FBN 14th NxG International Summit
La Hulpe, Belgium
28 April-1 May 2018
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.

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

Non-Solicitation
The Network is not a place to sell products or services to other members. It is a forum to learn from the exchange of ideas, experiences and information.

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

Respect & Professionalism
Discussions and debates are always conducted in a respectful and professional manner.

Appropriate behaviour
Appropriate behaviour is expected at all times. To report bad conduct, please email summit@fbn-i.org.
A little about myself...

Virginie Xhauflair  
v.xhauflair@uliege.be

- 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
New forms of philanthropy?

Entrepreneurial trends in philanthropy

(Gordon, 2014; Balbo et al., 2016)

VENTURE PHILANTHROPY

IMPACT INVESTING

Non Profit Structures

For Profit Structures

Social Impact

Non Profit

Non Profit with Income

Social Enterprise

Business with Social Impact

Business

Financial return

Philanthropic Capital

Commercial Capital

Based on Emerson J., 2003

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Evolutions in organized philanthropy

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

Winston Churchill

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 »

Traditional philanthropy

« Hands-off support of projects in the form of grant-making »

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

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 »

Mair & Hehenberger, 2014
Höchstädtler & Scheck, 2014
A few key figures

€ 6,5 billion
The total amount invested by European VPOs since inception
(average age = 8,7 y.o.)

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

Type of investee by VP/SI
€ spend in FYs 2012–2015

Return expectations in FYs

Social enterprises and social businesses
40 37 37

NGOs, no trading
30 35 35

NGOs, trading
23 19 21

Other
7 9 7

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

69% Societal return priority over financial return
31% Societal and financial return on equal footing
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 market-based models to tackle social problems.
How VP adds value to SPO’s

Capital

Venture Philanthropy

Social Purpose Organisation

Increase social impact

Non financial support and value added

- Strategy
- Marketing
- Coaching
- HR

Additional Capital

Other sources of funding

- Networks
- Consulting
- Fundraising
- Governance

Non financial support and value added
« 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…

… is not without potential flaws and temptations!
« 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