given earlier that this criticism, along with the somewhat overheated hype and other factors, led most venture philanthropy proponents to refine and, in some cases, to retreat from their much-touted new approach and new label in the years following the initial boom. Scholarship on cultural repertoires (see Eliasoph & Lichterman, 2002; Lamont & Thévenot, 2000; Swidler, 1986; Wuthnow, 1992) shows how repertoires not only enable or influence thought and action, but they can also come to constrain us, and constrain the way others evaluate our actions. This appears to be what happened with venture philanthropy over the course of its initial evolution. The way in which the repertoire had been institutionally defined and justified not only influenced organizations in the field, as institutional theories of isomorphism suggest (see DiMaggio & Powell, 1983; Powell & DiMaggio, 1991; Zucker, 1988), but also began to limit organizations. Some then distanced themselves from venture philanthropy by defining their work using different or more precise terms, while others took on the task of refining the repertoire itself, of trying to change how venture philanthropy was defined. Also, as we will see below, the field evolved partly in response to the “two-way culture shock” experienced when these business-minded grantmakers encountered the culture of the nonprofits they sought to “engage” with. This likely led to the modifications of the culture as well, to better adapt it for use.

The changes in the repertoire became apparent in the materials analyzed for this research, as organizations not only made more modest claims about venture philanthropy in various documents, but also changed how they defined this model and how they labeled their organization’s work. In interviews, some organizational leaders said that venture philanthropy did accurately describe their work at one point, but their work has now evolved. Others said venture philanthropy was never really the right term, but they got caught up in the excitement of everyone talking in this new way. But most continue to use the term and the practices of venture philanthropy, if in a more limited and narrowly defined way. One professional working in a famous venture philanthropy organization explained, “We are actually migrating a bit away from the term venture philanthropy. We still use it in some places where we feel like people will kind of get it, but I think a more accurate term for our work is ‘engaged philanthropy’ or ‘high engagement philanthropy.’” It is significant that this person says they still use the term with certain audiences that might “get it,” suggesting they use venture philanthropy before audiences with which it would retain some of its old resonance and legitimacy.

EXPLANATIONS FOR THE EMERGENCE AND SPREAD OF THE VENTURE PHILANTHROPY FIELD

The second major question addressed by this research is about the factors that explain the emergence, spread, and (covered in the next section) initial evolution of this new organizational field, according to those professionals who have been most closely involved in the field. Many of the factors mentioned in interviews and documents as significant for the rapid emergence and
spread of the field have already been mentioned, such as the dot com boom, the appeal of this model to newly-emerging donors, the role of opinion leaders, and the importance of communication across professional and peer networks. I discuss specifically how and why those factors have mattered in this section.

New Economy, New Wealth, and the Bubble Mentality

The professionals in this field claim it is no accident that venture philanthropy emerged at the same time (with a slight delay, as noted before) as the boom or “bubble,” in the high-tech, “dot com” economy. The economic boom created lots of new money and newly wealthy people looking to engage in philanthropy for the first time, and these new, younger donors were less likely than “old money” donors to have set ideas about how to do their giving. The boom also created a confident—some say arrogant—“master of the universe” attitude among these new donors, as well as the professional staff caught up in the boom mentality. These donors had been wildly successful in one field, and everyone was convinced they could be so in another field, that they could and would fundamentally change and improve how grantmaking was done. And the donors as well as the many of the professionals they hired saw no reason why success in this new arena would not require the use of the same tools that had worked in the other.

The dot com boom also contributed to the “buzz” around venture philanthropy that helped it become known and spread. Certainly all the media and other attention that venture philanthropy received was partly caused by its association with the equally well-publicized dot com boom, or as one person put it, “the media’s fascination around wealth and the media’s fascination with new wealth in particular.” This media coverage certainly led to more rapid dissemination of (and debate about) venture philanthropy.

Several people also commented on the role of a “bubble mentality,” which involved the sense of being flush with money, brimming with confidence and optimism, and ready to be wildly successful in philanthropy in the same way as in the economy. Those with the bubble mentality fully expected venture philanthropy to take off. As one interviewee described the wealthy entrepreneur who founded the organization,

> “he really got engaged in thinking about, ‘Well can we use a venture model? I know what the venture model is here and I know business… What if we reached the point that everybody could leverage their funds as a venture philanthropist’… [he had a] big vision, bold vision…. And, you know, I think that that was unfortunately part of the bubble mentality.”

Again, we should be clear that not all donors supporting venture philanthropy organizations made their money in the high-tech economy, and not all dot com millionaires jumped on the venture philanthropy bandwagon. But the aspects of the dot com boom and bubble just reviewed certainly contributed to the rapid emergence and spread of the field, even if others got involved for other reasons.
The Appeal and Fit of Venture Philanthropy

Another, related reason that venture philanthropy professionals offered as an explanation for why this field emerged and spread is that venture philanthropy was particularly appealing to this new group of wealthy people that emerged at this time and in these areas. Prior research (e.g., DiMaggio, 1991; Galaskiewicz, 1985; Rogers, 2003) suggests that the spread of a new innovation such as venture philanthropy would be easier to the extent that it resonated with the existing language, values, and concepts already shared within a certain community, or by certain people or professions. As we saw in discussing where venture philanthropy got its legitimacy, it appears there was this sort of natural fit between venture philanthropy and the existing business and venture capitalist-oriented ways of thinking and acting that prevailed among many of the newly wealthy individuals at this time. And venture philanthropy also fit with the cultural milieu of the new economy-centered communities that it flourished in the most.

The fact that the majority of supporters attracted to venture philanthropy were new economy entrepreneurs certainly makes sense. They were the beneficiaries of venture capital funding in the process of making their wealth, or, in some cases, they were venture capitalists themselves. So they accepted the legitimacy of the venture approach. They were sure it could work. They believed in entrepreneurialism and they were excited by the idea of being philanthropic entrepreneurs. Conversely, most had little experience with traditional grantmaking approaches, and many had little confidence that it could work. In fact, the first experience with traditional philanthropy that some of the newly wealthy individuals in Silicon Valley had was a seriously negative one: the near collapse of the United Way in the region around 1999.

One interviewee explained nicely the appeal of venture philanthropy to new donors from the business world, especially the venture capitalists:

“All I think it probably feels more natural to them, because it’s something they’re familiar with in another part of their life. Philanthropy can feel scary or unknown, I think, especially when you’re just starting out. A lot of the people that we work with as investors are used to making really informed decisions about their money… and to just write a check blindly when it comes to philanthropy I would imagine feels very incongruous to them.”

This explanation is confirmed by a statement from Paul Brainerd, founder of the software company Aldus who went on to help start the very successful organization, Social Venture Partners: “for a new generation of people… like myself, the traditional approach of writing a check to a charitable organization or serving on a board did not seem very fulfilling. There was a desire to be more engaged in the process of giving back” (Brainerd, 1999, p. 502).

Many of the professional staff interviewed went into further detail about the qualities or traits commonly found among “dot-commers,” or really among all entrepreneurs, that would lead them to have an affinity for venture philanthropy. And they gave similar lists of those traits. For example, they were said to be very data-focused, strategic-minded, and results-oriented. They were comfortable with “charts and graphs and deadlines.” It was important, also, that many of the professionals working in these organizations said they, too, shared these traits. One person
noted, including herself, “We’re pretty hardcore. We have very high expectations. We’re very analytical.” Being entrepreneurial, the practitioners of venture philanthropy were also described as almost obsessed with finding new, faster, and better ways of doing things. One person called them “innovation junkies.” They are prone to think that old or traditional—i.e., like established foundations or the normal means of doing philanthropy—means slow, inefficient, and unproductive.

Perhaps most striking was the explanation offered by a few of the interviewees from Silicon Valley that appealing to the business sensibilities of these new donors might be the only way to get them involved in philanthropy. This was not as common a finding as the others mentioned so far, but it was raised independently by a few people in explaining the appeal of venture philanthropy in the area, and it also confirms a key finding from the Schervish, O’Herlihy, and Havens (2001) study of high-tech donors. This explanation said that appealing to local connections and allegiances, such as to a religious community or school, did not work in the Valley as it might elsewhere. The people in the Valley were non-native and focused on work and professional connections rather than local institutions or neighborhoods. One person even said this meant that appealing to pure “moral obligation” to help others in the area did not work as well as appealing to their business orientation.

Again, to be clear, there are certainly cases of “old money” donors who find the venture philanthropy approach appealing, both in new economy cities and elsewhere. And venture philanthropy giving circles such as Silicon Valley Social Ventures include doctors and teachers as well as software engineers and high-tech entrepreneurs. But the appeal of venture philanthropy to these non-dot-com people further suggests both the more general resonance of the approach discussed earlier—i.e., everyone wants their philanthropic giving to be effective—and the fit of venture philanthropy with the broader culture of regions such as Silicon Valley.

Opinion Leaders

The proponents and practitioners of venture philanthropy also said that this field emerged and spread because there were influential people—what diffusion research (Rogers, 2003) calls “opinion leaders”—who worked deliberately and diligently to construct the culture and promote the field. This was the dissemination part of the process of aggressively “building a culture” that the person quoted earlier described—recall that this person was one of those opinion leaders who was most avidly engaged in creating and promoting venture philanthropy. The role of the opinion leaders involved both developing a cohesive and legitimate set of terms, principles, and practices—building the cultural repertoire, the body of professional knowledge essential to field emergence (DiMaggio, 1991)—but also strategically communicating those principles across professional networks and actively socializing new donors and professionals entering the field. Also, these opinion leaders were themselves part of the professional community and networks they were promoting this new model to, and shared the language and other cultural and cognitive orientations of that community, which research (Rogers, 2003) also suggests is important for the effectiveness of opinion leaders. Opinion leaders were important in giving a sense of the field as a single endeavor, with a coherent philosophy, under a single label.
Some of the entrepreneurs who created many of the early venture philanthropy organizations were often cited as influential in spreading this new model, including (among others) Paul Brainerd and Paul Shoemaker of Social Venture Partners, and Jed Emerson of the group now called REDF. Many interviewees cited the role of Emerson and his REDF colleague Melinda Tuan, who were not only early experimenters in adapting venture capital practices, but who made a concerted effort to produce publications to disseminate their evolving thoughts and practices—e.g., their formula for measuring “social return on investments”—and to document their experiences, including some notable early failures (see Emerson and Twersky, 1996). Opinion leaders such as these were also often quoted in the media coverage during the buzz years mentioned above, and frequent speakers at meetings of local business associations, conferences, and other places. They developed what one person called a standard “stand-up” routine in which they would talk about the problems with the traditional model and present the features of the venture model as a more effective, engaged, and performance-focused alternative. Opinion leaders of various sorts were also involved behind the scenes in counseling and encouraging new donors and new professionals to enter the field. For example, the two community foundations in the Silicon Valley area advised new donors about this approach—those who expressed an interest or who they thought might be attracted to it—eventually helping people like the founders of eBay (Pierre Omidyar and Jeff Skoll) establish foundations operating on venture philanthropy principles.

Certain key publications that were widely read were also cited as important by many interviewees. Chief among these was the seminal *Harvard Business Review* article (Letts, Ryan, & Grossman, 1997), and it is significant that the arguments offered in that article—e.g., that traditional foundations were too interested in funding only new programs and were too hands-off after making grants—were key arguments offered over the next several years by venture philanthropy proponents. Many venture philanthropy professionals also mentioned the yearly surveys and reports produced by the D.C.-area group, Venture Philanthropy Partners, that were widely read and often included reflective essays on the field by opinion leaders (Morino & Shore, 2004; Venture Philanthropy Partners, 2001, 2002). Finally, the engagement of key proponents with a vocal chorus of critics of the field was also important for both attracting attention to the field as well as forcing clarification of it. The most frequently cited critic of venture philanthropy—Bruce Sievers, a former foundation president—published an essay (known by its catchy title “If Pigs Had Wings”—Sievers, 1997) in a widely-read foundation magazine almost immediately following the *Harvard Business Review* article, and was often invited to offer the “counterpoint” to the “stand-up” of venture philanthropy proponents in the meetings mentioned above.

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7 The organization was known as the Roberts Enterprise Development Fund during its formative years, named after its founder, leveraged-buyout pioneer George Roberts.  
8 The same three authors continued to write about this alternative approach to philanthropy, placing it into the context of other methods for improving the performance of nonprofits that emerged in the 1990s (see Letts, Ryan, & Grossman, 1999).
Professional Networks

Given the importance of professional networks cited by prior research on institutionalization, isomorphism, and learning within organizational fields (e.g., DiMaggio & Powell, 1983; Galaskiewicz, 1985; Powell & DiMaggio, 1991; Powell, Koput, & Smith-Doerr, 1996), it should come as no surprise that the professionals involved in this field felt that networks mattered a great deal for the growth and maintenance of the field, particularly as these professionals were the ones who formed and used the networks. The stories offered by many interviewees about how they—and their organization’s donors—initially got involved in this field usually included some key connection made across a network, such as between former classmates at business school or among board members of a local nonprofit.

The connections that were most important for sustaining the field seemed to be the ones made between newly wealthy individuals when they began to discuss how to start doing philanthropic giving. Media accounts often related stories about how this new field was promoted at cocktail parties at the homes of people like Steve Kirsch, founder of InfoSeek and an enthusiastic advocate of venture philanthropy. The networks also were important recruitment devices for venture philanthropy organizations that were structurally designed as networks, such as giving circles or the local chapters of Social Venture Partners in which individual donors contribute to a pooled fund but also meet regularly to discuss which “investees” to fund and to engage in volunteer work for those investees.

Moreover, many interviewees made the case that networks were particularly important for spreading venture philanthropy in the Silicon Valley area, because as one person put it, “Networking here is huge. It’s massive.” This heavy reliance on learning through networks, and networks of a particular sort, is in fact yet another distinctive feature of Silicon Valley society and culture that many interviewees pointed to as important for explaining why venture philanthropy developed there in particular. The networks in Silicon Valley were characterized as more horizontal, which is reflective of the economic history of the area in which there were, in the words of one person, no long-standing “vertically integrated and top-down” industries—this closely follows the research findings of Saxenian (1996). This meant that there were also no long-standing, top-down philanthropic institutions, and so the environment was open to a new style of philanthropy, one more conducive to an entrepreneurial society built on self-generating, peer-to-peer, professionally-based networks. Information about venture philanthropy got passed along very quickly and effectively through networks such as these.

Exemplars, Modeling, and Training

A final reason cited by several venture philanthropy professionals to explain, in particular, how this new model spread after its initial invention by early pioneers, is the tendency for even entrepreneurial minded people to look for exemplars to imitate, or perhaps to adapt—what DiMaggio and Powell (1983) call “mimetic isomorphism.” This modeling appears to have happened in this case both through the mechanisms just described, such as the observation of existing venture philanthropy groups—e.g., reading the materials put out by the early pioneers, going to conferences and hearing about work in the field, etc.—and through direct mentoring and advising of new donors (or staff) by existing practitioners or opinion leaders. There were several
mentions in the interviews of key exemplars that were said to influence others entering the field—e.g., one person described using exemplars to encourage other wealthy individuals to support her venture philanthropy organization: “The founders of eBay, both of them... I think that they’re kind of examples that we can hold up.” In a couple cases, organizations have also worked explicitly to replicate their own model in “affiliates” around the country, although in most cases replication was driven more by demand for it in other places than the ambition of the organization to multiply.

Beyond modeling and mere advice, people also cite direct training in the techniques and methods for venture-style giving as an important mechanism for establishing this field. Social Venture Partners, for example, has developed a formal “Venture Philanthropy 101” type of curriculum to teach new partners their particular model. Other groups that involve multiple donors/investors have similar trainings; and of course there is extensive training for staff along these lines. One person described this training as absolutely necessary because she believes venture philanthropy is “a craft”:

“I think it takes years to develop and it is a professional craft like lawyers, or doctors or anything else. And I would say that if you want to practice venture philanthropy, partner with someone who has the craft, learn from someone who has the craft, and then over time you can go on your own.”

This appears similar to what DiMaggio and Powell (1983) labeled “normative isomorphism,” in which institutionally shared constructions and practices spread among organizations by way of professional training that emphasizes these as the “proper” or “best” ones.

EXPLANATIONS FOR THE INITIAL EVOLUTION OF THE VENTURE PHILANTHROPY FIELD

Because this field is still relatively young and in the midst of evolving, with a future that is still very uncertain, an analysis of why and how it has changed can only be fairly speculative and focused only on the initial evolution. But this initial period is a time of sometimes significant change, so it should draw our analytical interest. Again, the purpose here is to examine what the professionals who have been participants in, and the primary catalysts of this evolution have to say about it. And there are some clear themes on this question that emerged from the interviews and other data here.

First, though, it is important to note that the phrase “initial evolution” is carefully chosen here to distinguish this assessment from the popular conception that this field has actually declined or even died away. As noted earlier, most professionals laboring in this field do not, on the whole, see the field as in decline so much as having been refined and focused. And in fact, some of them say because of this better, more focused understanding of their work, they are doing more venture investing now than ever before, even if they “don’t have the bullhorn anymore” and are not out trumpeting the venture philanthropy revolution like they used to. One person described this as a “mellowing out” and a return of venture philanthropy “to its rightful place” as one approach among many. Another observed, “I’m not sure how much the bloom is really off the
rose… I think even if the term venture philanthropy isn't used quite as much it’s had a big effect on the way the field sees itself.”

The Bursting of the Bubble

If the new economy boom was part of the explanation for why venture philanthropy emerged, then it makes sense that people would see the bursting of the dot com bubble as a factor forcing change in the field. And indeed many interviews saw this decline in the new economy as significant, both because this meant there was a decline in the money available for any sort of philanthropy from the donors who were the most likely to practice venture philanthropy, and because of the dampening effect the economic decline had on the “bubble mentality,” especially on the previously unquestioned confidence in venture capitalism itself. The same person quoted earlier describing the “bubble mentality” of the wealthy founder of the organization also noted how the donor was affected by the bust: “I think that when the hard reality hit in 2000-2001… I doubt he’s soured on venture philanthropy at all but he got a much more realistic dose of, ‘There’s not always all the money around’… It changed the whole mindset there.” This suggests that while a dramatic economic change might modify the shared mindset and ambitions in a field, it does not necessarily eliminate that mindset.

Concurrent with the bursting of the bubble there was a decline in the buzz around venture philanthropy which, after all the controversy, some practitioners welcomed. This even led a couple interviewees to speculate that venture philanthropy was a bit of a “fad,” or at least that it showed how philanthropy tends to follow broader social, economic, and cultural trends. As one person put it, “I hate to be so sort of simplistic about it, but there was a boom and a bust and it’s amazing how much the philanthropy language went along with that.” Of course, the philanthropic dollars went along with it as well.

Implementation Challenges

Another explanation for the evolution of the field that was offered related to the challenges the professionals faced trying to implement this entrepreneurial vision. As the staff people charged with implementation, these professionals understandably had a lot to say about these challenges. Many of the implementation problems relate to other issues that will be dealt with later—i.e., a lack of initial understanding of the nonprofit sector, the clash of cultures—but in a broad sense what the professionals described was the inevitable “reality check” that came when they tried to do the actual high engagement, venture grantmaking in a complex world.

Like with the bursting of the bubble, this reality check did not mean these groups abandoned venture philanthropy, though a few did to a certain extent. Rather, it meant they had to revise and refine their practices and their vision to fit what they were learning through implementation. Many described learning a great deal from “trial and error”—they took pride in being very open about their failures—and a surprising number described fairly major overhauls in their organizational operations in the past few years as they worked to be more effective and, in some cases, to narrow their scope to what they were best at. So these implementation difficulties were another factor forcing a refinement of the venture philanthropy repertoire in general. But, in a sense, this also shows how the organizations turned their attention a bit away from the
institutional field or shared culture level, and focused more on internal organizational development. The institutional field remained a significant influence, however—e.g., models for how to reform in the face of challenges were shared.

A few people attributed the level of implementation difficulties specifically to the fact that they were implementing a new and entrepreneurial vision, and that they were working with entrepreneurs as their donors. Adapting entrepreneurial visions necessarily requires patience and a willingness to focus on implementation tasks, and some staffers said these are not things that entrepreneurs are good at. This means that entrepreneurialism is a dual-edged sword for this field. It was a big part of the reason for its legitimacy and emergence, but also a reason why it has faced challenges and changed considerably during implementation.

“Arrogance” and “Ignorance”

It might seem surprising, but a number of the venture philanthropy practitioners were quite candid in their assessments of the difficulties caused by the “hubris” of the early venture philanthropy promoters, including themselves in some cases, who brashly criticized the established foundation world as well as vowed to fix what they saw as a dysfunctional management culture in the nonprofit sector. Some talked about this initial attitude more as “confidence” while others went further and called it “arrogance.” Most admitted that it included a good number of mistaken understandings, or even “ignorance,” about the nonprofit sector and established philanthropic institutions.

The zealous confidence and perceived arrogance certainly fueled much of the controversy and criticism of venture philanthropy which, as we have seen, has influenced how the proponents of this approach talk about it now. In the early years, ardent venture philanthropy promoters came off “like bulls in a china shop,” and they “stepped on a lot of toes” in the philanthropic world. They did not properly respect the experience and insider knowledge of existing philanthropic organizations and nonprofit professionals, and they were seen as coming into the nonprofit world immediately telling people what to do instead of listening to what the nonprofit leaders (the people who they needed as “partners”) had to say. Some interviewees said that this “backlash” against the initial zealousness of some people in the field forced them to take great care to avoid the appearance of arrogance in dealing with their nonprofit partners.

A related problem cited by many professional staff was the relative lack of experience and knowledge about the philanthropic and nonprofit world among many of the new donors (and some of the new staff); a lack of experience which was one reason why they were so willing to take a radically new approach in the first place. This “ignorance” of nonprofits meant that the donors set unrealistic expectations, especially regarding the timeframe for achieving measurable results, which is necessarily much longer in the nonprofit sector. Nonprofit management was also much more complex and participatory than these business leaders imagined.

In short, venture philanthropy revealed—more so than other recent innovations—how difficult it is to explicitly adapt business principles and practices to the nonprofit sector. One person summarized this point nicely: “I’m afraid too many people kind of go storming into the boardroom and say, ‘We’ll run this place like a business.’ There’s such a chasm of
misunderstanding between the two sectors and that has all come out in this venture philanthropy process.”

Two-Way Culture Shock

The last point about the differences between the business and nonprofit sectors—specifically the differences in their “cultures”—was also one that came up repeatedly in interviews and other data as a reason for the current revision and evolution of the field. Many people talked about a “culture clash” or “culture shock” that occurred when the culture of venture capitalism was brought into a nonprofit world with an existing culture of its own. And this culture shock was felt on both sides. The nonprofits were put off by the business language, practices and expectations. The business leaders were shocked by such things as the different time-orientation and management norms that nonprofits had developed to deal with their unique challenges. One interviewee captured the uncertainty caused by this culture shock when describing the experience of new wealthy donors:

“when a lot of these people come into the nonprofit and philanthropic space having spent 20, 30 years in… business, it makes no sense. The world just doesn’t make any sense… It’s like they walk into this Alice in Wonderland environment, where the Queen is King and everybody speaks in rhymes and stuff.”

On the other side, nonprofit leaders were often taken aback in their initial dealing with these new benefactors, who wanted to be so highly engaged. One internet entrepreneur who had become involved in a local Social Venture Partners organization described the “culture clash” he experienced when he first went to meetings with the nonprofit his fund was supporting. Not only did he feel “like an outsider” but the questions he asked were “not received well at all.” To him, he was just being “outcomes focused” and critically minded; to the nonprofit he was being harsh and too obsessed with numbers instead of people.

These sorts of cultural differences and misunderstandings caused problems for implementation and led to frustration over unmet expectations. However, it should be noted that many people involved in venture philanthropy continue to assert that there are important similarities in the nonprofit and for-profit worlds, at least in terms of some basic principles of good management and good organizations, some of the skills necessary to be effective and efficient, and the like. This remains part of the justification for pursuing venture philanthropy at all. But it is the differences in the two worlds that were cited as a reason for the evolution of the field.

Diversity and Controversy

The final two reasons offered by many in the venture philanthropy field for the current evolution grow out of aspects of the field covered earlier. One is the considerable, and growing diversity of the organizations and activities in the field. This means that it is harder to maintain a unified sense of a shared identity as a field than there was in the early days, when the term was hot, ambitions were high, but specifics were more fuzzy. But it also means that organizations have a more informed and precise understanding of just what is different or innovative about the field.
The other, related explanation offered for the evolution of the field is simply the response to the strong and persistent criticism over the years, both from outside critics as well as (more importantly) from the nonprofit groups that venture grantmakers are trying hard to work effectively with. Certainly this criticism has contributed to venture philanthropy proponents becoming more precise and modest in their language.

CONCLUSION

The research reported here provides illuminating insights into topics which scholars have said need more research, including the construction of a new organizational field and the definition, legitimation, and adaptation of a new professional culture. The case of venture philanthropy is both a good one to explore these dynamics, and an important one given its prominent place in the new philanthropic landscape. Detailed and balanced research on this controversial new philanthropic model is essential for understanding its potential benefits for philanthropic practice or future innovations in nonprofit funding, and its possible contributions to solving public problems.

The findings from this research suggest that while economic factors—e.g., the dot com boom and bust—are clearly important for the emergence and evolution of this field, other factors were essential as well. The construction and diffusion of the field depended on influential opinion leaders who strategically defined and advocated a new cultural repertoire in a way that established its legitimacy and resonated with new donors and existing culture. The institutionalization of this culture and the subsequent spread of the field also depended on communication and isomorphic modeling across professional networks. Implementation difficulties and the business-nonprofit culture clash were important factors forcing the current evolution of venture philanthropy, including refinements of the repertoire of principles and practices which had come to feel constraining to organizations within the field.

There is so little research on venture philanthropy, and on the analytical questions it raises about fields and professional culture, that future research is certainly necessary. Such research could test, using other sorts of data, the accuracy and specifics of many of the explanations suggested by venture philanthropy professionals in the current research. In particular, further research using detailed social network data and methods could help understand the structural patterns behind the diffusion of venture philanthropy, and specifically the links through which communication of new terms or action strategies or other culture occurred. Future research could also examine in more detail the on-going processes of adapting and refining the principles and practices of venture philanthropy, and how continuing economic changes or the new modesty of venture philanthropy proponents might affect its further diffusion. Finally, research on the donors who pursue a venture approach in their giving is a necessary complement to the focus on professionals in this current study. Such research could explore the nature of the appeal of venture philanthropy and the process of socializing new donors into this new culture.
REFERENCES


