

# Chapter 9

## An Innovative Business Model in NPOs: From Venture Philanthropy 1.0 to 2.0

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### ABSTRACT

*This chapter reviews Venture Philanthropy (high engagement Philanthropy), social Venture Philanthropy (SVP) model, Philanthropy 1.0 and Philanthropy 2.0: Leveraging the venture capital model. In addition, the chapter explores e-Philanthropy (1.0) business models and a new framework for e-Philanthropy, building a new business model for the philanthropy 2.0 advisory industry. Furthermore, the work analyzes some case studies of new business models from Philanthropy 1.0 to 2.0. The question is which new philanthropy business model or combination of models will come out on top?*

*Therefore, first of all, this chapter introduces the new model of e-philanthropy can provide value added content, resources, and tools that will allow both users and charities to leverage the potential power of the Internet. People are given the ability to act immediately; it is their satisfaction with the process that will dictate the speed at which this industry moves forward. The facilitation of donations to NPOs and charities is an old market with new possibilities, e-philanthropy is a disruptive strategic innovation that has fundamentally changed the competition in the traditional philanthropic industry. This innovation will eventually overtake the traditional gift-giving market.*

*Secondly, donors have always gathered in various communities, but today there are more and more people thinking about co-funding, funder collaboratives and other ways that they can leverage their giving through interacting with other donors. As nonprofits move from fundraising (philanthropy 1.0)*

DOI: 10.4018/978-1-60960-129-4.ch009

*to friend raising (philanthropy 2.0), they are recognizing the power of building a web 2.0 community of supporters and donors are beginning to see the value of this community as well.*

*Thirdly, nonprofits and charities have a strong opportunity to engage in meaningful conversations (that may lead to contributions) with the social media savvy—especially those who are uncultivated. This indicates a growing market for distribution of information via social networks. Trust in social media is significant among social media savvy, would-be donors. They trust social networks and blogs to provide important information. Social media use is also very high with users participating in social networks, participating in blogs, and participating in message boards. Social Networks: it's about the relationship and trust.*

*Finally, this chapter integrates different new business model of venture philanthropists from different theories of worldwide scholars, practitioners, undeveloped, developing and developed countries to construct an innovative business model: philanthropy 2.0. It integrates web 2.0 technology with trust and relationships to build a network platform of Philanthropy 2.0 is the key to successfully connect VP with donors, charities and funders. It hopes to help NPOs to connect supporters, donors with other donors and supporters and with charities, NPOs, and organizations to share knowledge and experiences, finally to help the people who are really need help. Meanwhile, charities, NPOs, and organizations all are able to achieve self-growth and sustainable operation to reach triple win.*

## **INTRODUCTION**

According to International Venture Philanthropy Forum (2001), just as the “new economy” is revolutionizing the global capital market of the for-profit sector, the emerging field of “venture philanthropy” is poised to have a significant impact on the face of philanthropy around the world. Venture philanthropy is an emerging field of philanthropic “double bottom-line investment” that combines the practices of long-term investment and venture capital models of the for-profit sector with the mission-driven principles of the nonprofit sector.

### **NPOs (Non-Profit Organizations)**

The International Center for Not-For-Profit Law defined a non-profit organization (NPO) is an organization that does not distribute its surplus funds to owners or shareholders, but instead uses them to help pursue its goals (Gary M. Grobman, 2008). Examples of NPOs include charities (i.e. chari-

table organizations), philanthropy, trade unions, and public arts organizations. Most governments and government agencies meet this definition, but in most countries they are considered a separate type of organization and not counted as NPOs. They are in most countries exempt from income and property taxation.

### **Contexts, Definitions and Characteristics of Venture Philanthropy**

In the mid-1990s, modern forms of VP emerged in the USA, and spread to Europe about five years ago. However, the very first modern VP organisation is arguably the Phyllis Trust (now known as Andrews Charitable Trust), set up in 1965 by Briton Cecil Jackson-Cole. The Trust played an important role in the creation and growth of a number of charities, including Oxfam, ActionAid and Help the Aged. UK and other European venture philanthropists have adapted and evolved the American model to reflect differing socio-political

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