









### New Forms of Philanthropy: Are We Going Too Far? Virginie Xhauflair

# FBN Code of Conduct

### Trust and Openness

The Network is founded on the principles of open communication and trust

#### Active participation by members is the vital ingredient that makes the Network valuable

#### Confidentiality

Members are committed to sharing experiences and insights in an atmosphere of confidentiality

Discussions and debates are always conducted in a respectful and professional manner

#### Non-Solicitation

The Network is not a place to sell products or services to other Appropriate behaviour is expected at all times. To report bad members. It is a forum to learn from the exchange of ideas, conduct, please email summit@fbn-i.org experiences and information

#### Appropriate behaviour

Respect & Professionalism

Participation





## A little about myself...

Virginie Xhauflair <u>v.xhauflair@uliege.be</u>

### Master en Management des Entreprises Sociales

VOIR LA BROCHURE

- Center for Social Economy, created 25 y. ago by Jacques Defourny, within HEC Liège, Liège University
- Pioneering research on models, management and financing of social enterprises
- 3 sponsored chairs, of which the Baillet Latour Chair in Philanthropy and Social investment



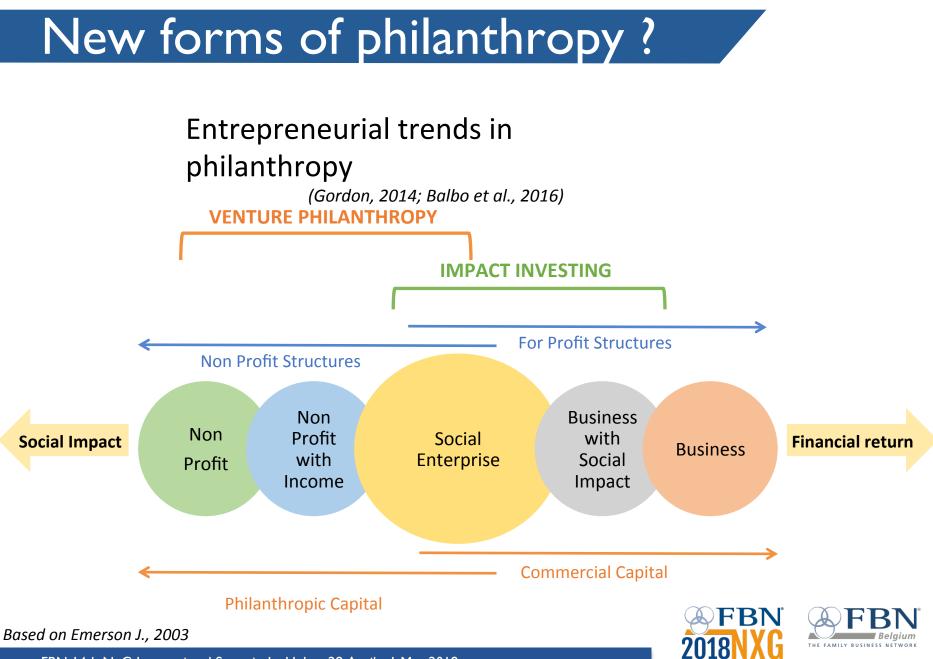
### www.ces.uliege.be



RESEARCH Social Enterprise and Business Ethics







YEAR OF THE NXG

## Evolutions in organized philanthropy

Mair & Hehenberger, 2014 Höchstädter & Scheck, 2014

We make a living by what we get, but we make a life by what we give by what we give

#### Traditional philanthropy

« Hands-off support of projects in the form of grantmaking »

« supporting intitiatives that tackle the root causes of social problems »

#### Venture Philanthropy

« prescribes investments and hands-on involvement in the management of organizations carrying out social projects »

« key to solving social problems is making social purpose organizations more efficient and effective »



INVESTING with

### Impact Investing

« involves the provision of financial resources for a financial return »

« also aims to have social and environmental impact »

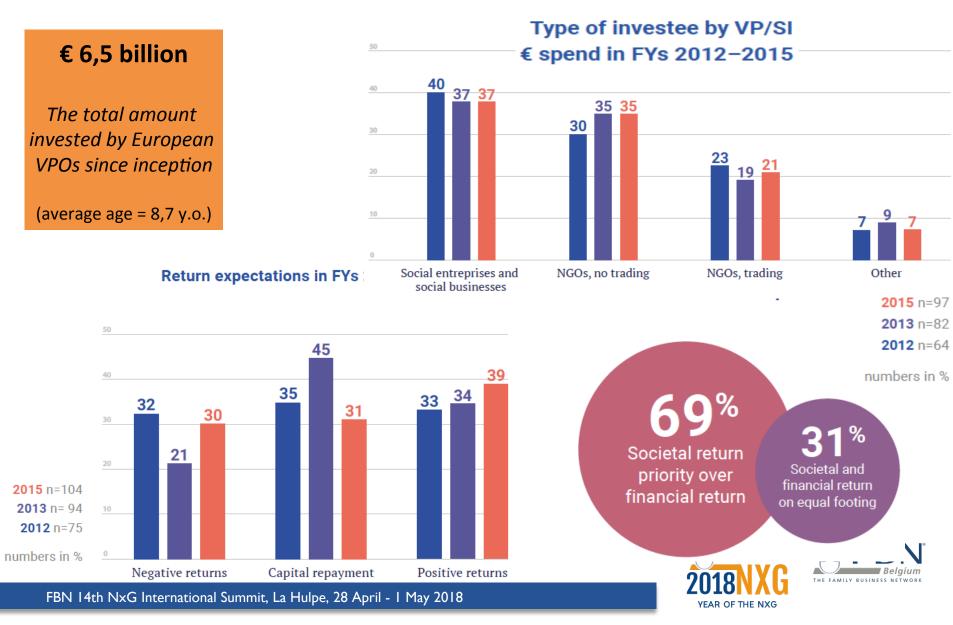
« an asset class on its own »





# A few key figures

Source: EVPA Industry Survey, 2016 n=108 FY= 2015



# Next-gen, the impact generation

### "Young donors are reinventing philanthropy" (Phillips & Jung, 2016)

Next-gen donors (Moody & Goldseker, 2013)

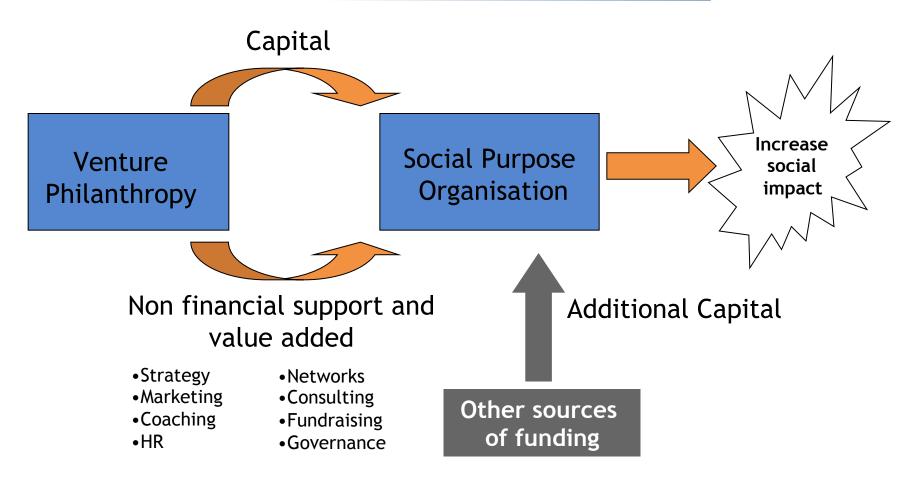
- Will face more complex social issues in their lifetimes than their predecessors.
- Seek a balance between their legacy and their desire to explore new philanthropic tools.
- Are more focused on impact and strategy than the previous generation.
- Want to be networked people, sharing their philanthropy with their peers.

They are also (BNP Paribas Individual Philanthropy Report, 2017)

- Increasingly interested in using innovative financing tools and market models such as equity investments and loans.
- Channeling philanthropic funds into for-profit organizations, using marketbased models to tackle social problems.



## How VP adds value to SPO's







### « VP as high engagement philanthropy » (Letts et al., 1997)

helps create and grow **stronger** and more **sustainable** social enterprises that solve current social issues, through

- Professionalization of the SE
- Reinforcement of organizational capabilities and resilience
- Scaling-up
- Measuring and monitoring social impact for increased social returns
- Financial sustainability



## The ideal world of VP...

enga partner partner trust coperative engagement partnership disuble trust cooperative gagency process bstewardship

... is not without potential flaws and temptations !





## Issue I: Blurring boundaries

« Whatever the business model, the most important is having impact »

Are we sure of it? Because...

- The spectrum of businesses with impact is much broader than social enterprises' business models
- SE's models are also characterized by specific governance and management practices : democratic and/or participative governance, limited redistribution of profits, stakeholders management, etc.
- Those practices also impact the well-being of the stakeholders network, therefore the total impact is much larger than the impact of products and services





### Issue 2: Reducing the biodiversity of SE ecosystem

- VP's focus on earned income SEs, or with potential to do so
- Risk of mission-drift with the development of revenue generating activities
- « Broken pipeline »: lack of investment-ready deals
- Isomorphic temptation of social entrepreneurs to meet the VPs expectations
- Risky reliance on private actors and market forces to achieve a large scale social impact



### Issue 3: What impact?

- Implementation by SEs of impact management and measurement instruments
- Beyond efficiency improvement, requires scaling-up of the SEs activities
- Cultural shock and pressure on the social entrepreneur, with a risk of mission drift
- VP's social return expectations are sometimes unrealistic
- Timescales may be utopian as well
- Risks of selection bias, casting aside missions and SEs with potential



## **Session Survey!**



