Discontent in organized philanthropy today runs deep in some quarters. For years, leaders in the philanthropic world have worried about the effectiveness of their work. Although the amount of money given away each year continues to rise, there are lingering doubts about what the billions of dollars backed by good intentions have ultimately produced. Of course, almost all foundations, corporations, federated funders, and major individual donors can point to some grants that have led to impressive results. It remains very difficult, however, to see how the many small and isolated success stories of donors around the country aggregate up into anything vaguely resembling a meaningful response to any of the major social problems—be it economic development in the inner city, access to health care, reduction in youth violence, or reform of public schools—that private philanthropy has long targeted.

Amid rising doubts about the impact of philanthropy’s diverse and diluted efforts, many ideas have emerged about how the field might be strengthened. Some foundations have, for example, abandoned categorical grantmaking in fields such as education, health, and human services in favor of a geographical focus on a few specific communities. Other donors have fled from the limitations of direct service grantmaking in favor of a focus on changing public policy through public information campaigns, advocacy work, and ballot initiatives, all with the hope of seeing major change happen through politics and policy. Still other donors have sought to create funding collaboratives in order to pool resources and act in a coordinated way. Many of these ideas have been developed for and applied to the field of public school reform, where the need for broad system-wide change has forced donors to look for ways to increase the impact of their giving.

While efforts to increase effectiveness have proceeded apace, it is fair to say that no idea for advancing the field of philanthropy has gotten more attention over the past five years than that of venture philanthropy. What exactly is venture philanthropy? What makes it different from traditional philanthropy? What innovations has it introduced into the field? Can it be used to reform public education? To begin to answer these questions, it is important to step back for a moment to consider the political and intellectual context within which the idea of venture philanthropy emerged.

The Investment Metaphor

Over the past decade, two broad developments, one in business, the other in politics, have quietly elevated the word “investment” to new heights. The 1990s saw the rise of Silicon Valley and the vast fortunes that were made by the creators of new internet and computer hardware and software companies. The technological revolution that was ushered in by these new upstart firms gave the old practice of venture capital investing flesh exposure and currency. The capital flows that fueled the high tech boom came from a relatively small group of firms, many located in California, that brought to their work a set of practices designed to increase the odds of success for their young and often inexperienced investees. These practices included heavy amounts of due diligence during the screening process, long-term financial commit-
ments designed to overcome the problem of undercapitalization that cripples many start-up firms, and extensive advice and consulting on how to develop and manage the new company. The ultimate goal of this investment process was to build large companies from scratch, take them through an initial public offering in as short a time as possible, and for all sides to make large amounts of money in the process.

The powerful pull of the investment approach to achieving results was impossible to confine to business and soon entered the political arena. Starting with the presidential campaign in 1991, the Democrats shifted the language of their party's policy arguments in a distinctive way. Rather than call for higher taxes and more spending, the rhetoric of the Democratic campaign, repeated constantly and consistently, was about the necessity of greater "contributions" to make possible higher levels of "social investments." Of course, the contemplated investments in education and health care were nothing other than greater levels of spending in longstanding domestic health and education programs. But the change in language ushered in by the New Democrats was significant: It represented a repudiation of the idea of wasteful government, and the rise of a new tougher and more savvy fiscal policy, one that would take a more rigorous, business-like approach to public problems by making "critical infrastructure investments" that were capable of generating social returns.

The rhetoric of the New Democrats and the practices of Silicon Valley were ultimately wed together in the field of philanthropy and the result is what is now generally termed venture philanthropy. It was a marriage made in heaven, in that sophisticated donors have long sought to turn their gifts and grants into something more concrete and scientific. Rather than simply being a purveyor of charitable funds for deserving organizations of all sorts, venture philanthropy promised to turn donors into hard-nosed social investors by bringing the discipline of the investment world to a field that had for over a century relied on good faith and trust. Two major differences still separated the new philanthropic investors from their government and business counterparts: (1) While government was able to make social investments that affected millions of people through the funding of entitlement programs, philanthropy searched for enough resources to have a major impact; (2) While business firms had a clear way of determining whether their investments pay off, namely return on investment, philanthropy struggled to develop performance measurement tools to assess the impact of grants. The search for solutions to the problems of impact and measurement have been at the center of the conversation about venture philanthropy, as the approach has taken hold and begun to spread, especially among younger donors who have made their money through entrepreneurship. The attempt to transfer wisdom across sectors galvanized a small group of individual and foundations donors who have now declared themselves to be "venture philanthropists."

Venture philanthropy's approach and language has penetrated the private and community foundation world, the small giving circles and clubs that help guide new donors, and the territory of corporate philanthropy. The idea of turning philanthropy into social investing has been tried in a whole host of fields such as early childhood health, environmental protection, and community development, to name just a few. However, one of the most popular fields for venture philanthropy efforts has been K-12 education. Many business people see the failure of large parts of the public school system as a crisis that has the potential to erode America's long-term economic growth potential. The challenge of getting public schools to perform better has been taken up by many of the high-tech entrepreneurs who have shown an affinity for the venture philanthropy model and for education reforms across the country.

**Getting to Scale**

It is difficult to pinpoint the exact size of the venture philanthropy movement today, though recent surveys have variously estimated that there are some 40 institutional funders committed to the approach, investing around $60 million a year. Although venture philanthropy remains small today, particularly when compared to the total $200 billion dollars given away each year by all donors, its influence is considerable. It has been the subject of growing media attention and the profile of its early practitioners has risen within the field. Most significantly, several of the largest private foundations have recently begun to experiment with the language and practices of venture philanthropy. Because of the powerful appeal of the metaphor on which it rests, it is critical to understand what the approach has to offer philanthropy.

When one considers the roster of America's largest nonprofit organizations, one fact imposes it-
self immediately. Most of the organizations on the list have been on the scene for decades or more: The American Red Cross, the Salvation Army, and the largest private universities and hospitals all have long and distinguished histories that are testament to the significance of their missions and the strength of their reputations. The list does raise at least one troubling question, however. Why have so few nonprofit organizations of more recent vintage achieved scale? In asking this question, venture philanthropy starts with the tenets that size matters in the nonprofit sector, that achieving it is a sign of success and relevance, and that creating organizations that go to scale is a legitimate and worthy goal for philanthropy. These basic commitments are grounded in the belief that philanthropic funds need to be applied to important social problems and that donors must strive to maximize the public benefits of their giving. Faced with the threat of irrelevance or invisibility, venture philanthropy has consciously declared that getting tangible results—and getting them on broad scale—is a central task of philanthropy.

To achieve scale, venture philanthropy has sought to move beyond the tired idea program expansion through government replication. For many years, philanthropy has relied on the rather optimistic assumption that government would replicate successful nonprofit programs. In fact, the hope that government would extend many philanthropically funded efforts gave rise to a cottage industry in "pilot programs" and "demonstration efforts" aimed at attracting the attention of government, which was in a position, in principle at least, to place large amounts of money behind these fledgling ideas. Unfortunately, the list of nonprofit projects that were ever brought to scale by government is short and growing shorter every year as discretionary funds available for new initiatives shrink at all levels of government.

In place of wishful thinking about government replication, venture philanthropy has sought to build into the philanthropic process a surer way to achieve scale. The nonprofits chosen by venture philanthropists for support are assisted in their efforts to construct and execute strategic plans that will lead to substantial growth and broad social impact. These plans are often anchored in a franchise model in which a programmatic idea is packaged and made available to other social entrepreneurs either through autonomous units or through affiliated entities. In seeking to take control of the diffusion and expansion process rather than simply pass it off to government, venture philanthropy draws on many of the ideas and practices of corporate strategy focused on growing companies. A critical element of any effort aimed at scale is refining the underlying service model until it is fully developed, tested, and debugged. Only after this process is complete can the model be extended to multiple new sites.

A different idea for getting to scale has also emerged. It focuses not on building a model that is ripe for replication, but instead on building a powerful organization that has a steady revenue stream behind it that can drive internal growth. Some venture philanthropists have focused on building the capacity within nonprofit organizations to design and deliver services for which there is a paying client waiting to consume the service. However, the problem with any nonprofit model that is built on a base of earned income is simple: Even when the fee schedule is a sliding one, commercialism limits the ability of the organization to reach disadvantaged populations that may not be in a position to pay. Thus, in its place some funders have looked at ways of helping nonprofits operate independent, non-mission related ventures that generate revenue capable of giving nonprofits the funds they need to grow. No matter whether the earned revenue is generated by the programs or by the unrelated business activity, this approach to getting to scale is fraught with at least a little danger since it requires that nonprofits do more than simply do charitable work: It requires that nonprofit also show enough entrepreneurial instinct to succeed in breaking even or even turning a profit that can be used to subsidize the mission of the organization.

Getting to scale either through franchising or commercialism requires a different kind of financial support than is usually provided by donors. Venture philanthropy has therefore developed tools that are aimed at increasing the likelihood of success. At its core, venture philanthropy can best be seen as a three-legged stool, each leg of which is seen as a solution to a problem in traditional philanthropy that has impeded nonprofit organizations. First, venture philanthropists believe that large blocks of capital delivered over an extended period of time are needed to build the capacity of nonprofit organizations. Second, these new donors believe that improving nonprofit strategy through management consulting is critical to lasting success. Third, venture philanthropists are committed to the goal of developing new metrics to mea-
sure organizational performance or, in their words, the “social return on investment.” It is useful to examine each of these three legs—capitalization, engagement, and performance measurement—separately to see just how strong they are and whether they support more effective giving.

A New Form of Funding

From the vantage point of nonprofit service providers, private foundation and corporate donors have come to insist on funding projects and activities, not organizations. In recent years, generating operating support has constituted only about 15 percent of all grants. Much of the rest is being disbursed as project-specific grants. To make matters worse, it is not uncommon for many funders to limit their project support of particular nonprofit organizations to two or three consecutive years. Fearing that they will create a dependence that cannot be sustained indefinitely, traditional institutional funders have settled on a short-term approach to grantmaking that allows them flexibility to change direction quickly should community condition or board interest change. The consequences for nonprofit organizations of this pattern of funding have been predictable: financial instability, programmatic uncertainty, and wasted effort, all of which makes the achievement of real scale and impact very difficult.

Venture philanthropy has keyed on this pattern and come forward with a different approach to funding, one that builds on the venture capital model and offers longer term support and larger amounts of unrestricted financial support. Instead of pulling the plug quickly and moving on to fund other organizations, the venture philanthropy model emphasizes long-term funding commitments designed to help organizations develop and grow. Unlike grantmakers that trickle out support in small installments, the venture philanthropist seeks to get into projects with a large initial investment that signals real commitment. In New York, for example, the Robin Hood Foundation, an early venture philanthropy entrant, has long focused on building lasting relationships with the organizations it supports, with some engagements lasting up to a decade. In a few cases, this has translated into very large financial commitments, while in other instances the amounts have been more modest. By providing large blocks of capacity-building support to nonprofits over longer periods of time, venture philanthropy believes that it will be possible to overcome one of the biggest drawbacks in the nonprofit sector, namely the inability of nonprofit organizations to achieve real scale and impact.

Before delivering large blocks of support and committing to an organization over the long haul, the venture philanthropist engage in heavy dose of what they refer to as “due diligence.” While it is not entirely clear how this review differs from what all donors have always done (reviewing financial disclosure documents, requiring the presentation of a strategic plan, and the submission to a site visit), the language change is designed to draw attention to the fact that great care needs to be devoted to the decision making process leading to a commitment. In making the choice of which organizations will be supported, venture philanthropy groups, like New Profit Inc., view the ability of a nonprofit organization to achieve scale as a critical consideration. New Profit’s long term investments have focused on organizations like Jumpstart, a pre-kindergarten program designed to help disadvantaged children get ready for school, which has plans to open sites in 15 cities around the country.

One of the most visible effort to apply business know-how to the reform of public schools is being undertaken by John Doerr, the Palo Alto venture capitalist. In 1998, Doerr founded the New Schools Venture Fund (NSVF) with the intention of providing seed capital for promising new for-profit and nonprofit organizations that had the potential to bring movement in the public education field. In choosing organizations to fund, Doerr applies...
a clear set of criteria. He seeks to support organizations that have strong leadership and that could have a direct impact on school achievement. What made his approach different was that he also insisted that the organizations that would receive support had to have an concept that could be brought to scale. Like any business investor, Doerr assembled a team of partners who invested in the fund. In all, some $20 million will be used to fund both nonprofit and for-profit initiatives. NSVF’s early nonprofit investments included a comprehensive online guide to California public schools, both nonprofit and for-profit charter school management organizations, a school leadership training program, and a math curriculum development effort. On the for-profit side, NSVF invested in a network of charter schools operated by a business firm in New York. NSVF’s approach to school reform continues to reflect a distinctive application of the venture philanthropy model. Drawing on the talents of a group of exceptionally successful entrepreneurs and CEOs, the Fund has developed its own idea about getting to scale: Beyond funding organizations that have real potential for growth and impact, NSVF also works to build a network of school reformers through which innovations and ideas can spread. Thus, NSVF both invests and convenes with the aim of maximizing the impact of its investees and moving them to scale quickly.

Because it draws on the business methods of venture capital, NSVF is willing to make a small number of large bets. After making these bets, the Fund stays with the organizations that are funded for an extended period of time, assuming the organization can demonstrate progress and results. Investments made by NSVF range between $200,000 and $1 million. Sometimes the efforts that are funded succeed like the ballot initiative backed by Roberts that pushed the California legislature to preemptively allocate billions of dollars for charters schools. Other times, big investments have not paid off so well: Advantage Schools, one of NSVF for-profit portfolio organizations, has struggled to hold on to its public school contracts and was recently taken over by another firm. Nevertheless, NSVF’s investments represent calculated gambles to achieve real impact and scale in a field like school reform where small projects hold little promise of changing the performance of large numbers of public schools.

Of venture philanthropy’s three legs, the idea that nonprofits need larger and longer forms of support is certainly the strongest. Whether venture philanthropy has truly made good on its commitment to building strong organizations with the capacity to grow is another matter entirely. To date, many of the grants made by venture philanthropy funds have been relatively small owing to the fact that resources in these funds are very limited. In fact, all of the biggest gifts in recent years, including several hundred-million dollar gifts to universities, were all made independently of the venture philanthropy mantra. Thus, while providing major blocks of capital aimed at taking nonprofits to scale is a good idea, it is not an original one.

**Consultative Engagement**

In its effort to reengineer the mainstream model of philanthropy and reorient it toward achieving impact on a broad scale, venture philanthropy has also focused on changing the relationship between the funder and the recipient. Looking at the way many institutional and individual donors carry out their giving, the proponents of venture philanthropy observed that a tremendous amount of effort was being sunk into the process of selecting grant recipients and very little effort was being devoted to helping nonprofits organizations succeed once the check was sent. Indeed, in many foundations, there is today very little follow up or consultation between the two sides from the time the grant check is mailed to the time the final report on activities is due. One reason that most of the effort of philanthropy is directed at decision-making about grants, not effective implementation, is that there is real pressure on funders to be transparent, fair, and accountable for their actions. Given these demands, it is hardly surprising that many institutional funders have little time for anything other than careful review of applications, site visits before board meeting, the writing of recommendations for the board. As grant cycles roll around and around, it can in fact be very hard for funders to break this cycle and engage with recipient organizations in a sustained relationship.

Venture philanthropy takes a different approach to donor/recipient or investor/investee relations, one that extends the time horizon and deepens the contact between all parties. Rather than cut a check and run, venture philanthropy believes that the work only begins once a financial commitment has been made. Given that the commitment is intended to be a long-term one, the new funders have set out to connect directly with the organizations in their portfolios. There are two perceived benefits to a
high engagement strategy. First, nonprofits may learn something that they do not know already, especially if the consulting that is rendered involves specialized skills not usually found in nonprofits. At New Profit Inc., grant recipients receive hands-on assistance from the management consulting giant Monitor Group. Working with organizations that have received money from New Profit, Monitor's team of consultants assists with planning growth and tracking progress. For organizations like Citizen Schools, an after-school program that uses adult volunteers to teach real-world teenagers skills through creative projects, this added service is intended to increase the likelihood that the organization will continue to flourish and grow.

In lending the expertise of a management consulting firm to their investees, funders are both attempting to protect their investments and increase the social benefits that are achieved. Beyond consulting advice, the investor can also provide nonprofits with useful connections: The New Schools Venture Fund explains that “Our hands-on approach goes far beyond providing capital. It includes matching board members, recruiting management team members, consulting, and linking education entrepreneurs to a powerful network of peers and new economy resources.”

Finally, in the matter of ethics, many religious teachings related to charity appear to run counter to the precepts of venture philanthropy.

The second perceived benefit of a consultative and engaged relationship has little to do with nonprofit performance and has everything to do with the satisfaction of the donor. High engagement philanthropy is a social activity that satisfies the desire of many wealthy people to find meaning in their lives outside of business. Young entrepreneurs who are active in venture philanthropy enjoy taking a hands-on approach and view the process as one of learning and personal growth. At Social Venture Partners (SVP), one of the earliest venture philanthropy efforts, donors commit a minimum of $5,000 to the fund and in exchange they gain first-hand exposure to the nonprofits that SVP funds. Many of the investors in other venture funds get even more involved in the organizations they fund by either helping with fundraising or by serving on the board.

There are several assumptions built into the engagement part of the venture philanthropy model: first, that nonprofit organizations want outside help in strategizing and carrying out their work; second, that those offering the consulting possess skills that are missing in the nonprofit world and that nonprofits will run better once they have been exposed to these tools and models; third that engagement is ethical and appropriate in philanthropy. All three assumptions can reasonably be questioned.

First, several foundations that have surveyed their recipients have discovered that nonprofit managers complain that the process of working closely with a funder is draining and does not always add value to their work. As one might expect, the generally tense relationship between benefactor and supplicant is hard to transform into a balanced working relationship. Faced with the prospect of a “relationship” with the donor, many nonprofits view a no-strings attached check as the best form of support.

Second, when it comes to the skills of high engagement grantmakers, there is no clear evidence that the people who control capital in the business sector or those with expertise in business management have any special claim on knowledge about how to create a successful nonprofit organization. Nonprofit mission fulfillment does not always equate to satisfying the demands of clients or responding quickly to market trends. Sometimes, nonprofits need to lead by offering services for which there is little immediate support, but that nevertheless speak to important if overlooked social needs.

Finally, in the matter of ethics, many religious teachings related to charity appear to run counter to the precepts of venture philanthropy. A recurring theme across many faiths is that the donor and the recipient need to be separated, preferably through anonymous giving, so that the recipient is not shamed by having to take money directly from someone else. Anonymous giving also promises to ensure that the donor's intent is pure and the gift is aimed to helping others rather than gratifying oneself. By shielding the recipient from the donor, it is possible to create a transfer that is both practical and moral. Venture philanthropy's response to such objections is predictable: Venture philanthropy is making investments that are different from charity. Because they are given under different initial terms, the moral problems associated with charity do not apply. This is an argu-
ment that ultimately rests on semantic hair splitting, however, and it skirts the reality of the asymmetric power in all forms of philanthropy. Still, venture philanthropy's secular, entrepreneurial turn is ultimately designed to satisfy the current generation of new entrepreneurial donors eager to express themselves through action in the social sphere.

Performance Measurement

Beyond a theory of achieving scale through new forms of financial and consulting support, venture philanthropists distinguish their work by the way they assess results. While all donors want to know whether their grants have an impact and lead to real changes in the world, venture philanthropy has elevated the importance of performance measurement and made it a centerpiece of their approach to giving. At the core of this desire to measure results is a dual commitment to both learn how to improve the programs of investees and how to make better investment decisions in the future.

By focusing on assessment, venture philanthropy has hit a nerve in philanthropy. Many donors, particularly those who have made money in business, find the lack of standards and benchmarks in the world of philanthropy particularly troubling. Without good evaluation, giving seemed condemned to an emotive exercise that never asked tough questions about the social benefits produced through philanthropic intervention.

One of the earliest and most visible efforts to construct a performance measurement system for the new venture philanthropy was developed by the Roberts Enterprise Development Fund (REDF), a venture philanthropy fund founded by investor George Roberts of Kohlberg, Kravis, and Roberts fame. For years, REDF has experimented with the use of philanthropy to create social purpose enterprises within nonprofit organizations. These enterprises, ranging from a bakery to a janitorial service to a café, employ disadvantaged and untrained workers. The enterprises generate both financial flow for the nonprofits operating them and social benefits in the form of income for the employees who carry out the work. For REDF, there is the added benefit that this kind of philanthropy affords a unique opportunity to measure impact these enterprises have both a business and social bottom line. REDF describes its effort at quantification as follows: “REDF’s efforts to calculate the social return on investment (SROI) of its portfolio of social purpose enterprises is one attempt to analyze and describe the impact of these enterprises on the lives of individuals and on the communities in which they live. REDF’s approach to calculating SROI includes measuring the tax dollars saved by helping the people who work for REDF portfolio social purpose enterprises reduce their dependency on public assistance, homeless shelters, and other government-supported services.”

Many donors, particularly those who have made money in business, find the lack of standards and benchmarks in the world of philanthropy particularly troubling.

Published in elaborate reports with high-end production values, REDF’s reports provide an illuminating perspective on the problem of performance measurement in philanthropy. The “SROI Reports” purport to measure the creation of blended value, consisting of enterprise value (“the financial return from the business”) and social purpose value (“the monetized public cost savings and taxes generated by the enterprise employees”). Upon closer inspection of the actual data collected and analyzed by REDF, the calculation of SROI turns out to be nothing other than a very straightforward application of cost-benefit analysis, a tool for measuring program impact that has long been used by business managers and government policy makers. By christening cost-benefit analysis “the calculation of Social Return on Investment,” REDF has succeeded in giving the venture philanthropy a new language that can appeal to younger donors, no matter that the underlying practices are evaluation techniques popularized in the 1960s.

One of the real problems now vexing venture philanthropy is the fact that the rhetoric of performance measurement has grossly outpaced the reality of performance measurement. While REDF’s work on measuring the net benefits of employing disadvantaged persons in enterprises run by nonprofits is often held forth as the venture philanthropy model for quantifying results, it has little relevance for the vast universe of measurement challenges facing the field of philanthropy. For while the income streams of nonprofit business ventures and the employment and income gains of disadvantaged workers can be roughly estimated, there are large parts of the nonprofit programmatic
landscape, including advocacy efforts, symphony orchestra performances, and faith-based counseling programs aimed at promoting family unity, to name just a few examples, for which no simple monetary measures are possible. Dreams of measuring SROI "at the push of a button" are rendered ever more distant by the reality that most social programs and initiatives do not operate in isolation from a multitude of other social and economic forces all affecting the ultimate client outcomes. Truly disentangling the programmatic effects and quantifying these effects requires an experimental approach to evaluation—built around researching difference between control and treatment groups—that is time consuming and extremely expensive. While philanthropy could certainly benefit from more rigorous evaluations, it is not clear that the rhetoric of SROI introduced by venture philanthropy moves the assessment task forward in a productive way.

Beyond the problems of applying existing assessment tools, there is at least one huge assumption built into the performance measurement component of the venture philanthropy model, namely that quantitative measures of "social return on investment" are worth trying to develop because they would advance and improve the field of philanthropy. To date, there is little evidence to support this assumption. Most of the efforts at building metrics for assessing the "return" of philanthropic investments have been primitive. The clearest evidence that the measurement of social return remains elusive is the continual rise of alternative assessment concepts and tools. In fact, much of the talk of performance measurement in venture philanthropy has now quietly slid into a conversation about "outcome measurements" that have little to do with measuring social return and everything to do with simply setting expectations and tracking programmatic progress. To carry out this modified objective, many venture philanthropists use tools such as the Balanced Scorecard, a broad organizational assessment tool, and avoid too much detail when talking about the "return rate" of their funds.

Perhaps the clearest example of the loose connection between the use of the language of social return and the reality of true measurement can be found in the newly formed Chicago Public Education Fund (CPEF), which has set out to apply the venture philanthropy model to the problem of improving Chicago's public schools. Using business jargon to describe all of its activities, CPEF is seeking to raise some $10 million in local funding to support investments in programs aimed at recruiting a new cadre of school teachers and developing alternative routes to certification, creating a culture of professionalism in the school through programs that pay talented teachers to serve as mentors, and locating and training new talent to meet a shortage in school principals. The three main elements of CPEF are all directed at human resource problems within the school system and do not shy away from providing large blocks of capital to the Chicago Teacher's Union and to the Chicago Public Schools administration. Like some other venture philanthropy efforts, CPEF promises a new approach to philanthropy, one that emphasizes results and measurement. However, all the "social returns" that the Fund trumpets are described in terms of narrow, short-term outcomes, such as the training of 200 teachers or the recruitment of 30 principals. These targets are no different from the goals and expectations that all the mainstream funders in Chicago have long established for their grantees. The only difference is the construction of an elaborate semantic superstructure.

After all, the public's interpretation of public priorities has only gotten progressively more contentious in recent years.

On the larger issue of whether greater levels of performance measurement are really desirable, philanthropic taste enters the picture. To be sure, there are many donors who approach their giving with the intention of maximizing impact and the social value of nonprofit activity. There are, however, few clear ways to separate out subjective determinations of social value from "objective" ones. After all, the public's interpretation of public priorities has only gotten progressively more contentious in recent years and certainly not tended toward consensus. Lacking basic agreement about the meaning of socially valuable activities and a hierarchy for ranking them, it is hard to see how any project aimed at measuring ground level social return can be anything but a highly subjective and personal project, especially when philanthropy reaches into contentious areas of social problems. While many donors legitimately want some sort of evidence that their giving is making a difference,
it is not clear that seeking to translate this “difference” into monetary terms will improve philanthropic practice in the long run.

Translating Venture Philanthropy

As more and more venture philanthropy funds come on line and as increasing numbers of donors reinvent themselves as social investors, it is important to pause and ask about the underlying coherence of this model. A chief force behind this popular trend is the honest desire of donors, especially young entrepreneurs turned donors, to see social change happen as a result of their giving. Many of these young donors are very interested in public school reform and want to use their philanthropy to make a difference. The language and the metaphors used by venture philanthropy speak to deep-seated desires of these new donors to have an impact and measure the effects of their philanthropy. It is a language that can be obtuse at times, however. To help clarify the new terminology that venture philanthropy has spawned, the table below provides a simple translation of many of the key terms (see Table).

<table>
<thead>
<tr>
<th>Venture Philanthropy Term</th>
<th>Translation</th>
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<tbody>
<tr>
<td>Investment</td>
<td>Grant</td>
</tr>
<tr>
<td>Investor</td>
<td>Donor</td>
</tr>
<tr>
<td>Social return</td>
<td>Impact</td>
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<tr>
<td>Performance measurement</td>
<td>Evaluation</td>
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<tr>
<td>Benchmarking</td>
<td>Standard setting</td>
</tr>
<tr>
<td>Due diligence</td>
<td>Grant review process</td>
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<tr>
<td>Consultative engagement assistance</td>
<td>Technical</td>
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<tr>
<td>Investment Portfolio</td>
<td>Grant list</td>
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To date, venture philanthropy remains something of an unfulfilled promise. To truly make good on the new language created by venture philanthropy, important breakthroughs in practices are needed that create real distance between venture philanthropy and traditional giving. For now, it is very difficult to find authentic innovations that justify the new terms that have been introduced. Many of the “investments” made by venture philanthropist look just like the “grants” made by other donors. The best evidence of this fact is that many of the organizations supported by venture philanthropists regularly receive grant support from mainstream philanthropic funders. In fact, only a few of the most high profile venture philanthropy investments represent substantial portions of the operating budgets of the nonprofit organizations on the receiving end. Similarly, the idea of “consultative engagement” that many describe as a trademark of venture philanthropy is hard to distinguish from the multiple forms of “technical assistance” that donors have provided to nonprofits for decades. Across many of the other terminological divides, the underlying practices do not appear significantly different from what has come before. The most egregious breaches of clear thinking have been in the area of evaluation, where a rhetoric of measurement and return has far outpaced the practices that venture philanthropy has developed to date. Amidst all this confusion, there is at least one contribution that venture philanthropy has made to the field. It has created powerful discussion networks and social ties between new donors, and this is a positive development.

In the end, the excitement and energy created by the language of venture philanthropy have brought new people into the world of philanthropy who are being converted to the pleasures and challenges of trying to create public value. For those committed to public school reform, the desire of many venture philanthropists to do something about the performance of public education must be viewed as positive. At the core, venture philanthropy’s search for new philanthropic tools has enlivened the field. After all, the problems of traditional philanthropy are clear and undeniable.

There is nevertheless something troubling about the frenzy of verbiage that has accompanied the movement. Although only a few critics have to date pointed to the holes in the venture philanthropy industry, time will tell how durable the business metaphor ultimately will prove to be. For now, one thing is impossible to deny: By seeking to move concepts and language from the world of business to the world of nonprofit organizations, venture philanthropy must be viewed as a marketing triumph. As a set of practical philanthropic innovations, venture philanthropy’s contribution to the field remains far harder to ascertain.

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