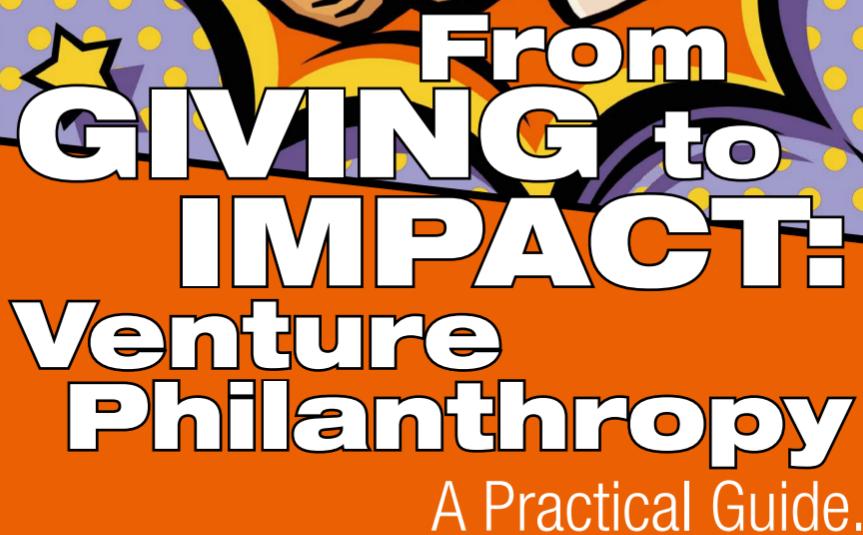


**BIOTECH  
BRIEFINGS**



**From  
GIVING to  
IMPACT:  
Venture  
Philanthropy**  
A Practical Guide.

**James A. Levine**, PhD, MD, MBA, Professor



**Author for correspondence:**

James A. Levine, PhD, MD, MBA, Professor  
Fondation Ipsen  
70 rue Balard, 75015 Paris, France

[james.levine@ipsen.com](mailto:james.levine@ipsen.com)

**BIOTECH  
BRIEFINGS**

# **From GIVING to IMPACT: Venture Philanthropy**

A Practical Guide.

James A. Levine, PhD, MD, MBA, Professor



Covers how to work with charities, startups, governments, and other funders for shared goals.

<b>Making the Investment</b> Practical steps: due diligence, contracts, risk sharing, governance, and measuring progress.	100
<b>Using the DACMAR Framework to De-risk Investments</b> Disruption, Adoption, Collaboration, Management, Adaptability, and Resource Optimization—six domains that determine whether a venture is built to succeed or likely to falter.	115
<b>What to Expect Along the Way</b> Addresses common roadblocks and how to navigate failure, pivoting, and staying mission-aligned.	123
<b>Exiting, Reinventing, and Reinvesting</b> Explains how VP projects wrap up, how returns (if any) are reused, and how to build long-term change.	136
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# Introduction: Giving That Works

**Venture philanthropy is giving that works.**

It is bold, structured, and built to solve real problems—not just fund them.

Every year, billions of dollars are donated to solve the world's biggest problems—poverty, education, climate change, health care, social justice. Yet too often, that money flows into well-meaning programs that aren't built to scale, aren't held accountable for results, or simply don't last. Traditional charity can do a lot of good, but in many cases, it doesn't go far enough.

**Venture philanthropy (VP)** offers a different path. It combines the heart of philanthropy with the tools of business. It's not about making money—but it is about making change. Whether you're a foundation leader, a donor, a social entrepreneur, or someone who just wants to do good differently, this guide is for you.

## So, What Is Venture Philanthropy?

Let's break it down.

In traditional philanthropy, you give a grant. The money is usually unrestricted. The organization thanks you, runs its program, and maybe sends you an annual report. It's well-intentioned—but sometimes it's hard to know if your donation really made a difference.

In venture capital, you invest in a startup. You check their business plan, negotiate terms, expect results, and if things go well, you get a return. The process is rigorous, data-driven, and aimed at success.

**Venture philanthropy** takes the best of both. You fund organizations or projects that are tackling big social problems—but instead of walking away, you stay engaged. You measure progress. You fund in stages. You offer advice, tools, and support. And if there's a financial return (like a loan repaid or an equity stake), you reinvest it in your next impact project.

## Who Uses Venture Philanthropy?

You don't have to be a billionaire or a corporate foundation. VP is used by:

- **Foundations** that want results, not just reports.
- **Donors** who want more than a thank-you letter.

- **Families** investing in causes close to their hearts.
- **Nonprofits** building new revenue models.
- **Social entrepreneurs** with ideas but not capital.
- **Impact investors** looking to blend return with good.

And it's being applied everywhere—from early childhood education in Detroit, to solar power in Uganda, to clean water in India, to housing for veterans in the UK.

## Why Is VP Different?

Because it asks hard questions. And it answers them with action.

- **What problem are we solving?** Not just supporting.
- **What does success look like?** And how will we measure it?
- **How will we adapt if things go wrong?** Because they will.
- **What happens after the funding ends?** Sustainability matters.

In VP, funders don't just write checks. They get involved. Sometimes they take board seats. Sometimes they provide training. Sometimes they help with networking, hiring, or regulatory navigation. This is what makes VP powerful—but also demanding.

## But Isn't That Just Being Controlling?

Not if you do it right.

Good VP is collaborative, not paternalistic. It respects the people closest to the problem. It listens, learns, and evolves. It doesn't fund pet projects—it backs solutions with a plan.

This kind of partnership creates something magical: trust *and* traction. The nonprofit or social enterprise keeps its mission. The funder brings discipline and stability. And together, they build something that lasts.

## What This Book Will Teach You

**This is not an academic textbook.** It's not filled with theory. It's a **practical guide**, based on real-life experience, grounded in common sense, and written in plain English.

You'll learn:

- How to decide if VP is right for your cause
- What makes a good VP project—and what's likely to fail
- How to work with partners, especially when goals diverge
- The tools and frameworks that help keep everyone accountable
- How to fund a pilot, scale smartly, and exit with impact
- What to do when things fall apart—and how to recover

We've also included checklists, templates, and stories from real VP projects—both wins and cautionary tales.

## A Note for First-Timers

You don't need millions. You don't need a finance background. You don't even need a formal organization.

You just need a cause you care about, a willingness to do the work, and a commitment to making every dollar count.

Venture philanthropy isn't about control. It's about commitment. And this guide will show you how to start.

## What's at Stake?

The world's toughest problems need more than good intentions. They need smart, persistent, outcome-focused funding models. They need donors and doers who understand each other. They need people like you.

**Venture philanthropy isn't the only answer—but it's one of the most powerful tools we've got.**

Let's get to work.

## Disclaimer

This book is intended to provide general guidance and practical insights into the field of venture philanthropy. The content presented does not constitute financial, legal, or investment advice. Readers are encouraged to consult with qualified professionals before making any financial commitments, structuring investments, or entering into any agreements. Every philanthropic initiative carries unique risks and considerations, and decisions should be made based on your specific goals, resources, and circumstances.

# 1

## What Is Venture Philanthropy?

### **Where Traditional Charity Meets Business Thinking**

Imagine two people, both passionate about making a difference. One donates to a literacy nonprofit, offering trust and financial support without much involvement. The other funds a similar project but insists on reviewing plans, tracking progress, and staying engaged throughout the journey. Both are generous—but only one is practicing venture philanthropy (VP).

# Take Away

Venture philanthropy is a powerful tool that blends the generosity of giving with the discipline of investing. It is a hands-on, high-engagement approach to social impact where funders partner with organizations to drive long-term, measurable change. Unlike traditional philanthropy, which often relies on one-time grants with little follow-up, venture philanthropy demands a strategic commitment. It involves selecting strong leaders, investing in their vision, and working collaboratively to overcome real-world challenges.

This chapter introduced the foundational principles of venture philanthropy—strategic selection, customized financing, active

engagement, performance measurement, and thoughtful exits. It clarified how VP differs from traditional charity and explained why this approach is particularly important in today's complex world.

VP is not about controlling organizations or seeking financial returns; it's about being deeply invested in the success of social solutions.

Whether you're a donor, a foundation, a business, or a concerned citizen, venture philanthropy offers a structured way to turn your values into action.

The bottom line? Venture philanthropy is for anyone who believes that giving should be impactful, strategic, and sustainable. If you're ready to go beyond writing checks—and instead help write a better future—then you're ready to embrace venture philanthropy.

Venture philanthropy blends the heart of giving with the discipline of investing. It's an approach for people who want their philanthropy to go further, who want to support social change not just with money but with time, strategy, and shared accountability. Rather than funding projects and hoping for the best, venture philanthropists work closely with the organizations they support—co-designing goals, building capacity, and adapting to real-world challenges.

VP emerged in the late 1960's as business leaders began to ask how their skills in finance, strategy, and innovation could enhance their charitable giving. What if philanthropy took lessons from venture capital—without seeking profit? What if funders actively partnered with social entrepreneurs to scale impact, improve systems, and unlock innovation?

Today, VP is a growing global movement that uses grants, loans, equity, and hybrid tools to fund nonprofits and social enterprises. What makes it unique isn't just the capital—it's the approach: deep engagement, long-term perspective, data-driven performance, and a willingness to take risks.

This chapter introduces the core components of VP: strategic selection, customized financing, active engagement, performance measurement, and exit planning. It contrasts VP with traditional philanthropy, showing how this model can deliver scalable, systemic change in areas like health, education, climate, and equity.

VP isn't about control. It's about collaboration. It's not just for the ultra-wealthy. Anyone—individuals, families, foundations, companies—can adopt a venture philanthropy mindset. All it takes is a commitment to outcomes, a curiosity for learning, and a desire to invest in long-term solutions, not quick fixes.

In a world overwhelmed by complex social problems, VP is a powerful way to fund smarter and lead better. Whether you're new to giving or a seasoned philanthropist, this book will help you understand—and apply—the principles of venture philanthropy. You'll learn not just how to write a check, but how to change the world with it.

## 1.1. A Simple Definition

**Venture philanthropy** is a charitable funding model that applies the rigorous principles of venture capital—such as due diligence, performance metrics, active governance, and long-term support—to nonprofit and social enterprises, aiming to achieve measurable, scalable impact rather than financial return.

**Venture philanthropy (VP)** is a strategic approach to social impact that applies the mindset, tools, and rigor of venture capital to philanthropic giving. It's built on the belief that solving complex social problems requires more than goodwill—it demands structure, accountability, and deep engagement. At its core, VP is about investing charitable funds into social causes with the intent to create measurable, lasting change.

Unlike traditional philanthropy, which often involves one-time grants with minimal follow-up, VP emphasizes long-term partnerships. Funders work closely with the organizations they support, co-developing plans, setting clear milestones, and regularly reviewing performance. This hands-on engagement allows funders to not only support but strengthen the organizations they back—helping them grow, adapt, and ultimately succeed.

However, unlike venture capital, VP does not aim for financial gain. The return on investment is not profit—it's social impact: healthier families, better-educated children, safer communities, and more resilient ecosystems. When financial returns are involved (e.g., through loans or equity in social enterprises), those funds are not pocketed by the funder—they are recycled into new mission-aligned investments.

VP may use a range of financial instruments—grants, low-interest loans, recoverable grants, equity, or hybrid models—but the unifying thread is purpose-driven capital aligned with shared values and clear results. It's philanthropy with a business plan, but without the pressure to commercialize social change.

In this way, venture philanthropy serves as a middle ground between pure charity and traditional investing. It bridges the gap for organizations that are too mission-focused for private capital but too innovative or risky for conventional grants. For funders, it's a way to be both generous and strategic. For social ventures, it offers not just funding—but a partnership built for real-world, long-term impact.

## 1.2 How VP Evolved

The origins of venture philanthropy trace back to the late 1990s and early 2000s, when a new wave of donors—particularly in the U.S. and Europe—began to challenge the conventional models of charitable giving. Many of these individuals came from the tech and finance sectors. Having built companies using data, strategy, and disciplined investment, they wondered: could these same principles be applied to philanthropy?

This question gave rise to a movement. Organizations like New Profit, Acumen, and the Robin Hood Foundation became early pioneers, experimenting with how to structure philanthropic support more like venture capital—selective, performance-oriented, and hands-on. Their goal was to increase the efficiency and effectiveness of charitable giving by borrowing best practices from the private sector, including rigorous due diligence, active portfolio management, and long-term engagement.

At the same time, many nonprofits were growing frustrated with traditional grantmaking. They were often forced to chase restricted, short-term funding that didn't match their actual needs or timelines. In venture philanthropy, these organizations found something different: funders who were willing to invest in their long-term growth, offer technical assistance, support leadership development, and co-create solutions.

The result was a new funding model based on partnership rather than transaction. Venture philanthropy emphasized mutual accountability, learning, and shared ambition. Rather than simply disbursing funds, VP funders rolled up their sleeves and worked alongside the organizations they supported.

Over time, the model spread globally, adapted to different contexts and causes—from poverty alleviation to climate innovation to education reform. Though the terminology and tools may vary, the central idea remains: venture philanthropy is about funding social change with the same seriousness, strategy, and commitment that defines high-quality investing—replacing passive charity with proactive, high-impact collaboration.

### 1.3 What Makes VP Different?

Let's break it down. Here's how **venture philanthropy** differs from **traditional philanthropy**:

Feature	Traditional Philanthropy	Venture Philanthropy
Mindset	Giving with heart	Giving with heart and strategy
Funding type	Grants	Grants, loans, equity, hybrid capital
Role of funder	Distant donor	Active partner
Monitoring	Annual reports	Frequent check-ins, real-time metrics
Time horizon	Often short-term	Often multi-year (3–7 years)
Risk appetite	Low	High (especially for early-stage ideas)
Goal	Do good	Achieve measurable, scalable change

In simple terms: **VP is philanthropy that acts more like an investor than a donor.**

At first glance, traditional philanthropy and venture philanthropy (VP) share the same moral impulse: a desire to make the world better. But beneath the surface, they operate very differently. The mindset, methods, and expectations in VP distinguish it from conventional giving—and those differences matter when it comes to impact.

Traditional philanthropy is often characterized by a “give and step back” approach. A donor writes a check, trusts the organization to deliver results, and receives an annual report or summary letter in return. The relationship tends to be arm's-length, with limited involvement in strategy, implementation, or evaluation. The funding is usually restricted to grants, and it often prioritizes stability over experimentation. Success is defined in broad terms—doing good, supporting noble causes—without always tying resources to measurable outcomes.

Venture philanthropy, by contrast, combines heart with strategy. VP funders behave more like investors than passive donors. They offer a wider range of financial tools—grants, loans, equity, or hybrid capital—tailored to the venture’s needs and revenue potential. They engage deeply in the work, co-creating goals, participating in governance, and helping to solve problems as they arise. Monitoring is frequent, with shared data, real-time dashboards, and structured reflection.

The time horizon is also different. VP funders typically commit for three to seven years, allowing for experimentation, iteration, and scale. They are willing to embrace risk, especially for bold, early-stage ideas that may not yet be proven but hold significant potential. And they focus relentlessly on outcomes—asking not just *what* was done, but *what changed* as a result.

In simple terms, VP brings the discipline of investment to the values of philanthropy. It replaces passive giving with active partnership, trading short-term certainty for long-term transformation. It’s not about abandoning generosity—it’s about making generosity work harder.

## 1.4 Core Components of Venture Philanthropy

Venture philanthropy (VP) is not just about writing bigger checks—it’s about funding smarter. What sets VP apart is its structured, strategic approach built on five essential components. These pillars ensure that capital is deployed with intention, support is meaningful, and impact is both measurable and sustainable.

### 1.4.1 Strategic Selection

Great VP starts with rigorous due diligence. Funders don’t rely on emotional appeals or surface-level narratives. Instead, they dig deep—asking whether the proposed solution is evidence-based, if the team is capable and experienced, whether a clear theory of change exists, and how success will be measured. This level of scrutiny mirrors the early-stage investment process used by venture capitalists and helps ensure that only high-potential organizations receive support.

#### 1.4.2 Customized Financing

VP isn't a one-size-fits-all model. Funders use a variety of financial instruments tailored to the needs and business model of the venture. This could include grants for early prototyping, loans for capital investments, equity for scalable social enterprises, or hybrid models that blend revenue-sharing with philanthropic intent. The emphasis is on flexibility and alignment—selecting the right capital to match the venture's growth path and risk profile.

#### 1.4.3 Active Engagement

Unlike traditional donors, VP funders don't just provide capital and walk away. They become active collaborators—joining boards, helping with executive hiring, offering legal or technical assistance, and connecting ventures to other funders or partners. This “beyond the check” involvement builds trust, boosts capacity, and helps organizations navigate challenges with confidence.

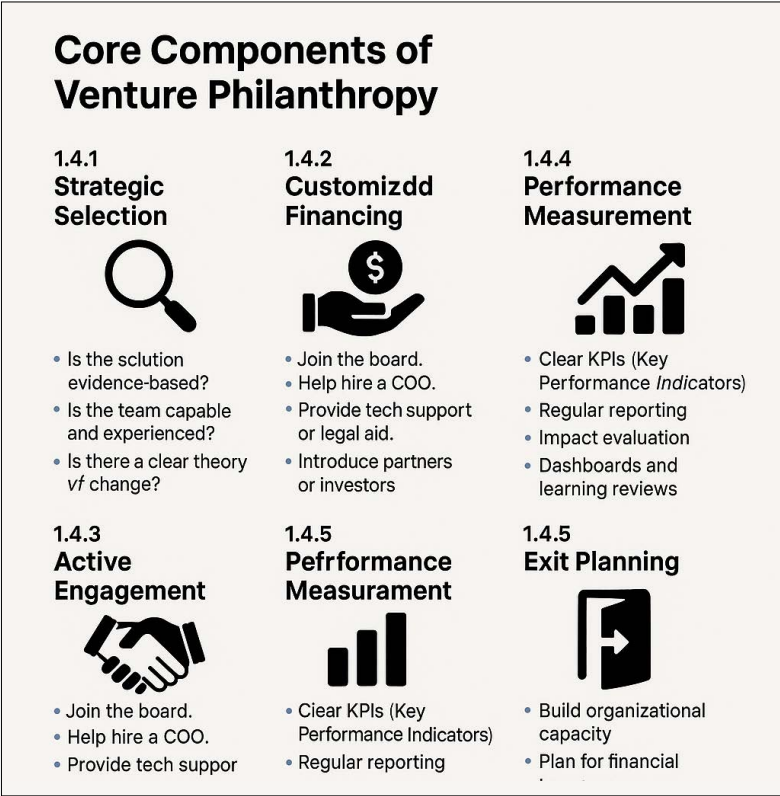
#### 1.4.4 Performance Measurement

Impact is not left to chance. VP funders and ventures co-develop key performance indicators (KPIs), establish regular reporting schedules, and use dashboards and impact evaluations to track progress. The goal isn't just accountability—it's learning. Through ongoing measurement, funders and ventures can adapt strategies, scale what works, and improve what doesn't.

#### 1.4.5 Exit Planning

VP is designed with the end in mind. Funders help build the organization's capacity and sustainability from day one. This could mean preparing for earned income, diversifying funding, or securing long-term government contracts. The goal is to ensure that when VP support ends, the venture is stronger, more resilient, and ready to continue growing on its own.

Together, these five components make VP a disciplined, adaptive, and deeply collaborative model for funding lasting change.



**Let's summarize the ingredients that make VP work:**

### 1.4.1 Strategic Selection

VP begins with rigorous due diligence. Funders don't just fund what sounds good—they ask hard questions:

- Is the solution evidence-based?
- Is the team capable and experienced?
- Is there a clear theory of change?
- What does success look like?

This front-end analysis mirrors how a venture capitalist reviews a startup.

### 1.4.2 Customized Financing

Unlike traditional grants, VP offers a mix of financial tools:

- **Grants:** For early-stage ideas, prototyping, or impact research.
- **Loans:** For revenue-generating projects or capital expenses.
- **Equity:** For social enterprises that may grow and scale.
- **Revenue-sharing or hybrid models:** Where social and financial goals are intertwined.

This allows the funder to tailor support based on the project's needs and financial model.

### 1.4.3 Active Engagement

VP funders roll up their sleeves. They might:

- Join the board.
- Help hire a COO.
- Provide tech support or legal aid.
- Introduce partners or investors.

This involvement is part of the value they bring—not an overreach, but a collaboration.

### 1.4.4 Performance Measurement

“Hope” is not a strategy. VP demands data:

- Clear KPIs (Key Performance Indicators)
- Regular reporting
- Impact evaluation
- Dashboards and learning reviews

The goal is to learn, adapt, and improve.

### 1.4.5 Exit Planning

Unlike hand-to-mouth charity models, VP thinks long-term. Funders aim to:

- Build organizational capacity
- Plan for financial independence
- Create a pathway to scale

That might mean helping a nonprofit become self-sustaining, or a social enterprise secure follow-on funding.

## 1.5 What VP Looks Like in Practice

Venture philanthropy becomes most compelling when seen in action. Consider a funder aiming to reduce youth unemployment in their city. Rather than writing a one-time check to a skills training program, a VP approach would take a more strategic, hands-on route. The funder might invest in a social enterprise that directly employs at-risk youth, providing both job experience and support services. They could structure the funding as a mix of grant and low-interest loan, offer mentorship to the leadership team, and help establish an advisory board. Together, they'd set clear outcomes—such as the number of youth trained, hired, and retained. If the enterprise thrives and repays part of the investment, those funds can be recycled into new ventures, creating a continuous pipeline of opportunity.

Now imagine a funder tackling maternal health in underserved rural areas. A VP approach might involve backing a health-tech startup that deploys mobile maternal care units. But the support wouldn't stop at funding. The VP partner would help with supply chain planning, local licensing, and integrating with government health systems. They'd track data on maternal mortality and use that evidence to improve services and attract additional partners.

The VP approach is dynamic, collaborative, and deeply committed to long-term impact.

Let's say you want to reduce youth unemployment in your city. Instead of funding a one-off training program, a VP approach might:

- Invest in a social enterprise that hires at-risk youth.
- Provide a mix of grant and low-interest loan.
- Help the founder build an advisory board.
- Set clear hiring, training, and retention goals.
- Reinvest any repaid funds into similar projects.

**The result?** A durable job pipeline, not just a resume workshop.

Another example: You want to tackle maternal health in rural areas.

- A VP funder might back a startup deploying mobile clinics.
- They'll help with logistics, licensing, and tech adoption.
- They'll work with government and NGOs to scale.

- They'll use data to measure outcomes (e.g., reduction in childbirth-related deaths).

The approach is hands-on, not hands-off.

## 1.6 Why VP Is Needed Now

We live in a time of big problems:

- Climate change
- Economic inequality
- Health system gaps
- Mass displacement
- Education and skill divides

Traditional funding models are struggling to keep up. Grant cycles are short. Bureaucracy is heavy. Projects fail without feedback.

The world today faces an unprecedented convergence of complex, interrelated challenges. Climate change is accelerating. Economic inequality is widening. Health systems are strained, and millions are displaced by conflict, disaster, or poverty. Meanwhile, education gaps and digital divides are leaving entire communities behind. These are not problems with simple solutions—and yet the dominant funding systems are failing to rise to the occasion.

Traditional philanthropy, while well-intentioned, often relies on short-term grants, burdensome reporting, and hands-off engagement. Too many projects operate in isolation, without feedback, flexibility, or follow-through. This approach may support good work—but it rarely leads to systemic change. In today's landscape, that's not enough.

At the same time, the nonprofit and social enterprise sectors are calling for something more: capital that is strategic, adaptive, and long-term. These organizations aren't just asking for money—they're asking for real partners. They want funders who understand their mission, are willing to back bold ideas, and will stay the course through setbacks and pivots.

That's where venture philanthropy comes in. It's not a magic solution, but it is a better tool for the times. VP supports innovation by tolerating risk and funding early-stage ideas. It builds capacity through active partnership.

It delivers real value through data, accountability, and adaptation. And most importantly, it supports leaders, not just programs—empowering the people closest to the problem to lead the way forward.

As social problems grow more complex, so must our approach to solving them. Venture philanthropy offers a model that's rigorous yet compassionate, bold yet collaborative. It meets the moment not with charity, but with strategy—and that's why it's needed now more than ever.

Meanwhile, the nonprofit and social enterprise sectors are **hungry for smarter capital**. They don't just want money—they want funders who will:

- Take risks
- Back innovation
- Understand the field
- Stay for the journey

**Venture philanthropy is not a silver bullet. But it's a tool that works.**

### 1.7 What VP Is Not

As venture philanthropy grows in popularity, it's important to be clear about what it *isn't*. There are common misconceptions that can obscure its value or deter would-be funders and partners. Clarifying these myths helps ensure that the model is understood and used for what it truly is: a strategic, impact-driven approach to social change.

First, VP is *not* about financial return. While some VP funders may use equity or revenue-based financing, any financial gains are reinvested into mission-driven work. The “return” in VP is social impact—improved lives, stronger systems, lasting change—not personal profit.

Second, VP is *not* micromanagement. While it is a hands-on model, the involvement is collaborative, not controlling. Funders act as thought partners and strategic allies, not as directors or gatekeepers. The goal is to empower—not to command.

Third, VP is *not* only for the ultra-wealthy. While it was pioneered by high-

net-worth individuals, it's now being adopted by mid-sized foundations, family offices, and even giving circles. VP can begin with \$25,000 and grow from there. What matters more than money is mindset and commitment.

Finally, VP is *not* just the latest philanthropic buzzword. It has existed for over two decades, with proven practices and measurable results. It's a tested model—ready to be put to work.

- **It's not about financial return.** Any return is re-invested for social impact.
- **It's not micromanagement.** Involvement is about support, not control.
- **It's not only for the wealthy.** Small VP funds and collaborative giving circles are growing fast.
- **It's not new jargon.** VP has been around for over 20 years and has matured with clear methods.

## 1.8 Who Can Be a Venture Philanthropist?

Venture philanthropy isn't reserved for billionaires or corporate executives. It's a mindset and method that can be embraced by anyone willing to combine generosity with strategic thinking. Whether you're giving \$5,000 or \$5 million, what matters most is your commitment to outcomes, learning, and meaningful partnership.

**Individuals** can start small—some of the most impactful VP efforts began at kitchen tables. As knowledge, networks, and capital grow, so too can the scope of one's philanthropic journey. The key is being intentional and engaged from the start.

**Foundations** benefit from VP by making their funds go further through structured, long-term investments in organizational growth and measurable results. It provides an alternative to traditional grant cycles and reactive funding models.

**Corporations** increasingly use VP through corporate social responsibility (CSR) initiatives. With a focus on sustainability, workforce development, or education, VP offers a way to drive measurable impact aligned with corporate values.

**Families** find VP appealing for legacy building and intergenerational giving. The collaborative nature of VP allows different generations to participate in decision-making and impact strategy.

**Giving circles and donor networks** can pool funds to make targeted, strategic VP investments, democratizing access to the model.

What unites all venture philanthropists is not wealth—but a desire to create change, a willingness to stay involved, and an openness to learning from data, experience, and partners.

- **Individuals** – You don’t need to be ultra-wealthy. Many VP efforts start small and grow over time.
- **Foundations** – VP offers a structured, outcome-focused use of funds.
- **Corporations** – Especially those with CSR arms looking for measurable community impact.
- **Families** – VP allows intergenerational involvement and legacy building.
- **Giving Circles or Donor Networks** – Pooling funds for strategic investment.

All you need is:

- A desire to make change
- A willingness to stay involved
- An openness to data, feedback, and learning

## 1.9 A Preview of What’s Ahead

This book is your practical guide to putting venture philanthropy into action. Whether you’re a first-time donor, a seasoned foundation staffer, a nonprofit leader, or simply a changemaker ready to rethink how impact is funded, you’ll find tools, strategies, and real-world examples to guide you.

In the chapters ahead, you’ll learn how to choose the right social issues and partner organizations—starting not with a blank check, but with a clear purpose and aligned values. You’ll explore how to structure VP investments, using a range of financial tools from grants to hybrid capital that meet ventures where they are.

We'll show you what success really looks like in venture philanthropy—and what failure can teach you. You'll learn how to track outcomes without drowning in metrics and how to engage in performance reviews that build trust and drive improvement.

You'll also learn how to exit wisely—handing over control without abandoning the mission—and how to reinvest the financial, relational, and strategic capital you've built.

Throughout, the emphasis will be on practicality. No jargon. No fluff. Just actionable insights that help you fund smarter, partner better, and deliver deeper impact.

By the end, you'll have everything you need to start—or scale—your venture philanthropy journey with clarity, confidence, and purpose.

In the chapters to follow, you'll learn:

- How to choose the right issue and partners
- How to design and structure VP investments
- What success (and failure) looks like
- How to measure impact without drowning in spreadsheets
- How to exit gracefully and reinvest wisely

This is a practical book. We'll keep things real, honest, and useful. And by the end, you'll have the tools to launch your own venture philanthropy journey—whether as an individual donor, a foundation staffer, a nonprofit leader, or a curious changemaker.

# 2

## Why Use Venture Philanthropy?

### **Knowing When Venture Philanthropy is the Smarter Tool**

In the world of giving and investing, choosing the right tool matters. Sometimes a simple grant is enough. Other times, a traditional investment may be the right fit. But when a problem is complex, high-risk, or underfunded—venture philanthropy (VP) often proves to be the smartest approach.

# Take Away

Venture philanthropy isn't a silver bullet, but it's often the best tool when facing complex, long-term, or high-risk social problems. This chapter explored when and why VP works better than a traditional grant or investment.

Grants are great for straightforward, short-term projects. Traditional investments work when there's potential for financial return. But when neither of those models can support innovative, mission-driven work—VP steps in.

VP excels in early-stage ideas, underserved markets, systemic problems, and scale-ready

solutions. It works because it combines capital with strategic support, adaptability, and deep engagement. It offers funders a clearer path to impact and gives social ventures the breathing room and partnership they need to thrive.

Used wisely, VP fills a critical gap. It supports ventures that don't fit traditional molds but could reshape entire sectors. For funders ready to commit more than capital—and for ventures needing more than a check—venture philanthropy delivers.

The rest of this book will show you how.

In philanthropy and social finance, choosing the right tool matters. A simple grant might be perfect for a short-term project. A traditional investment may suit a market-based solution. But many of the world's most pressing problems—those that are complex, high-risk, slow-moving, or neglected—don't respond well to conventional funding. That's where venture philanthropy (VP) comes in.

Venture philanthropy is a hybrid approach, blending the discipline of investing with the mission-focus of giving. It was built for situations where neither grantmaking nor traditional investing is enough. When used appropriately, VP offers something rare: the ability to fund bold ideas with flexibility, strategic support, and accountability over time.

This chapter explores *when* and *why* to use venture philanthropy. It unpacks where traditional tools fall short—and where VP provides unique advantages. You'll learn to recognize the right conditions for VP: early-stage innovation that needs time to iterate, systemic challenges that defy quick fixes, or promising ventures that need help scaling. You'll see how VP excels in underfunded communities and hybrid models that don't fit neatly into the nonprofit or business box.

We'll also outline when *not* to use VP. It's not a fit for emergency relief or for funders unable to commit time and expertise. Using VP where it doesn't belong can waste resources or overwhelm small organizations. Knowing when *not* to use VP is just as important as knowing when to use it.

The chapter includes a simple decision matrix to compare grants, traditional investments, and VP, and provides real-world case studies—from post-disaster economic recovery to youth employment initiatives—that illustrate VP in action. These examples show how VP has enabled ventures not just to survive, but to innovate, grow, and shift entire systems.

Ultimately, this chapter is about making smart funding decisions. VP isn't a silver bullet. But when the challenge is big, the risk is high, and the potential for impact is transformative, venture philanthropy can be the most effective, resilient, and rewarding path forward. Whether you're a foundation, family office, or first-time funder, understanding when to deploy VP is the first step in using it wisely.

Ultimately, this chapter is about **choosing wisely**. VP isn't a one-size-fits-all solution. But in the right situations, it offers powerful advantages: strategic funding, accountability, adaptability, and long-term impact.

## 2.1 Traditional Grants: When They Work—and When They Don't

Grants are the cornerstone of traditional philanthropy. They are simple, flexible, and easy to deploy—especially well-suited for emergency relief, cultural initiatives, or small-scale community programs. When the goals are clearly defined, achievable within a short time frame, and the grantee has the capacity to deliver, a grant is often the most efficient tool. It requires minimal infrastructure and can enable immediate action.

However, grants have important limitations. They typically provide short-term, one-off funding with limited follow-up or strategic engagement. Many funders remain hands-off after disbursement, leading to a disconnect between funding and long-term impact. Grants also tend to be rigid—difficult to adapt when conditions or plans change midstream. For complex social challenges—like youth unemployment, environmental resilience, or justice reform—grants often fall short.

Moreover, grant cycles rarely allow for experimentation, failure, or iteration. They reward compliance over innovation. As a result, promising but unproven ideas may struggle to secure support. When the work requires long-term thinking, deep capacity-building, or iterative learning, a traditional grant is not enough. In those cases, venture philanthropy offers a more strategic and adaptive approach—combining funding with partnership, structure, and long-term commitment to drive lasting change.

They're ideal when the goals are clear, measurable, and achievable within the grant period—and when the grantee already has the capacity to deliver.

But grants have **limitations**:

- **One-off support:** Grants may end before a project can mature.
- **Limited accountability:** Many grants rely on minimal follow-up.

- **Lack of strategic engagement:** Funders are often hands-off.
- **Inflexibility:** Grants can't easily adapt when plans change.

These limits become significant when dealing with systemic problems, untested ideas, or organizations needing deep capacity-building. That's where VP shines.

## 2.2 Why Traditional Investment Falls Short for Social Impact

Social problems don't always align with financial returns.

Traditional investment is built around financial return. It works well for commercial ventures that can scale quickly, generate profit, and deliver investor exits. But most social impact ventures don't fit this mold. Their goals—improving health outcomes, increasing literacy, protecting the environment—may be essential but rarely generate predictable, high financial returns. That mismatch is why traditional investment often fails in the social sector.

Social ventures face several structural challenges. First, timelines are long. A community health program may take five or more years to show meaningful outcomes. Second, profitability is low or nonexistent. These ventures often work in low-income markets or deliver public goods that aren't monetizable. Third, the risk is high. Many operate in unstable environments or test unproven models. Fourth, there's rarely a clear exit. There is no IPO for a clean water nonprofit or acquisition path for a rural mental health clinic.

Because of these dynamics, traditional investors are unlikely to engage—no matter how strong the social impact. This leaves a critical funding gap, especially for early-stage or high-risk ideas. Venture philanthropy is designed to fill that gap. It brings capital with a mission—not just to earn money, but to create measurable social change. By tolerating risk, delaying returns, and providing flexible funding structures (e.g., recoverable grants or impact-linked finance), VP enables ventures that would otherwise be unfundable. When impact is the bottom line—not profit—venture philanthropy becomes the smarter, more appropriate tool for solving the world's toughest problems.

Consider these challenges:

- **Long timelines:** Many social innovations take years to demonstrate results.
- **Low profitability:** Market returns are weak or nonexistent.
- **High risk:** Social ventures often operate in volatile environments.
- **Lack of exit strategies:** There's no IPO for a clean water nonprofit.

These constraints scare off private investors—even for high-potential ideas. VP, on the other hand, was designed to **operate in this funding gap**, combining mission alignment with disciplined, risk-tolerant capital.

## 2.3 The VP Advantage

Venture philanthropy stands out for its ability to fund what others can't—or won't. It excels in situations where traditional grants lack staying power and conventional investments lack mission alignment. VP offers a unique combination of capital, strategy, and flexibility that makes it ideally suited for complex, high-potential opportunities across a wide range of contexts.

Social ventures with bold ideas often struggle to attract capital because their models are untested and their outcomes are not yet proven. Venture philanthropy bridges this gap. It supports feasibility studies, pilots, and early prototypes, giving organizations time and space to test, fail, and improve. With milestone-based funding and active engagement, VP helps ventures build a foundation for long-term impact.

Some problems—like homelessness, climate adaptation, prison reform, and rural education—require sustained, multi-year efforts and adaptive strategies. One-off grants cannot address these layered challenges. VP, by contrast, provides flexible capital, long-term commitment, and deep engagement, making it ideal for funders who want to address root causes, not just symptoms.

Traditional funders often avoid fragile states, marginalized populations, or high-risk geographies due to concerns about return, volatility, or institutional readiness. VP funders, driven by mission rather than margin, can invest in these communities with realistic expectations and tailored support. They bring not just funding, but relationships, local trust, and adaptive strategies that increase the likelihood of impact.

Even proven nonprofits often hit a plateau when attempting to grow. Venture philanthropy provides the capital and strategic guidance to help scale what works—whether through digital transformation, strategic hiring, infrastructure development, or mergers and replication. VP funders serve as thought partners as ventures move from strong local programs to national or even global platforms.

Some of the most promising organizations today blend business and mission—such as a social enterprise that provides job training while selling products. These hybrid models confuse many funders. VP thrives in this space. It can combine grant-based support for social outcomes with investment tools for revenue-generating components. This flexibility helps organizations remain mission-driven while achieving operational sustainability.

Together, these situations highlight why venture philanthropy isn't just a niche approach—it's a powerful, adaptable strategy for funding complex, high-impact work in a dynamic world.

Here are situations where VP is especially useful:

### *2.3.1 Early-Stage Innovation*

Social enterprises with a promising idea often need support before they're investment-ready. VP can fund feasibility studies, prototypes, and pilot programs—providing the space to test, fail, and refine.

### *2.3.2 Complex, Systemic Challenges*

VP allows funders to take a long-term, strategic approach. It's ideal for issues like:

- Homelessness
- Climate adaptation
- Prison reform
- Rural education

These aren't problems that a one-off grant can solve. They require persistence, partnerships, and learning. VP delivers that.

### 2.3.3 Underserved Communities and Markets

Traditional funders shy away from fragile regions, marginalized communities, or risky geographies. VP funders, driven by mission rather than margin, can fund where others won't—and still expect strong impact.

### 2.3.4 Scaling What Works

Many effective nonprofits hit a growth wall. VP offers the funding, guidance, and performance orientation to help them scale nationally or globally. That might include:

- Investing in infrastructure
- Supporting mergers or replication
- Helping hire talent
- Building digital systems

### 2.3.5 Blending Models

Some of the most interesting organizations today are hybrids: part charity, part business. VP can work flexibly across these models, supporting both the grant-worthy mission and the investable product.

## 2.4 No, No, No! When NOT to Use Venture Philanthropy

Despite its many advantages, venture philanthropy is not the right tool for every situation. In fact, when applied inappropriately, VP can waste resources, overwhelm grantees, and frustrate funders. It is a high-engagement, high-expectation model—one that requires time, trust, and long-term thinking. If those conditions aren't present, a simpler form of funding is often more effective.

VP is not suited for fast, one-off grants—such as disaster relief, emergency health responses, or short-term cultural programming. In these cases, speed and flexibility matter most, and traditional grants are typically the better option.

Similarly, if the organization receiving funding lacks core operational capacity—such as basic financial systems, governance, or staff—it

may not be ready for the rigorous reporting and partnership structure VP requires. These ventures may benefit more from general operating support or capacity-building grants before engaging in a VP relationship.

On the funder side, venture philanthropy demands more than capital. Funders must be prepared to contribute strategic input, participate in learning conversations, and remain flexible when plans evolve. If a funder can't provide that level of involvement, the VP model is unlikely to succeed.

Finally, VP is designed for systems change, not short-term interventions. If the desired impact is immediate and transactional—such as distributing supplies or running a seasonal program—then VP's long planning horizon and iterative model will be unnecessarily complex.

In short, VP should only be used when its distinctive strengths—adaptability, long-term commitment, and strategic engagement—are truly aligned with the challenge at hand.

Avoid VP when:

- You need a **fast, one-time grant** (e.g., disaster relief).
- The organization **lacks basic capacity** and needs basic support.
- The funder cannot **commit time and expertise**.
- The issue requires **short-term aid**, not long-term systems change.

Choosing the wrong tool wastes resources. VP should be used when its unique strengths match the problem.

## 2.5 Comparing Tools: A Decision Matrix

Choosing the right funding tool begins with clarity about your goals, risk tolerance, and the nature of the challenge. This decision matrix offers a side-by-side comparison of grants, traditional investments, and venture philanthropy—highlighting where each excels and where it falls short.

Grants are best for charitable giving with low funder involvement and minimal reporting. They're ideal for short-term projects with clearly defined outcomes but are typically unsuitable for high-risk ventures or those seeking scale.

Traditional investments aim for financial return. They work well for

revenue-generating businesses with predictable growth potential, but exclude most early-stage or socially motivated ventures. Their lower risk tolerance and need for exit strategies make them a poor fit for tackling complex or slow-moving social issues.

Venture philanthropy fills the gap between the two. It aligns financial discipline with mission-focused intent. VP is high-touch, involving regular monitoring and strategic input. It supports innovation, accommodates risk, and sustains long-term change—making it ideal for early-stage ventures and systems-level work.

This matrix is a practical guide for funders. By comparing purpose, expectations, and engagement level, it helps ensure the right funding method is applied to the right problem—maximizing both resources and results.

Criteria	Grant	Traditional Investment	Venture Philanthropy
Purpose	Charitable gift	Financial return	Social impact with structure
Funder involvement	Low	High	High
Return expected	None	Financial	Social, sometimes recycled
Risk tolerance	Low	Low to medium	High
Monitoring	Minimal	Structured	Regular, real-time
Timeline	Short	Medium to long	Medium to long
Suitable for innovation?	Rarely	No	Yes
Scalable model support?	No	If profitable	Yes
Good for early-stage?	Maybe	No	Yes

Use this matrix when evaluating funding strategies. It helps match the right financial approach to the impact you seek.

### *Case Example 1: Rebuilding Communities After Crisis*

**Context:** After a natural disaster, grants poured into a country's relief and reconstruction. But a year later, jobs were gone, infrastructure projects stalled, and many nonprofits had exited.

**VP Response:** One funder created a venture philanthropy partnership with local entrepreneurs. They invested in:

- A solar microgrid business
- A recycled building-materials startup
- A mental health telemedicine platform

Each received capital, mentoring, and milestone funding. Over 5 years, these ventures became self-sustaining, created jobs, and reduced dependency on external aid.

**Lesson:** Where aid stops, VP can build. This is just like biotech; early-stage funding can be outside of the realm of traditional funders. Patient associations can use VP to develop distinct cures for rare diseases with out cure

### *Case Example 2: Youth Employment in Urban Areas*

**Problem:** A foundation was funding multiple youth training programs. Despite good intentions, few led to lasting employment.

**Shift to VP:** The foundation redesigned its approach. Instead of small grants, it chose 3 high-potential social enterprises and offered:

- 3-year VP contracts
- Mentoring from business leaders
- Co-designed impact metrics

The result?

- A 70% increase in job placement
- Two ventures scaled to new cities
- The third was acquired by a national nonprofit

**Takeaway:** VP helped move from scattered giving to focused, lasting change.

## 2.6 What Funders Gain from Using VP

Venture philanthropy isn't just about driving social change—it also delivers significant benefits to funders themselves. By combining capital with strategic involvement, VP creates a feedback-rich environment where funders gain clarity, insight, and influence far beyond what traditional grantmaking allows.

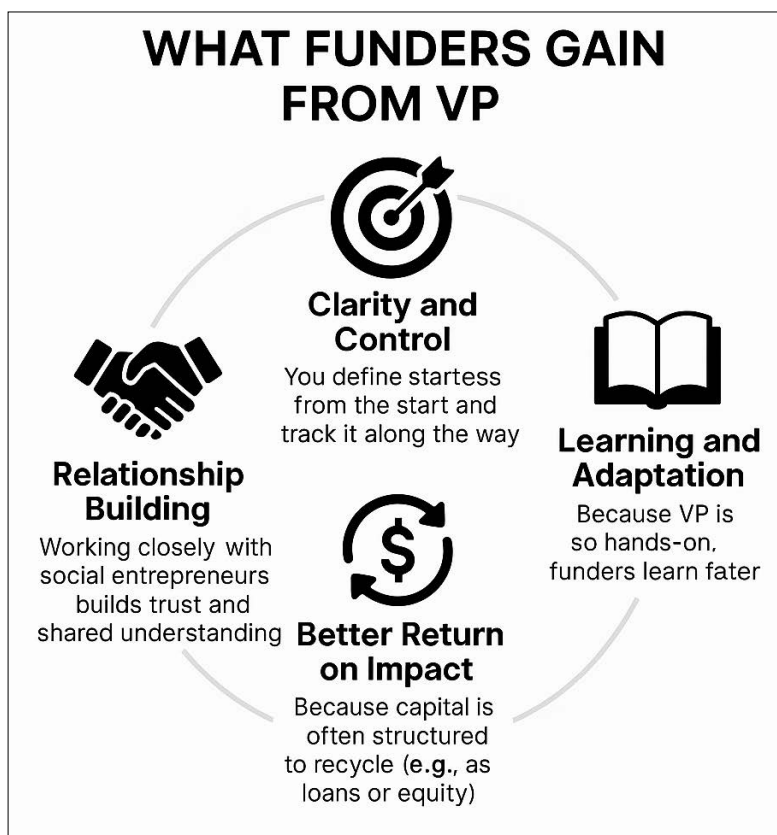
One key benefit is clarity and control. Unlike conventional giving, VP allows funders to define success from the outset, establish measurable milestones, and track progress in real time. This level of transparency makes it easier to assess what's working, make course corrections, and demonstrate value to stakeholders.

Funders also benefit from rapid learning and adaptation. Because VP is deeply engaged, funders receive continuous insights from the ground. This direct exposure accelerates their understanding of systems, interventions, and contexts—leading to better decisions across their entire philanthropic portfolio.

Relationship building is another strength. VP fosters close collaboration with social entrepreneurs and leadership teams. These partnerships build trust, deepen mutual understanding, and create space for joint problem-solving. Many funders find that these relationships endure beyond a single project, creating long-term allies and co-creators.

Finally, VP offers better return on impact. When structured as recoverable grants, loans, or equity, VP capital can be recycled and redeployed. That means the same funds can support multiple ventures over time—multiplying social value with each cycle.

In short, venture philanthropy makes funders not only more impactful, but also more informed, agile, and strategic. It transforms giving from a transaction into a long-term investment in systemic change.



It's not just about helping others. VP offers clear benefits to funders themselves:

### *2.8.1 Clarity and Control*

You define success from the start and track it along the way. That's hard to do with passive grantmaking.

### *2.8.2 Learning and Adaptation*

Because VP is so hands-on, funders learn faster. This leads to better decision-making across their portfolios.

### 2.8.3 Relationship Building

Working closely with social entrepreneurs builds trust and shared understanding—leading to longer, more effective collaborations.

### 2.8.4 Better Return on Impact

Because capital is often structured to recycle (e.g., as loans or equity), funders can reuse the same funds for new projects, multiplying their impact.

## 2.7 What Social Ventures Gain

From the perspective of social ventures—whether nonprofits or mission-driven enterprises—venture philanthropy is often transformative. Unlike traditional funders who may provide short-term or restrictive grants, VP funders offer capital that is flexible, tailored, and structured around the real needs of the venture. This enables organizations to invest in foundational work like building teams, testing models, refining operations, and gathering evidence of impact.

More than just money, VP brings strategic guidance. Funders serve as advisors, thought partners, and connectors—offering mentorship, feedback, and support in key moments of transition or growth. This engagement is especially valuable during the difficult “messy middle” between an early-stage idea and a scalable, sustainable model.

Equally important, VP funders are patient. They understand that progress takes time and that setbacks are part of the process. Instead of abandoning a venture at the first sign of struggle, they stay the course—supporting adaptation and learning.

Social ventures also gain access to powerful networks: peer organizations, investors, advisors, and potential collaborators. This ecosystem support helps ventures grow smarter and faster.

Many social entrepreneurs credit VP as the reason their venture made it through early turbulence. It’s not just funding—it’s partnership, resilience, and growth.

From the nonprofit or entrepreneur's perspective, VP is a game-changer:

- **Capital that fits** the real needs of the project
- **Strategic guidance**, not just money
- **Patient funders** willing to stick through growth pains
- **Access to networks** of partners, investors, and advisors

Many social ventures describe VP as the only reason they survived the messy middle between idea and scale.

## 2.8 Equity

Some VP funders use equity to support social enterprises. If the enterprise grows and earns a profit, the funder may see a return—which is then reinvested.

Equity is one of several financial tools venture philanthropy can use to support mission-driven enterprises. In this model, the VP funder takes an ownership stake in a social enterprise—typically one with a revenue-generating component. If the venture succeeds and becomes profitable, the funder may receive a financial return. Crucially, this return is not for personal gain; it is reinvested into future impact-focused initiatives.

Equity can be a powerful mechanism for aligning incentives and providing long-term, patient capital. It allows social enterprises to grow without the pressure of traditional venture capital expectations. However, equity is not required for VP. Many VP funders instead use tools like recoverable grants, revenue-sharing agreements, or milestone-based disbursements, which tie funding to progress without taking ownership.

The key distinction is that VP funders are impact-first. Even when using equity, their priority is not profit but measurable social change. The goal is to catalyze ventures that wouldn't attract conventional investors—not to extract value from them.

Equity is simply one option in a broader toolkit. The best VP strategies use the financial structure that fits the venture's needs and maximizes mission alignment. In all cases, the defining principle remains the same: it's all about impact.

The key is that **the funder is aligned with impact**—not extracting profit. Equity is just one tool in the box. It's all about impact!

## 2.9 When VP Unlocks Innovation

Some of the most transformative social innovations emerge in spaces where traditional funding won't go. These are the ideas that are too risky for investors, too complex for traditional donors, and too early or unproven for public funding. This “funding gap” can leave promising ventures stranded—unable to test, iterate, or scale their solutions. Venture philanthropy is uniquely positioned to bridge this gap.

VP supports bold thinkers working at the edge of what's possible—activists with new models for civic engagement, educators redesigning learning for underserved students, technologists building tools for marginalized communities. These ventures often challenge conventional systems and require patient, adaptive support.

What makes VP different is that it doesn't just back programs; it supports systems change. It enables entrepreneurs and organizations to test new models, generate real-world evidence, and create scalable blueprints for impact. It provides the capital, strategic input, and time needed to move from fragile idea to proven innovation.

When used wisely, VP becomes more than funding—it becomes a catalyst for solutions that traditional institutions can't or won't touch. In doing so, it helps rewrite the rules of what's fundable, what's possible, and ultimately, what's achievable in social change.

Often, the best ideas live in the gaps:

- Too risky for investors
- Too complex for traditional donors
- Too untested for public funding

VP bridges these gaps. It supports people working at the edge of what's possible: innovators, activists, educators, technologists. It backs not only programs, but **systems change**.

When used wisely, venture philanthropy becomes the funding engine behind the innovations that traditional systems can't—or won't—touch.

# 3

## The VP Mindset

**Patient, Results-Driven, Risk-Tolerant, and  
Willing to Fail Smart**

**Venture philanthropy is more than a strategy.  
It's a mindset.**

Venture philanthropy is not simply a method—it is a mindset. It reshapes how we define success, approach risk, measure progress, and engage with partners. Where traditional philanthropy often emphasizes stability and compliance, venture philanthropy leans into uncertainty, experimentation, and long-term impact. This chapter introduces the defining traits of that mindset and explains how they manifest in real-world behavior.

# Take Away

The venture philanthropy mindset is more than a set of techniques—it's a culture. It is built on patience, a focus on measurable outcomes, a willingness to take risks, and a deep respect for the people closest to the problem.

This chapter has shown how VP funders think and act differently. They don't just provide funding—they offer partnership. They don't expect perfection—they expect learning. They don't control—they collaborate. And they're not afraid of failure—as long as it leads to insight. A VP mindset means staying engaged for the long haul. It means being clear about what success looks like, and flexible about how to get there. It means putting trust in leadership teams while also providing guidance and accountability.

And it means constantly learning—about the work, about the field, and about your own assumptions.

Above all, venture philanthropists believe in possibility. They back bold ideas and resilient people. And they understand that real change takes time, risk, and humility.

If you're ready to fund differently, lead collaboratively, and embrace a results-driven, risk-ready approach—then you're ready to adopt the VP mindset.

At its core, the VP mindset is patient. Social change rarely conforms to quarterly reports. It unfolds over years—and sometimes decades. A VP funder understands that outcomes like literacy gains, public health improvements, or climate resilience take time. But this patience is not passive; it is matched with active tracking, iteration, and support.

Second, the VP mindset is results-driven. Venture philanthropists don't stop at counting activities—they want to know what changed because of those efforts. Success is defined early, measured rigorously, and used to refine strategy. Milestones, metrics, and feedback loops create a culture of accountability rooted in impact, not just effort.

Third, venture philanthropists embrace calculated risk. They understand that the most pressing problems often require untested solutions. Rather than shying away, they back bold ideas and fund ventures that operate in uncertain, complex environments. They expect that some initiatives will fail—and they see value in those failures when they are fast, transparent, and instructive.

Fourth, the mindset prioritizes learning. Each engagement is an opportunity to refine theories of change, surface what works, and share insights across the field. VP funders often document lessons, convene peer networks, and support ventures in building robust learning systems.

Crucially, the VP mindset centers on partnership, not control. Funders stay close to the work—offering strategic input, mentorship, and resources—while respecting the autonomy and lived expertise of the leaders they support. Flexibility is key; when conditions shift, VP funders adapt with agility rather than enforcing outdated rules.

Finally, venture philanthropy insists on inclusion. It recognizes that equitable leadership and shared power improve not just fairness but effectiveness. By investing in underrepresented leaders and grounding evaluation in community voice, the VP mindset aligns impact with justice.

This chapter unpacks each of these principles in detail. Together, they form a distinctive approach to philanthropy—one that is bold, collaborative, and committed to deep, systemic change. If you want to fund differently and lead more effectively, this mindset is your foundation.

This chapter unpacks the VP mindset in practical terms. It explains the beliefs, behaviors, and cultural shifts that distinguish venture philanthropists from traditional donors—and even from conventional investors. If Chapter 2 was about when to use VP, this chapter is about **how to think** when you do.

### 3.1 Patience Is a Strategic Asset

Social change is slow. Building an effective school model, restoring a degraded forest, improving maternal health outcomes—none of these happen in a fiscal quarter.

In venture philanthropy, patience is not a weakness—it's a strategic advantage. Social change rarely unfolds on a linear or rapid timeline. Whether it's improving maternal health, reforming criminal justice, or restoring ecosystems, meaningful outcomes often take years to emerge. Traditional funders may expect short-term wins, but the VP mindset embraces long horizons. A typical VP investment might last 3 to 7 years, with support for piloting, iterating, and scaling. This patience isn't complacency. It's paired with active monitoring, real-time learning, and trust in the process. Setbacks are expected, not feared—especially when organizations are learning and adapting. A VP funder stays the course even when early data is messy, because long-term outcomes matter more than short-term optics. In a world focused on speed, patience allows for resilience, experimentation, and systems-level transformation. It's not about waiting—it's about investing time where it counts most.

This patience is not complacency. It comes with **active tracking, iteration, and learning**. But it means funders aren't shaken when progress is uneven—if the venture is learning and adapting.

**Example: A school reintegration nonprofit might take 2 years just to pilot its model, 3 more to build capacity, and another year to scale. A VP funder stays the course, focused on long-term education outcomes—not quarterly attendance numbers. A bank, on the other hand, may look for profitability within one year!**

### 3.2 Driven by Results, Not Activity

Traditional philanthropy often emphasizes inputs and activities: the number of workshops delivered, meals served, or people trained. While these indicators can be useful, they don't reveal whether meaningful change occurred. The venture philanthropy mindset shifts focus from activity to outcomes. It asks: *What actually improved because of these efforts?* Being results-driven means defining success early, setting measurable impact goals, and adjusting based on real-world data.

This approach emphasizes clarity—clear metrics, realistic milestones, and structured feedback loops. Progress is tracked not by how busy a program is, but by whether it's achieving what it set out to do. A VP funder working in healthcare, for example, won't stop at counting the number of new clinics built. Instead, they'll assess reductions in preventable disease, increases in follow-up visits, or improvements in health outcomes.

Being results-driven also means holding everyone—funder and venture alike—accountable to shared goals. It's a collaborative process that demands transparency, adaptation, and a shared commitment to learning. Ultimately, this focus on outcomes pushes both funders and social ventures to prioritize effectiveness over optics and to constantly refine their approaches. In venture philanthropy, doing more is not enough—what matters is doing better.

The VP mindset asks: **What changed because of those activities?**

Being results-driven means defining success from the beginning and adjusting based on what works. It involves creating:

- Clear metrics
- Meaningful milestones
- Feedback loops

And most of all, it means **holding yourself and your partners accountable** to outcomes—not just effort.

**Case in Point: A VP initiative in health access didn't just track how many clinics were built. It tracked hospital referrals avoided, patient follow-up rates, and reduction in disease prevalence.**

### 3.3 Risk Is Not the Enemy but if You Are Not Going to Win, Fail Smart!

Most philanthropy avoids risk. That's understandable—no one wants to waste donated money.

In traditional philanthropy, risk is often seen as something to be avoided. But in venture philanthropy, risk is essential—because the problems being tackled are complex, systemic, and unresolved. The VP mindset recognizes that achieving transformational change often requires backing unproven ideas, disruptive models, or early-stage leaders. These investments are inherently risky—but also potentially high-reward.

Smart venture philanthropists do not ignore risk—they de-risk it. This means conducting thorough due diligence, using milestone-based funding, providing non-financial support, and building flexible agreements. They structure investments so that if failure occurs, it happens early, inexpensively, and with clear lessons learned. Risk is embraced not recklessly, but with discipline and intention.

The VP model accepts that many initiatives will not succeed as planned. But failure is not wasted if it is fast, forward, and transparent. A literacy app that doesn't scale might still produce invaluable insights that inform the next generation of solutions. Just as in biotech investing—where most bets fail but a few change the world—venture philanthropy expects losses in pursuit of breakthroughs. Failing smart is not a concession; it's a core feature of an evidence-driven, impact-focused funding model.

Venture philanthropists:

- Tolerate failure
- Encourage experimentation
- Fund unproven but promising models
- Support entrepreneurs working in chaotic environments

Risk is managed, not ignored. VP funders use due diligence, milestone funding, and flexible capital to limit downside—but they're willing to back ideas that might fail.

**Analogy: Think of VP as planting ten high-risk seeds. You expect that only four or five will thrive—but those few could grow into game-changing models. In fact this is how biotech hardcore venture investing works – it is known going in that 80-90% of investments will fail.**

### 3.4 Failure Is Part of the Model

Most funders talk about success. VP funders also talk about **failure**.

In venture philanthropy, failure isn't a deviation—it's built into the process. When tackling complex social problems, not every idea will succeed. That's why VP funders adopt a "fail smart" approach. They expect setbacks and see them as critical learning moments rather than reputational risks. Failing smart means failing fast—recognizing when something isn't working and adjusting early. It also means failing forward—using the lessons to improve future efforts. And it requires failing transparently—sharing what didn't work so others can avoid the same pitfalls.

This mindset encourages innovation and continuous improvement. For example, a VP-backed mobile learning app may struggle in rural settings. Rather than bury the results, the funder shares the data, helps redesign the model, and supports a second iteration that eventually succeeds. In this way, failure accelerates progress. In venture philanthropy, the goal is not perfection—it's momentum, learning, and long-term impact.

In VP, the focus is on **failing smart**:

- Fail fast: Don't pour money into a model that isn't working.
- Fail forward: Learn quickly and adapt.
- Fail transparently: Share lessons so others can benefit.

This doesn't mean being reckless. It means being **honest and curious** about what's working—and what's not.

**Example: One VP-backed literacy app failed to gain traction in rural areas. Rather than hide the results, the funder published the findings, redirected funds, and used the data to inform a better model that ultimately scaled.**

### 3.5 Trust the Team—But Stay Engaged

The VP mindset is not about micromanagement. But it's also not a blank check.

It's about being **a partner**. The venture philanthropy mindset is grounded in partnership. Funders don't micromanage—but they don't disappear, either. Instead, they trust the leadership of the ventures they back while remaining actively engaged. This balance is key: the team on the ground has the expertise, while the funder offers strategic insight, resources, and connections. VP funders often participate in board meetings, provide executive coaching, help with hiring, or support tough pivots.

Engagement is structured and respectful—not controlling. The goal is to support, not direct. This mutual respect builds trust and strengthens the venture's capacity. A common VP mantra is: *"We fund people, not projects."* That means betting on visionary leaders who can adapt, grow, and deliver impact—even when conditions change.

By staying engaged, VP funders become thought partners, not just financiers. This collaborative approach leads to deeper insights, faster problem-solving, and more resilient outcomes—while keeping the power dynamic healthy and productive.

This might mean:

- Joining board meetings
- Providing coaching
- Helping with hiring
- Supporting strategic pivots

The key is mutual respect. The funder brings capital and external perspective. The venture brings domain expertise and lived experience. Together, they build something stronger.

**Quote: "We fund people, not projects," is a common VP motto. The mindset centers on leaders, not line items.**

### 3.6 Be Flexible, Not Fickle

Traditional philanthropy often locks funding into rigid formats: 12-month cycles, fixed outputs, narrow restrictions.

VP values structure—but also **flexibility**. It allows plans to change when the world changes. It gives social ventures room to pivot, experiment, and adapt.

In traditional philanthropy, funding often comes with rigid rules—12-month timelines, fixed outputs, and inflexible reporting. Venture philanthropy takes a different approach: it values structure, but insists on adaptability. The VP mindset recognizes that real-world conditions change. A social venture may face new challenges, encounter unexpected opportunities, or need to pivot its strategy. Flexibility allows funders and ventures to respond intelligently rather than be trapped by outdated plans.

Being flexible doesn't mean abandoning accountability. It means tying funding to meaningful outcomes, not to arbitrary restrictions. VP funders work with their partners to revise milestones, extend timelines, or reallocate resources when needed.

The key difference is that fickleness is reactive and unpredictable—while flexibility is responsive and principled. A VP funder doesn't pull funding when challenges arise. Instead, they lean in, troubleshoot, and adapt. This approach builds trust, strengthens partnerships, and ultimately helps ventures survive crises and thrive in dynamic, uncertain environments.

This doesn't mean no accountability. It means **responsive accountability**: tying funding to outcomes, not to inflexible rules.

**Example: A social enterprise hit a supply chain crisis during a war. Its VP funder restructured milestones and extended the funding window—helping the organization survive and ultimately expand.**

### 3.7 Learning Is Ongoing

In VP, learning is built into the model. In venture philanthropy, learning isn't an afterthought—it's core to the model. Every investment is an

opportunity to gather evidence, test assumptions, and improve. VP funders co-create learning agendas with their partners, track both outcomes and unexpected effects, and adjust strategies based on real-time data. They hold regular reviews, publish lessons learned, and share insights across the sector. This culture of continuous improvement leads to smarter decisions, reduced duplication, and better outcomes over time. In VP, learning is not just about measuring success—it's about being open to surprise, staying curious, and using every experience to fund better. Every investment is an opportunity to:

- Gather evidence
- Refine theories of change
- Improve impact frameworks

VP funders often co-create learning agendas with their partners. They use data not just to measure, but to adapt.

They also share what they learn—openly, across the field. This learning mindset promotes:

- Sector-wide improvement
- Reduced duplication
- Smarter next-round investments

**Tip: VP funders often publish learning reports, hold portfolio reviews, and organize peer exchanges to build a culture of insight.**

### 3.8 Humility and Curiosity Are Strengths

The VP mindset is bold—but not bigheaded. The VP mindset is confident—but not arrogant. Venture philanthropists know they don't have all the answers. Instead of leading with assumptions, they lead with questions. They listen deeply to those with lived experience and treat local knowledge as essential expertise. Curiosity drives them to explore root causes, question established models, and seek insight from diverse voices. Humility allows them to admit mistakes, revise strategies, and learn from failure. The best VP funders ask before advising and understand that proximity to the problem often means proximity to the solution. In complex systems, humility and curiosity are not soft traits—they're strategic tools that make funding smarter, more adaptive, and

more just.

It recognizes that social change is messy, unpredictable, and rooted in context. Funders may bring resources and frameworks—but **they don't have all the answers.**

Great venture philanthropists:

- Ask questions
- Listen deeply
- Seek to understand before offering advice
- Stay open to being wrong

**Principle: The people closest to the problem are usually closest to the solution. The VP mindset respects lived experience and community voice.**

### 3.9 Collaboration Beats Control

VP works best in partnership.

Venture philanthropy thrives on collaboration—not command. The VP mindset values alignment over authority, recognizing that complex problems require diverse expertise and shared ownership. Rather than imposing top-down directives, VP funders work alongside grantees, peers, governments, and communities to co-create solutions. They facilitate partnerships, broker resources, and amplify voices—without dominating decision-making. This collaborative posture builds trust, improves relevance, and fosters innovation. It also distributes risk and accelerates learning across networks.

That means collaborating:

- With the funded organization
- With other funders
- With government, academia, and civil society

This collaboration is based on **alignment, not ownership**. VP funders bring influence—but use it to unlock resources, not to dominate decisions.

**Example 1: A VP funder brought together three nonprofits, a corporate partner, and a municipal health system to co-design a new maternal care pathway. No one controlled the project—but all contributed to its success.**

**Example 2: A VP funder might convene a nonprofit, a municipal agency, and a corporate partner to co-design a maternal health program. No one entity controls the project, but all contribute to its success. In this way, venture philanthropy becomes a platform for collective impact, not a solo performance.**

### 3.10 Equity Is Not Optional

The VP mindset also embraces equity. It recognizes that impact is not just about outcomes—but about **who designs, leads, and benefits** from the work.

Equity is not a bonus in venture philanthropy—it's foundational. The VP mindset recognizes that social change is incomplete if it excludes the voices, leadership, and experiences of those most affected by the problems being addressed. Equity shapes *who* gets funded, *how* decisions are made, and *what* success looks like. This means intentionally investing in BIPOC- and women-led organizations, shifting power from elite institutions to community-rooted ventures, and embedding lived experience in governance and evaluation.

Inclusion isn't just morally right—it leads to better outcomes. Diverse leadership drives innovation, relevance, and trust. VP funders often revise their processes to address structural bias, broaden access to capital, and co-create impact metrics with communities.

Statistic: Despite growing awareness, less than 2% of U.S. philanthropic dollars go to Black-led nonprofits. VP aims to close that gap—not as an act of charity, but as a strategy for justice and systemic effectiveness.

This means:

- Investing in BIPOC- and women-led organizations
- Funding outside of elite institutions

- Shifting power in decision-making
- Including community voice in evaluation

A VP mindset sees equity as a pathway to better impact—not just a moral imperative.

**Statistic: In 2022, less than 2% of philanthropic capital went to Black-led nonprofits. VP funders are working to change that.**

### 3.11 The VP Mindset in Action

The venture philanthropy mindset is not theoretical—it’s a lived, daily practice. When applied well, it transforms how funders engage with social ventures and how those ventures grow, adapt, and deliver impact. The VP mindset brings together strategic patience, results-oriented thinking, and collaborative partnership to fuel systemic change.

Consider a VP funder supporting a small nonprofit tackling rural education inequality. Instead of demanding quarterly outputs, the funder invests over a five-year period, allowing the team to prototype new models, test them in classrooms, and refine them based on learning. When the first version fails to meet literacy benchmarks, the funder doesn’t pull out—instead, they co-host a learning review and co-invest in a second iteration. That’s smart failure in action.

At the same time, the funder offers non-financial support: helping the CEO build a stronger board, connecting the team to an evaluation expert, and advising on a digital pivot during a sudden school closure. When government policy shifts midstream, the funder restructures milestones and extends the timeline. This is flexibility with accountability—not loose giving, but dynamic support.

Importantly, the VP funder also ensures community voices are embedded in design and measurement. They advocate for BIPOC leadership and share power in decision-making. By centering equity, they enhance relevance and sustainability.

This is the VP mindset in practice: patient, but not passive; rigorous, but human; humble, curious, and grounded in purpose. It creates a funding relationship that enables ventures to take bold risks, learn openly, and

evolve in real time. And when that happens—when funders trust leaders, adapt with integrity, and commit to long-term outcomes—the result is not just a funded project, but a pathway to scalable, lasting change. That’s what the VP mindset makes possible.

Trait	Description
Patient	Supports long-term transformation
Results-driven	Focuses on outcomes, not activities
Risk-tolerant	Invests where others won’t
Smart about failure	Learns from what doesn’t work
Engaged	Collaborates without controlling
Flexible	Adapts in real time
Curious and humble	Listens, learns, and adjusts
Inclusive	Shares power and promotes equity

Mindset transforms how we fund—and how we lead.

# 4

## Building Your VP Toolkit

### **Get out the power drill. What's this all about?**

Venture philanthropy (VP) is more than a funding model—it's a disciplined approach to catalyzing systemic change. But strategy alone is not enough. As any seasoned investor or social innovator knows, execution is everything. Even the boldest vision will falter without the right tools to support it.

# Take Away

The tools of venture philanthropy are designed to make change more strategic, transparent, and scalable. In this chapter, we introduced four foundational tools—impact metrics, milestone funding, term sheets, and stakeholder alignment—that form the core of any effective VP effort.

Each tool serves a purpose. Impact metrics clarify what matters. Milestone funding ensures progress drives investment. Term sheets set expectations and build trust. Stakeholder alignment creates coherence and accountability across a diverse group of actors.

Together, these tools enable funders and ventures to work in sync, learn in real time, and adapt with purpose. They also reduce risk—not

by avoiding it, but by managing it transparently. Used wisely, these tools foster an environment where innovation thrives and where good ideas don't just survive, but scale.

Whether you're just beginning your VP journey or refining your approach, these tools are your compass. Build your toolkit deliberately. Use it collaboratively. And adapt it as you learn.

Tools are not a replacement for trust or creativity—but they are what turn good intentions into real, replicable impact.

This chapter is my guide to the practical architecture of venture philanthropy. It outlines the core instruments that allow funders to act decisively, ventures to stay focused, and both to adapt as conditions evolve. In other words, this is where intention becomes action.

At its best, VP is an applied art. It marries vision with structure, and ideals with measurable progress. The tools I introduce here are designed to reduce friction, establish shared expectations, and create the conditions under which innovation can be pursued responsibly—even in the face of complexity, uncertainty, and risk.

I focus on four essential pillars of the VP toolkit:

1. **Impact Metrics:** Metrics are not merely for compliance—they are a feedback loop for learning and growth. I'll show how to select indicators that matter, avoid common measurement pitfalls, and use data to drive decisions, not just document activity.
2. **Milestone-Based Funding:** Rather than deploying capital all at once, I prefer to release funds in stages—based on performance, learning, and market response. I'll walk through how to structure milestone agreements, what makes a good milestone, and how to remain flexible in implementation.
3. **Term Sheets:** VP term sheets should be simplified, collaborative agreements—not legal straitjackets. I'll demonstrate how to design agreements that clarify roles, define expectations, and foster mutual accountability, while leaving room for evolution.
4. **Stakeholder Alignment:** Misalignment is one of the most common reasons VP initiatives falter. I believe effective funders don't just fund—they convene, listen, and co-create. I'll introduce alignment tools and methods for ensuring that funders, ventures, communities, and partners move in sync toward shared goals.

I also include several bonus tools—from impact dashboards to scenario planning templates—that support real-world application of these practices. And I close with a concrete case study, showing how one funder used the full toolkit to support a rural healthcare venture from seed to scale.

The goal is not to overwhelm but to equip. You don't need to master every tool at once. Instead, think of this chapter as a field guide: start with what fits your context, adapt as you go, and refine your toolkit with each new engagement.

In venture philanthropy, mindset is your compass—but tools are what turn good intentions into results.

## Practical Tools for Effective Venture Philanthropy

A powerful mindset is essential—but even the best intentions need the right tools. Venture philanthropy thrives when supported by clear instruments, shared expectations, and actionable frameworks. This chapter introduces the core tools that every venture philanthropist should understand and use.

We'll cover four practical pillars:

- **Impact metrics:** What to measure, how to track it, and how to use it for learning.
- **Milestone-based funding:** Funding in stages, tied to progress.
- **Term sheets:** How to structure relationships clearly, fairly, and with shared accountability.
- **Stakeholder alignment:** Getting everyone on the same page, from boardrooms to communities.

Used together, these tools form the backbone of a successful VP strategy. This chapter is designed to help you build your toolkit—so you can act with clarity, confidence, and purpose.

### 4.1 Tool One: Impact Metrics That Matter

Impact metrics that matter are meaningful, actionable indicators used to assess whether a venture is achieving its intended social or environmental outcomes. These metrics go beyond outputs (e.g., number of people reached) to include outcomes (e.g., behavior change, improved health, increased income). Good impact metrics are relevant to the mission, agreed upon by both funder and venture, and practical to measure. They enable learning, adaptation, and

accountability—not just reporting. When used wisely, these metrics help identify what's working, guide strategic decisions, and ensure that time and resources are focused on creating real, lasting change.

4.1.1 Why Metrics Matter

Impact metrics help you answer the big questions:

- Is the work having the intended effect?
- What's working? What's not?
- Where should we scale, adapt, or stop?

They're not just for funders. The best metrics help social ventures learn and improve.

4.1.2 How to Choose Metrics

Good metrics are:

- **Relevant:** They reflect your actual goals, not generic benchmarks.
- **Practical:** They're measurable with the tools and data available.
- **Shared:** The venture and the funder agree on them.
- **Balanced:** Include both outcomes (what changed) and outputs (what was done).

Examples:

Goal	Output Metric	Outcome Metric
Improve school retention	% of students re-enrolled	% of students graduating or advancing
Expand clean water access	# of new wells installed	% reduction in waterborne illness rates
Create youth employment	# trained or placed in jobs	% retained in jobs after 12 months

4.1.3 Avoiding Common Pitfalls

- **Over-measuring:** Don't drown the venture in data collection.
- **Vanity metrics:** Big numbers don't always mean big impact.
- **Moving targets:** Avoid frequent changes without strategic reason.

#### 4.1.4 Using Metrics to Learn

Set regular learning checkpoints—not just audits. Use data to:

- Pivot strategy
- Adjust funding
- Coach teams
- Communicate with stakeholders

### 4.2 Tool Two: Milestone-Based Funding

Milestone-based funding is a structured approach where capital is released in stages, each tied to specific, pre-agreed performance goals. Instead of providing one large upfront grant, the funder and venture define measurable milestones—such as pilot completion, user adoption, or regulatory approval—and funding is unlocked as these are met. This method balances flexibility with accountability, reduces risk, and encourages continuous learning. It aligns funder and venture incentives, fosters adaptive planning, and ensures that resources are deployed where they can generate the greatest impact. When done well, it builds trust and momentum without stifling innovation.

#### 4.2.1 Why Milestones?

Instead of writing one big check up front, VP uses **milestone-based funding**:

- Releases capital in tranches
- Tied to agreed-upon goals or benchmarks
- Builds in flexibility and accountability

It helps:

- Mitigate risk
- Encourage learning cycles
- Align funder and venture expectations

#### 4.2.2 How It Works

##### Example Agreement:

- **Tranche 1:** \$100,000 to complete pilot in 2 cities
- **Tranche 2:** \$200,000 upon 70% pilot participant retention + documented regulatory approvals
- **Tranche 3:** \$300,000 to scale in 5 new regions with 90% operational staff hired

Each milestone is jointly defined and documented in the term sheet.

#### 4.2.3 What Makes a Good Milestone?

- Specific
- Time-bound
- Evidence-based (clear data to show achievement)
- Flexible if conditions shift (e.g., a war, policy change)

#### 4.2.4 What to Avoid

- Funding tied only to superficial outputs (e.g., “send 10 newsletters”)
- Milestones so vague they can’t be measured
- Milestones that encourage gaming the system

Milestone funding is most effective when used to build trust—not just control cash.

### 4.3 Tool Three: Term Sheets That Clarify Relationships

#### 4.3.1 What Is a VP Term Sheet?

A VP (Venture Philanthropy) term sheet is a short, practical document that outlines the key terms of a funding partnership between a venture philanthropist and a social venture. Unlike traditional legal contracts, it uses clear language to set shared expectations around funding structure, reporting, milestones, roles, and governance. It helps avoid confusion, builds trust, and ensures mutual accountability—while allowing flexibility if circumstances change. A good VP term sheet is co-created, not imposed, and serves as a living agreement to guide collaboration, manage risk, and align goals throughout the lifecycle of the investment.

A VP term sheet is a simple, mutual document outlining:

- Roles and responsibilities
- Funding structure
- Reporting expectations
- Governance (if applicable)
- Conflict resolution mechanisms

It protects **both sides** and helps avoid confusion.

### 4.3.2 Sample Term Sheet Structure

Section	Contents
Overview	Project summary, parties involved
Investment	Amount, type (grant, loan, equity), schedule
Milestones	Timeline and performance triggers
Reporting	Frequency, format, and audience for reports
Support	Non-financial contributions by funder (mentorship, tools)
Termination	Exit scenarios, reallocation of funds, etc.
IP & Ownership	If relevant (especially in tech/innovation)

### 4.3.3 Principles for a Strong Term Sheet

- **Plain language:** Avoid legalese.
- **Mutual respect:** Balance structure with flexibility.
- **Living document:** Revisit and revise when context shifts.

A good term sheet clarifies expectations without stifling innovation.

#### 4.4 Tool Four: Stakeholder Alignment

Stakeholder alignment is the process of ensuring that everyone involved in a venture—funders, implementers, community members, policymakers, and partners—shares a common understanding of the mission, goals, values, and success metrics. In venture philanthropy, alignment is critical to building trust, preventing conflict, and sustaining momentum. It involves early, honest conversations about expectations, timelines, power dynamics, and definitions of impact. Tools like stakeholder maps, kickoff workshops, and feedback loops support ongoing alignment. When

done well, it creates a unified, resilient coalition capable of navigating complexity and adapting together—because real change requires coordinated effort, not isolated action.

#### 4.4.1 Why Alignment Matters

Even the best-funded projects fail if stakeholders are working at cross-purposes. Alignment builds trust, unity, and resilience.

In VP, stakeholders include:

- Funders
- Venture leaders and teams
- Community partners and beneficiaries
- Regulators and policy makers
- Co-investors and collaborators

#### 4.4.2 Four Alignment Conversations to Have Early

- **Mission:** Are we solving the same problem?
- **Impact definition:** What does success look like?
- **Timeline:** Do we agree on pace and scale?
- **Values and voice:** Are we aligned on inclusion, equity, and power sharing?

#### 4.4.3 Tools to Support Alignment

- **Stakeholder maps:** Visualize who's involved and how.
- **MOU (Memorandum of Understanding):** Light agreements between parties.
- **Kick-off workshops:** In-person or virtual sessions to clarify roles.
- **Feedback loops:** Mechanisms to ensure all voices are heard over time.

#### 4.4.4 What to Watch Out For

- Misunderstood power dynamics
- Assumptions about goals or incentives
- Overpromising by any party

Alignment is not a one-time act. It is a practice.

## 4.5 Bonus Tools: VP in Action

Here are a few bonus tools that support the VP approach:

### 4.5.1 Impact Dashboards

Simple, visual tools that track progress on key indicators in real time. Can be shared with boards, teams, and funders.

### 4.5.2 Scenario Planning Templates

Used to test multiple outcomes: What if uptake is slower than expected? What if a government partner backs out? Helps prepare without panicking.

### 4.5.3 Exit Strategy Worksheets

These guide funders and ventures in planning a responsible exit. Questions include:

- What does sustainability look like?
- Who will own the initiative in 5 years?
- What funding, if any, needs to continue?

## 4.6 A Sample VP Toolkit in Practice

### Case Example: Rural Healthcare Startup

A VP funder supports a startup delivering mobile clinics in remote areas. Here's how they applied their toolkit:

- **Metrics:** Reduced missed prenatal visits by 40%
- **Milestones:** Scaled to 5 districts after reaching patient volume targets
- **Term Sheet:** Defined mentorship responsibilities, reporting cadence, and 3-year commitment
- **Alignment:** Engaged local health authorities, included community health workers in co-design

Result? A program that not only survived but became part of the national health plan.

## 4.7 Building Your Own VP Toolkit

You don't need to reinvent the wheel. Start small. Build iteratively. Here's a checklist to help:

### *Toolkit Readiness Checklist*

*Use this to assess whether you're ready to deploy the core tools of venture philanthropy.*

	Item	What to Look For
<input type="checkbox"/>	<b>Impact metrics are defined and agreed</b>	I have co-developed outcome and output metrics with the venture. They're relevant, measurable, and aligned with the mission.
<input type="checkbox"/>	<b>Milestone funding structure is in place</b>	Funding is tied to specific, time-bound milestones that reflect real progress—not just activity.
<input type="checkbox"/>	<b>Term sheet is clear and mutual</b>	Roles, responsibilities, funding terms, and reporting expectations are documented in plain language and agreed by all parties.
<input type="checkbox"/>	<b>Stakeholders are aligned</b>	There is shared understanding among funders, implementers, and communities about goals, timelines, and values.
<input type="checkbox"/>	<b>Learning systems are active</b>	I've established regular check-ins to assess progress, adapt strategy, and share learning—not just audit outcomes.
<input type="checkbox"/>	<b>Contingencies are mapped</b>	I have thought through what happens if key milestones aren't met or conditions change—and documented flexible responses.
<input type="checkbox"/>	<b>Support beyond capital is planned</b>	I'm offering (or facilitating) mentorship, technical assistance, or network connections beyond financial investment.
<input type="checkbox"/>	<b>Exit strategy is discussed early</b>	I've considered long-term sustainability, successor ownership, and when and how I will transition out.
<input type="checkbox"/>	<b>Power and voice have been considered</b>	I've taken steps to ensure inclusive decision-making and equity in who sets and defines success.

Once most of these boxes are checked, you're not just funding a project—you're building a venture that can adapt, deliver, and scale. When these are in place, you're not just funding—you're investing in real, accountable, lasting change.

# 5

## Choosing What to Fund

### **Assessing the Problem, Defining Success, and Selecting Ventures Worth Backing**

Every venture philanthropist, no matter how experienced or visionary, must face a central question: **What should I fund?** The answer to this question shapes everything that follows. It determines whether your capital drives lasting change—or simply fills gaps. It defines whether your time and expertise accelerate impact—or get lost in well-intentioned noise.

# Take Away

Choosing what to fund is one of the most important decisions a venture philanthropist makes. It starts with understanding the problem—deeply, contextually, and through the eyes of those affected. From there, it means defining success not by activity, but by outcomes that matter.

Once the problem and success metrics are clear, the real work begins: selecting the right ventures to support. This chapter laid out a practical framework to help you assess mission fit, leadership strength, model quality, readiness, and alignment with the VP model. It also offered tools—from due diligence checklists

to fit scoring grids—to help make confident, evidence-based decisions.

Remember: VP is about partnership. You're not just backing a project. You're backing a team with a vision for change. Choose ventures that are ready to work with you, not just take your check.

Done right, your funding won't just support good work. It will unlock real, lasting, systemic change. And it all begins with what you choose to fund.

This chapter is a guide to choosing wisely. Venture philanthropy is not driven by instinct alone. It's a deliberate process rooted in evidence, strategy, and alignment. Funding decisions must be informed by a deep understanding of the problem at hand, a clear definition of what success looks like, and a disciplined assessment of which ventures are most likely to deliver meaningful outcomes.

The process begins with **diagnosing the problem**. Not at the surface level, but in its full complexity. Who is affected? Why does the problem persist? What's been tried—and what's failed? Tools like the “problem tree” help unpack root causes and map out the consequences.

Next comes **defining success**. This is about more than setting goals—it's about creating shared, measurable, and community-informed definitions of change. Success must be framed in terms of outcomes, not just activities. Building schools, for example, is not the same as increasing graduation rates. Clear success metrics keep ventures—and funders—accountable to real-world impact.

Finally, I walk you through **selecting ventures to fund**. This isn't about betting on the flashiest pitch or the most charismatic founder. It's about mission fit, leadership strength, model credibility, organizational readiness, and willingness to engage in the VP model. Strong selection frameworks, combined with tools like due diligence checklists, scoring grids, and structured interviews, help ensure your decisions are not just passionate—but effective.

I also offer a toolkit for making these choices with confidence, including landscape mapping, interview guides, and methods for assessing fit across your portfolio.

Because choosing what to fund isn't a one-time decision. It's a discipline. And when done well, it is one of the most powerful levers in your arsenal as a venture philanthropist. Whether you're backing a single initiative or building a diversified portfolio, this chapter will help you act with clarity, purpose, and strategic intent—ensuring that your support fuels ventures capable of delivering not just services, but systemic change.

## What should I fund?

This chapter provides a practical guide to answering that question. Choosing what to fund is not just about passion—it's about **strategy, feasibility, and alignment**. To choose wisely, funders must learn to assess a problem, define what success looks like, and identify social ventures that are ready for support.

We'll walk through three essential steps:

- Diagnosing the problem
- Designing a definition of success
- Selecting ventures to fund

Whether you're funding one project or building a whole portfolio, this process will help ensure that your capital—and your time—are used wisely.

### 5.1 Step One: Assess the Problem-fund informed!

Before deciding what to fund, take the time to deeply understand the problem you hope to solve. Too often, funders rush to solutions without first clarifying the issue itself. Effective venture philanthropy begins with thoughtful diagnosis—identifying not just the symptoms, but the underlying causes.

Start by asking: What exactly is the problem? Who is affected, and how? What are the structural, cultural, or systemic roots? What efforts have already been made—and why did they succeed or fail?

Tools like the “problem tree” can help visualize the core issue, its root causes, and downstream effects. This kind of mapping grounds your funding decisions in reality—not assumptions. It also helps surface overlooked stakeholders, including local communities and frontline implementers, whose insights are essential.

The more precisely you define the problem, the more likely you are to fund ventures that offer meaningful, lasting solutions. Don't fund fast. Fund informed.

### 5.1.1 Frame the Problem

Ask:

- What exactly is the issue?
- Who is affected—and how?
- What are the root causes?
- What has already been tried?
- Who else is working in this space?

A well-framed problem is:

- **Specific:** “Improve maternal health outcomes in Region A” is better than “support global health.”
- **Rooted in evidence:** Use data, studies, and local knowledge.
- **Contextual:** Understand the local culture, politics, and economics.

### 5.1.2 Use the Problem Tree

This classic tool helps dissect causes and effects.

- **Trunk:** The core issue (e.g., high school dropout rate)
- **Roots:** Underlying causes (e.g., family instability, poor curriculum, poverty)
- **Branches:** Consequences (e.g., unemployment, crime, mental health problems)

This visual helps funders and ventures stay clear and grounded.

## 5.2 Step Two: Define Success

Once you understand the problem, the next step is to define what success looks like. In venture philanthropy, success must be more than a list of activities—it must describe meaningful, measurable change. Don’t confuse motion with progress. Building clinics or launching programs may look impressive, but without outcome-based goals, you won’t know if your efforts are working.

Start by focusing on **outcomes**, not outputs. Instead of “train 500 youth,” ask whether those youth found and kept meaningful employment. Instead of “distribute clean water filters,” ask if waterborne illness declined.

Effective goals are **SMART**: Specific, Measurable, Achievable, Relevant, and Time-bound.

Importantly, define success with—not just for—the people you aim to serve. Community voices help ensure your goals are grounded in reality and responsive to actual needs.

Clear definitions of success do more than guide funding—they align partners, focus ventures, and provide a shared language for learning and adaptation. They let everyone involved know what you’re working toward—and when it’s time to pivot.

In short: defining success transforms good intentions into purposeful action. It’s not just a box to check. It’s how you ensure your investment delivers real, lasting impact.

### 5.2.1 Focus on Outcomes, Not Activities

Success should be defined as **a change in the world**, not just an action taken.

Poor Definition	Better Definition
“Fund after-school classes”	“Increase graduation rates by 15% in 3 years”
“Build health centers”	“Reduce maternal mortality by 40%”
“Train youth in coding”	“Place 75% of trainees in jobs within 6 months”

### 5.2.2 Use SMART Goals

Success should be:

- **Specific**
- **Measurable**
- **Achievable**
- **Relevant**
- **Time-bound**

**Example:** “Double clean water access for 15,000 households in 18 months.”

### 5.2.3 Ask: What Would Success Mean for the People Involved?

Talk to the community. Define success **with**, not just **for**, the people affected. This ensures relevance and buy-in.

## 5.3 Step Three: Select the Right Ventures

Once you’ve assessed the problem and defined success, the next step is selecting ventures that can deliver the outcomes you care about. This is where strategy meets judgment. Great ideas are everywhere—but not every venture is ready, aligned, or capable of executing with impact.

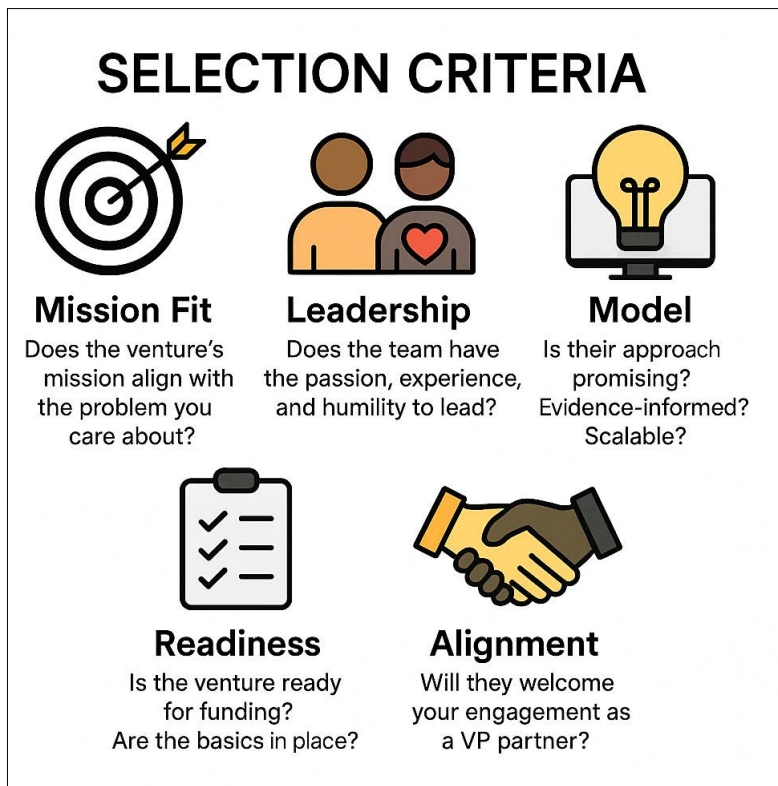
Start with **mission fit**. Does the venture work on the specific issue, geography, and population you aim to support? Avoid “close enough” projects that can dilute your focus. Next, assess **leadership**—not just for charisma or passion, but for execution capacity, openness to feedback, and resilience in the face of failure.

Examine the **credibility of the model**. Is it grounded in evidence or promising logic? Has it shown early traction? Can it scale responsibly? Then evaluate **organizational readiness**. Are the governance, financial systems, and data practices strong enough to support your level of engagement?

Finally, consider **alignment with the VP model**. Look for ventures that welcome accountability, embrace shared learning, and want a true partner—not just a check.

Use tools like scoring grids, interview guides, and due diligence checklists to structure your assessment. Selecting the right venture isn’t about perfection—it’s about potential, partnership, and readiness to grow. Choose wisely.

### 5.3.1 Use a Selection Framework



Based on the DACMAR<sup>1</sup> principles; we recommend a simple five-criteria framework:

1. **Mission Fit:** Does the venture's mission align with the problem you care about?
2. **Leadership:** Does the team have the passion, experience, and humility to lead?
3. **Model:** Is their approach promising? Evidence-informed? Scalable?
4. **Readiness:** Is the venture ready for funding? Are the basics in place?
5. **Alignment:** Will they welcome your engagement as a VP partner?

<sup>1</sup> LEVINE JA, *Entrepreneurs have the DACMAR Advantage*, Fondation Ipsen Press, Paris, 2024.

Let's explore each in more depth.

### 5.3.2 Mission Fit

Don't fund what you don't understand. Choose ventures that address:

- The same core issue
- The same geography or population
- The same outcome targets

Avoid mission drift—funding something “close enough” can dilute your impact.

### 5.3.3 Leadership Strength

Look for:

- Vision and values
- Execution capacity
- Openness to feedback
- Emotional intelligence
- Diversity of lived experience

You are investing in **people**, not just programs.

Interview the leadership team. Ask:

- What have you learned from past failures?
- What will you do differently with this funding?
- How do you make decisions when things go wrong?

### 5.3.4 Model Credibility

Not every good idea needs a randomized trial—but the model must make sense.

Assess:

- Theory of change
- Evidence of early success
- Logic and feasibility
- Potential to grow

Ask:

- What's your plan to scale?
- What are the biggest obstacles?
- How do you adapt when the model fails?

### 5.3.5 Organizational Readiness

Some ventures need capital. Others need coaching. Still others need time to mature.

Look for:

- Clear governance
- Financial systems
- Transparent reporting
- Willingness to share data

If a venture isn't ready for VP, that's OK. Consider referring them to an incubator or providing seed-stage support.

### 5.3.6 Alignment with the VP Model

The best ventures:

- Embrace measurement
- Welcome strategic input
- Want a true partnership

Others may prefer a traditional grant—and that's fine too. Fund where there is mutual fit.

## 5.4 Tools for Choosing What to Fund

Even the most experienced venture philanthropists need structure to guide their decisions. That's where tools come in. Thoughtfully applied, they help transform complex choices into clear, evidence-informed strategies—reducing bias, improving transparency, and increasing the likelihood of success.

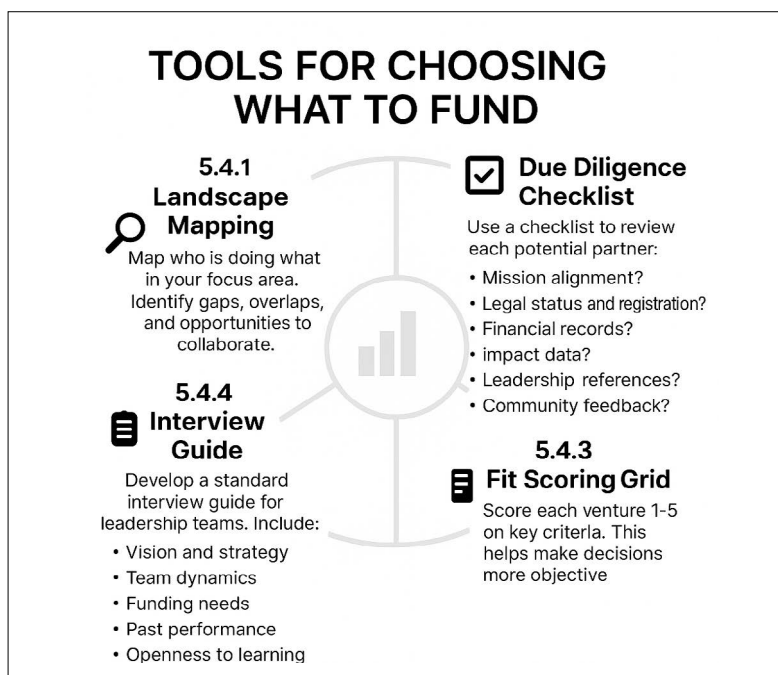
Start with **landscape mapping**. Before funding anything, map who's already working in the space. This helps identify gaps, avoid duplication, and reveal opportunities for collaboration or co-investment.

Next, use a **due diligence checklist**. This tool prompts a consistent review of each potential partner across key domains: mission alignment, legal status, financial health, data quality, leadership strength, and community trust.

Then apply a **fit scoring grid**. Scoring ventures on core criteria—such as leadership, model strength, and VP alignment—helps make comparisons fair and data-driven. It doesn't replace judgment, but it sharpens it.

Finally, create an **interview guide**. Structured conversations with leadership teams help assess strategy, team dynamics, openness to learning, and funding needs. A good guide ensures you ask the right questions every time.

These tools won't make the decision for you. But they will help ensure your choices are consistent, thoughtful, and mission-aligned—so your funding goes where it can do the most good.



### 5.4.1 Landscape Mapping

Map who is doing what in your focus area. Identify gaps, overlaps, and opportunities to collaborate.

### 5.4.2 Due Diligence Checklist

Use a checklist to review each potential partner.

- Mission alignment?
- Legal status and registration?
- Financial records?
- Impact data?
- Leadership references?
- Community feedback?

### 5.4.3 Fit Scoring Grid

Score each venture 1–5 on key criteria. This helps make decisions more objective.

Criteria	Score (1–5)	Notes
Mission Fit		
Leadership		
Model Strength		
Readiness		
VP Alignment		
Total Score		

#### 5.4.4 Interview Guide

Develop a standard interview guide for leadership teams. Include:

- Vision and strategy
- Team dynamics
- Funding needs
- Past performance
- Openness to learning

## 5.5 Managing a VP Portfolio

In venture philanthropy, funding a single initiative can be powerful—but managing a **portfolio** of ventures multiplies your influence, learning, and systemic reach. Yet with this scale comes complexity. Balancing risk, tracking performance, and maintaining alignment across multiple investments requires a disciplined and strategic approach.

The first step is **intentional diversification**. A strong VP portfolio often blends ventures at different stages—early pilots, growth-ready organizations, and mature programs nearing scale. You might also diversify by geography, sector, or funding mechanism (e.g., grants, recoverable loans, equity stakes). This balance helps mitigate risk and ensures that you’re supporting both innovation and delivery.

Second, build systems to **track individual and collective performance**. Each venture should have its own KPIs, milestones, and learning goals. But you should also ask: **Is the portfolio as a whole advancing our mission?** Are you seeing synergies across ventures, or are they siloed? Are you learning fast enough from failure and success?

Use **shared tools** where possible—common reporting templates, aligned dashboards, or joint learning sessions. These reduce friction and create opportunities for ventures to learn from one another. Portfolio-level reviews can also identify patterns—e.g., repeated leadership gaps or operational challenges—and guide future funding decisions.

Third, take a **hands-on but tailored approach** to engagement. Not every venture needs the same kind of support. Some might benefit most from mentorship or technical help. Others may need introductions to policy-makers or co-funders. Know when to lead, when to advise, and when to step back.

Also, consider the **financial dynamics**. Ensure you’re not over-concentrated in one venture or region and leave room to double down on out-performers. Blended finance structures may be useful—combining philanthropic capital with impact investment for ventures ready to generate revenue.

Lastly, maintain **mission coherence**. As your portfolio grows, there's a temptation to drift—funding projects that are “almost aligned”. Resist this. A well-curated portfolio should reinforce your values and theory of change.

Managing a VP portfolio is both science and art. It requires discipline, empathy, adaptability, and strategic vision. Done well, it allows you to not only back promising ventures—but also shape an ecosystem where innovation, accountability, and collaboration thrive.

Overall, most venture philanthropists fund **more than one** initiative. Managing a portfolio requires balance:

- Mix of early-stage and growth-stage ventures
- Diversity of geography or sector
- Blended capital structures

Track each initiative—but also track the portfolio's **overall impact**.

Ask:

- Are we advancing our mission?
- Are we taking enough risk?
- Are we learning across ventures?

## 5.6 A Real-World Example: Investing in a Circular Economy Initiative

A venture philanthropist focused on sustainability wanted to reduce plastic waste in Southeast Asia. Here's how they chose what to fund:

### 1. Assess the Problem

- High rates of plastic in waterways
- Weak municipal waste systems
- Informal waste pickers lacked support

## *2. Define Success*

- 50% reduction in landfill plastic in 3 cities in 5 years
- 10,000 informal waste workers brought into formal system

## *3. Choose the Venture*

- Local social enterprise using blockchain to track waste
- Partnering with cooperatives of waste pickers
- Business model generating revenue through recyclables

## *4. Tool Application*

- Fit scoring grid used across 5 applicants
- Leadership interview focused on equity and tech readiness
- Term sheet developed with shared milestones and learning agenda

## *5. Outcome*

- By year 3, the venture hit 60% of targets and pivoted operations to two more cities. Funder renewed support and added two peer ventures.

# 6

## Working With Partners

### **Collaborating with Charities, Startups, Governments, and Funders for Shared Impact**

Venture philanthropy is never a solo act. It's true strength lies in collaboration—with actors who bring different assets, insights, and access to the table. Whether it's a grassroots nonprofit with deep community trust, a startup brimming with innovation, a public agency that can scale ideas into systems, or a fellow funder offering complementary capital, partnerships are at the core of how venture philanthropy achieves sustainable, scalable impact.

I have learned that even the most thoughtful funding strategy can fall short without the right partners. Conversely, the right partnership—well-aligned, well-structured, and based on trust—can turn a modest investment into a catalytic force for change.

# Take Away

Working with partners is essential to successful venture philanthropy. Whether you're funding a startup, supporting a community-led nonprofit, or co-investing with other funders, collaboration multiplies impact.

Strong partnerships require clarity, trust, shared goals, and open communication. They benefit from clear roles, common metrics, and aligned values. Venture philanthropists who embrace collaboration see their ideas go further, faster—and with more buy-in.

Partnerships are also where things get messy. Misaligned incentives, power imbalances, or unclear communication can sink even the best-funded efforts. But these challenges are surmountable—with the right mindset and the right tools.

This chapter introduced practical strategies and tools for building and maintaining high-performing collaborations. From tri-sector alliances to shared dashboards and learning summits, the tools are there to ensure every actor stays aligned and committed.

The goal is not just to work together—but to build something that none of the partners could achieve alone. That is the power of partnership in venture philanthropy.

The next chapter will introduce how to make investments happen: designing deals, structuring support, and tracking execution. But before that, take a moment to reflect—who are your most important partners, and how will you engage them?

This chapter is a guide to building those partnerships deliberately. I explore how to work with different types of collaborators across sectors: charities and nonprofits, startups and social enterprises, public institutions, and fellow funders. Each of these comes with its own strengths—and its own challenges. Understanding how to navigate those dynamics is part of the craft of venture philanthropy.

But it's not just about knowing who your partners are. It's about how you work together. That means co-defining goals, structuring relationships clearly, aligning incentives, and creating mechanisms for communication, accountability, and shared learning. When partnerships falter, it's often not for lack of goodwill—but because roles were fuzzy, expectations were mismatched, or communication broke down.

In these pages, I provide tools to help you build durable collaborations. You'll find frameworks like Memoranda of Understanding, shared dashboards, co-funding agreements, and partnership health checks. I also include real-world examples—like a tri-sector maternal health collaboration or a chatbot co-developed with a government—that illustrate how theory translates into practice.

Strong partnerships multiply impact. They unlock new insights. They lend legitimacy. They build resilience and extend the life of your investment far beyond your involvement. But they also require humility, patience, and a clear-eyed view of the complexities that arise when different cultures, sectors, and priorities come together.

**Venture philanthropy does not succeed in a vacuum.** Its strength lies in partnerships—working hand-in-hand with a diverse group of actors who bring unique resources, perspectives, and reach. Whether it's a grassroots nonprofit, an ambitious startup, a government agency, or a co-investing funder, partnerships are central to how VP creates scalable, long-term impact.

This chapter offers a **practical guide** to working with partners in a venture philanthropy context. We'll cover:

- The types of partners you're likely to work with
- The value and challenges each brings
- How to structure collaborative relationships

- Tools to align goals, roles, and responsibilities
- Real-world examples of VP partnerships in action

Done well, partnership creates leverage, insight, and shared ownership. Done poorly, it leads to confusion, wasted resources, and broken trust. This chapter helps you build partnerships that work.

## 6.1 Know Your Partners

### KNOW YOUR PARTNERS



#### Charities and Nonprofits

These often the frontline implementers of social programs

##### Strengths:

- May lack financial or data systems
- Often under-resourced
- Risk of burnout or overcommitment

##### VP Role:

- Provide patient capital
- Help professionalize operations
- Support leadership and governance



#### Startups and Social Enterprises

##### Strengths:

- Innovation-driven
- Business model discipline
- Growth potential

##### Challenges:

- Unproven models
- High failure rates
- Can prioritize scale over equity
- Connect to community organizations



#### Governments and Public Agencies

##### Strengths:

- Infrastructure and regulation
- Large-scale funding
- Authority and legitimacy

##### VP Role:

- Co-design scalable pilots
- Offer bridge funding before public adoption
- Partner on regulatory



#### Other Funders

- Capital
- Complementary expertise
- Broader networks

##### Challenges:

- Competing strategies or timelines
- Power imbalance
- Slow decision-making

##### VP Role:

- Build aligned investment theses
- Share due diligence and monitoring tools

## The first step is understanding the different types of actors you'll likely encounter in VP ecosystems.

In venture philanthropy, who you work with can be just as important as what you fund. To build effective, resilient partnerships, it's essential to understand the diverse actors that populate VP ecosystems—each with its own strengths, limitations, and role in the journey toward impact.

**Charities and nonprofits** are often the frontline implementers. They bring deep local knowledge, long-standing community relationships, and practical experience delivering services. However, they may lack robust financial infrastructure or be stretched thin, requiring not just funding but operational support and leadership development.

**Startups and social enterprises** offer innovation and agility. They think in terms of scale and sustainability, but may be early-stage, unproven, or disconnected from the communities they hope to serve. VP funders can provide early capital, guide user research, and connect them to implementation partners.

**Governments and public agencies** are critical for systemic change. They hold the authority, infrastructure, and scale necessary for long-term adoption. Yet they often move slowly and face political constraints. VP actors can pilot innovations, build evidence, and support regulatory evolution in partnership with public systems.

**Other funders**—from foundations to corporate CSR arms to multilaterals—bring capital, complementary skills, and wider networks. But misalignment in strategy or pace can create friction. Here, VP can play a convening role, aligning visions and harmonizing expectations.

Understanding each partner type allows VP funders to match strengths, mitigate risks, and co-create more powerful, mission-aligned ventures.

### 6.1.1 Charities and Nonprofits

These are often the frontline implementers of social programs.

#### Strengths:

- Deep local knowledge
- Trusted by communities
- Experience in service delivery

#### Challenges:

- May lack financial or data systems
- Often under-resourced
- Risk of burnout or overcommitment

#### VP Role:

- Provide patient capital
- Help professionalize operations
- Support leadership and governance

### 6.1.2 Startups and Social Enterprises

Startups offer innovation and speed but often lack depth in community relationships.

#### Strengths:

- Innovation-driven
- Business model discipline
- Growth potential

#### Challenges:

- Unproven models
- High failure rates
- Can prioritize scale over equity

#### VP Role:

- Fund pilot and early growth
- Support user research and product refinement
- Connect to community organizations

### 6.1.3 Governments and Public Agencies

These partners hold policy power and can scale impact through public systems.

#### Strengths:

- Infrastructure and regulation
- Large-scale funding
- Authority and legitimacy

#### Challenges:

- Bureaucracy
- Risk aversion
- Political cycles and instability

#### VP Role:

- Co-design scalable pilots
- Offer bridge funding before public adoption
- Partner on regulatory reform and evidence building

### 6.1.4 Other Funders

These can include foundations, CSR teams, multilaterals, or impact investors.

#### Strengths:

- Capital
- Complementary expertise
- Broader networks

#### Challenges:

- Competing strategies or timelines
- Power imbalance
- Slow decision-making

#### VP Role:

- Build aligned investment theses
- Share due diligence and monitoring tools
- Host joint learning sessions

## 6.2 Partnership Is a Superpower.

Venture philanthropy partnerships do more than pool capital or talent—they unlock catalytic potential. At their best, partnerships bring together complementary strengths: one actor may offer community trust, another policy access, and another data or distribution. When aligned around shared goals, these collaborations generate leverage—extending reach and amplifying outcomes. They also foster innovation, as diverse perspectives fuel creative problem-solving. Critically, partnerships build legitimacy: local actors bring credibility, while funders lend visibility and strategic coherence. Perhaps most importantly, they enable durability. When partners co-own a vision, success is more likely to endure beyond any single funder’s involvement. Of course, partnerships also bring complexity. But with thoughtful design and transparent communication, the value they unlock—in scale, learning, influence, and long-term impact—is far greater than what any actor could achieve alone. This is the quiet superpower of VP: working together, not just funding better, but building better.

VP partnerships offer more than shared resources—they unlock:

### 6.2.1 Leverage

Multiple funders or co-implementers amplify each other’s strengths and reach. One partner’s networks can open doors. Another’s data systems may improve reporting for all.

### 6.2.2 Innovation

Cross-sector partnerships fuel creativity. A tech startup might solve a nonprofit’s logistical pain point. A government agency might offer access to data or national distribution.

### 6.2.3 Legitimacy

Local partners lend credibility. Working alongside trusted NGOs or cooperatives builds community trust and navigates cultural nuance.

#### 6.2.4 Durability

Partnership builds shared ownership, making it more likely that impact continues after your funding ends.

### 6.3 Partnership Models

Venture philanthropy operates through a range of partnership models—each offering different levels of complexity, flexibility, and impact potential. **Bilateral partnerships** are the simplest: a direct relationship between a VP funder and a single implementing partner, allowing for focused support and rapid decision-making. **Tri-sector partnerships** bring together actors from civil society, the private sector, and government. These collaborations leverage complementary strengths—for example, combining a startup’s innovation with a nonprofit’s trust and a government’s scale. At the most complex end are **collective impact models**, where multiple stakeholders align around a shared agenda, use common metrics, and coordinate activities through structured governance. VP actors often serve as backbone organizations in these efforts, facilitating coherence and accountability. The choice of model should match the ambition of the initiative. Whether funding a single innovator or co-leading a movement, what matters is shared purpose, clarity of roles, and the ability to adapt as conditions evolve.

#### 6.3.1 Bilateral Partnerships

You fund or collaborate with one other actor directly. This is simple but powerful.

**Example:** A VP funder supports a startup that delivers telemedicine in remote areas. The relationship is direct and strategic.

#### 6.3.2 Tri-sector Partnerships

You work with actors from different sectors—e.g., a nonprofit, a tech company, and a city government.

**Example:** A VP partnership brings together a women’s health NGO, a mobile health startup, and the local ministry of health to co-create maternal care clinics.

### 6.3.3 Collective Impact

Multiple funders and actors align on a shared agenda and use common metrics. VP partners often lead backbone support.

**Example:** A funder co-leads a city-wide effort to end youth homelessness, aligning with schools, shelters, businesses, and local government.

## 6.4 Building Strong Collaborations

Strong collaborations don’t happen by accident—they are designed with intention, structure, and care. In venture philanthropy, where partnerships span sectors and cultures, the ability to build and sustain high-functioning collaborations is a core competency. It begins with a shared understanding of the problem and co-creation of goals. Too often, misalignment emerges not from malice but from assumptions. Holding an intentional kickoff to align on vision, values, and metrics sets the foundation for trust.

Clear roles and expectations are essential. Memoranda of Understanding (MOUs), workplans, and joint governance structures help avoid confusion and support shared accountability. Equally important is communication. Regular check-ins, shared dashboards, and platforms for real-time feedback foster transparency and adaptability.

Yet perhaps the most delicate part of collaboration is managing power dynamics. In VP, funders often hold disproportionate influence. Recognizing this, and intentionally sharing voice and decision-making power—especially with community actors—builds more equitable, durable partnerships.

Finally, good collaborations are flexible. Conditions change, pilots stall, people leave. Resilient partnerships are built not on rigid contracts but on mutual respect and the ability to evolve together. Sharing risks, celebrating wins, and remaining open to course corrections transform partnerships from transactional to transformative.

Building strong collaborations isn't just about maximizing efficiency—it's about unlocking collective intelligence and co-creating solutions no single actor could achieve alone. In venture philanthropy, that's not a bonus. It's the point.

#### *6.4.1 Define Shared Goals Early*

Don't assume alignment. Hold a kickoff session to:

- Align on the problem
- Define success together
- Agree on metrics and values

#### *6.4.2 Clarify Roles and Expectations*

Use tools like:

- Memoranda of Understanding (MOUs)
- Workplans with milestones
- Joint governance or advisory boards

#### *6.4.3 Communicate Transparently*

Create structures for:

- Regular check-ins
- Shared dashboards
- Real-time problem-solving

Use communication platforms that support openness and rapid feedback.

#### *6.4.4 Manage Power Dynamics*

Acknowledge unequal access to capital or influence. Share decision-making power where possible. Fund and listen to community voice.

#### *6.4.5 Share Risks and Rewards*

Build flexibility into plans. When a partner struggles, don't penalize—support. When a pilot succeeds, celebrate and expand together.

## 6.5 Tools for Partnering

Effective venture philanthropy partnerships rely not only on goodwill but on structured tools that support alignment, transparency, and accountability. These tools turn abstract commitments into concrete practices, helping collaborations function smoothly even in complex or fast-moving environments.

A **Partnership Health Check** is a simple diagnostic tool used regularly to assess how well the partnership is functioning. Are roles still clear? Is trust intact? Are we aligned on outcomes? These periodic reflections can prevent small issues from escalating.

**Joint impact dashboards** provide shared visibility into progress. When all partners track the same metrics in real time, it builds unity and reduces misunderstandings about success.

**Co-funding agreements** clarify who contributes what, when funds are disbursed, and what happens if milestones aren't met. They are especially useful when multiple funders are involved, reducing confusion and aligning timelines.

Finally, **learning summits** bring partners together—quarterly or annually—to reflect, adjust, and innovate. These aren't just status updates; they're opportunities for collective problem-solving and strategy refresh.

Together, these tools foster a culture of shared ownership and continuous improvement. They don't eliminate tension, but they help navigate it—keeping partnerships focused, resilient, and primed for impact.

### 6.5.1 Partnership Health Check

Use regular reviews to assess:

- Are we still aligned?
- Are any roles unclear?
- Is trust strong across parties?

### 6.5.2 Joint Impact Dashboards

Share one set of metrics. Public dashboards build transparency and unity.

### 6.5.3 Co-Funding Agreements

Define:

- Who pays for what
- When and how funds are released
- What happens if goals aren't met

### 6.5.4 Learning Summits

Bring all partners together quarterly or annually to:

- Share progress
- Address tensions
- Generate new ideas

## 6.6 Real-World Examples

### 6.6.1 Example 1: Government + Startup

A VP funder supports a legal aid chatbot in Latin America. They bring in the Ministry of Justice to help align the tool with national laws and translate it into four indigenous languages. The ministry offers regulatory fast-tracking.

**Result:** Within two years, the chatbot handled 1 million queries and was adopted by the public sector.

### 6.6.2 Example 2: Multi-Funder + Community Group

A housing VP initiative partners with three funders, a renters' union, and a neighborhood council. They co-create an anti-eviction tool.

**Result:** Evictions in the pilot zone drop 40%. The renters' union is funded to expand the model regionally.

# 7

## Making the Investment

Practical Steps for Due Diligence, Contracts, Risk Sharing, Governance, and Measuring Progress

Choosing what to fund is a critical first step—but real impact begins when you make the investment. This chapter is about that moment: when your strategy leaves the whiteboard and enters the real world. In venture philanthropy (VP), making an investment isn't just about transferring money. It's about building trust, managing risk, aligning expectations, and setting ventures up for measurable success.

# Take Away

Making an investment in venture philanthropy is more than a financial transaction. It's the moment strategy meets execution. This chapter has laid out a practical pathway to move from decision to disbursement with rigor, clarity, and shared purpose.

From conducting due diligence and drafting contracts, to managing risk and designing governance structures, the process is meant to protect impact—not just capital. Equally important is how progress is tracked: through thoughtful metrics, regular check-ins, and a learning-oriented approach.

VP investments vary—from grants to equity—but all require intentionality. The more you structure your investment transparently, the more

Use the tools and frameworks presented here to shape your next investment. Create agreements that clarify roles, plan for risk, and embed measurement as a means of continuous improvement. Done right, your investment will not only fund work that matters—it will empower people, strengthen systems, and change outcomes.

The next chapter explores what to expect along the way: the surprises, the stumbles, and the successes. But with the right foundation, your investment will be built to last.

Here, I offer a practical roadmap for turning intention into action. From conducting thorough due diligence and writing investment agreements, to structuring governance and tracking progress over time, this chapter is designed to walk you through each step clearly and concretely.

Start with **due diligence**—not to filter out imperfect organizations, but to understand the full picture. Good diligence surfaces questions early, clarifies alignment, and uncovers risks that can be managed—not avoided. It also gives you the chance to set expectations transparently and collaboratively.

Next is **structuring the investment**. Whether through grants, loans, recoverable grants, or equity, the instrument must match the venture’s model, maturity, and mission. And the agreement itself should be plainspoken, mutually respectful, and built for learning—not just compliance.

All VP investments carry risk. But risk isn’t the enemy—unacknowledged risk is. A strong VP approach includes mapping, sharing, and managing risk through tools like risk registers, staged funding, and ongoing engagement. Likewise, **governance structures** should reflect the level of risk and complexity, offering oversight without undermining autonomy.

Crucially, this chapter emphasizes **measuring and managing progress**. Too often, reporting becomes a burden or a box-ticking exercise. Instead, I advocate for measurement that fuels learning, adaptation, and strategy. Think of it as real-time insight—not retrospective justification. You’ll learn how to co-develop KPIs, establish reporting cadences, and use data not to punish, but to improve.

Throughout, I offer tools, templates, and real-world examples—from structuring a recoverable grant in digital education, to participatory governance in regenerative agriculture—to illustrate how these principles come alive in practice.

Whether you’re making your first VP investment or refining your approach across a portfolio, this chapter is designed to equip you with the tools, mindsets, and language to move forward with clarity, rigor, and purpose.

Because in venture philanthropy, the investment isn't just a transaction—it's a relationship. And how you structure that relationship can shape the trajectory of the work for years to come.

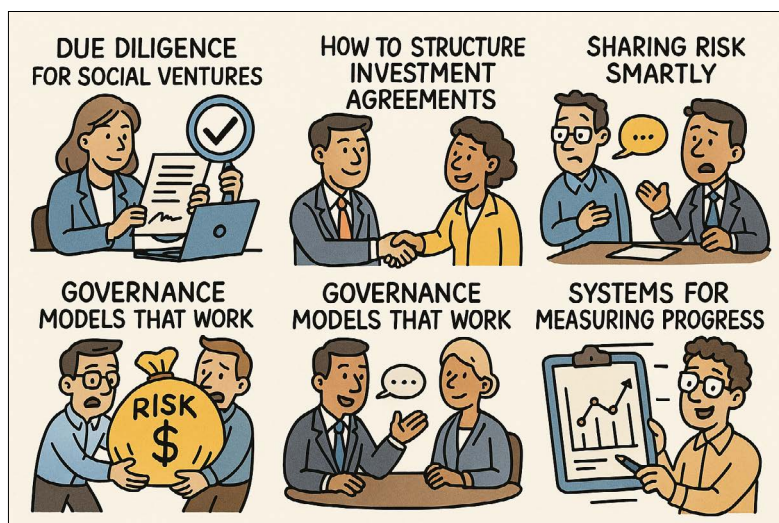
Once you've chosen what to fund and aligned with your partners, the next challenge in venture philanthropy is turning strategy into action. This chapter walks through the **practical mechanics** of making a venture philanthropy investment—from vetting potential projects and building agreements, to managing risk and tracking performance over time.

This is where good ideas become real commitments.

We'll explore:

- Due diligence for social ventures
- How to structure investment agreements
- Sharing risk smartly
- Governance models that work
- Systems for measuring progress

Whether you're funding one venture or building a portfolio, these tools and steps will help ensure that your investments are thoughtful, transparent, and positioned for long-term impact.



## 7.1 Conducting Due Diligence

Due diligence is the foundation of a successful venture philanthropy investment. It's the process of understanding exactly what—and who—you are investing in. While it includes reviewing financials and legal compliance, due diligence in VP goes far beyond that. It's about assessing alignment, uncovering risks, validating impact, and building a relationship based on transparency and trust.

Start by evaluating the **leadership team**. Are they credible, committed, and capable of delivering on their mission? Look for passion paired with execution ability. Ask about past failures and what they learned. Great teams are open, reflective, and grounded.

Next, assess **mission fit**. Does the organization's purpose align with your investment thesis? This includes the population served, geography, and theory of change. Avoid supporting ventures that are "close enough"—misalignment here leads to friction later.

Examine the **program model** for clarity, logic, and evidence of early success. You don't need randomized controlled trials, but there should be a clear and plausible path from activity to outcome.

**Financial health** matters too. Are financial records transparent and well-managed? Are revenue streams sustainable or overly dependent on a single donor?

Review **governance structures**. Is there an engaged board? Are roles and responsibilities clearly defined? Also check for **legal compliance**—is the organization properly registered and meeting regulatory obligations?

Finally, ask about **impact evidence**. How do they measure success? Do they collect meaningful data and use it to improve?

Use tools like a due diligence checklist, executive and board interview guides, site visit protocols, and financial ratio analysis templates. These help you standardize the process, reduce bias, and ensure consistency across decisions.

Good due diligence isn't about catching people out—it's about learning together. It helps both funder and venture clarify expectations, assess fit, and lay the groundwork for a productive partnership. Done right, it's not a gate—it's the beginning of trust.

### 7.1.1 Why It Matters

Due diligence is more than checking financials—it's about getting a holistic picture of the venture you may support. It helps confirm alignment, uncover risks, and set expectations.

### 7.1.2 What to Assess

Area	Questions to Ask
<b>Leadership</b>	Is the team capable, credible, and committed?
<b>Mission Fit</b>	Does the venture's mission align with yours?
<b>Program Model</b>	Is there a clear theory of change and a feasible delivery model?
<b>Financial Health</b>	Are financial records transparent, accurate, and well-managed?
<b>Governance</b>	Is the board engaged? Are roles and responsibilities clear?
<b>Legal Compliance</b>	Is the organization properly registered and compliant?
<b>Impact Evidence</b>	What data supports their results? What's their approach to evaluation?

### 7.1.3 Tools and Templates

- Due Diligence Checklist
- Interview Guides for Executives and Board
- Financial Ratio Analysis
- Site Visit Protocols

Use standardized templates to ensure consistency across reviews.

## Sample Due Diligence Checklist for Venture Philanthropy

Category	Key Questions
<b>Mission Fit</b>	<input type="checkbox"/> Does the venture's mission align with your focus area and theory of change? <input type="checkbox"/> Is the target population or geography aligned with your priorities?
<b>Leadership</b>	<input type="checkbox"/> Is the leadership team experienced and credible? <input type="checkbox"/> Are they open to feedback, learning, and partnership? <input type="checkbox"/> Is there diversity of background and lived experience on the team or board?
<b>Program Model</b>	<input type="checkbox"/> Is there a clear theory of change? <input type="checkbox"/> Is the model evidence-informed or based on promising logic? <input type="checkbox"/> Have they piloted or tested the approach?
<b>Impact &amp; Learning</b>	<input type="checkbox"/> Are there outcome-focused KPIs? <input type="checkbox"/> How do they collect, analyze, and use data? <input type="checkbox"/> Have they demonstrated results or learning from failure?
<b>Financial Health</b>	<input type="checkbox"/> Are financial statements complete and up to date? <input type="checkbox"/> Are there clear internal controls and financial policies? <input type="checkbox"/> Is the funding model sustainable or overly reliant on one source?
<b>Governance</b>	<input type="checkbox"/> Is there an active and informed board or advisory group? <input type="checkbox"/> Are decision-making roles clearly defined? <input type="checkbox"/> Are there conflict-of-interest and succession policies?
<b>Legal &amp; Compliance</b>	<input type="checkbox"/> Is the organization legally registered and in good standing? <input type="checkbox"/> Are necessary licenses, permits, and insurances in place? <input type="checkbox"/> Are there any known legal risks or disputes?
<b>Reputation &amp; Risk</b>	<input type="checkbox"/> What do partners, beneficiaries, and the community say about the organization? <input type="checkbox"/> Are there reputational concerns or red flags? <input type="checkbox"/> Are any mitigation strategies in place for foreseeable risks?

## 7.2 Structuring the Investment

Structuring the investment is where clarity, accountability, and trust come together. In venture philanthropy, this means designing a funding arrangement that reflects your shared goals, the venture's maturity, and the level of risk involved. Unlike traditional grants, VP offers a flexible range of instruments—grants, recoverable grants, loans, or equity—each with its own implications for engagement, return expectations, and support.

The right structure depends on several factors: the venture's business model, financial capacity, and readiness to scale. For example, a recoverable grant may suit a startup testing a revenue model, while a catalytic grant may better serve a grassroots nonprofit building early-stage capacity.

Beyond selecting the financial tool, a strong investment agreement sets out the purpose of the funding, disbursement terms (often milestone-based), reporting and learning expectations, and roles on both sides. It should also cover conflict resolution, exit clauses, and—if relevant—ownership of any intellectual property.

Use plain language. Avoid legal jargon. Everyone involved should understand what's expected and what's at stake.

A well-structured investment is more than a contract. It's a foundation for partnership—aligning values, reducing ambiguity, and setting the conditions for long-term, adaptive success. Structure wisely, and you invest in clarity, not just capital.

### *7.2.1 Choose the Right Financial Instrument*

Venture philanthropy can use a variety of structures:

- **Grants:** Non-repayable, often used for capacity-building or pilots
- **Recoverable Grants:** Returned if certain milestones are met
- **Loans:** Low-interest or no-interest loans to support capital expenses
- **Equity:** Ownership stakes in mission-aligned ventures (often social enterprises)

Choose based on:

- Risk tolerance
- Revenue model
- Long-term strategy
- Organizational readiness

### 7.2.2 Drafting the Agreement

A good investment agreement includes:

- Purpose and objectives
- Type and amount of funding
- Disbursement schedule (milestone-based if appropriate)
- Reporting and learning expectations
- Roles and responsibilities of both parties
- Conflict resolution mechanisms
- IP ownership and exit clauses (if applicable)

Use plain language where possible. Avoid legalese. Make sure all parties understand and agree. Legal agreements are written by lawyers!!

## 7.3 Sharing and Managing Risk

In venture philanthropy, risk is inevitable—but it should never be invisible. Social ventures operate in complex, often unpredictable environments. Managing risk means acknowledging it openly, planning for it thoughtfully, and sharing responsibility across partners.

The first step is recognizing the **types of risk** involved. These may include operational risks (staffing or logistics challenges), financial risks (unstable budgets or donor dependency), impact risks (failure to achieve outcomes), reputational risks (public backlash or ethical concerns), and regulatory risks (noncompliance with laws or policies). Each carries different implications for the venture and the funder.

Venture philanthropy doesn't eliminate risk—it **manages it smartly**. Tools like a **risk register** help map potential risks, assess their likelihood and impact, and identify mitigation strategies. Common approaches

include reserving funds for contingencies, diversifying implementation pathways, or running small pilots before full rollouts.

**Staged funding** is another effective method. By tying disbursements to specific milestones, you limit exposure while maintaining momentum. Staying closely engaged through board participation, mentoring, or regular check-ins also ensures you can intervene early if challenges arise.

Ultimately, managing risk is about trust, communication, and adaptability. When risk is shared—not shifted—it strengthens the partnership and creates space for responsible innovation.

### 7.3.1 Recognize Risk Types

Social ventures carry multiple risks:

- **Operational:** Staffing, logistics, infrastructure
- **Financial:** Budget overruns, donor dependency
- **Impact:** Failing to achieve intended outcomes
- **Reputational:** Ethical concerns, community backlash
- **Regulatory:** Legal or compliance failures

### 7.3.2 How VP Manages Risk

- Start with a risk register—map each risk and assess its probability and impact.
- Develop mitigation plans (e.g., reserves, back-up suppliers, scenario planning).
- Fund in tranches to limit exposure.
- Stay engaged: board participation, mentoring, real-time data.

Remember: risk is your friend! Risk is not something to avoid—it's something to **understand and manage**.

## 7.4 Establishing Governance

Good governance ensures that venture philanthropy investments are not only well-managed, but mission-aligned and accountable. It's the structure through which decisions are made, conflicts are resolved,

and responsibilities are shared. The right governance model balances oversight with trust—and adapts to the size, complexity, and risk level of the investment.

For smaller or early-stage investments, a light-touch approach such as an **advisory committee** may be sufficient. For more strategic partnerships—especially with startups or tri-sector collaborations—**board participation** or **joint governance bodies** may be appropriate. These models allow for greater involvement in strategy, risk management, and course correction.

Regardless of the structure, governance should rest on three principles: **transparency**, **mutuality**, and **accountability**. Information must flow freely and regularly between partners. All voices—especially those closest to the problem—must be heard. Decision rights and escalation pathways should be clearly defined.

Governance is not about control. It's about **stewardship**—ensuring that the venture stays true to its mission while adapting to new information and evolving realities. When designed thoughtfully, governance builds trust, surfaces issues early, and creates space for shared learning. It turns the funder-venture relationship into a true partnership, with shared responsibility for outcomes that matter.

#### 7.4.1 Options for VP Governance

Model	When to Use
<b>Advisory Committee</b>	Early-stage, exploratory, or small investments
<b>Board Participation</b>	Strategic alignment, especially with startups
<b>Joint Governance Body</b>	Collective impact or tri-sector partnerships
<b>No formal role</b>	Low-risk, low-touch grants

Governance structures should reflect the **level of risk and engagement** desired.



### 7.5.1 Define Key Metrics Together

- Co-develop KPIs (Key Performance Indicators)
- Align metrics with the agreed-upon definition of success
- Mix outputs (e.g., number of people trained) and outcomes (e.g., employment rates)

### 7.5.2 Reporting Cadence

- Monthly or quarterly written updates
- Annual learning reports
- Dashboards for real-time indicators

### 7.5.3 Using Data to Improve

- Create regular “learning check-ins” with venture leadership
- Review data not just for compliance, but for learning
- Allow room for course correction and innovation

### 7.5.4 What to Avoid

- Overburdening small teams with excessive reporting
- Tracking vanity metrics that don’t link to impact
- Using data punitively

The goal is to **use measurement to drive improvement**, not just accountability. Measurement helps you know when things are not going well, too so that you can right the ship.

## 7.6 Real-World Examples

### 7.6.1 Example: Structuring a Recoverable Grant

A VP funder supports a digital literacy startup in South Asia. They provide \$250,000 in a recoverable grant:

- \$100,000 upfront for platform development
- \$150,000 released upon user growth milestones
- If targets are met, 50% of the grant is repaid over 3 years and reinvested into similar ventures

**Result:** The venture scaled to 100,000 users. Partial repayment allowed the funder to seed another education initiative.

### *7.6.2 Example: Participatory Governance*

A climate-focused VP funder invests in a regenerative agriculture network. Governance includes:

- Two farmer representatives on the oversight committee
- Quarterly strategy meetings open to stakeholders
- Community-led evaluations

**Result:** Strong buy-in, improved accountability, and locally tailored interventions.

# 8

## Using the DACMAR Framework to De-risk Investments

### The DACMAR framework

**DACMAR** is a practical framework designed to help venture philanthropists **de-risk complex investments** while maximizing long-term social impact. It stands for **Disruption, Adoption, Collaboration, Management, Adaptability, and Resource Optimization**—six domains that determine whether a venture is built to succeed or likely to falter.

# Take Away

## What Is DACMAR?

DACMAR is an acronym for:

- **Disruption** – Is the innovation transformative?
- **Adoption** – Will it be embraced by stakeholders?
- **Collaboration** – Are the right partners involved?
- **Management** – Can the leadership execute?
- **Adaptability** – Can the venture pivot when needed?
- **Resource Optimization** – Are they getting maximum value from available inputs?

Each element is a risk filter. Collectively, DACMAR acts like a GPS system for venture philanthropists—guiding you through uncertain terrain with clarity, direction, and confidence.

Each domain plays a critical role:

- **Disruption** asks whether the solution offers a meaningful change.
- **Adoption** ensures the people it's meant for will actually use it.
- **Collaboration** checks that partners are aligned and engaged.
- **Management** evaluates whether leadership can execute the vision.
- **Adaptability** assesses readiness to pivot when conditions change.
- **Resource Optimization** verifies smart use of time, talent, and capital.

The DACMAR framework transforms risk from a liability into a leadership tool. For venture philanthropists tackling complex problems—from rare disease therapies to community health to climate innovation—risk is unavoidable. What distinguishes great funders is not avoidance of risk, but the ability to structure it. DACMAR provides this structure through six interconnected domains: Disruption, Adoption, Collaboration, Management, Adaptability, and Resource Optimization.

By applying DACMAR, funders can evaluate early-stage ventures more rigorously, identify weak points in strategy or execution, and provide support that is both hands-on and high-impact. The framework is built on real-world data, drawn from 26 leading rare disease organizations that used VP to fund what traditional investors deemed too risky. These groups didn't just survive—they outperformed, accelerated translation, and created new models for inclusive innovation.

DACMAR is flexible enough for any VP context, scalable across portfolios, and actionable at every stage—from due diligence through exit. It empowers funders to stay bold without being blind, and to turn philanthropic capital into catalytic capital.

For anyone serious about using venture philanthropy to drive durable change, DACMAR isn't just helpful—it's essential. It's how good intentions become smart investments. And it's how smart investments build a better future.

## Where Strategy Meets Safety: Making Smart Risk Work for You

Risk is an inherent part of venture philanthropy (VP). We invest in unproven ideas, early-stage startups, and solutions that often live in regulatory or

financial gray zones. That's the point: to fund what others won't. But that doesn't mean we take risk blindly. Good VP is not fearless—it's structured. That's where **DACMAR** comes in.

DACMAR is a strategic framework that helps funders systematically de-risk their investments. It was developed through rigorous analysis of 26 VP organizations working in rare disease therapy and tested through focus groups and stakeholder interviews. It isn't a replacement for due diligence—it's the structure that elevates due diligence into a repeatable, scalable strategy for better bets and deeper impact.

### 8.1. Disruption: Invest Where It Counts

Disruption doesn't mean chaos. It means a significant change in how a problem is solved. In rare disease VP, disruption often comes from supporting therapies (e.g., CRISPR, gene therapy, ASOs) that traditional investors overlook because they don't serve large markets.

**From the field:** The Cystic Fibrosis Foundation's (CFF) early investment in Vertex was disruptive because it aimed to treat the root genetic cause—not just manage symptoms. It challenged not only scientific convention but also business logic.

**Apply this:** In your VP practice, ask:

- Does this venture have the potential to change the field, not just improve on the status quo?
- Is this solution too risky, too early, or too narrow for traditional capital?

Disruption doesn't have to be tech-based. It can be a new business model, regulatory approach, or community-led design. What matters is that it offers a step change, not just an incremental advance.

### 8.2. Adoption: The Road From Innovation to Impact

A great idea without adoption is just a theory. De-risking means asking: who will use this? Why? When?

In the 2025 study, adoption was the biggest predictor of clinical and translational success. Projects that involved patient communities, clinicians, or regulators from the start had significantly higher chances of attracting follow-on investment and moving through clinical pipelines.

**From the field:** Angelman Syndrome Foundation co-designed their clinical trials with families, resulting in better recruitment, retention, and eventual FDA engagement. This isn't just good ethics—it's smart risk mitigation.

**Apply this:** Funders should evaluate whether:

- Patient or end-user voices shaped the design.
- The solution aligns with current regulatory pathways and clinical workflows.
- Stakeholder incentives (e.g., payer reimbursement, clinical guidelines) support adoption.

High adoption reduces downstream friction. It also shortens the time to impact.

### 8.3. Collaboration: The Power of Many

Almost all high-performing VP organizations in the 2025 study shared one trait: cross-sector collaboration. Rare disease is complex. No single actor—be it a biotech, nonprofit, or regulator—can solve it alone.

**From the field:** The Children's Tumor Foundation's "Synodos" model convened funders, scientists, and regulators to coordinate research agendas and accelerate clinical trials for neurofibromatosis. This kind of pre-competitive collaboration reduces duplication and aligns incentives.

**Apply this:** Ask:

- Who is in the room—and who is missing?
- Are partnerships transactional or transformational?
- Is there formal coordination (e.g., MOUs, data-sharing agreements)?

Collaboration mitigates strategic risk by creating shared accountability and mutual reinforcement. It turns silos into synergies.

## 8.4. Management: Execution Is Everything

No idea succeeds without competent leadership. Yet, the 2025 VP study showed that many funders overlook this during diligence. The lowest-performing organizations all had weak governance or leadership instability.

**From the field:** CureDuchenne's success stemmed in part from their investment in leadership development—mentoring CEOs, providing financial coaching, and setting up milestone governance structures.

**Apply this:** In your VP model:

- Include leadership assessment as part of due diligence.
- Offer non-monetary support (mentorship, legal counsel, HR guidance).
- Consider milestone-based disbursement linked to execution quality, not just outputs.

Leadership is the only risk you can't pivot away from. Invest in it early.

## 8.5. Adaptability: Plan to Pivot

Innovation is not a straight line. In fact, the 2025 study found that ventures that failed to pivot after regulatory or clinical setbacks had double the failure rate.

**From the field:** CRDF initially funded cell therapies for FOXG1 syndrome but switched focus to antisense oligonucleotides (ASOs) after early setbacks. The pivot—supported by flexible VP funding—allowed them to stay in the game.

**Apply this:** VP funders should:

- Build flexibility into term sheets (e.g., allow for midstream budget or scope changes).
- Encourage learning reviews after major milestones.
- Fund adaptive capacity (e.g., scenario planning, real-time data analytics).
- If your venture isn't learning, it's losing. Flexibility is your risk shock absorber.

## 8.6. Resource Optimization: More Impact, Less Waste

This domain asks the simplest question with the biggest implications: Are we using what we have wisely?

The 2025 study found that top-performing VP ventures stretched their capital further by:

- Leveraging in-kind support (e.g., academic resources, patient registries)
- Attracting co-investors after de-risking
- Sharing data publicly to avoid duplication

**From the field:** Global Genes Alliance helped rare disease startups access de-identified clinical datasets, cutting years off their development timeline and saving millions in research costs.

**Apply this:** In your portfolio:

- Encourage shared infrastructure (labs, trials, data)
- Evaluate the venture's capital efficiency (impact/\$)
- Promote open science where feasible

This isn't penny-pinching. It's mission maximization.

## DACMAR in Action: A Repeatable Framework

The power of DACMAR lies in its repeatability. You can use it across:

- **Pre-investment due diligence:** As a diagnostic tool.
- **Ongoing monitoring:** Score ventures across domains annually.
- **Portfolio management:** Prioritize follow-on funding for ventures with strong DACMAR alignment.
- **Exit strategy:** Use DACMAR scores to signal readiness for scale or handoff.

In the 2025 manuscript, high-DACMAR ventures had significantly higher success across:

- Clinical trial initiation (72% vs 41%)
- Stakeholder engagement scores
- **Likelihood of securing downstream investment**

## A Note on Equity and Inclusion

The 2025 analysis also showed that DACMAR domains are critical to extending VP into **low- and middle-income countries (LMICs)**—where traditional VC is nearly absent. Ventures that optimized collaboration, resource use, and adaptability in LMIC settings showed resilience despite weak formal infrastructure.

De-risking in LMICs isn't about lowering standards—it's about **reframing excellence through context**. DACMAR helps funders adjust expectations while preserving impact.

## Final Thought: Risk Is Not the Enemy

You're a venture philanthropist. You operate at the edge of the possible. Risk is not your enemy—it's your territory. But risk without structure becomes waste. The DACMAR framework turns chaos into a plan, and boldness into sustainable impact.

Used well, DACMAR helps you:

- Choose better ventures.
- Support them more effectively.
- Build systems that learn and adapt.
- Exit with confidence—not regret.

The best funders don't avoid risk. They build the scaffolding for it.

Let DACMAR be your scaffolding<sup>1</sup>.

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1 LEVINE JA, Venture philanthropy in rare disease therapy, *Rare*, Volume 3, 2025, 100099, ISSN 2950-0087, <https://doi.org/10.1016/j.rare.2025.100099>.

# 9

## What to Expect Along the Way

### **Navigating Roadblocks, Embracing Failure, and Staying Mission-Aligned**

Venture philanthropy (VP) is often portrayed as a linear path from strategy to success—choose the right partners, fund a promising model, and await measurable impact. However, the journey is far more complex. Setbacks are not just possible; they are inevitable. Whether you're investing in a social enterprise, scaling a nonprofit, or backing a public sector innovation, there will be moments when your plan falters. The real test of venture philanthropy is how you respond when things don't go according to plan.

# Take Away

Venture philanthropy is a journey filled with surprises, setbacks, and breakthroughs. What matters most is not avoiding bumps in the road—but knowing how to navigate them with purpose, adaptability, and integrity.

This chapter has explored the most common challenges you'll encounter along the way: slow starts, failed pilots, mission drift, partner turnover, and the occasional full-on failure. But each challenge is also an opportunity: to pivot smartly, to recommit to values, to support your partners in new ways, and to learn together.

The best venture philanthropists stay focused on impact—even when progress is messy. They plan for surprises, respond with empathy, and

treat failures as fuel for future success. They hold themselves and their partners accountable to learning—not just outcomes.

Above all, they stay mission-aligned. They never forget the people and problems they set out to support. And when things go wrong, they don't walk away—they lean in.

With the tools and mindsets you've gained so far, you're ready to meet the challenges of venture philanthropy head-on.

In the next chapter, we'll explore what happens at the end of a VP investment—and how to exit wisely, reinvest smartly, and build a legacy of change.

This chapter addresses the unpredictable and often messy middle of the VP journey. It focuses on the practical and emotional dimensions of investing for social good when challenges arise. Projects can stall due to leadership changes, community resistance, regulatory shifts, or unforeseen events like pandemics. Metrics can fall short. Relationships may become strained. Even when the mission is clear, the path can become clouded with competing pressures.

Yet these roadblocks don't mark the end of a venture—they are a natural part of its evolution. Savvy funders anticipate these difficulties and build in buffers, scenarios, and support systems. They know when to pivot and how to do so responsibly. They treat failure not as an endpoint, but as an invitation to learn and improve.

At the heart of this chapter is a reminder: venture philanthropy is not about controlling every outcome. It's about showing up with humility, being a reliable partner through uncertainty, and staying anchored to your mission when pressure tempts deviation. We explore practical tools like the "Traffic Light Review," lessons-learned memos, and values-based decision-making frameworks. You'll hear real-world examples of what happens when VP funders lean into crisis rather than retreat—and how those moments can catalyze stronger, more resilient ventures.

Ultimately, this chapter is about preparing you not just to weather storms, but to grow through them. In venture philanthropy, how you handle the hard parts defines your effectiveness as much as any financial input or strategic plan. The goal is not perfection—but progress with purpose, perseverance, and clarity.

So here we go....

This chapter prepares you for the **real-life journey** of venture philanthropy. It offers practical insights into common challenges—and how to navigate them with purpose and resilience. You'll learn to:

- Identify and manage roadblocks
- Pivot when conditions change
- Embrace and learn from failure
- Stay aligned to mission in times of uncertainty

VP isn't about controlling every step—it's about adapting as you go, without losing sight of your destination.

## 9.1 Expect Setbacks—and Plan for Them

Setbacks are not exceptions in venture philanthropy—they’re part of the process. Social change is complex, and even the most promising initiatives will face disruptions. Slower-than-expected uptake, leadership turnover, community resistance, or shifts in policy can all stall progress. These challenges aren’t signs of failure—they’re signals to adapt.

The key is to anticipate roadblocks and build resilience into your approach. This means setting realistic timelines, funding emergency reserves, and maintaining open communication with partners. Regular check-ins and scenario planning ensure you’re not caught off guard when conditions change.

One effective tool is the “Traffic Light Review.” During quarterly reviews, ventures are assessed using three categories: Green (on track), Yellow (emerging risks), and Red (off track, needs intervention). This simple system fosters early conversations and collaborative problem-solving.

Above all, setbacks are opportunities to reaffirm your commitment—not retreat. By planning for turbulence, you create space for innovation, flexibility, and shared learning. Successful VP funders don’t avoid problems; they expect them, and prepare to face them with clarity, support, and purpose.

Being ready for the unexpected isn’t pessimism—it’s good stewardship. Building resilience into your funding strategy ensures that your mission can weather disruption and continue to make impact.

Social change is hard. Even the most carefully designed venture philanthropy initiatives encounter roadblocks.

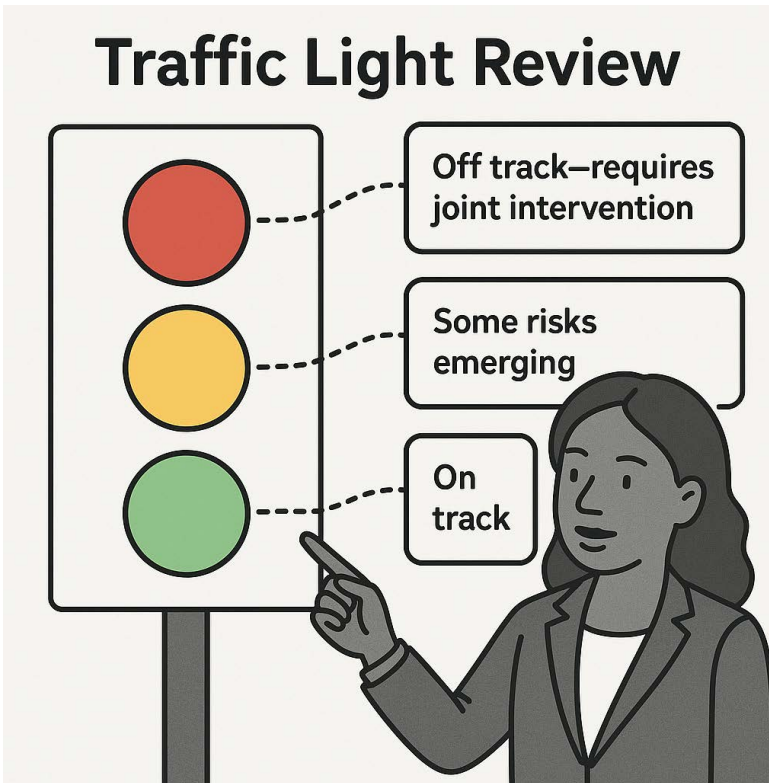
### *Common Setbacks:*

- **Slower-than-expected uptake**
- **Leadership transitions**
- **Regulatory changes**
- **Community resistance**
- **Partnership breakdowns**

### What You Can Do:

- Build **buffer time** into milestones
- Fund an **emergency reserve** for critical ventures
- Maintain **open channels** of communication with grantees
- Keep a **scenario plan** with contingency options

### Tool: Traffic Light Review



Use quarterly reviews with ventures:

- **Green:** On track
- **Yellow:** Some risks emerging
- **Red:** Off track—requires joint intervention

This simple tool fosters honest conversation and early intervention.

## 9.2 When—and How—to Pivot

In venture philanthropy, even the best-laid plans can falter. A pivot may be necessary when the social impact falls short, external conditions shift, or feedback reveals deeper flaws in the model. But pivoting is not failure—it's strategic adaptation. The key is recognizing inflection points early. Are beneficiaries disengaged? Is the evidence base evolving? Has the regulatory or funding landscape changed? If so, reframe the problem, revisit your theory of change, and engage stakeholders transparently. A successful pivot retains the core mission but shifts the method, partner, or scale. For example, a tech-based intervention might pivot from direct service delivery to data-sharing infrastructure. Done well, a pivot strengthens credibility and resilience. The process should be deliberate: assess impact data, consult partners, and set clear new milestones. Ultimately, a good pivot is mission-aligned, evidence-informed, and purpose-driven—not reactive, but responsive.

Sometimes, it becomes clear that a plan isn't working. Pivoting doesn't mean failure—it means listening, learning, and adjusting.

### Signs a Pivot Is Needed:

- Results plateau or decline
- Context has changed (e.g., war, pandemic, policy)
- New evidence shows a better way

### How to Pivot Responsibly:

- Revisit the **original problem and goals**
- Work with the venture to **analyze the gap** between effort and impact
- Involve **key stakeholders** in decision-making
- Document what you're changing—and why

## Case Study: Pivoting for Climate

A clean cookstove initiative failed to scale in urban markets. Data showed rural uptake was stronger. The team redirected efforts, redesigned marketing, and forged rural partnerships. Within 18 months, adoption doubled.

## 9.3 Learning from Failure

Failure is inevitable in venture philanthropy—and essential. Unlike traditional philanthropy, which often hides setbacks, venture philanthropy treats failure as data. When a project misses its targets, it offers a chance to uncover flawed assumptions, test alternatives, and refine your approach. The key is to build a culture where failure is not punished but analyzed. Was the intervention poorly timed? Were partners misaligned? Did you measure the wrong outcomes? Instead of burying the results, document them, share them with stakeholders, and apply the lessons forward. Transparency builds trust and accelerates learning—both within your organization and across the field. Some of the most influential innovations in social change emerged from projects that initially failed. But they failed intelligently, with rigorous reflection and adaptive response. In short, failure isn't the end of the story—it's part of the process. Managed well, it becomes a catalyst for greater clarity, innovation, and impact.

Failure is part of venture philanthropy. Not every investment will succeed—and that's okay. What matters is how you respond.

### *What Smart Failure Looks Like:*

- Transparent communication
- Rapid documentation and analysis
- Sharing lessons internally and publicly
- Supporting the team to land safely

### *Tip: Create a "Lessons Learned" Memo*

When a venture fails, draft a 2-page memo:

- What we set out to do
- What happened instead
- Key takeaways
- Advice for others

Make this part of your portfolio's learning practice.

## 9.4 Managing Mission Drift

*Mission drift* occurs when a venture philanthropy initiative gradually strays from its original purpose—often in pursuit of funding, scale, or external validation. It can be subtle: a shift in language, a change in metrics, or the addition of programs that dilute focus. Left unchecked, mission drift undermines credibility and impact. Managing it requires discipline and clarity. Begin by articulating a clear mission statement and using it as a decision-making filter. Regularly ask: Does this partnership, activity, or outcome align with our core purpose? Governance structures—such as mission audits, values-aligned advisory boards, or “mission check” points in investment reviews—can help flag early signs of drift. Transparency with partners and funders is also essential; if trade-offs must be made, make them consciously and with shared understanding. Staying mission-true doesn’t mean being rigid—it means evolving without losing your anchor. The most effective ventures adapt creatively while remaining rooted in purpose.

In the pressure to meet targets or scale fast, some ventures drift from their core purpose. Funders do, too.

### Warning Signs:

- More attention on fundraising than service
- Metrics overshadowing values
- Compromise on partner integrity for growth

### Staying Anchored:

- Revisit your **theory of change** regularly
- Use values-based decision-making frameworks
- Include community voice in strategy reviews

Mission alignment isn’t just about what you fund—it’s about how you act.

## 9.5 Supporting the Venture Through Rough Patches

Every venture—no matter how promising—will face difficult periods: delays, cost overruns, staff turnover, or unforeseen external shocks. In venture philanthropy, your role goes beyond funding. You are a strategic partner, especially when things go wrong. First, stay engaged. Check in regularly and listen without judgment. Second, offer flexible support—this might mean restructuring timelines, adjusting goals, or connecting the team with expert advisors. Third, avoid the blame game. Instead, help the venture identify root causes and co-develop a recovery plan. Sometimes, just showing up with patience and belief in the mission can be transformational. Rough patches test resilience. With the right backing, they can also build it—strengthening leadership, sharpening focus, and reaffirming the shared commitment to impact.

As a VP funder, you're a partner—not just a bank. When things go wrong, your support matters.

### *Ways to Help:*

- Coaching and mentoring
- Helping restructure leadership or boards
- Reallocating funding to core capacity (e.g., finance, HR)
- Reframing success metrics

### *Real-World Example:*

A VP funder stepped in when a mental health nonprofit lost its executive director. They helped form a search committee, provided interim funding for operations, and brought in a transition coach. Six months later, a new CEO was hired and the program expanded.

## 9.6 Staying Focused on Impact

In venture philanthropy, it's easy to get distracted by growth metrics, media attention, or fundraising cycles. But true success lies in sustained social impact. Staying focused means continuously asking: Are we improving lives in the way we set out to? Define clear impact goals from the outset and revisit them regularly. Use data to guide decisions—

not just to report outcomes, but to refine strategies. Align every pivot, partnership, and dollar spent with the mission. When in doubt, return to the core purpose. Impact, not activity, is the ultimate measure of success—and the north star that keeps your venture on course.

In times of stress, it's easy to shift focus to activity, optics, or politics. The VP mindset keeps impact front and center.

### Strategies:

- Reframe setbacks in terms of the end beneficiaries
- Use a shared dashboard to maintain focus
- Hold learning days to zoom out and refocus

Ask: **Are we still solving the problem we set out to solve?**

## 9.7 Building Organizational Resilience

Resilience is the capacity to endure difficulty, adapt under pressure, and emerge stronger from disruption. In the context of venture philanthropy, resilience is not just an individual trait—it's a vital organizational capability. Social ventures operate in high-stakes, resource-constrained, and rapidly evolving environments. Whether it's an unexpected funding cut, a failed pilot, or a global crisis, resilient organizations can respond constructively rather than collapse under stress.

At its core, resilience is about more than survival; it's about sustaining purpose through uncertainty. And like any capability, it can be intentionally cultivated. Resilience training typically focuses on developing emotional intelligence, adaptive thinking, and stress management in individuals. But in organizations, it's about embedding structures, cultures, and practices that prepare teams to navigate complexity and stay mission-focused—even in turbulence.

This chapter explores the building blocks of organizational resilience within venture philanthropy. While most strategies focus on program execution or financial modeling, few explicitly address how a team recovers from setbacks, sustains morale through slow progress, or re-centers after a failed initiative. Yet these “soft” capacities often determine whether a venture survives long enough to achieve impact.

**Building Organizational Resilience** begins by defining what resilience looks like at the systems level—adaptability, redundancy, transparency, and distributed leadership. We examine how resilient ventures anticipate challenges without becoming risk-averse, and how they build feedback loops that enable continuous learning.

The section also explores governance tools that can protect mission integrity in moments of pressure—such as scenario planning, adaptive budgeting, and values-based decision frameworks. It considers how culture plays a role: organizations that foster psychological safety, shared purpose, and open communication are better equipped to weather storms.

Importantly, resilience doesn't mean being inflexible or immune to pain. It means bouncing forward—not just back—when things don't go as planned. A resilient venture learns from disruption, reinvents itself if necessary, and doubles down on mission when it matters most.

Whether you are a funder supporting multiple ventures or a team member building from within, investing in organizational resilience is a strategic imperative. This section provides the tools and mindsets to do just that—so that the work not only endures, but grows stronger through adversity.

Prepare your own organization for the journey, too.

### **VP Funder Resilience Practices:**

- Build a team culture of curiosity and honesty
- Debrief both wins and losses
- Document decisions, not just results
- Invest in your own learning (e.g., field visits, conferences)

Remember: you're a learner too.

## 9.8 Case Examples: Navigating the Unexpected

### Example 1: Navigating a Pandemic

A VP-backed health venture delivering school clinics was upended by COVID-19. Schools closed. Budgets were frozen. Together, the venture and funder:

- Shifted to telehealth
- Created a 6-month emergency budget
- Partnered with a local broadband provider

Result: 20,000 students continued to receive care virtually.

### Example 2: Saving a Promising Model

An education startup hit a data breach. The funder helped secure legal counsel, conduct audits, and rebuild trust. The crisis became a catalyst for a stronger privacy framework and new investor confidence.

# 10

## Exiting, Reinventing, and Reinvesting

### **How VP Projects Wrap Up, What to Do With Returns, and Building Long-Term Change**

All good things must come to an end—and that includes venture philanthropy investments. But endings in VP are never just about “wrapping up.” They’re about maximizing what was built, honoring what was learned, and preparing for what comes next.

# Take Away

Exiting a venture philanthropy project is not the end of the story—it's the moment when impact either fades or expands. A thoughtful exit ensures sustainability, preserves relationships, and amplifies what was achieved.

This chapter laid out how to prepare for exit from day one, manage the transition responsibly, and repurpose what's been built—whether it's capital, learning, or partnerships. Done well, exits become reinventions: of strategy, of systems, of relationships. Even if the project ends, the mission endures.

When financial returns come back, reinvest them with intention. When social returns emerge, share them widely. And above all, build

legacies—not dependencies. The goal of VP is not to fund forever. It's to create structures, solutions, and leaders that thrive without you. So as you plan your exit, ask yourself: What did we learn? Who carries the work forward? How can we ensure this isn't the end—but the next beginning?

The final chapter will walk you through exactly that: starting your own VP initiative from scratch—and putting all these tools into action.

This chapter explores what happens **after** the grant, loan, or partnership ends. It walks you through how to exit wisely, how to handle financial or social returns, and how to reinvest those insights, resources, and relationships into the next cycle of change.

In VP, exits aren't retirements—they're reinventions.

## EXITING, REINVENTING, AND REINVESTING

### Planned Exit

Occurs when the original agreement concludes as designed

### Planning for Exit

Begin exit planning at the time of investment, include strategies for continuation, and document the path

### How to Institutionalize What You've Learned

Every VP exit is a learning opportunity. Capture it



### Building a Legacy of Change

Legacy is built by strengthening institutions, equipping leaders, and contributing to system shifts

### Emergency Exit

Triggered when circumstances force the partnership to end prematurely

### Managing the Final Year

The final year should focus on capacity building, knowledge transfer, and recognition

### Reinventing the Relationship

Exiting a funding relationship doesn't have to mean neo-disappearing

### 10.1 What Makes a Good Exit?

A good exit in venture philanthropy is not simply about ending a financial relationship—it's about setting the stage for lasting impact. The most

effective exits are planned early, communicated clearly, and aligned with the venture's long-term goals. They ensure that the organization is not left dependent but rather strengthened and equipped to continue without ongoing support. A good exit reflects mutual trust, celebrates achievements, and captures lessons learned for future use. It includes sustainability strategies—such as diversified revenue, partnerships, or policy integration—that allow the work to thrive. Crucially, it involves all stakeholders: funders, leaders, communities, and beneficiaries. Abrupt or ambiguous exits can cause confusion, erode progress, and damage relationships. In contrast, well-managed exits create space for reinvention and reinvestment. They transition responsibility with grace, transfer knowledge effectively, and mark a meaningful shift from external support to internal strength. In short, a good exit ensures that the mission outlasts the funding.

A good VP exit is:

- **Planned** well in advance
- **Aligned** with the venture's goals and capacity
- **Sustainable** for the venture's future
- **Reflective**, offering learning for all involved

Too often, funders exit abruptly or with unclear signals. The result: confusion, resentment, and sometimes, collapse. A well-managed exit ensures that value continues—without dependency.

## 10.2 Types of Exits in Venture Philanthropy

Exits in venture philanthropy (VP) come in various forms, each shaped by the evolving dynamics of the project, funder, and ecosystem. Understanding these types helps funders and ventures prepare appropriately and preserve long-term impact.

**Planned exits** occur when the investment concludes as originally agreed—often at the end of a multi-year grant or support period. These exits are pre-structured and incorporate sustainability measures from the beginning, such as capacity building, new funding pipelines, or integration into public systems.

**Strategic exits** happen when the partnership ends earlier or later than expected, based on strategic developments. For instance, if a venture scales successfully and is adopted by a government body, continued philanthropic funding may no longer be necessary. These exits are collaborative and mission-aligned, often marking success rather than failure.

**Emergency exits** are rare but necessary in cases of ethical breaches, leadership breakdowns, or fundamental flaws in execution. While difficult, they must be handled with clarity and care to preserve stakeholder trust and protect beneficiaries.

Each type of exit benefits from transparent communication, shared reflection, and formal closure processes. Regardless of the reason or timing, the goal remains the same: to exit responsibly, without undermining the venture's ability to thrive beyond the funder's support.

### *10.2.1 Planned Exit*

Occurs when the original agreement concludes as designed.

Example: A 3-year grant for systems transformation with a clear end-date and sustainability strategy.

### *10.2.2 Strategic Exit*

Happens when the funder and venture agree it's time to transition, even if the original term isn't complete.

Example: The model has scaled successfully and is now integrated into a government program.

### *10.2.3 Emergency Exit*

Triggered when circumstances force the partnership to end prematurely.

Example: Ethical issues arise, leadership fails, or objectives prove unachievable.

Each type of exit benefits from clarity, empathy, and structure.

### 10.3 Planning for Exit from the Start

In venture philanthropy, a successful exit begins long before the final grant cycle or funding milestone. Exit planning should be embedded at the outset of every investment. This means clearly defining what success looks like, how sustainability will be achieved, and who will take ownership when funding ends. Strong planning includes tools like term sheets, memoranda of understanding (MOUs), and sustainability roadmaps that outline roles, timelines, and indicators for transition.

Key questions to ask early include: What happens when funding ends? Who maintains operations, data, or technology? What external supports are needed to ensure continuity? Proactive planning helps ventures build capacity—financial, operational, and leadership—so they can stand independently. It also helps funders align expectations, reduce last-minute surprises, and manage risk.

Ultimately, planning for exit from day one reinforces that venture philanthropy is not about perpetual support—it’s about building something durable that outlasts the investment itself.

#### Key Principles:

- **Start early:** Begin exit planning at the time of investment.
- **Build in sustainability:** Include strategies for continuation (e.g., earned revenue, public adoption, new funders).
- **Document the path:** Use term sheets or MOUs to specify roles, timelines, and signals for wrap-up.

#### Questions to Ask Early:

- What happens after the funding ends?
- Who takes ownership of the outcomes?
- What systems will be in place to support continuity?

### 10.4 Managing the Final Year

The final year of a venture philanthropy investment is a critical period—less about winding down and more about ensuring continuity and honoring what’s been built. It’s the time to focus on transferring knowledge, strengthening organizational capacity, and preparing the

venture to succeed independently. Priorities should include shoring up key operational areas such as finance, HR, and governance, while also documenting lessons learned, codifying processes, and ensuring institutional memory.

Clarity is essential. Stakeholders should know what to expect regarding data ownership, intellectual property, and public communications. This is also the time to celebrate contributions—through events, reports, or recognition of leadership—to foster a sense of closure and pride.

An “exit summit” can bring together partners, funders, and beneficiaries to reflect on the journey, share outcomes, and reinforce relationships that may continue informally. Managing the final year with intentionality transforms exit from an endpoint into a platform for sustained impact.

The final year should focus on:

- Capacity building (finance, HR, ops)
- Knowledge transfer and documentation
- Celebrating and recognizing contributions
- Clarifying expectations around data, intellectual property, and public communications

Host an “exit summit” to:

- Share progress
- Reflect on lessons
- Set up post-investment networks or alumni support

## 10.5 What to Do With Financial Returns

In venture philanthropy, financial returns—though not always expected—can become powerful tools for reinvestment. These returns may come from revenue-sharing models, loan repayments, equity buybacks, or other impact-linked financial structures. Unlike traditional philanthropy, where funds are often one-way, VP encourages a regenerative approach: recycling capital to deepen and expand impact.

Returned funds can be used to reinvest in similar ventures, support early-stage innovation, or create a revolving fund for future cycles. Some funders channel returns into shared infrastructure—such as data

platforms, capacity-building programs, or collaborative networks—that benefit entire portfolios. Others use returns to incubate new initiatives, with a focus on underserved populations or untested models.

The key is intentionality. Rather than treating returns as a surplus, funders should align reuse with mission and strategic goals. For example, a \$200,000 repayment from a successful health tech investment might be used to seed a women-led telehealth startup. Financial returns, when thoughtfully redeployed, become multipliers of long-term social value.

In some VP models, the venture repays part of the investment—through a loan, equity buyback, or revenue share.

### Options for Reuse:

- Reinvest in similar ventures
- Create a revolving fund
- Support portfolio-level capacity (e.g., data platforms)
- Incubate new initiatives using returns as seed capital

### Example: Recycled Capital in Practice

A VP foundation supporting health tech receives \$200,000 back from a successful exit. It uses the funds to seed a women-led telehealth startup addressing postnatal care.

## 10.6 What to Do With Social Returns

Even when no financial capital comes back, venture philanthropy consistently generates valuable social returns. These non-financial outcomes—such as data, models, relationships, tools, and community trust—are essential assets that can fuel future initiatives and strengthen the broader ecosystem. The key is to recognize, capture, and actively repurpose them.

Impact data and case studies, for instance, can inform future funding decisions, inspire replication, or be shared publicly to advance the field. Infrastructure developed during the venture—such as digital tools, monitoring systems, or training curricula—can often be adapted and reused. Relationships built with communities, policymakers, or technical experts may evolve into lasting collaborations.

A good practice is to map these social returns during the final year of a project and determine how they can be transitioned to others—such as open-sourcing a platform, hosting a public knowledge-sharing session, or training local partners to carry the work forward.

Example: A youth entrepreneurship nonprofit develops a mentoring model. After VP funding ends, the program is open-sourced and adopted by public schools nationwide. In this way, social returns—when nurtured—become the foundation for enduring, scaled impact beyond the initial investment.

Even if no money comes back, you still gain enormous value:

- Impact data
- Case studies
- Community relationships
- Infrastructure (e.g., a working app, a new evaluation tool)

These assets can be shared, scaled, or adapted for future initiatives.

### **Example:**

A youth entrepreneurship nonprofit builds a mentoring model. After VP funding ends, the model is open-sourced and adopted by school districts nationwide.

## **10.7 Reinventing the Relationship**

Exiting a venture doesn't have to mean ending the relationship. In fact, some of the most impactful outcomes of venture philanthropy emerge after the formal investment concludes. Reinventing the relationship means shifting from funder to ally—offering guidance, visibility, and connection without ongoing financial dependence. Many VP funders stay engaged as informal advisors, invite former grantees to participate in peer review panels, or create alumni networks that foster collaboration across past ventures.

This new phase of engagement builds trust, strengthens the ecosystem, and ensures valuable institutional memory is not lost. It also helps identify future opportunities for co-investment or learning. The key is

mutual respect: the venture retains autonomy, while the funder continues to offer value in non-monetary ways.

By maintaining meaningful ties post-exit, VP funders demonstrate that relationships are not transactional—they're transformational. Reinventing the relationship turns closure into continuity, allowing past successes to inform and inspire what comes next.

Exiting a funding relationship doesn't have to mean disappearing. Many VP funders:

- Stay on as informal advisors
- Invite former grantees into selection panels
- Create peer-learning cohorts
- Serve as reference partners for future funding

Reinvention means **honoring past work while building future value**.

## 10.8 How to Institutionalize What You've Learned

Every VP exit is a learning opportunity. Capture it.

Every venture philanthropy exit is a rich source of learning—but that value is only realized if it's captured and institutionalized. Too often, lessons remain tacit, confined to individuals or scattered across emails and meeting notes. To avoid this, treat each exit as a structured learning opportunity. Conduct an "exit debrief" with your team to reflect on what worked, what didn't, and why. Document insights in playbooks, investment memos, or internal databases to inform future decisions.

Externally, share learning with the wider field: publish case studies, host webinars with the venture team, or present at sector events. Openly sharing failures as well as successes builds credibility and accelerates collective impact.

Over time, these institutionalized lessons shape better selection criteria, monitoring frameworks, and exit strategies. They turn anecdote into evidence, habit into method. In short, learning isn't complete until it's embedded—fueling continuous improvement and raising the bar for your next investment.

### Internal Practices:

- Conduct an “exit debrief” with your team
- Add key lessons to your playbook or investment memos
- Update your selection or monitoring tools based on insights

### External Sharing:

- Publish a short retrospective or case study
- Host a webinar or fireside chat with the venture team
- Present findings at funder or sector convenings

Sharing what worked—and what didn’t—helps the whole field grow.

## 10.9 Building a Legacy of Change

The true measure of venture philanthropy isn’t the size of the investment—it’s the durability of the impact. Building a legacy of change means creating outcomes that persist and evolve beyond the funding period. It’s not about supporting one project; it’s about strengthening the systems, institutions, and people that drive long-term transformation.

Legacy begins by equipping strong leaders, not just launching programs. It involves investing in organizational infrastructure—such as governance, operations, and evaluation capacity—that enables ventures to grow and adapt over time. Funders can also support the development of open-source tools, replicable models, or policy frameworks that extend beyond the original context.

Narrative change is another critical legacy dimension. By elevating stories of lived experience and impact, VP can shift public discourse and influence how problems and solutions are understood.

To build a true legacy, ask: What will still exist five years after I leave? Who will carry the work forward? What ripple effects are visible? The answers reveal whether the investment sparked a moment—or a movement.

When done well, venture philanthropy doesn’t just support impact. It seeds ecosystems, empowers leaders, and creates enduring value—laying the foundation for a more just and resilient future.

Legacy is built by:

- Strengthening institutions, not just programs
- Equipping leaders, not just funding projects
- Creating open-source tools and models
- Contributing to policy, system, or narrative shifts

Ask yourself:

- What will still exist five years after I exit?
- Who has been empowered?
- What ripple effects are visible?

### 10.10 Case Example: From Pilot to Policy

A VP funder backs a mental health initiative in underserved schools. Over 4 years:

- The model demonstrates 50% reduction in crisis referrals
- The nonprofit builds policy alliances
- The city education office adopts the model district-wide

At exit, the funder:

- Publishes a case study
- Reinvests recovered funds in a similar rural initiative
- Keeps the project lead as an advisor on future portfolios

**Result:** The model spreads, and the funder's influence multiplies.

# 11

## Start Your Own Venture Philanthropy Project

### **A Step-by-Step Guide: From Your Kitchen Table to Your First Strategic Investment**

You've learned the theory, explored the tools, and seen how venture philanthropy (VP) can unlock impact at scale. Now comes the most exciting part: starting your own. This chapter is your launchpad—a practical, empowering guide to move from concept to commitment, no matter your starting point.

# Take Away

Starting your own venture philanthropy initiative may feel daunting—but it is entirely possible. With clear purpose, structured tools, and a learning mindset, you can move from aspiration to action.

This chapter provided a ten-step guide—from defining your mission to selecting ventures, making your first investment, tracking results, and planning for exit. Along the way, you'll engage with leaders, adapt to setbacks, and deepen your own understanding of how social change really happens.

Venture philanthropy doesn't require a big team or vast capital. It requires thoughtfulness,

courage, and a willingness to stay close to the work. Start small. Start focused. Learn as you go. As you make your first investment, remember this: you're not just funding a project. You're helping build a better system. You're empowering people with ideas. You're planting seeds for long-term change.

So write your purpose statement. Find your first venture. Sign that term sheet. And begin.

Because the best way to understand venture philanthropy—is to do it.

Venture philanthropy is not reserved for billionaires or boardroom veterans. It's for individuals, families, and small teams who care deeply about solving real problems and are ready to approach philanthropy with discipline, curiosity, and drive. Whether you're seated at your kitchen table, running a small foundation, or leading a corporate CSR team, the principles in this chapter apply.

We break it down into ten simple, structured steps. From defining your purpose and setting clear success metrics, to identifying ventures and structuring your first deal, each stage is actionable. You'll find tools, checklists, and real-world examples to guide your decisions. We also walk you through the softer side of the journey: how to stay mission-aligned, navigate uncertainty, and learn as you go.

Venture philanthropy differs from traditional giving by emphasizing partnership, measurable outcomes, and long-term capacity building. It's not about writing a check and walking away. It's about walking alongside your investees, learning together, and evolving your strategy with each experience. This chapter shows you how to do that without requiring vast sums of money or prior investing experience.

We also highlight how small beginnings can evolve. One donor's first \$50,000 grant grew into a seven-figure global portfolio in five years. What mattered wasn't size—it was structure, engagement, and learning.

Starting your own VP effort is a bold step. It requires intention, but not perfection. Your first venture might be messy or surprising. That's okay. The goal is progress—not polish. By launching now, you join a movement of funders building smarter, more accountable ways to tackle the world's most urgent problems.

The message is simple: You can do this. Start small. Stay close to your purpose. Let your learning compound. Whether you support one venture or a dozen, what you build can ripple far beyond your original vision.

Let's begin. Your venture philanthropy journey starts here.

You've read the ideas, absorbed the mindset, learned the tools. Let's start!

This chapter is your **practical blueprint** for launching a venture philanthropy (VP) initiative. Whether you're an individual donor, a family, a small foundation, or part of a larger organization, the process can start small and scale over time.

Let's build something together.



## Step 1: Define Your Purpose

Every venture philanthropy journey begins with a clear purpose. Ask yourself: What problem do I care about most? Who is affected, and how could their lives improve? This step is about translating values into focus. A well-defined purpose keeps your strategy grounded and your decisions aligned. Write a purpose statement that captures your intent. Example: “I want to support ventures that improve mental health outcomes for adolescents in underserved communities.” This clarity of mission will guide your funding choices, help you communicate with partners, and give your work cohesion and integrity as your impact grows over time.

Start with clarity: What do you want to change?

Ask yourself:

- What problem do I care about most deeply?
- Who is affected—and how?
- What would a better future look like?

Write it down. Your purpose will anchor every decision you make.

### Tool: Purpose Statement

“I want to support ventures that [do what] for [whom] in [where or how].”

Example: “I want to support ventures that improve early learning outcomes for low-income children in rural America.”

## Step 2: Define What Success Looks Like

Once your purpose is clear, define what success means for you. Venture philanthropy isn’t just about good intentions—it’s about measurable outcomes. Identify the change you expect to see and who will benefit. Use SMART goals: Specific, Measurable, Achievable, Relevant, and Time-bound. For example, “Reduce maternal mortality by 20% in Region X

over three years.” Be realistic and evidence-informed. Your definition of success should guide investment decisions, performance tracking, and learning. When success is defined up front, everyone involved can align efforts, measure progress accurately, and adapt with purpose when conditions or assumptions inevitably evolve.

Get specific. What will change if your investment works?

Define:

- Outcomes (e.g., improved literacy, fewer maternal deaths)
- Who will benefit (and how many)
- Timeline for progress

Use SMART goals: Specific, Measurable, Achievable, Relevant, and Time-bound.

## Step 3: Choose Your Focus Area

Focus creates power. Rather than trying to solve many problems at once, choose one well-defined area to begin. This could be a specific issue (e.g., education access), a population (e.g., women entrepreneurs), or a region (e.g., Sub-Saharan Africa). Avoid being too broad. Define whether you’re addressing symptoms or root causes, direct service or systems change, and how you’ll scope success. A clear focus allows for deeper engagement, more accurate learning, and a stronger network of collaborators. Over time, you may expand or pivot. But starting focused allows you to build credibility, test assumptions, and generate meaningful early impact.

Focus is power. Decide:

- A single issue or a cluster of related themes?
- A specific geography or open call?
- Direct service, system change, or both?

Avoid being too broad. Start with one well-defined area.

## Step 4: Design Your Initial Funding Strategy

Your funding strategy turns purpose into action. Determine how much capital you're willing to commit, over what timeframe, and through what mechanisms—grants, loans, equity, or blended finance. Think about how risk and return align with your mission. For early-stage ventures, small grants may suffice. For scalable social enterprises, consider equity or recoverable grants. Define how you'll support ventures beyond money—offering mentorship, connections, or technical help. Set expectations about disbursement timing, milestone triggers, and renewal conditions. Your initial strategy doesn't have to be perfect. It just needs to reflect your values, fit your capacity, and leave room to learn.

Decide:

- How much money are you ready to commit?
- Over what period?
- What types of support will you offer? (grants, loans, hybrid, non-financial mentorship?)

You don't need a large fund to start. Many VP efforts begin with \$50,000–\$250,000 and grow from there.

## Step 5: Identify and Assess Ventures

Now, identify ventures that align with your purpose and priorities. You can use referrals, incubator networks, open calls, or active scouting. Once you have candidates, conduct a structured assessment. Evaluate mission alignment, leadership capacity, business or program model, evidence of impact, and organizational readiness for a collaborative relationship. Use scorecards and interview guides to standardize your review. Talk with references, review financials, and test assumptions. Look for ventures that are ambitious yet grounded, open to feedback, and excited to partner. Strong assessment at this stage ensures not just a good investment, but a strong foundation for trust and impact.

Use networks, referrals, or open calls to find candidate ventures. Then assess them using the VP criteria:

- Mission alignment
- Leadership strength
- Model viability
- Organizational readiness
- Openness to a collaborative relationship

Use scorecards, interviews, and reference checks.

## Step 6: Structure the Investment

Choose the structure that fits your goals and the venture's stage. Grants work well for early pilots or nonprofits; recoverable grants or loans may suit revenue-generating models; equity might apply to scalable social enterprises. Draft a clear agreement—avoid legalese. Specify the purpose, funding amount, disbursement schedule (linked to milestones where appropriate), reporting expectations, roles, and governance. Agree on how to manage disagreements or changes in scope. This is not about control—it's about clarity. A good investment structure protects both parties, minimizes confusion, and builds mutual accountability. It's the scaffolding that helps your partnership grow strong and stay resilient.

Pick the structure that fits best:

- Grant for early capacity building?
- Recoverable grant for earned revenue?
- Equity for a scalable social enterprise?

Draft a simple agreement that includes:

- Purpose and funding amount
- Disbursement schedule (tie to milestones where appropriate)
- Reporting expectations
- Roles, governance, and dispute resolution

Plain English is better than legalese.

## Step 7: Engage Beyond the Check

In venture philanthropy, writing the check is just the beginning. Stay actively engaged as a partner and supporter. Join strategy sessions, offer feedback, connect ventures with helpful contacts, and troubleshoot challenges. Your engagement might include board participation, mentorship, or operational support. Set a cadence for interaction—monthly calls, quarterly reviews, or annual retreats. Be respectful of the venture's autonomy while being ready to step in with insight or resources. This relationship-based approach builds trust, surfaces early issues, and strengthens your shared commitment to outcomes. Your time, network, and insight may prove as valuable as your funding.

Venture philanthropy is not passive. Stay engaged:

- Join board calls or strategy sessions
- Offer introductions, mentoring, or technical help
- Help troubleshoot roadblocks

Set a cadence: monthly calls, quarterly reviews, annual summits.

## Step 8: Track and Learn

Tracking progress is critical to understanding impact and improving performance. Co-create a measurement framework with your venture partner. Include both outputs (what was delivered) and outcomes (what changed). Set up a simple dashboard or scorecard. Hold regular learning conversations to discuss progress, surprises, and course corrections. Document lessons—not just successes, but failures and pivots. Use this data to inform your future investments. Tracking isn't about rigid accountability—it's about fostering a culture of transparency, curiosity, and shared learning. Over time, your portfolio will not only grow in size but in depth of insight and systemic understanding.

Work with the venture to define metrics early. Mix outputs (what's done) and outcomes (what changed).

Create a dashboard or simple scorecard. Review data together.

Schedule "learning conversations" to reflect, adapt, and improve.

Document what you're learning. What's surprising? What's harder than expected?

## Step 9: Plan for Exit

Good exits are planned from the beginning. Ask early: What happens when our funding ends? What does sustainability look like? Use the final year to strengthen systems, diversify revenue, and transfer skills or tools. Define how knowledge, data, and other assets will be preserved and shared. Provide ample notice and celebrate what was achieved. A graceful exit isn't about walking away—it's about ensuring the work can continue without you. Whether the venture becomes self-sustaining or finds new backers, your role is to leave it stronger than you found it. Exit well, and your impact will live on.

Begin with the end in mind:

- What does sustainability look like?
- How will the work continue without your funding?
- What assets (tools, models, data) should be preserved?

Give ample notice when winding down.

Use the final months to:

- Strengthen the venture's systems
- Reflect on lessons
- Celebrate progress

## Step 10: Reinvest and Repeat

After your first investment cycle, pause to reflect. What worked? What didn't? What surprised you? Use your learning to refine your playbook, update your strategy, and grow your network. Stay in touch with past ventures—you may fund them again or refer others. Share your story with peers to inspire and attract collaboration. Then reinvest—your time, capital, and insight—into the next round. Over time, you may expand your scope, bring in co-funders, or formalize your efforts into a foundation or pooled fund. Venture philanthropy is not one project—it's a mindset and a method. Each round builds capacity and deepens impact.

After your first investment:

- Reflect on what worked (and what didn't)
- Update your playbook
- Stay in touch with past partners
- Share your story with others

Then reinvest—money, time, and insight—into your next round. You've built the foundation. Now grow the impact.

## Bonus: From Kitchen Table to Portfolio

Many VP journeys start at home. Here's how one small donor grew their VP effort:

- Year 1: \$50,000 grant to a local education nonprofit
- Year 2: Added milestone funding and created a learning report
- Year 3: Partnered with a family office to co-fund a social enterprise
- Year 4: Hired part-time staff and created a pooled fund
- Year 5: Managed a \$1M+ VP portfolio spanning three countries

No two journeys are the same. The key is to start.

Summary table: 10 Steps to Start Your Own Venture Philanthropy Project:

Step	Title	Key Actions
1	Define Your Purpose	Identify the problem you care about; define who and where you want to help
2	Define What Success Looks Like	Set SMART goals (Specific, Measurable, Achievable, Relevant, Time-bound) for your desired outcomes
3	Choose Your Focus Area	Select an issue, geography, and approach (direct service, system change)
4	Design Your Initial Funding Strategy	Decide how much to commit, over what period, and in what form (grants, loans, non-financial support)
5	Identify and Assess Ventures	Use networks or open calls; assess fit using VP criteria
6	Structure the Investment	Choose structure (grant, equity, recoverable grant); draft simple agreement
7	Engage Beyond the Check	Provide strategic support, mentoring, and board involvement
8	Track and Learn	Co-develop metrics with ventures; use dashboards and regular reviews
9	Plan for Exit	Define sustainability; preserve tools, data, and lessons
10	Reinvest and Repeat	Reflect, revise your approach, and grow impact over time

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