



**Private Venture
Philanthropy**

ETHICS AND FINANCE

Private Venture Philanthropy

A New Model of Donation and Investment

Edda Becker and Tabea Schär

Keywords

Social Entrepreneurship, High-Net-Worth-Individuals, Private Wealth Management, Social Impact, Venture Philanthropy

This paper presents a new model of venture philanthropy investment and donation. We want to link social entrepreneurs with High-Net-Worth-Individuals (HNWI). Our vision is to achieve philanthropic goals by means of venture capital financing. Therefore, we transfer the economic principle of utility maximisation to the social sector. Creative minds are eager to implement their social entrepreneurial ideas to carry out a change in society but usually face a problem of funding. Meanwhile, the number of HNWI, who have huge financial potential, grows steadily. The concept of Private Venture Philanthropy targets exactly this issue by implementing a new player in this sector consisting of staff of the P&E institute and external experts. The so-called P&E board brings social entrepreneurs and HNWI together, providing high-quality social investments in cooperation with the Private Wealth Management service of a bank.

eddabecker@web.de
tabea.schaer@gmail.com

1. Introduction

In the last years, a new player became increasingly relevant and important for the voluntary sector: the social entrepreneur. Muhammad Yunus set the ball rolling. In 2006, he got the Nobel Peace Prize for his successful idea of microcredits. Since then, the number of papers in economic journals addressing social entrepreneurship has doubled each year. Three years earlier, SEKEM, another successful example for social entrepreneurship and its founder Ibrahim Abouleish, received the Alternative Nobel Prize for combining commercial success with social and cultural development.¹ In Germany in the beginning of 2010, the first Social-Business magazine *enorm* went on sale with the title: “enorm – economy for humans”.² Today, there are 97 German professorships for social entrepreneurship.

In this paper, social entrepreneurship is defined as a symbiosis of three components following Dees: Firstly, a stable but social unjust equilibrium is identified. From this identification, a social value proposition is developed which replaces the old equilibrium with a new and stable one. Thus, better conditions for the targeted group or even for the whole society are ensured (Dees 1998: 3). In achieving their aim, social entrepreneurs face different hurdles in diverse sectors. Among those, one of the most substantial is to overcome the lack of financial and management support.

Aside from the social entrepreneurs, there is a group of very wealthy people, in financial terms described as High-Net-Worth Individuals (HNWI), who have the funds and often also management expertise. They hesitate to donate money since there is a deficit of transparency of how the donation is invested. Another reason for their reluctance is that they do not identify with the organisation or project they contribute to (Breidenbach 2011: 1).

In order to reduce these social imbalances and to address the growing gap of equal opportunities, we look for a means of linking social entrepreneurs with HNWI. Our vision is to achieve philanthropic goals by means of venture capital financing. Therefore, we transfer the economic principle of utility maximisation to the social sector by establishing a new concept called Private Venture Philanthropy (PVP). We want to establish a “Philosophy & Economics” (P&E)³ board

1 SEKEM was founded in 1977 by Dr. Ibrahim Abouleish in the desert of Egypt and became famous for having a holistic concept integrating societal, economic and cultural life. Biodynamic agricultural methods are used to revitalize desert land so that with age, SEKEM is now the umbrella of a multifarious agro-industrial group of companies and NGOs.

2 dt. “enorm – Wirtschaft für den Menschen”.

3 The aim of the interdisciplinary academic program “Philosophy & Economics” is to provide rigorous training in understanding complex social, economic, and political decision-making. The philosophy curriculum is focused on analytical skills

with the aim of identifying and consulting socially orientated start-ups. Hence, we are able to provide high-quality social investments in cooperation with the Private Wealth Management service (PWM)⁴ of a bank. By creating a project data bank, we help PWM consultants to select suitable projects for their clients. Doing so, a win-win situation for social entrepreneurs, HNWI, the bank and also for society at large is created.

In the following, the concept of PVP is outlined, starting with a description of the two agents that are to be connected. Throughout the paper, we will focus on Germany concerning the analysis of HNWI and social entrepreneurship. After a definition of social entrepreneurship in Chapter 2, we demonstrate the barriers these entrepreneurs have to face. Subsequently, the HNWI and their motives, behaviour and fears concerning donations are outlined in Chapter 3. In Chapter 4, the problems of the two actors that have been identified are then tackled by introducing the concept of PVP. Here, the concept of PVP is sketched, showing the dependencies of social entrepreneurs, HNWI, the PWM and the P&E board. Finally, in Chapter 5, the added value for each party is clarified.

2. The Social Entrepreneurs

To understand social entrepreneurship, it is necessary to understand the two components that constitute the term. The word “entrepreneur” derives from French and describes someone who undertakes a noteworthy project. It was Jean B. Say who stated already in the 19th century that entrepreneurs “shift economic resources out of an area of lower and into an area of higher productivity and greater yield” (Dees 1998: 1). According to Joseph A. Schumpeter, entrepreneurs cause progress in economy as they produce new supplies or renew old ones. Their “creative destruction” makes the change from old to new states possible (cf. Schumpeter 1975/1942: 82 ff.). In Schumpeter’s understanding, entrepreneurs are the change agents of society. What the two economists have in common is that both perceive entrepreneurs as innovators and facilitators for economic progress, instead of attaching much weight to the idea of starting a business. A contemporary understand-

in logic and argumentation theory, ethics and decision theory. The economics curriculum provides basic and advanced training in micro- and macroeconomics and econometrics.

4 The PWM delivers highly customized and sophisticated investment management as well as financial planning services to High-Net-Worth Investors.

ing of entrepreneurship is given by Peter Drucker who characterises entrepreneurs as exploiters of opportunities which create change in several sectors (cf. Dees 1998: 2). According to Drucker, people who set up a business which is not innovative or not focused on exploiting opportunities occurring by change of circumstances do not act entrepreneurially.

Subsequently, the ideas of Say, Schumpeter and Drucker will be applied in the social sector, as social entrepreneurs are entrepreneurs with a social mission. Their comprehension of entrepreneurship is applicable to the field of social entrepreneurship since after Say, resources are shifted into an area of greater yield pursuing the opportunity of social change by means of creative destruction (cf. Schumpeter 1975/1942).

The motivation for founding a social start-up is the professional context (35%), followed by the wish for social change (15%), the social environment and personal concern. The area of activity is also widely spread and ranges from social services (20%) over social inclusion, education and science to working integration (cf. enorm 2012). Another interesting aspect is that in contrast to business entrepreneurs, impact measurement does not have to go along with an enlargement of the organisation itself or an increase in profit. The task of impact measurement is therefore much more difficult to fulfill in the field of social entrepreneurship. Another difference to business entrepreneurs is that the scale of success is not the creation of wealth, but the mission-related effect they achieve. Here, wealth is only a means that leads to social impact, which coincides with Drucker's notion of entrepreneurship, since he states that entrepreneurship does not necessarily include profit orientation. An example he gives for entrepreneurship is the establishment of universities. Another person who made reference to profit is Muhammad Yunus:

“Business is about problem-solving, but it does not always have to be about maximizing profit. When I went into business, my interest was to figure out how to solve problems I see in front of me. [...] Ask yourself these questions: Who are you? What kind of world do you want?” (Yunus 2007).

As Yunus pointed out, financial return is not essential in the field of social entrepreneurship but social return is. The considerations of financial and social return concerning the concept of PVP are to be seen here. Since our vision is to achieve philanthropic goals by means of venture capital financing, we look to incorporate social entrepreneurs whose aims are per definition the social mission and therefore social return. PVP is located in the field of venture capital financing, as

financial return cannot be guaranteed in the field of social entrepreneurship. Even if the social entrepreneur calculates with financial return, it may be that it fails without generating profit.

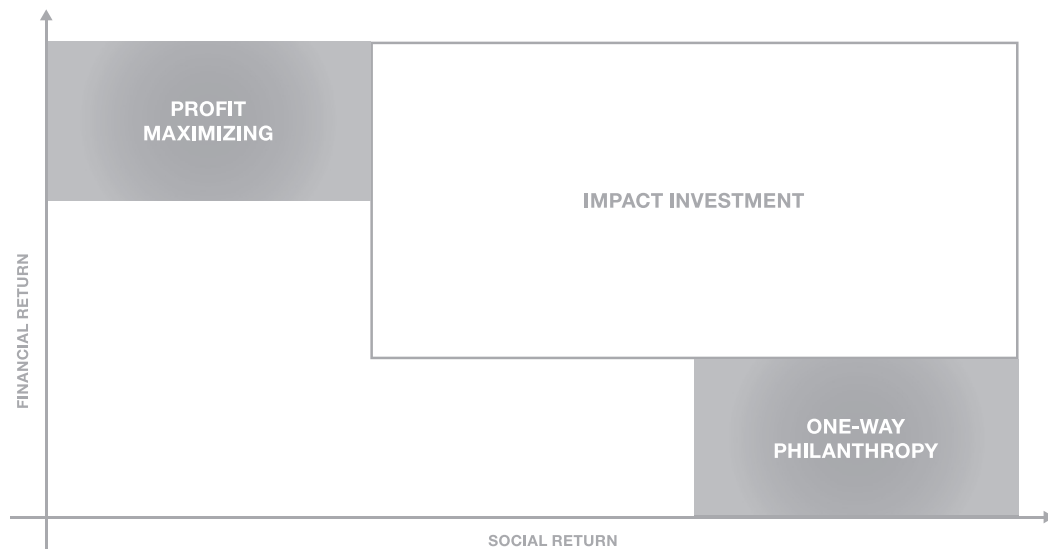


FIGURE 1: FINANCIAL AND SOCIAL RETURN (AFTER PORTER & KRAMER 2002: 45)

If the entrepreneurial aim is profit maximising, which means achieving high financial returns without achieving social ones, the business is irrelevant for PVP. A project whose aim is one-way philanthropy, which means high social return without a financial one, is conceivable. In this case, it might be more difficult to find an investor since there is no probability of generating financial return, but projects which do not create profit are not excluded from PVP. A mixed form of both financial and social return is probably the most interesting form for investors. This impact investment generates monetary profit and therefore satisfies the investors' return assumption.

“What business entrepreneurs are to the economy, social entrepreneurs are to social change. They are the driven, creative individuals who question the status quo, exploit new opportunities, refuse to give up, and remake the world for the better” (Bornstein 2004).

Social start-ups often have a short lifespan: one quarter does not withstand the first five years of existence, and another quarter does not exist longer than five to ten years (cf. enom 2012: 36). The problem of lacking management expertise and experience often complicates the successful implementation of a project in the field of social entrepreneurship as in every other start-up. Since social entrepreneurs often even have less of an economic background, they lack knowledge concerning finance, organisation and team management. Additionally, social entrepreneurs are in conflict with welfare organisations (13%). The latter see social entrepreneurs as competitors and social entrepreneurs, on the other hand, think that welfare organisations are non-innovative. This vicious circle of distrust prevents cooperation. Moreover, the network in the area of social entrepreneurship is not well developed, due to a lack of trust and the fear that others might adopt new ideas more capably. The missing network might account for the fact that social start-ups' reach is often restricted to a certain region (53%). Only 20% of social start-ups act Germany-wide or are restricted to a federal state (9%) (cf. *ibid.*). The fourth hurdle is the missing lobby. As no lobby exists, social entrepreneurs do not have access to political decisions and cannot introduce their perspectives. The biggest hurdle that every fifth social entrepreneur faces is the lack of financial assistance (cf. *ibid.*). Since financial return is not guaranteed in the field of social entrepreneurship and in some cases even not aspired to, investors often refuse backing. Moreover, banks regularly deny lending them money since banks are risk-averse (Höll and Oldenburg 2011: 2). Due to this, financing mostly consists of donations by the project's target groups (20%), followed by public backing, grants (15%) and donations in general (10%). The grants often come from organisations that support social entrepreneurs. The Schwab Foundation, for example, accepts only projects with at least three years of operation at the time of their application. Overhead costs after this period are often not covered, which makes it difficult to build up reserves for future growth phases. The largest organisation in Germany that gives advice and financial backing is Ashoka Germany, with 35 so-called "fellows" who are supported.

3. High-Net-Worth-Individuals

HNWI are classified as people who are in funds of an investable asset of more than one million USD, owner-occupied property as well as collections of valuable objects and consumables excluded. Ultra-HNWI are in funds of an investable asset of at least 30 million USD. According to the

World Wealth Report 2012, after an increase by 8% in 2010, the numbers of HNWI in the world only grew by 1% up to eleven million in 2011. In Germany, the number of HNWI grew above average by about 3% in 2011 from 923,900 up to 951,200 individuals. Germany is ranked third, right behind the U.S. and Japan, regarding the countries with the most millionaires in the world. Prospects by Capgemini expect a new strong increase of the number of HNWI and their assets worldwide till 2013 (cf. Capgemini and RBC Wealth Management 2012: 6ff). Connected with the increase in asset and the number of HNWI, a debate about the social responsibility of the HNWI has broken out (Kaiser.Partner 2012: 3ff). In article 14 of the German constitution, it is said that property entails obligations. Its use shall also serve the public good. Due to high material resources, rich households and people have substantial opportunities to take over such social responsibility. The following analysis of HNWI in Germany is mainly based on the study “Wealth in Germany – Heterogeneity and Responsibility” (Lauterbach et al. 2011).

In general, it can be said that a high rate of HNWI are socially involved, with 85% of HNWI demonstrating either financial investment or time investment or both. This percentage is considerably higher than it is regarding the involvement of the total population of Germany. Wealth obviously boosts the probability of becoming socially involved and of taking over social responsibility. But what parameters have an influence on the socially active involvement of HNWI? These parameters are analysed below.

The parameter of the state of employment has an important influence on the degree of social involvement. A positive relation of gainful employment and volunteer work exists. Another significant observation is the fact that retired HNWI are the group of most socially involved HNWI (87%). Assumedly, social responsibility replaces work as a meaningful activity and contribution subsequent to work life. Furthermore, it allows for further social participation. Generally, the rate of involved HNWI increases significantly with their age. When analysing the genesis of wealth of the HNWI, significant differences arise. Whereas those HNWI who got wealthy through inheritance, stock exchange or real estate property have the lowest rate of social involvement, 88% of HNWI who got wealthy due to their own work get socially involved. The individual experience of hard work has a positive influence on the acceptance of social responsibility. HNWI that believe each person and especially wealthy people have to have some kind of responsibility towards society are significantly more often actively involved. However, looking at all parameters at the same time, the sense of responsibility becomes less important, but not less statistically significant as a parameter.⁵

⁵ A parameter is statistically significant if it is so extreme (without external variables which would influence the correlation results of the test) that such a result would be expected to arise simply by chance only in rare circumstances. Hence, the

The parameter of personality can be determined by Goldberg's five factor model of personality (the Big Five).⁶ It differentiates among five different feature characteristics: (1) neuroticism, (2) extraversion, (3) good-naturedness, (4) openness and (5) diligence. No influence of neuroticism on social involvement was found. The same is held true for extraversion. However, the traits of openness, good-naturedness and diligence do in fact have a positive influence. The higher the distinctiveness of these three characteristics is, the higher is the rate of social involvement. All in all, personality traits seem to have less influence on the degree of social involvement than social contexts have.

Now that we could identify some influential and significant parameters that influence HNWI's social involvement, we will focus on the different ways HNWI get involved. The active involvement can manifest itself in various ways: physical aid in the form of financial donation or donation in kind, as well as giving time in the form of volunteer work in organisations or aid projects, in associations or in trusts. With 82%, the financial donation is the most popular way chosen by HNWI to get involved with the social sector. 45% donate in kind, 43% are active members in an association or organisation or trust, and only 13% participate in aid projects. Most of the HNWI who are socially involved do not only choose one type of active involvement, but several types. Financial investment is the most common and applied approach to social involvement, but it is often combined with other ways of taking social responsibility.

Annually, HNWI's financial donations average € 8,740. In the majority of cases, HNWI do not just invest in one, but different areas. The areas HNWI financially donate to the most are social purposes, followed by the area of emergency aid and culture. Compared to the charitable donation behaviour of the total population of Germany, HNWI invest proportionally more in the areas of research and development, science, culture and education, and proportionally less in the area of emergency aid. In general, HNWI more often invest in long-term projects that drive further developments. They prefer acting to reacting.

For what reasons do HNWI get involved with the social sector? Although most HNWI have several reasons for their active involvement, we can distinguish among four possible motives: (1) social participation, (2) social responsibility, (3) moral- grateful responsibility and (4) self-fulfilment. People motivated by social participation want to maintain and increase contact with people of other social ranks. Often, these HNWI have grown up with the tradition of social involvement.

parameter of responsibility has an "effect" on the degree of social involvement but compared to all the other parameters, it has relatively little influence on it (i.e. it is less important).

⁶ For further information see (Goldberg 1990).

Motivated by social responsibility, HNWI get involved out of sympathy for needy people. They want to help where politics fails and strongly believe that their active involvement helps to address social disequilibria. People motivated by some moral-grateful responsibility believe that it is their religious duty to get involved. They want to legitimize their wealth, given by God, by investing part of it in social purposes. These people consider their social involvement as giving something back to society. Those motivated by self-fulfilment want to reach their personal goals by means of social involvement. Getting involved has a positive effect on their self-esteem. Focussing on HNWI, the motive of social responsibility seems to be the strongest reason for getting involved. The second most important motive for social involvement is social responsibility, followed by the motive of self-fulfilment and the motive of social participation. Only the motive of moral-grateful responsibility does not seem to be very important for social involvement. For HNWI, social involvement seems to be an intentionally chosen way to contribute to social responsibility and this contribution generally is voluntary and target-oriented.

On the basis of the hitherto analysed characteristics, parameters, preferences and motives of the HNWI, eight different types of HNWI can be identified. Of these eight types, only four are of note, because they do not believe in a “just” world. Since the aim of the social sector is to solve social disequilibria, the belief in the existence of unjust circumstances is necessary. For people who believe that unjust circumstances are fated or divinely ordained, there is no point in solving social disequilibria, as these conditions cannot be changed by their actions. For those who do not think of the world as unjust because “everyone gets what he deserves”, there is no need to solve social disequilibria. Therefore, only HNWI who believe in the existence of an unjust world with unjust but alterable circumstances will be interested in solving social disequilibria.

The Solidary HNWI

The group of solidary HNWI is the biggest group among all others. They are sociable people showing solidarity with others. In addition, a solidary HNWI has a strong belief in his agency and thus he also has a strong positive attitude towards social participation. His diverse motives back up this spirit of solidarity: The solidary HNWI gets socially involved because he wants to help others, influence social processes, counteract social misfortune and give something back to society. Moreover, he thinks he has a moral obligation to get socially involved due to his own wealth. Concerning the manner of social involvement, the average solidary HNWI prefers donating

money but is above average in donating in kind. Furthermore, 60% of these types of HNWI are members in a social organisation or club. Especially in areas that are in accordance with the idea of the participatory democracy – politics, foreign aid and culture – the solidary HNWI gets involved above the ordinary level. This strong orientation towards solidarity and social actions reinforces the assumption that he will hardly operate or take responsibility detached from a certain social context or community of values.

The Individualist HNWI

The average individualist is a self-made man and ingrained with his home. Additionally, he does not believe in a just world. His negative attitude towards participation in general is accompanied by a strong locus of control: The individualist strongly believes in his own power to act and in his effort. He prizes his effort compared to the effort of others. This may be a reason why his circle of acquaintance consists of people with the same financial background. The individualist's beliefs and attitude are reflected in his motives for social involvement: He does not donate due to sympathy with the needy and does not believe that it is possible to justify wealth by becoming socially involved. In his opinion, one's own effort already justifies his wealth. His negative attitude towards social responsibility also has an effect on his social involvement; he is hardly solidary and gets involved under average. Only 44% of these types of HNWI donate money. This low rate of social involvement can be explained by the fact that the individualist is not interested in any kind of traditional form of social involvement, but in new, more innovative forms. As a self-confident, capable and proactive person, he may invest in diverse support or sponsorship projects as long as they are in accordance with his idiosyncratic interests and goals.

The Idealist HNWI

The average idealist is 60 years old, thus having the highest average age of all groups. Compared to the other types, the rate of women among this type of HNWI is significantly high. The typical idealist became wealthy through marriage and can be described as a very religious and risk-averse person. He has a moderate locus of control, not believing that he is able to have influence on social circumstances. Additionally, he is strongly participation-orientated. Asked about his motives, mainly religious obligation and sympathy for the needy are indicated, followed by the belief that he is

able to help where politics cannot. To get involved, the idealist focuses on donation: Nearly 90% of the idealist HNWI donate money, and most of the money is donated to churches or religious institutions and social purposes. The typical idealist is not really proactive, but gets involved with projects already established. This involvement is mainly financial, implying little responsibility and no direct control of the project. The idealist wants to stay in the background, seeing himself as the sustainer of the system or project.

The Eccentric HNWI

The average eccentric HNWI is a woman whose source of wealth is both marriage and heritage. He does not feel rooted with his home. The personality of the eccentric HNWI can be described as less diligent, less communicative, less inventive and less sociable compared to other types of HNWI. The eccentric worries the most, is nervous and rather resentful. His circle of acquaintances tends to consist of people with different financial backgrounds. The personality of the average eccentric together with his belief that needy people do not have to be responsible for their situation are indicators for social discomfort. He does not believe in a just world or social participation. Looking at the motives of the eccentric, there is not one main motive but many different kinds of motivation. The only belief all eccentric HNWI share is that social organisations and projects need support and most of them reject the idea of a connection of wealth and social responsibility. However, the eccentric HNWI does get involved. With 28% involvement, relief actions are the most popular way, followed by 10% of the eccentrics who establish a fund or support the establishment of one and a further 15% who get involved with any other form than the traditional ways of social involvement. This data indicates a certain non-conformity of this type of HNWI.

The four types of HNWI described above can be divided up into two groups: The group of the solidary and idealistic HNWI and the group of the individualistic and eccentric HNWI (see figure 2): The first group (solidary and idealistic) gets involved the most and has a strong positive attitude towards social participation. Their preferred way of involvement is financial donation. The other group (individualistic and eccentric) hardly gets involved with the traditional forms of social involvement. They have a negative attitude towards social participation. The individualist is critical towards the system and handles his resources responsibly. He needs other ways of social involvement allowing him an individual and personal organisation and implementation. As self-made men, self-determination and economic principles are important to the individualists. Similar observations

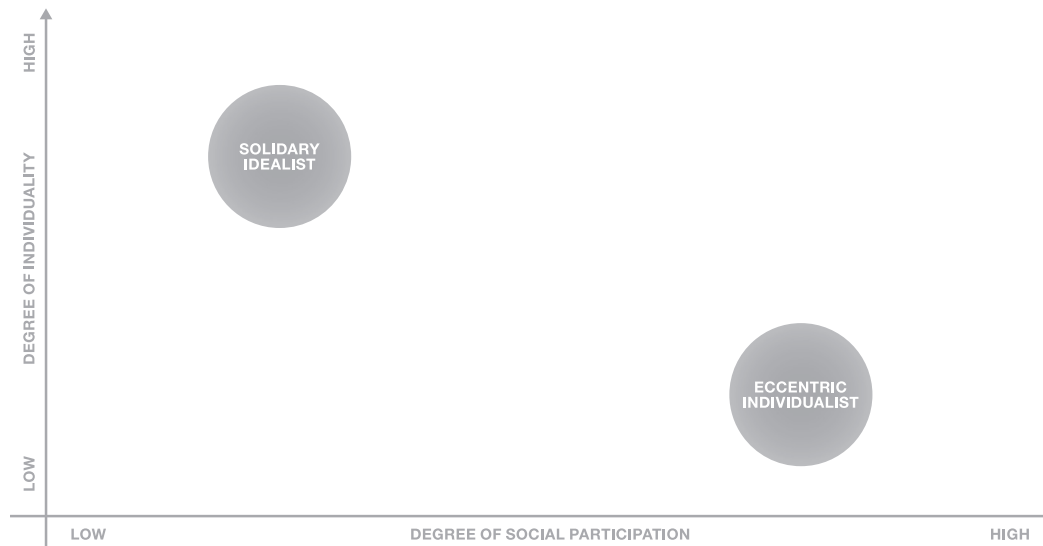


FIGURE 2: THE FOUR TYPES OF HNWI (OWN SOURCE)

can be made in the group of the eccentrics. In order to motivate this kind of HNWI, special and individually creative ways of involvement are needed with which the HNWI can identify.

Next to the lack of more individual forms of social involvement, there are some other reasons why the huge potential HNWI embody cannot be used exhaustively. One reason is the negative publicity and reputation that is connected to some traditional ways of social involvement: Examples like Madonna's visit in Malawi or Barack Obama's donation to the Central Asia Institute may deter HNWI from getting socially involved. A lack of transparency and control strengthens this issue. Today, the social sector in Germany avoids transparency and no disclosure requirement exists. Due to this fact, the HNWI often does not know what his money is invested in or to whom it goes. In addition, HNWI demand measurable results. As most of the HNWI have an economic background, they see themselves rather as social investors (cf. Güssow 2007: 90ff, cf. Breidenbach and Buchmann 2012: 8ff).

Summing up, more individuality, identification, transparency, co-determination and better economic management are important criteria for a higher degree of social involvement. If these needs can be addressed by the social sector, a huge new potential can be generated.

4. The PVP Approach

4.1 Definition

The term “Private Venture Philanthropy” (PVP) consists of venture capital principles and the individual investor. Venture philanthropy⁷ is an innovative approach of philanthropic giving that combines long-term-orientated financial investment with the active support of young and fast-growing projects in the field of social entrepreneurship. Compared to Corporate Venture Philanthropy, in the approach of PVP, a “one to one to one” relationship exists between the social entrepreneur, the PWM-trusted advisor and his client (the HNWI). The PWM advisor acts as an intermediary who proposes one specific project to one HNWI investor. The latter chooses the project best in line with his conceivabilities and supports it by providing both financial and management expertise. Because it is not a corporation but one HNWI who invests in one personally chosen project, this style of Venture Philanthropy is called Private Venture Philanthropy.

4.2 Five-Step-Matching Process

The structure of PVP consists of four parties, social entrepreneurs, P&E, PWM and HNWI who are interrelated in different ways. Their interaction is illustrated by figure 3 and explained in the following.

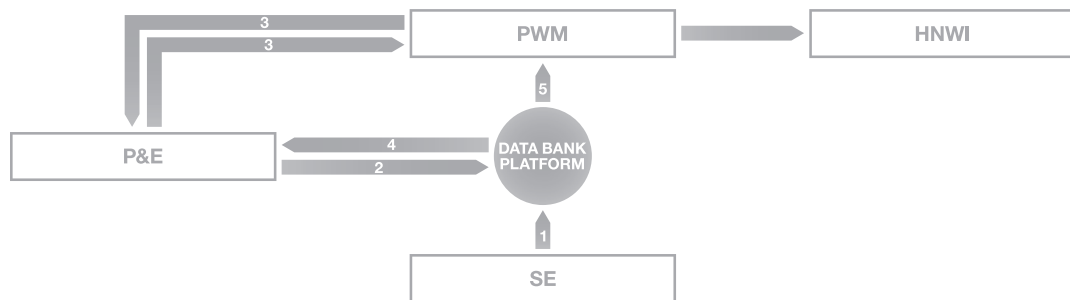


FIGURE 3: CONCEPT (OWN SOURCE)

7 See in this volume Becker/Schär 2015.

1. *Social Entrepreneurs Apply via Platform*

Social entrepreneurs who need support establishing their concept can apply via the PVP platform provided by P&E. After filling in the blanks of the application form and attaching their financial blueprint, they are in the pool of potential candidates for the PVP program. In the application, they describe the social disequilibrium they aim to address as well as their motivation. They need to define the area of impact (education, family, environmental protection, among others) and their target group. Besides that, the stage of development and the intended growth prospect are to be specified. In order to estimate the expertise and engagement of the applicant, references are required.

2. *Social Evaluation by P&E*

Through the PVP platform, the P&E board has direct access to all applications. The board evaluates them according to SROI criteria and other criteria that are, amongst others, the degree of innovation and their references. The board consists of P&E students, who have the interdisciplinary knowledge and experience of both philosophy and economics, academic staff of the P&E institute and external experts. Applications which meet the approval of the board reach the next stage of the process. Projects with too little social impact are withdrawn from the application process.

3. *Financial Evaluation by PWM*

Applications that have been inspected successfully for social criteria are passed through to PWM to be checked on financial criteria. The criteria include financial feasibility, expected rent, entrepreneurial risk and estimated payoff time.

4. *Editing*

After receiving the PWM's feedback, the P&E board rejects those projects without financial approval. The other applications are fed into an internal data bank that only P&E and PWM have access to. There the proven criteria are categorised in search masks.

5. *Matching*

After evoking interest in PVP, the HNWI expresses his ideas of a project he would like to invest in. Together with his trusted advisor of PWM, he refines his expectations concerning the area of impact and the degree of personal involvement (e.g., anonymous investment, monitoring the process without active participation, or mentoring the project with personal economic and management expertise). The decision of whether to be the only investor or whether to support a project partly depends on the amount of capital the HNWI wants to invest in a certain project. Then the trusted advisor searches the internal data bank for appropriate projects.

4.3 Post-Matching

In case of a successful match, the four actors have a new and enlarged spectrum of tasks. The social entrepreneur has annual disclosure requirements, which consists of a financial report and the project progress report. PWM advisors monitor the social entrepreneur's report and measure the financial impact of the project. After the P&E board has assessed the project's social impact, the report (including the financial and social impact measurement) is forwarded by the PWM advisor to the HNWI. As the PWM-trusted advisor is constantly in personal dialogue with the HNWI, the latter has the possibility to express special wishes (e.g. visiting the project or contact with the social entrepreneur) and to provide feedback (e.g. ideas for improvement) at any time. The wishes and the feedback are then passed to the social entrepreneur through P&E by means of PWM. The intermediary role of the P&E board is not only in demand in the case of feedback, but also in the case of general communication between the social entrepreneur and PWM (i.e. HNWI). This relationship between the P&E board and the PWM advisors is enforced by the provision of a one-to-one advisor, so that each PWM advisor has a personal P&E contact. Moreover, the P&E board is responsible for the internal data bank as well as for the PVP platform. The data bank is consistently updated by feeding in new projects, renewing the profile of current projects and improving the search masks. The platform not only provides the online-application form for the social entrepreneurs but also a forum where they can exchange views and network.

5. Added Value

The concept of PVP creates a win-win situation for HNWIs, PWM, social entrepreneur and society. The HNWI's desire for transparency, for identification with the investment and for individuality is addressed by PVP. The annual financial and social reports support transparency. Economic criteria, social impact measurement and transparency convince especially entrepreneurial HNWI to increase their social investments. Due to the financial know-how of PWM, the ethical competence of the P&E board, and the HNWI's possibility to monitor developments, trust in the investment is augmented and risk is reduced. As there is often only one driven social entrepreneur behind each idea, the HNWIs can identify better with the project they invest in than when donating money to an organisation. The identification is also intensified by the fact that each project is chosen by

criteria the HNWI is personally interested in. Additionally, identification is enhanced since the HNWI can act as a mentor and has the possibility to visit the project. The HNWI's desire for individuality is satisfied since they can bring in improvement suggestions through the PWM or directly as mentors. Furthermore, their identification with the project as well as their function as a mentor increases their awareness of social disequilibria and strengthens their sensitization concerning social problems.

PWM also gains added value since they can manage a higher volume of money: All the money the HNWI would otherwise have donated to some NGO is now also managed by the PWM advisor. The reputation of the P&E board makes PWM more reliable and underlines the social aim of PVP. Another benefit of PVP is that it creates trust as it deepens the client relation between the PWM advisor and the HNWI. Because of this amelioration of relations in addition to constant feedback of the HNWI and the social entrepreneur, better adjustment of offers and a more appropriate demand analysis are possible. Furthermore, the portfolio of PWM is enlarged by unique service and offers in the area of venture philanthropy. The greatest advantage for the social entrepreneur is the opportunity to receive financial and management support by the investor. The consulting of the P&E board along with the financial expertise of PWM and their feedback makes the social entrepreneur's project perform more efficiently. By means of the annual reports and the disclosure requirement, additional efficiency is guaranteed. Through the platform where the entrepreneurs can exchange information about their experiences, another added value is generated. Finally, society is the biggest winner, as through the implementation of PVP, problems are solved that society could not solve itself since a higher rate of social investment leads to more social entrepreneurships that remove social disequilibria. More efficiently working social entrepreneurs increase competition in the voluntary sector which leads to more innovation, transparency, etc. and thus to a pro-fessionalism of the voluntary sector. As added value is realised for all actors, PVP is a strong, new alternative to conventional concepts of social investment.

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