

Transforming Philanthropic Transactions: An Evaluation of the First Five Years at Social Venture Partners Seattle

EXECUTIVE SUMMARY

**Prepared by
Kendall Guthrie, Alan Preston, & Lucy Bernholz**



BLUEPRINT RESEARCH & DESIGN, INC.

720 Market Street, Suite 900
San Francisco, CA 94102
(415) 677-9700

2014 E. Madison Street, Suite 300
Seattle, WA 98122
(206) 324-4999

www.blueprintrd.com
info@blueprintrd.com

Prepared for



SOCIAL VENTURE PARTNERS SEATTLE

1601 Second Avenue, Suite 605
Seattle, WA 98101
(206) 374-8757

www.svpseattle.org
info@svpseattle.org

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Social Venture Partners (SVP) Seattle was born in Seattle 1997 as the concept of venture philanthropy was gathering steam. Most of SVP's 40 founding members (Partners) were beneficiaries of the local technology boom and looking for a way to give back to their community. They created a new breed of giving circle where each Partner would contribute both financial and human capital to build organizational capacity of select local nonprofits (Investees). (Note: Although the terms SVP and SVP Seattle are used interchangeably in this report, research and findings are drawn only from SVP Seattle.)

At the peak of the technology boom in 2000, SVP had 282 Partners and the numbers have fallen off only slightly during the economic downturn. Over five years, SVP has touched 431 participating households composed of 736 adults. Two-thirds of Partners who have joined SVP since 2000 are not technology professionals. The organization has distributed \$5.3 million to 34 different nonprofits and filled nearly 350 volunteer assignments. In contrast to the expectation that nonprofits simply put up with volunteers in order to get money, the value of the SVP volunteers was highly regarded by all Investees we interviewed. Moreover, 27 other cities in North America have replicated the model. In short, SVP has built itself into an established part of the philanthropic industry.

Assessing SVP's Impact: Insights for the Field

This report provides the philanthropic industry key insights from a yearlong independent evaluation of SVP, funded by the David and Lucile Packard Foundation. The evaluation's purpose was three-fold:

- 1) to help SVP understand the effectiveness of its work in philanthropy promotion and organizational capacity building
- 2) to provide SVP guidance in how to measure the impact of its work more systematically
- 3) to identify useful insights for other players in the philanthropic industry, especially those involved in donor education and philanthropy promotion, nonprofit capacity builders, and others interested in venture philanthropy and high engagement grantmaking

Research methodologies included extensive interviews of a representative sample of SVP Partners and long-term Investees, piloting a capacity assessment tool¹ with long-term Investees, and reviewing SVP's archival records. These methods are detailed in the appendices of the report. Data were collected between March and October of 2002. Initial findings were presented to the SVP Board and the general Partnership in November of 2002.

The SVP Model: A Unique Fusion of Activities

SVP is a dual mission organization. Its objectives are:

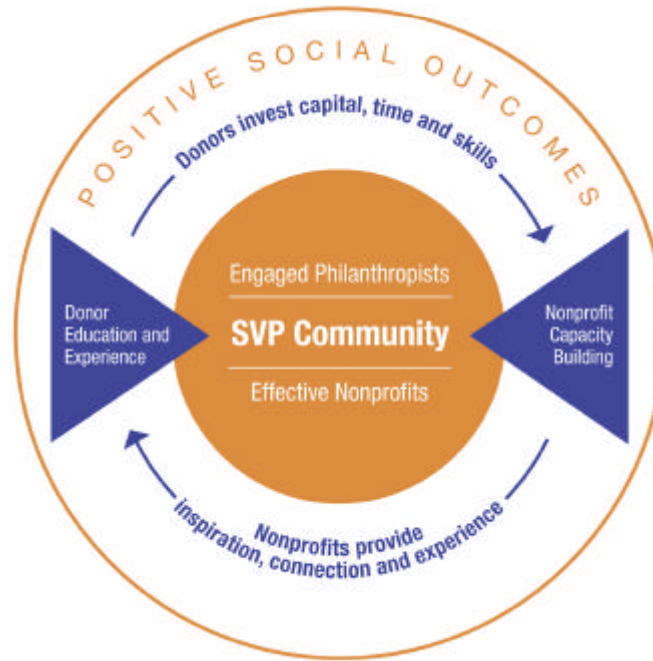
- promoting philanthropy and volunteerism of its Partners
- building the organizational capacity of its nonprofit Investees

SVP accomplishes this work by taking activities traditionally practiced by separate entities—donor recruitment, donor education, volunteer matching, and grantmaking—and housing them in a single organization. By operating in multiple arenas, SVP creates a venue in which both its primary stakeholders—nonprofits and donors—can engage in a direct and intimate manner.

By viewing their relationship to the nonprofit community as more than a one-way transfer of money, SVP Partners are simultaneously strengthening nonprofits in their community *and* receiving a rich philanthropic education that is grounded in actual experience. SVP's nonprofit capacity building business is an essential component of its philanthropy promotion business. It provides a rich, practical training ground where new philanthropists get hands-on experience in the mechanics of grantmaking and in the culture of nonprofits. In turn, SVP's work in recruiting and training donors feeds its nonprofit capacity building business. It provides local nonprofits with financial and human resources, as well as the opportunity to build long-term relationships with motivated, skilled community players who can continue to provide access to money, board members and a personal network of other resources even after the SVP grant ends.

¹ The tool selected for the research was the McKinsey Capacity Assessment Grid, created by McKinsey and Company for Venture Philanthropy Partners and published in "Effective Capacity Building in Nonprofit Organizations" (Reston, VA.: Venture Philanthropy Partners, 2001).

SVP's Strategic Intent ²



SVP's Effectiveness in Inspiring Philanthropy and Volunteerism

Important Characteristics of SVP Partners

SVP has drawn hundreds of new people into the formal philanthropic community in Seattle. Three-quarters of the Partners interviewed were not connected to organized philanthropy before joining SVP. Most were not involved in significant volunteering with local nonprofits when they joined, although 80 percent of Partners interviewed had service-oriented volunteering experience in their youth. Other common characteristics of SVP Partners included an orientation to action and results, a desire to become more involved in their community, a desire for hands-on engagement with the nonprofits where they invest their money, and a desire to figure out a meaningful way to deal with a sudden increase in their wealth. It also is notable that many SVP Partners (at least 1/3) joined during a time of life transition where they had considerably more time to volunteer, become more active in philanthropy, and open themselves to new ways of thinking.

SVP's Approach to Philanthropy Promotion

SVP's model for inspiring philanthropy is highly flexible. Partners make a \$5,500 annual commitment for two years and then choose from a range of activities including attending Partner education seminars, volunteering with Investees, sitting on a grant committee, joining an internal working group, or simply receiving and reading the newsletter. None of these activities are required, although 75 % of Partners do more than write a check.

At its core, SVP's work with donors is about transforming their philanthropy from a discreet monetary transaction into a philanthropic experience. Its activities—seminars, committees, volunteer opportunities, and a peer-networking environment—provide a philanthropic experience that can last for years. Writing a check to a nonprofit is a transaction whose satisfaction fades, for many philanthropists, once the check is delivered. In SVP, the initial donation to join is just the beginning of the experience. This stands in marked contrast to most of the donor education experiences available which frequently offer one-time activities with little follow up.

² Source: SVP Seattle.

SVP's Impact on Partner's Philanthropy and Volunteerism

Partners' interest in other types of philanthropic activities increased. Rather than draining resources from other philanthropic vehicles, as was initially feared, the research suggests that SVP is actually a stimulus for engagement in other forms of philanthropy. Many SVP families also have a fund at the local community foundation and/or belong to another giving circle in town. In many cases, becoming an SVP Partner was the catalyst for becoming involved in other philanthropic vehicles.

Partners became more focused and strategic in their personal philanthropy. Over time, Partners said they were writing fewer checks but for larger amounts. SVP grantmaking committees, and to a lesser extent the seminars, also taught them practical organizational skills, such as vetting proposals and conducting site visits, that they then applied to their personal philanthropy.

All Partners increased their knowledge of community issues and nonprofit culture, which led many to become more willing to providing general operating support. This deeper knowledge made Partners more effective volunteers and influenced where and how they gave their non-SVP donations. Many of the active Partners who volunteered said they had become more open to providing general operating support in their personal philanthropy. After working so closely with a nonprofit, they came to understand the value of this type of support—and how it would be used.

Partners increased the quality and quantity of volunteering. Participation on grant committees, becoming directly involved with one or more Investees, and attending Partner education seminars made Partners more informed in their volunteer work. A number of the most active Partners went from minimal volunteering before joining SVP to contributing ten to 15 hours per month to their Investees. Nine Partner volunteers have been asked to join the boards of six of the seven long-term Investees examined in this study.

Partners saw philanthropy and nonprofit work as a more significant part of their identity. Over time, most SVP members came to see philanthropy and volunteering as a much more significant part of who they are. A number of Partners interviewed have even taken jobs in the nonprofit sector.

Partners focused a greater portion of their philanthropic contributions on local organizations. Many Partners said that over time, they had been channeling a larger proportion of their personal donations to local organizations, in large part because SVP helped them to learn about local groups whose work fit Partner interests.

An SVP association may counter people's inclination to reduce giving during economic downturns. A number of SVP's most active Partners said they actually increased their giving to local groups in the last year because they knew first hand that it was needed more than ever.

Key Observations on SVP's Work in Philanthropy Promotion

Partner involvement in the capacity building work with nonprofits is SVP's most effective donor education tool. Although most people think of donor education as the myriad seminars SVP offers, the impact of these activities on Partner's individual philanthropy paled when compared to the experience of volunteering and/or serving on a grant committee. These activities provide donors experiential learning. As Partners increasingly become committed to specific nonprofits, they give more money and time to support these relationships.

Partners view SVP more as a focal point for learning about philanthropy than as a giving vehicle. For most Partners, their \$5,500 donation represents only a portion, and in many cases a small portion, of their total giving. Most of their donations get channeled through other vehicles, such as private checkbooks, charitable giving funds, donor advised funds, and even family foundations. SVP appears to have had more influence on how and where Partners gave their money than how much they gave.

SVP's experience validates Paul Schervish's industry research on why people become philanthropic. Schervish, in "The Spiritual Horizons of Philanthropy," highlights four characteristics of wealth holders that enhance one's

propensity towards philanthropy.³ Those include: “hyperagency”, feelings of gratitude, identification, and associational capital. All are clearly reflected in SVP’s program. Identification and associational capital are central elements for SVP’s approach to inspiring philanthropy and volunteerism among Partners.

SVP’s impact on Partners was proportional to the Partner’s level of engagement in SVP activities. Not surprisingly, the Partners who described the greatest evolution in their philanthropy had been the most actively involved in many levels of SVP. SVP only achieves its mission when Partners get involved.

SVP has fostered significant relationships between Partners and individuals in the nonprofit sector. By creating a philanthropic experience, SVP builds relationships between Partners and nonprofits that involve more than money. Most Partners said that before joining SVP, they did not have significant interactions with staff in the nonprofit sector. It is these nonprofit relationships that have motivated most Partners to remain involved beyond their initial two-year commitment.

SVP has not created a strong sense of community among its Partners in its first five years. While many Partners said they joined SVP to meet other people interested in philanthropy, most felt little affinity for other Partners. Most Partners assigned to volunteer at a nonprofit rarely even meet the other Partners assigned to that nonprofit.

Contrary to common perceptions, Partners aren’t driven by a venture capital mindset that their business acumen will transform nonprofits. SVP Partners are bound by the simple desire to give both their money and their time to strengthen nonprofits in their community—and a desire to encourage other people to do the same. Support for the terminology of “venture philanthropy” is surprisingly thin.

Recommendations to SVP on Philanthropy Promotion

The report also provides recommendations to help SVP improve its philanthropy promotion. This is particularly relevant given SVP’s recent strategic decision to support Partners through a lifetime of growth as philanthropists, rather than just being a “beginners club”. Specific recommendations, detailed in the report, include:

- *Develop criteria for an “engaged philanthropist”.* A definition might be as simple as outlining SVP’s principles by which engaged philanthropists practice their work.
- *Articulate a trajectory for a lifetime of Partner personal growth.* Currently SVP is mostly designed to serve beginner philanthropists.
- *Develop and track outcomes that address quality of Partners’ philanthropy, not simply the quantity of philanthropist.* Examples of potential indicators include participation rates in SVP activities, the number of Partners who move from short-term to long-term volunteer commitments, and proportion of Partners’ discretionary income devoted to charity.
- *Cultivate relationships among Partners and reduce Partner dependence on SVP’s Executive Director.*

SVP’s Approach to Capacity Building

SVP’s strategy for building nonprofit capacity is to provide its Investees a resource package of money, volunteers, consultants, targeted training, and access to its network of well-connected staff and Partners. Over the last five years, SVP has worked with 35 nonprofits that focus on the fields of education, early childhood, and the environment. In the course of a typical five year relationship with an Investee, SVP invests approximately \$200,000-\$300,000, provides 10-20 strategic and hands-on volunteers, funds approximately \$25,000 worth of consultant support, and provides numerous connections to other information resources.

The volunteer efforts of its Partners are the backbone of SVP’s capacity building strategy. SVP has filled approximately 350 volunteer assignments from its Investees, over 200 of whom have provided strategic management assistance. The majority of Partners have volunteered in technology and marketing, while some worked on financial management, strategic planning, and other areas of management assistance. The integral involvement of Partners—as volunteers, network resources, and members of grant committees—distinguishes the

³ Paul G Schervish and John Havens, “The New Physics of Philanthropy: The Supply-Side Vectors of Charitable Giving, Part 2: The Spiritual Side of the Supply Side,” *The Case International Journal of Educational Advancement* 2 (2002:221-241)

SVP model from that of many other venture philanthropy groups and traditional capacity builders that are more staff-driven.

Initially, SVP relied almost exclusively on volunteers to provide technical and management assistance to grantees. Over time, SVP learned that Partners do not always have the skills investees need, so in 2000, they began to supplement volunteers with targeted consultants.

It should be noted that the goal of this evaluation was to assess SVP's effectiveness at capacity building. Systematically evaluating the link between growth in organizational capacity and improved client outcomes was beyond the scope of this project, due to the small size of the sample and lack of baseline data.

SVP's Impact on Capacity Growth of Its Investees

All long-term Investees interviewed experienced growth in organizational capacity during their relationship with SVP, although the degree of growth varied considerably. Two of the seven Investees reported growth that took them to a new level of service and vision. Three others felt that they had made substantial gains in their capacity and strengthened the foundation of their organizations. The final two organizations also showed distinct gains, but growth was impeded—in one case, by a lack of alignment with SVP's business model and, in the other case, by difficulties with the volunteer matching process.

The elements of capacity that grew varied across grantees. Growth was most consistently demonstrated in the capacity areas of technology, outcomes management, and board development. Growth was least consistently demonstrated in the capacity areas of marketing, fundraising, and leadership development.

SVP's role in the capacity growth of its Investees was high. Investees said that few of their other funders provide financial or human capital in support of capacity building. Partners developed relationships with the nonprofits that extend well beyond the initial skills they brought to bear. Not only did they often become donors and/or board members themselves, they also provided new linkages to a whole network of resources in the community.

SVP maximized its impact in capacity building when it combined the use of volunteers with other strategies. SVP's capacity building work has become much more successful in the last two years as it has incorporated paid consultants and also leveraged the resources of the existing network of staff and Partners. SVP amplifies the impact of its capacity building work when it uses volunteers *in conjunction with* these consultants and other resources.

Key Observations on Capacity Building

Investees see Partner volunteers as a significant asset. The major culture clash between SVP Partners and the nonprofits that many expected has not materialized. Occasional misunderstandings are inevitable, but Investees went out of their way to note SVP's humility, sensitivity and willingness to learn from the mistakes it has made. Most long term Investees said they valued the volunteers more than the grant money.

Using volunteers, compared to consultants, is a high-risk, high return proposition. Despite the considerable time nonprofits invested in recruiting, training and managing volunteer Partners, they universally agreed that the benefits far outweighed the costs. While Investees acknowledged that consultants were easier to find and often more available to start projects, they preferred to use Partners when they are available. Partner commitment often led to long-term relationships that translated into money, board involvement and connections with other advocates and resources in the community.

Organizations grew the most when SVP helped them address the "higher elements" of capacity. As much as technical skills are valued by nonprofits, the greatest value occurs when a funder is able to support a nonprofit to clarify and strengthen their mission, vision, strategy and leadership. Areas where SVP has been most able to do this are Board Involvement, Strategic Planning and Leadership Development. However, SVP has not systematically helped all its Investees address these areas.

SVP's capacity building work has been constrained by the lack of systems for early assessment of Investee needs and on-going benchmarking and monitoring. During its first five years, SVP has not systematically assessed an

Investee's capacity needs at the outset of the relationship. Accordingly, it sometimes took a year or more for the Investee and the SVP Lead Partner to identify and align on key priorities. On-going progress and goals setting have been ambiguous because there are no defined capacity standards and objectives. SVP began addressing this problem in 2003 by administering a modified version of the McKinsey Capacity Assessment Grid to all its grantees as part of its annual refunding process.

Selecting grantees that are ready and motivated to address capacity is more important than targeting nonprofits that meet pre-defined size and age criteria. Our research suggests that the ability of SVP grantees to absorb capacity assistance is not a function of size or age. SVP has provided as much value to a 15-year-old, \$2.9 million dollar organization, as it has to a fledging \$250,000 start-up.

The philosophical/cultural fit between SVP and its Investees has been extremely important. SVP operates from an outcomes-focused business model. Its most successful relationships are with Investees who are receptive to that approach.

Recommendations to SVP on Capacity Building

As with its work in philanthropy promotion, SVP has achieved significant success in its capacity building work, but needs to do more to reach the next level of success. Recommendations, detailed in the report, are as follows:

- *Use a capacity assessment tool to facilitate early assessment of capacity needs and to benchmark progress.* Based on the preliminary findings from our research, SVP has already begun asking Investees to complete a modified version of the McKinsey Capacity Assessment Grid on an annual basis.
- *Institute a more systematic focus on leadership development.* SVP already has begun a review of leadership resources that it could make available to investees.
- *Develop a system for on-going management of volunteer assignments.* SVP needs a system to identify when volunteer tasks change and to evaluate how well the task was completed.
- *Adjust Partner expectations to acknowledge long-term nature of capacity building.* This would make Investees more comfortable choosing to work on more challenging capacity issues because they would feel less pressure to show results within a year.
- *Make multi-year funding commitments.* SVP might preserve flexibility by awarding one-year planning grants followed by multi-year grants.
- *Clarify expectations between grant makers and nonprofit Partners.* A written memorandum of understanding would reduce misunderstandings between the two parties.
- *Become more proactive in developing collaborations with other funders to facilitate transitions for outgoing Investees.* Currently SVP has no transition plan for its first class of investees who are completing their last grants this year.
- *Invest in its own organizational capacity.* SVP needs to strengthen its administrative systems and staffing levels to achieve the quality and consistency of nonprofit capacity building to which it aspires—as well as to model the value of organizational capacity to its grantees.

SVP's Innovation in Fusing Philanthropy Promotion and Capacity Building and Implications for the Field

SVP's model of intertwining its donor education and capacity building activities is unique and marks its greatest contribution to the field of philanthropy. SVP has taken activities traditionally practiced by separate entities and brought them together into a single organization. By creating a philanthropic ecosystem of donors and nonprofits, SVP strengthens the effectiveness of each piece.

At its best, this fusion allows SVP to transform philanthropy for its Partners from a series of discreet monetary transactions into a philanthropic experience that builds long-term, multi-dimensional relationships between people of wealth and community nonprofits. However, the interdependence also creates tensions which, to date, have primarily impacted the sharpness of SVP's focus on capacity building. An example of the tension is in the way that new grant committees, composed of new Partners looking for tangible, feel-good results, tend to earmark grant dollars for specific programs rather than capacity building.

And yet to date, SVP is only beginning to understand the power of integrating its two lines of work. It has operated its philanthropy promotion and nonprofit capacity building work more as two parallel activities, rather than systematically attempting to maximize the synergies. A major reason for this lies in the fact that SVP has lacked a unifying vision for its two missions.

Partly in response to the evaluation findings presented to their board last fall, SVP drafted a new vision towards which all its efforts are leading:

to mobilize and connect a community of people to have a life-long commitment to being personally engaged in making a positive difference in their communities.

It is noteworthy that this draft establishes SVP's work in organizing philanthropists as its primary mission. However, this prioritization need not diminish SVP's attention to its capacity building work. Involving volunteers in capacity building is central to its effectiveness in philanthropy promotion and adds tremendous value to the nonprofits with whom it works.

SVP's primary contribution to the field of capacity building has been to show that a well-managed volunteer force can be pulled together from the professional ranks and deployed to help nonprofits. SVP's experience also reinforces the evolving tenets of venture philanthropy.

SVP offers more significant innovations to the nascent field of the donor education and philanthropy promotion. SVP's experience suggests three key propositions:

- 1) Donor learning needs to be seen as a *long-term experience* rather than just a discreet set of services, and the activities and indicators of success should be set with this in mind.
- 2) The value of SVP's efforts appears in the relationships between donors and nonprofits. It is a viable means of building *associational capital* between funders and nonprofits.
- 3) *Learning, doing* and *giving* can be separate activities, but done together they are mutually reinforcing and accelerating.

These principles are encouraging, for there are hundreds of organizations around the country in a position to adapt them to improve and expand their own work. Community foundations are particularly well positioned to employ some of these principles, and many have begun to do so. Of the 27 SVPs around the country, community foundations launched four, and most of the other SVPs operate as donor advised funds at their local community foundation.

That said, the SVP experience is not ideally suited for everyone. Not all donors are looking for the level of engagement that SVP offers. But SVP has created a valuable new avenue for philanthropy promotion—and one that is highly effective with targeted donors.

SVP is making an important contribution to the philanthropic community in Seattle. It has nurtured new donors and focused their resources in new areas, strengthened local nonprofit organizations and their boards, encouraged better grantmaking practices in several small foundations, build a vibrant network of learning about community issues, and facilitated active partnerships between funders and nonprofits. SVP has become a piece of the existing fabric of the Seattle community, and has added its own color to that fabric.

ABOUT BLUEPRINT RESEARCH & DESIGN, INC.

This research was conducted by Blueprint Research & Design, Inc., a research, design, and strategy consulting firm serving philanthropic foundations. The firm works with foundations, corporate grantmakers, and individuals to develop effective philanthropic programs that achieve both community results and organizational goals. Blueprint specializes in helping foundations implement strategies to capture, use, and share information in ways that will amplify the impact of grant funds. Our work falls into the following interrelated categories:

- Philanthropic program planning and research
- Philanthropic program evaluation
- Research and writing on issues in philanthropy

Blueprint has offices in San Francisco, California and Seattle, Washington. For more information about the SVP research or other Blueprint activities, please contact Kendall Guthrie at kendall@blueprintrd.com.