Beyond Philanthropy: When Philanthropy Becomes Social Entrepreneurship

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Introduction

Among traditional beneficiaries of philanthropy, non-profit organizations have always enjoyed a central place. Along with historians, it is easy to argue philanthropic behaviours are among the very roots and probably the stronger root of the non-profit sector. In the last two decades however, this traditional and very close relation between philanthropy and the non-profit sector has been revisited and has begun to be partly reshaped by new forms of philanthropy, especially what is increasingly named "venture philanthropy" (VP) as well as by new business-like actors, often called "venture philanthropists" (VPs), who are driven by an entrepreneurial spirit focused on achieving social impacts while borrowing their specific practices and vocabulary from finance and venture capital references.

Since they want to break away from old-fashioned ways of giving, VPs are described as concentrating their support on innovative answers to social challenges, often carried on by "social entrepreneurs". Moreover, venture philanthropists desire "a close relationship with the social entrepreneur" (Pepin, 2005: 167). They invest, not only money, but also time, skills, talent, expertise, strategic thinking, and management experience (Wagner, 2002; Knott, McCarthy, 2007). Consequently, VPs establish long-term support and relationship for fewer projects, sometimes even only one launched by a highly promising social entrepreneur.

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As a matter of fact, the rise of VP has taken place in a context where the concepts of social enterprise, social entrepreneur and social entrepreneurship (the "SE" concepts) have also gained a fast growing interest across the world. Field organizations, corresponding to what is now called "social enterprises" have existed since well before the mid-1990s when the term began to be increasingly used in both Western Europe and the United States: the third sector, be it called the non-profit sector, the voluntary sector or the social economy, has long witnessed dynamics which resulted in innovative solutions for providing services or goods to persons or communities whose needs were neither met by private companies nor by public providers. However the SE debate sheds light on new evolutions.

In Europe, the concept of social enterprise made its first appearance in the very early 1990s, at the very heart of the third sector. According to a European tradition (Evers, Laville, 2004), the third sector brings together co-operatives, associations, mutual societies and increasingly foundations, or in other words, all not-for-profit private organizations, such a third sector being labelled the "social economy" in some European countries. In such a framework, the concept of social entrepreneurship helps to identify entrepreneurial dynamics across the third sector within the various European socio-economic contexts (Borzaga, Defourny, 2001). In the United States, the concepts of social entrepreneurship and social enterprise also met with a very positive response in the early 1990s. In 1993, for instance, the Harvard Business School launched the 'Social Enterprise Initiative', one of the milestones of the period.

The rise of both venture philanthropy and social entrepreneurship is also taking place in a context of increasing difficulties experienced by public authorities to provide satisfactory answers to major social or societal challenges, be it through direct public provision of services or through delegation of such a mission to established non-profit organisations. In Western countries, increasing public debts and pressures on state budgets threaten the traditional welfare state. Combined with a crisis of legitimacy of many public institutions, perceived by the public opinion as inefficient, bureaucratic and suffering from a lack of transparency, these trends have paved the way for private initiatives with social aims to be promoted for their cost-saving policies and best-practice behaviours. In public organisations, the New Public Management[3] (NPM) theory and practices have fostered such a conception of an "efficient private business versus inefficient bureaucracy". This has led to promote innovative processes for outsourcing some public policy implementations, through creation of independent agencies, quasi-market rules or delegations to existing non-profit or for-profit private organisations (Vigoda, 2003). Social enterprises have sometimes become one of these partners.

Venture philanthropy as well as social entrepreneurship may also be seen as resulting from weaknesses of traditional forms of philanthropy and charitable action. As developed in well-known literature, philanthropy traditionally faces what Salamon (1987) called "voluntary failures", which VP claims to partially deal with. This author particularly refers to a "philanthropic amateurism and inefficiency" as well as to a "philanthropic insufficiency", i.e. an "inability to generate resources on a scale that is both adequate enough and reliable enough to cope with the human service problems of an advanced industrial society" (Salamon 1987:111).

In spite of various similarities found at first view in their respective backgrounds, inspirations, tools and goals, we argue here that interactions between the spheres of VP and SE deserve a more in-depth analysis in close relation to the actual contexts in which they take place. Embedded in their own contexts, VP and SE may reveal divergences as well as convergences. It is why this chapter

[3] The NPM is defined as « an approach in public administration that employs knowledge and experiences acquired in business management and other disciplines to improve efficiency, effectiveness, and general performance of public services in modern bureaucracies" (Vigoda, 2003:1). It has been developed firstly in United Kingdom in the beginning of the 80s before being adopted throughout nearly all the OECD countries. (see Van Haeperen, 2012)

aims at questioning the explicit or implicit correspondence which is increasingly highlighted between venture philanthropy and social entrepreneurship. However, instead of relying mainly on the philanthropy literature as in the above and most of this book's chapters, we take theoretical approaches and existing empirical research on social entrepreneurs, social entrepreneurship and social enterprise as our major reference. From such a "SE" standpoint, we try to refine the analysis of interaction between SE and VP and we do so in two major parts. More precisely, we plan to look first at the various SE conceptual approaches and to assess the extent to which they give place or perhaps even require venture philanthropy as a major input. In the second part, we address the same question from a more pragmatic or technical point of view: in the evolution of organizations launched by social entrepreneurs, does the place and role of philanthropy vary according to actual phases of their development? Before going on with such a twofold project however, we devote a first section to a more precise understanding of venture philanthropy.

1. Venture philanthropy: concepts and practices

Venture Philanthropy (VP) is born from the arrival of new actors in the field of philanthropy. Symbolized by the "golden boy" born from the US Western Coast IT boom or from the Eastern Coast financial sector, who has hoard up huge wealth in a few years, these philanthropists claim a new way of giving, refusing "old charities practices" and promoting a new philanthropy based on market principles, often borrowed from venture capital industry (Maximilian and Martin, 2007).

More precisely, according to Grenier (2006), VP tries to follow fives principles that are adapted from financial sector. The first one is to provide expertise alongside financial support. VP usually involves several resources to build institutional capacity of the beneficiary. It provides advices in a range of areas such as human management, accountability, and so on. This leads to the second focus of VP, which is to promote organisational development before specific programs. This is an important difference with "traditional charities" that usually focus more on specific projects than on reinforcing institutional building. Another main characteristic of VP is its focus on performance and impact assessment. VPs want to assess social impact of their action, looking for a social, and sometimes financial, return on their investment. For that, they try to develop methodology and metrics to measure social impact and calculate the cost-benefits of their actions. In addition, VPs will usually develop long-term and close relationships with the supported organisations. Finally, another key aspect of VP is its "exit strategy". In the VP framework, a supported organisation must at the end become self-reliable. Venture philanthropy is therefore transitional, the goal being to achieve financial self-sufficiency. Financial engineering could be added to this list of VP specificities, as many VPs try to go beyond pure grant making and develop new financial tools specifically dedicated to NPOs/SE such as loan funding, shared equity and bonds, and so on (Grenier, 2006).

Therefore, VP can be defined according to Pepin (2005:165) as "human resources and funding invested as donation in the charity by entrepreneurs, venture capitalists, trusts and corporations in search of a social return on their investment. It involves high engagement over many years with fixed milestones and tangible returns, and exit achieved by developing alternative, sustainable income". Along with the Morino Institute VP is "the process of adapting strategic investment management practices to the non-profit sector to build organizations able to generate high social rates of return on their investments" (Wagner, 2002: 344).

Under the term of VPs, different types of initiators can be identified. According to Grenier (2006), a first category is composed by wealthy individuals, usually enjoying a new wealth from venture capital or finance background. The second is made of NPOs "which are looking to raise funds for their own work or for the work of their membership or associated organizations" (2006: 6). Thirdly, it can be companies or corporations that develop a VP behavior to support social causes. Finally, government departments or public agencies may initiate a VP organization, but then they usually do it in partnership with others instigators. What is interesting here is the collaborative aspect of VP, as funds are often the results of several initiators who will try to attract further resources.

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

However, it must be underlined that definitions and characteristics depicted above represent more an 'ideal-type' (in Weber sense) picture than what can be observed in field realities. Such a remark is particularly relevant for Europe, where the VP field is still emerging and in its infancy. It is a theoretical approach claimed by a new generation of philanthropists, certainly not always the results of empirical observations. In other words, there is possible gap between wishes and reality, between theory and empirical evidence, between project and concrete implementation. Secondly, VP is only one new trend in the world of philanthropy, not the new rule. What is sometimes called “Old Philanthropy” by proponents of this new approach still exists and even still dominates the field. Moreover, it often keeps its entire legitimacy because VP, as we will see, is not adapted to all kinds of NPOs and social missions.

2. When the different SE schools of thought meet VP

There has already been a large debate and much confusion about the very meaning of the SE concepts. In order to identify major trends in such discussions, we have explained elsewhere (Defourny, Nyssens, 2010) that three different schools of thought can be highlighted: the "earned income" school of thought, the "social innovation" school of thought and the EMES European approach of social enterprise. Although more interaction among these schools and more combined influence of the latter can be witnessed across the world today, distinctions between them remain quite relevant, especially to identify key issues in the current debates. Moreover, most differences among different SE conceptions can be explained to a large extent by the various contexts where such streams of thought emerged. As philanthropy at large and VP in particular are also deeply rooted in specific social, cultural and political contexts, it fully makes sense to discuss links among SE and VP within each school of thought.

A. The "earned income" school of thought

The first school of thought, rooted in the US context, set the grounds for conceptions of social enterprise mainly defined by earned-income strategies. The bulk of its publications was mainly based on nonprofits’ interest to become more commercial (Young, Salamon, 2002) and could be described as "prescriptive": many of them came from consultancy firms and they focused on strategies for starting a business that would earn income in support to the social mission of a non-profit organization and that could help diversify its funding base (Skloot, 1987). In the late 1990s, the Social Enterprise Alliance, a central player in the field, defined social enterprise as "any earned-income business or strategy undertaken by a non-profit to generate revenue in support of its charitable mission".

In such a perspective, it was straightforward to name that first school the "earned income" school of thought. Within the latter however, we suggest a distinction between an earlier version, focusing on nonprofits, that we call the "commercial non-profit approach", on the one hand, and a broader version, embracing all forms of business initiatives, that may be named the "mission-driven business approach", on the other hand. This latter approach refers to the field of social purpose venture as encompassing all organizations that trade for a social purpose, including for-profit companies (Austin et al., 2006). It should also be noted that some authors, such as Emerson and Twersky (1996), early provided an analysis shifting from a sole market orientation to a broader vision of business methods as a path towards achieving increased effectiveness (and not just a better funding) of social sector organizations. For this earned income school, social enterprise can be characterized as "business solutions to social problems" (Grenier, 2009).

In the late 1990s, VP emerged "utilizing the approach employed by venture capitalists in launching new businesses" (Wei-Skillern, Austin et al. 2007: 67) to overcome some of the limitations of traditional approaches to philanthropy. As suggested by this quote and as will be shown, the connection between VP and the SE earned income school of thought is rather straightforward through a same emphasis on both business tools and sustainability.

As already stressed in section 1, venture philanthropists invest, not only money, but also time, skills, talent, expertise, strategic thinking, management experience and connections most of the time imported from the business sector (Wagner, 2002; Knott, McCarthy, 2007). The social results of the backed up organization are assessed following a market path and vocabulary, speaking about maximized social return on investments and sharing risks on innovations. Venture philanthropy is "performance-based, placing emphasis on good business planning, measurable outcomes, achievement of milestones, and high levels of financial accountability and management competence" (Metz Cummings, Hehenberger, 2011: 7). Venture philanthropy uses capitalists' tools to finance mission-driven organizations, just as, for the earned income school, social enterprises use them to achieve sustainability and social goals.

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

To what extent does VP go beyond the limits of the nonprofit sector? At the initial stage, non-profit organizations were the main beneficiaries and VP wanted "to (…) identify and support "social entrepreneurs" hungry to shake up the nonprofit work, and quantify their results" (Wagner, 2002: 347). Today however, there is a clear tendency towards supporting any kind of organization, encompassing a wide variety of legal forms, as far as they are primarily driven by social goals, although CSR projects of conventional firms seem to be excluded from the spectrum of venture philanthropy according to the European Venture Philanthropy Association (Metz, Hehenberger, 2011). This clearly places VP in line with the mission-driven business approach of social enterprise at both conceptual and empirical levels. As to principles and discourses, the former level, emphasis is put on social impact through business solutions as well as on sustainability. At the second level however, VPs and social enterprises looking for earned income often realize that fulfilling social missions often requires reliance on other types of resources as well and may prevent from achieving self-sufficiency. Indeed, as acknowledged by EVPA (2010), organizations that are considered for investment by VPs actually represent a large spectrum ranging from charities relying on grants or a mix of grants and trading revenue, to social businesses only relying on sales income.

B. The "social innovation" school of thought

The second school puts the emphasis on the profile and behaviour of social entrepreneurs in a Schumpeterian perspective as the one developed by the pioneering work of Young (1986). Along such lines, entrepreneurs in the non-profit sector are “change makers” as they carry out "new combinations" in at least one the following ways: new services, new quality of services, new methods of production, new production factors, new forms of organizations or new markets. Social entrepreneurship may therefore be a question of outcomes rather than just a question of incomes. Moreover, the systemic nature of innovation brought about and its impact at a broad societal level are often underlined.

Dees (1998:4) has proposed the best known definition of a social entrepreneur in that school of thought. He sees the latter as "playing the role of change agents in the social sector by adopting a mission to create and sustain social value, recognizing and relentlessly pursuing new opportunities to serve that mission, engaging in a process of continuous innovation, adaptation and learning, acting boldly without being limited by resources currently in hand, and finally exhibiting a heightened sense of accountability to the constituencies served and for the outcomes created".

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

VP ideas find strong echoes in this school of thought: such a social entrepreneur is often described as the “natural” partner of VPs, the ideal form, among the huge organisational diversity characterizing the third sector, with whom to establish partnership and cooperation. In other words, social entrepreneurs are the figure researched, and/or discovered by VPs, they are the one who fits with VPs’ aspirations. Moreover, by involving themselves in the “adventure”, new philanthropists may become social entrepreneurs in a certain way.

Although Ashoka itself does not refer very much to the notion of venture philanthropy, several of its key features can be found in the discourse of most VP organizations and platforms. First, the emphasis is put on non-financial support as well as financial support. In a survey carried out by the European Venture Philanthropy Association, its members consider that non-financial support is the key element for 58% of supported social organizations (EVPA Knowledge Centre, 2011). Such a non-financial support is of the following types in decreasing importance: strategy consulting, coaching, networks, fundraising, governance, financial management and marketing, all those items being listed by more than half of the respondents.

Second, the emphasis on the SE social mission and its social impact ("outcomes rather than incomes") as underlined by Dees and Anderson (2006) finds a clear correspondence in the VP landscape: half of the responding VP organizations in the above survey claim they focus on societal return only, and 38% seek both societal and financial returns with a priority to the former.

In spite of such striking similar features, differences can be identified as to the place of social innovation. As such, VP may be seen as an innovative methodology to support social organizations in the wide spectrum of philanthropic modes of action. Moreover, VP itself witnesses the emergence of brand new instruments as for instance the Social Impact Bond in the UK. However, in the selection of social organizations to be supported, VPs look more for social or societal impact than for social innovation i.e. the novelty of answers to social problems. More precisely, VP will typically make social organisations stronger at all stages of their development to increase their societal impact while the social innovation school of thought will focus more on the very conception and start-up phase of initiatives offering new systemic solutions to social challenges. Of course, such a difference should not be overstated both from a conceptual and a practical point of view. Especially, the fast growing number of VP organizations[4] enlarges the spectrum of strategies and priorities among the latter and some of them claim explicitly their interest for social innovation[5].

[4] EVPA had 5 founding members in 2004 and it now counts over 130 members from 20 countries.

[5] Various foundations involved in venture philanthropy, such as the Schwab Foundation and the Skoll Foundation, among others, have embraced the idea that social innovation is central to social entrepreneurship.

C. The "EMES" school of thought

In Western Europe, the EMES European Research Network has developed the first theoretical and empirical milestones of social enterprise analysis. The EMES approach derives from extensive dialogue among several disciplines (economics, sociology, political science and management) as well as among the various national traditions and sensitivities which co-exist in the European Union. So to capture the social enterprise phenomenon with its diverse expressions, the network preferred from the outset the identification of indicators over a concise and elegant definition.

Such indicators were never intended to represent the set of conditions that an organization should meet to qualify as a social enterprise. Rather than constituting prescriptive criteria, they describe an "ideal-type" in Weber’s terms, i.e. an abstract construction that enables researchers to position themselves within the "galaxy" of social enterprises. In other words, they constitute a tool, somewhat analogous to a compass, which helps analysts locate the position of the observed entities relative to one another and eventually identify subsets of social enterprises they want to study more deeply. Those indicators allow identifying brand new social enterprises, but they can also lead to designate as social enterprises older organizations being reshaped by new internal dynamics.

Three criteria reflect the **economic and entrepreneurial dimensions** of social enterprises:

a) A continuous activity producing goods and/or selling services

b) A significant level of economic risk

c) A minimum amount of paid work

Three indicators encapsulate **the social dimensions** of such enterprises:

d) An explicit aim to benefit the community

e) An initiative launched by a group of citizens or civil society organizations

f) A limited profit distribution

Finally, three indicators reflect **the participatory governance** of such enterprises[6]:

g) A high degree of autonomy

h) A decision-making power not based on capital ownership

i) A participatory nature, which involves various parties affected by the activity

While stressing a primary social objective embedded in an economic activity as in the two former schools, the EMES approach differs mainly from them by stressing specific governance models (rather than the profile of individual social entrepreneurs) which are often found in European social enterprises. Such governance models could be seen as a channel to ensure the primacy of social aims and high levels of accountability as requested by VP.

First, a democratic control and/or a participatory involvement of stakeholders reflect a quest for more economic democracy inside the enterprise, in line with the tradition of cooperatives which represent a major component of the third sector/social economy in most European contexts. This generally means that the organisation applies the principle of "one member, one vote", or at least that the voting rights in the governing body that has the ultimate decision-making power is not distributed according to capital shares. Then, the ideal-typical social enterprise defined by EMES is based on a collective dynamics and the involvement of different stakeholders in the governance of the organization[7]. The various categories of stakeholders may include beneficiaries, employees, volunteers, public authorities and donors, among others. They can be involved in the membership or

[6] This way of presenting the nine EMES indicators in three sets of three indicators was recently proposed by Defourny and Nyssens (2011) to underline a main result of their EU-US comparative analysis (2010).
[7] Such a collective dynamics does not prevent from acknowledging the leadership of an individual or a very small group of leaders often acting as a major driving force in the launch of social enterprise.

in the board of the social enterprise, thereby creating a "multi-stakeholder ownership" (Bacchiega, Borzaga, 2003). The involvement of a diversity of stakeholders in the ownership structure of the organisation can be a valuable asset. It can bring key resources to the organisation in terms of skills, networks, political influence and financial resources as put forward by the literature on the board diversity in the non-profit sector and its impact on the organization's performance (Cornforth, 2001; Brown, 2005). This is also a way to collectively build the social mission of the organisation. By mobilising different types of stakeholders concerned by the social mission, multiple stakeholder ownership can be a channel to unfold it and to make it more explicit and precise (Laville, Nyssens, 2001). Therefore, combined with constraints on the distribution of profits, the participative governance can be viewed as a way to protect and strengthen the primacy of the social mission in the organization. This meets a concern of venture philanthropy which want to work, foremost, to build stronger "social purpose organisations" to increase primarily their social impact.

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

This leads us to the issue of “economic risk”. Social enterprises are generally viewed as organizations characterized by a significant level of economic risk. Such an economic risk even seems at the heart of social entrepreneurship as it reinforces the “entrepreneurial flavour” of organizations pursuing social goals. In the EMES Network’s perspective however, instead of being mainly related to market sales and competition, the risk born by social enterprises simply means that their financial viability depends on the efforts of their members to secure adequate resources for supporting the enterprise's social mission. These resources often have a hybrid character: they may come from trading activities, from public subsidies or from philanthropy (including volunteering). In spite of the influence of business tools and market vocabulary upon VP, such a broad conception of economic risk meets a key concern of VP as part of the social organization resource mix. It even becomes a hotter issue at the time of financial exit by the VP organizations: “Exit can create uncertainty, particularly for social purpose organisations with little or no earned income (…) Depending on the profile of the next investor in line, issues such as potential social mission drift of the investee have to be taken into account. An exit in VP can imply providing the social purpose organization with the necessary fundraising capabilities to be able to continue working towards its social mission without further VP organizations involvement.” (Metz, Hehenberger, 2011: 18).

3. VP tools and SE development stages

All the above suggest issues to be addressed by VP and SE are not the same at all stages of development and tools to be used probably vary according to such stages as well as other factors like the field of action and the socio-political context, among others. Let us now examine the various forms of interaction between VP and SE which may be found at their various development stages.

A. Early-stage support

First, let us stress once more the « pro-active » overall attitude which characterizes VP towards initiatives to be supported: instead of just setting a few priorities in terms of fields of action and target groups and then analysing requests for grants from non-profit organizations meeting such criteria, venture philanthropists will choose a smaller number of partners and provide a multi-dimensional support as already mentioned. Using market-inspired competition among bids, VPs can for instance send a “call for projects”, giving grants (and non-financial support) to the more “attractive respondent” with the higher expected impact/cost ratio. It is therefore the philanthropist who enhances the capabilities of the non-profit organisation and not the NPO who develops its project alone using philanthropic grants.

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

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

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

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

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

B. Consolidation of the project

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

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

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

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

As supported organizations grow, VP tries to innovate, producing "new public good" (Knott, McCarthy, 2007: 321) through new approaches to solve social issues, becoming a kind of "incubator" of possibly new public policies or large-scale private approach; or by financing researches and lobbying. Then, inevitably, to improve SE effectiveness, VPs must cooperate with public agencies and other public institutions involved in the field they choose to "sponsor" (Van Slyke, Newman, 2006). Reis and Clohesy speak (2001: 111) about "an emerging societal shift to a more entrepreneurial focus on the common good, resulting in new partnerships among the commercial, public, and non-profit sector". Challenging the "old opposition[8]" between public and private funding, they try to cooperate to maximize the efficiency of the programs, organizations or projects supported. In certain cases, foundations can even become a meeting, discussion and exchange platform between civil society organizations and public agents (Van Slyke, Newman, 2006; Pirotte, 2003).

C. Scaling up

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

While the role of social enterprises in clearing up emerging social demands and in introducing innovative practices often supported by philanthropic resource is increasingly acknowledged, governments may sometimes consider the leadership of the scaling up phase is their responsibility. A government take-over of funding might then suggest that the mobilisation of philanthropy can weaken or even disappear over time. This may take place when public authorities backed by the

[8] This opposition, according to Salamon (1987), was more conceptual than real. Anyway, in the "collective imaginary", especially in the foundation literature, such an opposition between public and private initiatives and funding can be found. Even if, in the reality, collaboration was more the rule than the exception, it does not seem to appear as the common perception.

public opinion are particularly concerned with limitations of traditional philanthropy and venture philanthropy: as listed by Salamon (1987), "a philanthropic shortfall" (not enough resources), “a philanthropic particularism” (trend to support specific groups or causes) and a philanthropic paternalism (certain individuals are in a position to determine which services will be provided since they control the source of funding).

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

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

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

In the US context, the stronger reliance on private actors to achieve a large scale impact could result from a kind of implicitly shared confidence in market forces to solve an increasing part of social issues in modern societies. Even if various scholars stress the need to mobilize various types of resources, it is not impossible that the current wave of social entrepreneurship may act as a priority-setting process and a selection process of social challenges deserving to be addressed because of their potential in terms of earned income. This probably explains to a large extent why large segments of the non-profit sector in the US as well as the community and voluntary sector in the UK (Teasdale, 2010; Di Domenico et al., 2009) express major fears of excessive confidence in market-oriented social enterprises on the part of both private organizations (foundations and major corporations within CSR strategies) or public policies seeking to combat social problems while reducing allocated budgets.

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

Even if on the one hand, governments provide funding for the production of the collective benefits, and on the other hand earned income contribute to the sustainability of the social enterprise, experience shows that the mobilisation of philanthropy and civic engagement can remain central to the creation of certain collective benefits in the long run. Social enterprises, by mobilising volunteers, philanthropy and social networks, have a specific ability to strengthen social capital (Evers, 2001). Indeed venture philanthropy is often presented as a tool to help social purpose organizations to make a strategic shift, expand into a new market or replicate their model. In the same line, if stakeholders like workers and users get involved, this can create a capital of solid trust, so important for the provision of certain services.

Conclusion

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

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

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

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

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

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

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