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The Viability of Venture Philanthropy in a Nonprofit Organization

Melissa Lindsey Perkins
Walden University

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Walden University

College of Social and Behavioral Sciences

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Melissa Lindsey Perkins

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Walden University
2021

Abstract

The Viability of Venture Philanthropy in a Nonprofit Organization

by

Melissa L. Perkins

MS, Walden University, 2013

BA, University of Maryland, 2012

Professional Administrative Study Submitted in Partial Fulfillment

of the Requirements for the Degree of

Doctor of Public Administration

Walden University

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Abstract

This case study addressed the viability of a venture philanthropy approach to augment revenue at a youth-serving nonprofit organization in the U.S. state of Connecticut. Venture philanthropy is different from an outright financial donation in that the purpose of this donation is to allow the organization to start a mission-related business. The purpose of the study was to explore the perspectives of individual donors capable of making a venture-level investment to inform organizational leaders about this revenue generation strategy. The practice-focused questions concerned what a donor may want to know prior to making a venture-level investment, to what degree donors have an interest in a venture philanthropy model, and the viability of a venture philanthropy approach to generate revenue in support of the organization's mission. Ten individuals who were current or prospective high-net-worth donors to the organization shared their ideas on venture philanthropy and what they believe is necessary for donors to know when considering this type of approach. Using the conceptual framework of donor engagement, data were collected from the interview participants and then coded to detect themes in responses. Three themes emerged regarding donors' needs to make the concept viable: organizational governance, involvement of members, and impact reporting. This study provides information that may assist leaders of nonprofit organizations interested in exploring the feasibility of a venture philanthropy approach. The findings of this study may bring about positive social change by identifying alternative revenue sources that nonprofit organizational leaders can consider to support their missions and achieve sustainability.

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Table of Contents

List of Tables	iv
Section 1: Introduction to the Problem	1
Problem Statement	2
Purpose.....	4
Guiding Questions	5
Nature of the Administrative Study	6
Significance.....	6
Summary	8
Section 2: Conceptual Approach and Background	9
Concepts, Models, and Theories	9
Donor Engagement	9
Venture Philanthropy	14
Social Impact Investing.....	18
Feasibility Study	19
Relevance to Public Organizations	20
Recommendations for Improvement.....	21
Revenue Diversification.....	22
Wealth Analysis	23
Internal Inclination Evaluation	24
Organizational Capacity Evaluation	25
Develop a Case for Support	26

Donor Relations Best Practices.....	27
Organization Background and Content.....	28
Definition of Organizational Terms.....	28
Organizational Context.....	29
Role of the DPA Student/Researcher.....	30
Summary.....	31
Section 3: Data Collection Process and Analysis.....	33
Practice-Focused Questions.....	34
Interview Questions.....	35
Sources of Evidence.....	36
Data Analysis.....	36
Published Outcomes and Research.....	38
Analysis and Synthesis.....	38
Participants.....	38
Procedures.....	39
Timeline.....	40
Protections.....	41
Analysis and Synthesis.....	42
Summary.....	43
Section 4: Evaluation and Recommendations.....	44
Findings and Implications.....	45
Guiding Question 1.....	46

Guiding Question 2	47
Guiding Question 3	48
Recommendations	52
Business Planning	53
Constituent Engagement	54
Internal Feasibility	54
Strength and Limitations of the Project	56
Summary	57
Section 5: Dissemination Plan	58
Summary	58
References	60
Appendix A: Feasibility Report for XYZ Organization	65
Appendix B: Interview Questions	73

List of Tables

Table 1. XYZ Financial Summary 2015-2019 30

Section 1: Introduction to the Problem

Nonprofit organizations rely on philanthropic contributions to achieve their missions. Those missions help the United States and the world tackle social challenges both large and small. Nonprofit organizations are vital to identify and bring visibility to critical causes that challenge the daily lives of underrepresented individuals, the future of natural resources, matters of equality and representation, and insecurities that prevent individuals from having basic needs (Camper, 2016). The ability of nonprofit organizations to carry out their missions is essential to support the needs of the community or group each organization serves. There is extensive competition for philanthropic revenue in the nonprofit sector, and nonprofit organizations are often challenged by their limited resources (Ko and Liu, 2021). As such, nonprofit organizational leaders could benefit by identifying ways to diversify their revenue streams and obtain additional funding to further their work.

In this qualitative case study, I examined the viability of a venture philanthropy approach as a method nonprofit organizational leaders could use to diversify their philanthropic revenue streams. Hoefler and Silva (2016) described venture philanthropy as different from an outright financial donation in that the purpose of this donation is to allow the organization to start a mission-related business. A well-known example of a mission-related business is the ReStore, operated by Habitat for Humanity (2021), which exists to support the organization's mission of building homes and communities. In a venture philanthropy model, according to Hoefler and Silva, an individual donor would make a charitable gift to a nonprofit organization to establish the mission-related

business. The business would produce revenue to sustain its operating expenses. The remaining proceeds would be given to the nonprofit to aid the organization in its ability to carry out its mission. The mission-related business would exist exclusively for this purpose and not generate profit for owners or shareholders. As Hoefler and Silva (2016) explain, this stream of revenue would not seek to replace traditional fundraising activities of the nonprofit; rather, it would provide an additional revenue source to diversify the organizations' revenue stream and strengthen its financial position.

In this qualitative study, I examined the sentiments of current and prospective donors to evaluate their interest in venture philanthropy; understand additional questions a donor may have; and determine, from a donor engagement perspective, if a venture philanthropy approach is a viable opportunity for my client, XYZ organization. The findings will be with the client organization in the form of a feasibility study. The report allows the organization to consider donor perspectives and evaluate the viability of a venture philanthropy approach to generate additional revenue to support mission-related work.

Problem Statement

My client (XYZ) is a nonprofit youth-serving organization in the U.S. state of Connecticut. XYZ needs additional financial resources to carry out mission-related work. The organization is challenged by lack of revenue diversification. Currently, XYZ is heavily reliant on product sales revenue generated mainly through the annual product sales program to produce the funds necessary to support the organization's operating budget. XYZ might benefit from exploring new ways to diversify its revenue stream to reduce

dependency on the annual product sale to ensure the long-term financial sustainability of the organization. The leadership of XYZ have identified revenue diversification as a strategic priority that is critical to their mission.

With significant competition for philanthropic revenue existing in the state of Connecticut, XYZ is unable to rely on donations to fully support operating expenses in line with fundraising best practices. Unlike a university or church, XYZ does not have a defined constituency base to solicit annual contributions to generate revenue. Donations may come from any individual, corporation, or grant making organization that has an interest in the organization's mission. XYZ does not have the internal staff, resources, or volunteer systems in place to effectively cultivate and engage all potential donors at a meaningful level due to the size and scope of the organization. Although elements of donor engagement are in place within the organization, as evidenced by the *Plan of Achievement*, an annual operating plan, it is also evident that staff resources are spread too thin to achieve all of the organization's goals.

The COVID-19 pandemic further complicated fundraising efforts. XYZ was not able to engage in traditional fundraising activities and, like many nonprofits, needed to leverage unrestricted donations and organizational savings to continue its mission-related work. Haynes (2020) explained some of the ways the COVID-19 pandemic brought to light the need for revenue diversification in the nonprofit sector. Haynes noted that traditional methods of fundraising that organizational leaders had relied on were unable to continue due to the pandemic. For example, traditional face-to-face fundraising activities were not able to take place due to concerns over the virus. As a result,

organizational leaders needed to quickly identify new methods of revenue generation, or new fundraising strategies, to adapt in unprecedented times. One area of interest that has emerged from organizational leadership at XYZ is to diversify revenue streams to reduce the reliance on product sales and expand fundraising activities. Although XYZ leadership had considered the need for revenue generation in the past, the COVID-19 pandemic brought a renewed sense of urgency both to navigate the virus's impact on the organization and to protect against a similar situation in the future that may jeopardize a revenue source.

Venture philanthropy is one possible avenue that could assist XYZ with revenue diversification. This approach could contribute to the organization's ability to carry out its mission and promote its long-term financial sustainability. The use of venture philanthropy could also benefit others in the nonprofit sector. The benefit of this approach, in addition to revenue generation, is that a mission-related business would bring visibility to XYZ's brand and broaden awareness of its mission. Although the creation of a mission-related business alone would not fully safeguard the organization against revenue loss in a pandemic or other time of disruption, it might provide another opportunity to pursue resources if other fundraising or revenue generation strategies were interrupted for any reason.

Purpose

The purpose of this qualitative case study was to examine and understand the perspectives of financially capable current and prospective donors to XYZ concerning the feasibility of a venture philanthropic approach to augment the organization's revenue

stream and support the organization's mission. I presented the results to the client in the form of a feasibility study. Prior to this study, XYZ leaders, like many other nonprofit organizational leaders, had not explored the viability of a venture philanthropy approach. As the results show, a mission-related business could help XYZ, and potentially other nonprofits, reduce reliance on existing revenue sources, or expand their services as a result of additional revenue being generated by a new source.

Guiding Questions

I sought to answer three guiding questions (GQs):

GQ1: To what degree do donors have an interest in helping establish a mission-related business to generate additional operating revenue in support of XYZ's mission?

GQ2: What does a potential donor want to know to consider an investment in a mission-related business at XYZ?

GQ3: Is a venture philanthropy approach a viable possibility to support the mission of XYZ?

The feasibility study presented to XYZ will provide meaningful insights to help the organization understand the viability of a venture philanthropy approach from the perspective of current and potential donors to the organization. This study offers previously unknown perspectives from donors on how make a mission-related business possible through philanthropy. By using a venture philanthropy approach, the client organization and other nonprofit organizations may be able to diversify their revenue streams and become more sustainable. XYZ leaders, and potentially other nonprofit

leaders, may be able to use the findings from this study to shape their organizational fundraising and financial strategies.

Nature of the Administrative Study

This qualitative study includes the perspectives of selected current or prospective donors to XYZ organization. These perspectives are important to allow XYZ to determine the feasibility of a venture philanthropy approach as well as the needs of prospective donors when considering a venture-level investment to establish a mission-related business. I chose a qualitative approach because, as Lester et al. (2020) explained, “qualitative research is generally employed to support a researcher in the generation of deep and nuanced understanding of a given phenomenon” (p. 95). Individual interviews with prospective donors provided a deeper understanding of individual perspectives to evaluate the feasibility of a venture philanthropy approach and to effectively understand a donor’s questions and interest level in this type of fundraising strategy. As Lester et al. noted, the findings of these interviews may uncover opportunities for growth, which, in the context of XYZ, may suggest ideas that the organization’s leaders could use to adapt their professional practices and achieve their goal of revenue diversification.

Significance

The significance of this study is that it may help XYZ organization, and potentially other nonprofits, understand the feasibility of a venture philanthropy approach, questions donors have when considering a venture philanthropy investment, the expectations of donors, and the metrics of proof necessary to demonstrate viability and impact. Working in partnership with XYZ, I reviewed past organizational data from

public annual reports, to synthesize the financial landscape of the organization. I also worked with XYZ to identify qualified interview participants to gain insight into the feasibility of a venture philanthropy concept. For this study, a qualified current or prospective donor was considered an individual with the capacity to make a financial contribution of \$500,000 over a 2-year period. Interviewees were offered an opportunity to meet in-person or virtually, based on the participant's comfort. As described in Section 3, I analyzed the interview data, the findings of which formed the basis of the feasibility report (see Appendix A).

The data analysis and recommendations offer XYZ previously unknown information that allows the organization's leaders to determine if a mission-related business, funded through a venture philanthropic investment, offers the organization an opportunity to add an additional revenue stream and decrease dependency on the annual product sales program. This approach may allow XYZ to advance the work of the organization, as described in XYZ's mission statement, and serve as a model for other nonprofits. If implemented, the additional revenue generated from a mission-related business might expand the work of XYZ's leaders, staff, volunteers, and community partners while positively impacting the experiences of both current and future members. Increased revenue provides nonprofit organizations necessary financial resources to achieve their respective missions and contribute to societal good thereby fueling positive social change.

Summary

In Section 1, I discussed how XYZ organization is facing challenges related to revenue generation and revenue source diversification. The results of this study can be used as a resource to help XYZ leaders determine if a venture philanthropy approach is a viable option to consider revenue source diversification and additional revenue generation. In Section 2, I review literature to further explain industry best practices, the importance of donor engagement, and the usefulness of a feasibility study to a nonprofit organization considering a major fundraising initiative. Section 2 also includes a description of the needs of individuals capable of making a venture-level investment to fund a mission-related business. This study builds on existing literature to align the feasibility methodology with the study of a venture philanthropy approach to organizational fundraising.

Section 2: Conceptual Approach and Background

In this study, I examined the viability of a venture philanthropy approach to augment XYZ organization's revenue stream. Revenue diversification is important to provide XYZ with long-term financial sustainability and to allow the organization to continue carrying out its mission. This research may serve as a model for other nonprofit organizations that are facing a similar challenge and presents a new possible opportunity for organizations to fund their work. In Section 2, I review literature on fundraising best practices, particularly related to major gift cultivation and donor engagement with individuals who are capable of a venture-level investment. This section provides clarity and points of differentiation among the concepts of venture philanthropy, social entrepreneurship, and social impact investing to further define and differentiate among the approaches. Through the literature, these concepts will be explained with the added perspective of donor expectations and impact on a nonprofit organization. Additionally, Section 2 provides a more detailed explanation of XYZ's revenue challenges and an overview of 5 years of financial data sourced from XYZ's public annual reports. In addition, I describe my background with XYZ and history in the fundraising industry and discuss the steps I took to mitigate potential bias in conducting the study.

Concepts, Models, and Theories

Donor Engagement

Professional fundraisers look at philanthropic work with donors through the lens of the fundraising lifecycle. Haddad (2019) described the fundraising lifecycle as a series of five phases: "identification, qualification, cultivation, solicitation, and stewardship"

(para. 3). The identification phase involves the identification of individuals who may be inclined to support a nonprofit organization. This may be determined through donor records or wealth screening data or based on aligning the cause with individuals known to be supportive of that initiative. Haddad went on to describe qualification as the vetting of the identified person to discover if they are willing to be philanthropically supportive “after a period of cultivation” (para. 8). The cultivation phase, Haddad noted, is when the fundraiser engages with the donor to determine their specific interests and philanthropic goals. Solicitation occurs when the prospect is asked for a gift to the nonprofit. Stewardship takes place after the solicitation. Stewardship is described by Haddad as “maintain[ing] a strong connection through recognition and personal engagement” (para. 11). Once the leaders of a nonprofit organization have identified a prospective donor, they then work to get to know that individual while at the same time informing the potential donor about the mission and goals of the nonprofit. This two-way exchange of information between the donor and the nonprofit is the act of donor engagement.

Donor engagement is a central concept that is emphasized throughout this study. As Scherhag and Boenigk (2013) explain, donor engagement is widely regarded as an important aspect of successful fundraising and integral to industry best practices. Through the process of donor engagement, a nonprofit organization is able to learn what inspires a donor and what is needed for that donor to feel personally fulfilled in their giving. Collins (2016) noted that outcomes are particularly important to donors who are supporting social causes. Collins went on to explain that quantifiable results, related to the intent of a donor’s contribution, are important to steward the individual gift as well as

illustrate fundraising success for prospective supporters and organizational leaders.

Donor engagement is considered an important aspect of fundraising best practice and is fundamental to donor stewardship. This theme was consistent across the literature with some authors noting the potential impact donor engagement may have on operational resources.

Gregory et al. (2020) described the immense competition that exists for an individual's charitable giving dollars. The authors noted that, although charitable giving increased by 25% in the United States from 2011 to 2017, the number of nonprofit organizations had also grown (p. 583). The increase in marketplace competition within the nonprofit sector has led to competition amongst charities to attract and retain donors. Gregory et al. studied how donors selected which charity to invest in. The researchers scrutinized multiple factors that influenced an individual's decision to support a nonprofit including brand recognition and brand distinctiveness as well as the donor's ability to make decisions related to their investment. These data were compared against the power of brand recognition as a decision-making criterion for potential donors. Essentially, the researchers asked if a donor's ability to make decisions regarding the direction of their gifts was any more or less significant than the name recognition of the charity. The results showed that the circumstance surrounding the gift had a direct impact on donor's decision. For example, Gregory et al. explained the case of a natural disaster, which often results in immediate gifts by a donor to a nonprofit working to support relief efforts. In this case, the donors are motivated by the natural disaster and not necessarily loyalty to the charity. Conversely, a donor considering a major or testamentary gift would be more

inclined to learn about the organization's vision, leadership, and outcomes to decide if that was the right charity for them to invest in.

Gregory et al.'s (2020) research illustrated the importance of properly informing donors about planned initiatives and intended outcomes to allow the donor to make informed investment decisions. This element of donor engagement is directly related to the principles of donor engagement that would apply to a venture philanthropy investment. In the case of a venture philanthropy investment, a nonprofit organization would want to educate potential donors as much as possible on the goals of the organization and the impact the mission-related business would have on the overall goals and results of activities related to the organization's mission. The organization would have an opportunity to build the donor's confidence by informing them about the organization's vision and key leadership personnel or volunteers who would be leading the initiative. This step of information sharing, which may take place over a series of engagements with the donor, would assist in the cultivation of the donor and allow that individual to make the most informed decision possible.

Jones and Daniel (2018) described the benefits of personal interviews as a form of donor engagement. Jones and Daniels noted that the interview process is helpful to understand how donors make philanthropic decisions. Grant and Osanloo (2014) noted that interviews are an effective method to draw out themes that result in the understanding of a research topic. Given the effectiveness of this approach, and the need for a detailed understanding of individual donor perspectives, I used interviews to engage the participants in a discussion about the feasibility of a venture philanthropy approach

and their personal sentiment on the concept of making a venture philanthropy investment. Pimperal et al. (2018) defined venture philanthropy as “social investing...which utilizes mostly private investor and foundation money with...the aims of causing a positive, measurable social impact and making a financial profit...” (p. 1). For the purpose of this study, the term *venture philanthropy* was defined as described by Pimperal et al.

Similar qualities exist between major gift donors and venture-level investors. Kollmann et al. (2014) conducted a qualitative study to understand the importance of trust in venture capital fundraising. The researchers examined 151 organizations and concluded that trust and controllability were important decision-making factors for venture capital donors. Although Kollman et al. examined venture capital, the donor type is consistent with an individual who has the capacity to make a venture philanthropic investment due to gift size and the financial capacity of the individual. Perry (2019) conducted an interview with Penelope Burk, an industry-leading fundraising consultant and researcher. Perry’s interview with Burk brought to light the emerging need of donors to have an impact on bottom line results. This expression of donor sentiment gives validity to the venture philanthropy concept as a potentially viable method for generating an alternative revenue stream and underscored the importance of donor engagement as a key factor in the donor cultivation process. Demonstrating the impact of the investment was a central theme to Burk’s comments, which provided the donor with affirmation of the impact their philanthropic investment was having on the nonprofit organization and the cause it serves. Perry’s article offered a congruent sentiment consistent with Kollmann et al. (2014), who described an increasingly discerning major gift donor and venture

philanthropy prospect. In this example, donors wanted to understand how their gifts to a nonprofit were being used and wanted to see a demonstrable impact as a result of a gift to the specific project that nonprofit sought support for. Although this sentiment is logical, it also illustrated the need for clarity in communication between the donor and the nonprofit to ensure expectations are both understood and able to be met. This need for communication further illustrated the importance of donor engagement in the process of exploring a mission-related business beginning with conceptualization of the business idea and flowing through the nonprofits reports on impact and outcomes. By understanding the needs of the donor, the nonprofit is able to make an informed decision to determine if that individual is an appropriate partner for a venture-philanthropy investment.

Venture Philanthropy

Onishi (2015) conducted a mixed-methods approach to examine how venture philanthropy was used in the nonprofit sector. Onishi surveyed 124 nonprofit leaders to understand the strategies and metrics used to assess venture philanthropy performance. Onishi also interviewed leaders of seven nonprofit organizations who implemented a venture philanthropic strategy to understand the opportunities and challenges that resulted. The researchers detailed organizational implementation strategies and provided background information on how nonprofit organizations launched venture philanthropy concepts. In a subsequent study, Onishi (2019) examined the approaches of 138 nonprofit organizations to venture philanthropy and the intersection between the organization's logic and identity. This addressed the challenge presented by a venture philanthropy

approach that differs from a nonprofit's mission. Specifically, this information helped close the knowledge gap for donors between the purpose of the mission-related business and the mission of the nonprofit. This body of research addressed potential objections by prospective donors and quantified the investment of resources necessary to implement a venture philanthropy approach in a nonprofit organization.

Venture-level philanthropic investments are only possible from high-net-worth individuals with the ability to make a significant financial contribution. Scherhag and Boenigk (2013) conducted a mixed methods study and evaluated a segmented approach to fundraising performance which addressed the needs of high-net-worth individuals when considering a major gift to a nonprofit organization. Scherhag and Boenigk examined the use of a segmented approach to evaluate impact on fundraising results. The researchers conducted interviews with donors and nonprofit leaders to collect data. Given that the venture philanthropy concept is centered on the top financial tier of fundraising prospects who could be considered major donors, this research was relevant because it addressed the success of donor segmentation and ultimate impact on the nonprofit organization those donors supported. The engagement and cultivation of individuals with the greatest financial capacity was directly related to the success from that segment of the donor population the researchers studied.

Although donor engagement is centrally important to fundraising, it can present challenges for nonprofit organizations. Gross and Shapiro (2014) discussed the challenges that emerged from venture philanthropy partnerships related to donor engagement. The authors cited the involvement of outside donors in the decision-making

process as one challenge that had a negative impact on a venture philanthropy investment at an academic organization. Gross and Shapiro's work is significant because it ties in donor expectations, as articulated by Perry (2019) and Kollmann (2014), and because it provided an example of the point made by Nielsen (2017). The expectation of donor engagement is an important consideration for an organization to evaluate when exploring a venture philanthropy concept and is noted in my feasibility study as a consideration. Kollmann also outlined a potential pitfall that may arise as a result of donor engagement and provided an important point for consideration to mitigate donor dissatisfaction and ensure the long-term success of the mission-related business venture. As Kollmann described, expectation setting is an important step to ensure donor satisfaction.

Webb Farley (2018) evaluated two case studies of public universities that struggled due to a lack of public funding. Webb Farley noted the desire to seek private funding from individuals as a method of bridging the funding gap but highlighted pitfalls related to donor expectations. In both cases, Webb Farley noted return on investment as a leading motive for donors interested in making transformational gifts to the institutions (p. 181). Webb Farley explained that seeking demonstrable return on investment is not a negative motivator by itself. Rather, the author suggested that clear expectations should be set by both the donor and the organization receiving the gift to ensure mission alignment and donor satisfaction. If there was a return on investment condition that was outside the scope of the organization's mission, the organization should carefully consider the appropriateness of that gift. This scenario is equally applicable to a nonprofit organization seeking a venture-philanthropy investment. It is reasonable to expect that the

donor has an interest in seeing the mission-related business succeed and will have an interest to ultimately understand how that gift resulted in a positive impact on the mission of the nonprofit organization. However, Webb Farley's research suggested the need for both caution and clarity when mapping out expected outcomes to ensure alignment between the donor and the organization.

Nielsen (2017) discussed the identity challenge that faced nonprofit organizations due to their reliance on funders and the differing goals of those supporters. Consistent with the work by Onishi (2019), Nielsen explained emerging types of philanthropy which she described as "new philanthropy" (p. 492). New philanthropy was explained as operating similarly to social entrepreneurship. Other researchers have used different terms for a similar approach. Peng and Liang (2019) described social enterprises and social entrepreneurial intentions as "organizations that combine social missions with financial autonomy in a competitive corporate environment" (p. 461). Social entrepreneurship is a practice similar to venture philanthropy. The key difference between the two is the application of the investment. As Hoefler and Silva (2016) explained in a social entrepreneurship scenario, the investment is made in a for-profit company where the act of purchasing goods or services has a positive social impact. Bombas socks is an example of social enterprise. Bombas (2021) is a for-profit company. The company gives one pair of socks to a person experiencing homelessness for every pair of socks purchased. A venture philanthropy investment is different in that it must be made to a nonprofit organization. The result of the venture-philanthropy investment is a mission-related business that exists for the sole purpose of generating funds to support

the charity the nonprofit organization it is affiliated with (Hofer and Silva). Social entrepreneurship, or venture philanthropy, both engage major donors in a new type of organizational giving that meets both the needs of the investors and the organization by demonstrating direct positive social change (Hofer and Silva). Neilsen's research underscored the viability of a venture philanthropy concept and reinforced the need for organizational guidance to manage this emerging idea and manage donor expectations. Although there are limited examples of venture philanthropy models in the field of nonprofit management, the concept presents an opportunity for further exploration by nonprofit organizations.

Social Impact Investing

Phillips and Johnson (2021) noted the rising interest in social impact investing by donors but cited a number of perceived barriers on the part of nonprofit organizations. Phillips and Johnson pointed to an increasing number of donors who are interested in making financial contributions with a demonstrated social impact but noted that nonprofits have been unable to capitalize on these potential philanthropic investments. Phillips and Johnson found that "lack of knowledge of the [financial] market, inadequate financial literacy, and the challenges of measuring and valuing social impacts" (p. 615) were the four key barriers that prevented nonprofit organizations from forming more venture-related philanthropic partnerships. A key difference in the study conducted by Phillips and Johnson and XYZ organization is the funding source. In their study, Phillips and Johnson explored the perceptions of different types of investors. High-net-worth individuals were a component of the research, but the study also looked into larger

entities such as pension funds, development funds, and foundations as sources of capital. In these scenarios, larger funders were looking at the internal capacity of the nonprofit organization to demonstrate they had the resources necessary to manage the investment.

In addition to having donors who are willing to make venture-philanthropy type investments, XYZ must also consider if the organization has the internal structure and resources to support this type work. Understanding the perceptions and needs of XYZ's donors will allow XYZ to determine if it is able to meet the needs of potential donors as well as support additional work to ensure a successful venture-philanthropy partnership. As Phillips and Johnson explained, "investees require adequate organizational capacity" to ensure the nonprofit partner has the internal resources available to bring about the social impact investors are seeking (2021, p. 616).

Feasibility Study

A feasibility study is a tool used in the nonprofit sector to determine if a fundraising campaign is viable. In 2016, *Major Gifts Report* published an article outlining how the importance of feasibility studies has changed over the past 5 years ("Today's Feasibility Studies Require a New Approach," 2016). The article cited the increased competition for philanthropic revenue and increasingly discerning donors who are being more selective when deciding where to invest their charitable dollars. The perceived need for the fundraising campaign and planned impact on the nonprofit and community were reported as being highly important considerations for individuals when choosing whether or not to support a nonprofit. This expands on work by Goodale (2001) which pointed to capacity in the organization's donor constituency and internal organizational readiness as

key factors to successful fundraising campaigns. Goodale noted that the primary benefits of a feasibility study included assessing the organization's fundraising climate and evaluating donor interest in the organization. These two findings remain valid but have grown to also include the findings published by *Major Gifts Report*. While a feasibility study is typically conducted to offer insight into a fundraising initiative that will include many donors, it is also useful as noted in Goodale's perspective. By presenting the results of this study as a feasibility study to XYZ, the organization gains the individual perspective of donors who could make personal commitments to launch a venture philanthropy concept and fund a mission-related business. The feasibility study may then be used as a tool, in conjunction with an internal capacity assessment, to determine if the approach is right for XYZ at this time or at some point in the future.

Relevance to Public Organizations

Bennett (2016) conducted a study to understand the primary reasons why nonprofit organizations fail. The study examined nonprofits that failed in the first few years after founding but the results remain relevant for nonprofit organizations at all stages of maturity. Two of the three reasons for the organizational failures were the lack of funding and lack of donor diversification when examining revenue streams. Essentially, nonprofit organizations were not bringing in enough philanthropic revenue and were relying on too few supporters. Bennett concluded that organizations which engaged in more aggressive fundraising strategies, and worked to cultivate donors in a highly competitive philanthropic field, yielded more positive results (p. 343). Some of this work was the result of donor engagement and cultivation. Gurvis (2016) identified

the key reasons why donors supported some nonprofit organizations and the barriers that kept donors from investing in other organizations. A common theme in Gurvis' research was that philanthropy was fueled by how the donor felt as a result of making the contribution. Gurvis also concluded that donors were motivated by others and inspired by compelling cases for support and organizations with inspiring missions. Gurvis expanded on her research by identifying aspects of nonprofit organizations that could be barriers to engaging donors. Some challenges included a lack of trust in the organization, poor marketing, and only soliciting for gifts of cash rather than seeking donor engagement. Gurvis' research provided insight into the perspectives of donors who explained that they needed to feel invested in a nonprofit organization's mission. This concept is central to donor engagement. Donor engagement is important for both traditional fundraising practices as well as exploring a venture philanthropy approach.

Recommendations for Improvement

An important first step in addressing revenue shortcomings is for the organization to identify all current and potential sources of revenue available. Cheng and Yang (2019) conducted a quantitative study to determine which revenue generation strategies yielded the most positive results when a nonprofit was in jeopardy of losing critical sources of funding. The authors specifically examined reductions in government funding for nonprofits that were dependent on government resource allocations. Situationally, this is similar to XYZ realizing less revenue from the annual product sales program in a given year. The change in financial circumstance has the potential to be significantly disruptive to the operation of the organization. Should this continue, there may be little warning to

plan for the change in financial circumstance which would put the viability of the organization at risk.

Revenue Diversification

When an organization realizes a sudden, and often unexpected, negative change in its sources of revenue, it is forced to identify ways to control costs or grow revenue from other sources. Cheng and Yang noted that increasing fundraising effort is one primary revenue channel organizations look to in order to close an unexpected gap in funding (2019, p. 678). This strategy is not always successful and depends on the organization's internal fundraising program. Cheng and Yang noted that there must be a significant investment in the organization's fundraising program to make material gains possible (p. 679). Cheng and Yang also found that the organization needed financially capable donors who were both engaged and interested to make a quick impact. Consistent with the challenge identified by the leadership at XYZ, Cheng and Yang also pointed to revenue diversification as an appealing strategy to fill operational gaps in funding (p. 678). Cheng and Yang noted that "existing empirical research has consistently identified a negative relationship between revenue diversification and revenue volatility...which provides for the effectiveness of revenue diversification in stabilizing revenues and maintain desired service levels" (p. 679). Cheng and Yang concluded that revenue diversification was a preferred strategy among the nonprofits studied which proved the most beneficial in allowing the organization to maintain current levels of service. This strategy was used in conjunction with increased fundraising activities and found to have a more favorable result than other strategies tested (p. 685).

Identifying current and potential revenue streams is an important exercise for XYZ to engage in as part of an effort to understand both its existing financial picture and growth areas for revenue generation that are specific to the organization and marketplace. This introspective work will also allow XYZ to evaluate its internal resources and capacities to determine if they are appropriately deployed to support new revenue generation or if expanded organizational resources or capacities are needed to help XYZ meet its goals. Identifying possible resources gaps is essential to ensure the organization not only has an understanding of the revenue generation landscape but also the staff and tools it will need to launch and support new initiatives. This will be important to the sustainability of the venture as well as the satisfaction of current or potential donors who are investing in the organization.

Wealth Analysis

Another important step to improve fundraising practices and to maximize internal resources is the completion of a wealth analysis. A wealth analysis is a screening of current and potential donors to identify individuals with the financial capacity to be helpful to the organization's mission at a significant level. Schroeder (2017) explained that wealth analysis, typically done in the form of a screening, allows a nonprofit organization the ability to understand an individual's philanthropic capacity by analyzing publicly available datapoints. Schroeder went on to note that wealth screenings are beneficial because they help a nonprofit organization use their limited resources effectively by narrowing the pool of potential supporters to those with the greatest financial capacity to make an impact. This type of prospect research allows nonprofit

organizations to make strategic decisions focused on specific outcomes. A wealth screening would be useful for XYZ to consider due to the limited capacity of staff to reach the high volume of members the organization serves. Additionally, this data would be useful in guiding the organization to select current and prospective donors who might have the greatest financial capacity to make a major gift. Wealth screening is an important qualification tool when identifying donors or prospects with the capacity to make a venture-level philanthropic investment. This added focus on wealth capacity will help the organization build a segmentation strategy and serve as a tool for the organization to effectively use its resources.

Internal Inclination Evaluation

Building on the wealth analysis as an initial step, an internal assessment of current and potential donor inclination is a useful way for a nonprofit to target their resources for the greatest return on investment. Heyman noted that an organization must “identify people who care about your cause, inspire their connection, then their passion, and finally, their support” (2016, p. 80). An internal assessment of donor inclination, when used in partnership with a wealth screening, can help a nonprofit organization identify opportunity gaps. Donors with high wealth capacity but a low inclination rating may suggest an opportunity to invest time and resources in the cultivation of those individuals to help them become emotionally invested in the organization’s mission. Conversely, an individual with a high inclination rating and low wealth capacity may bring to light a person who is not be able to make a large financial contribution but could be an influential volunteer. An individual who has high inclination and low capacity could fuel

the passion of others to generate philanthropic support from those with greater financial resources. Heyman explained that an effective internal assessment of inclination allows an organization to streamline its efforts and create greater efficiency.

Organizational Capacity Evaluation

As Phillips and Johnson (2021) explained, one of the greatest challenges to launching a social impact investment partnership between funders and nonprofit organizations is the organization's internal capacities to support outcome focused work. A nonprofit organization considering a venture philanthropy approach would benefit from an internal organizational capacity evaluation to assess if the systems and personnel are in place to deliver on the expectations of donors and to make the venture successful. Setting up a mission-related business will require additional staffing, resources, and oversight to get the new entity up and running. It will also require resources to manage day-to-day operations of the venture and the financial connection back to the nonprofit. Additionally, reporting systems are necessary to properly thank donors for their support and report on how their investment is performing and ultimately the impact it is having on the nonprofit's mission. The purpose of this study is to evaluate the viability of a venture philanthropy concept to support the mission of XYZ through the lens of potential donors' perspectives. It will also be important for XYZ, or another nonprofit considering this approach, to conduct an internal capacity evaluation to ensure adequate staffing and systems exist to meet the needs of both the donor and the organization.

Develop a Case for Support

The work of a nonprofit organization is centered on the organization's mission. An organization's mission can also be seen as an aspirational statement of positive social change. When seeking a major gift, or venture-level philanthropic investment, it is important that a nonprofit present a clear case for support to explain to a potential funder how their financial resources will be used and what the anticipated outcomes will be to advance the organization's mission. Heyman explained that a "plan for change" is a roadmap of exactly how an organization will achieve its goal (2016, p. 81). Heyman noted that having a clear plan of action will help build donor confidence and allow the donor to more clearly see their role in the ultimate outcome by making a contribution in support of the project. To further donor cultivation efforts, it is also helpful that the organization share with the potential supporter how the organization will evaluate and measure success. In the case of XYZ, this might be a case statement articulating how the mission-related business, funded through the venture philanthropy investment, will ultimately support the operation of the nonprofit and what success will look like. This might include an incorporation plan to explain how the mission-related business will be established, a financial projection that maps out anticipated expenses and revenue so the donor will be able to see the bottom-line dollar amount that will support the nonprofit, as well as the reinvestment strategy to demonstrate social impact. By providing this information to a potential donor the organization will be building that donor's engagement and offering an opportunity for that donor to learn more and feel vested in the plan.

Donor Relations Best Practices

Donor engagement is an important step to both a successful solicitation for a major gift as well as the effective stewardship of the gift after it is made. It is important for a donor to get to know an organization so the donor can determine if the nonprofit organization's priorities align with the donor's philanthropic goals. Taylor and Miller (2019) evaluated donor behaviors to determine the most effective strategies to acquire and retain philanthropic support from donors. The researchers concluded that knowledge of the donor base was important to craft meaningful strategies that could be segmented based on donor-specific criteria. Ultimately, a more personal approach yielded a greater result when evaluated through the lens of fundraising. Most significantly, Taylor and Miller explained that "if nonprofit organizations want to deepen their level of engagement with donors, they must first understand donors as unique individuals with charitable giving motivations or reasons for giving (2019, p. 8). Taylor and Miller went on to explain the core tenant of an important best practice in fundraising which stated that "when a nonprofit organization shifts their strategy from the transactional exchange to the relational exchange, they are really shifting the organization's approach to fundraising management and measuring its success from a short-term scope to a more strategic long-term view" (p. 8). This conclusion is consistent with Heyman's (2016) recommendation not view fundraising relationships as transactional and to invest in the cultivation of those relationships to yield a more successful outcome for both the donor and the nonprofit organization.

Organization Background and Content

XYZ is a registered 501(c)(3) nonprofit organization governed by federal regulations under the oversight of the Internal Revenue Service and laws of the state of Connecticut. As noted, XYZ is looking to increase revenue and diversify its sources of income to ensure the long-term financial sustainability of the organization. XYZ is part of a national nonprofit but operates independently with its own charter and board of directors. The organization is led by a chief executive officer who functions as the organization's executive director and reports to the board of directors. Growing revenue has been a problem XYZ's board of directors and senior leaders have been actively trying to address for the past several years. Recent challenges were made worse by the impact of the COVID-19 pandemic on membership and the subsequent impact on product sales. Product sales is the leading source of revenue for the organization. Marketplace competition, membership cost, access to schools and partner organizations, have all been contributing factors to XYZ's membership decline which ultimately has a negative impact on product sales. The organization's product sales program relies on members to sell products which is vital to the financial health of the nonprofit organization and its ability to carry out its mission.

Definition of Organizational Terms

For the purpose of this study, venture philanthropy is defined as explained by Pimperal et al. (2018) as "social investing...which utilizes mostly private investor and foundation money with...the aims of causing a positive, measurable social impact and making a financial profit..." (p. 1). The result of venture philanthropy, for the purpose of

this study, is a mission-related business. That is, a business which exists for the sole benefit of generating revenue for the affiliated nonprofit. This concept is similar to a social enterprise, which is defined by Barone as “a business that has specific social objective that serve its primary purpose” (2020, para.1). According to Barone, the purpose of a social enterprise is to reinvest profits into the social mission of the business entity it supports.

Organizational Context

The origin of XYZ’s product sales program dates back to the early 1900s when the organization was seeking regional funding for mission-related activities. The program was designed to offer additional educational opportunities for members but over time has become the financial lifeblood of the organization. Each year there are growing challenges to the product sales program ranging from controversy regarding product components to the act of selling itself. These perceptions, are barriers that negatively impact membership and participation in the product sales program. As new challenges arise, product sales revenue may face additional risks. Looking specifically at XYZ in Connecticut, the organization’s finances over the past 5 years demonstrated a reliance on the sale of products to support operational expenses. Table 1 illustrates the importance of product sales on the overall financial viability of the organization.

Owens et al. (2018) noted the power of a product sales program in a study conducted to evaluate consumer purchasing behaviors of products linked to charities. The researchers concluded that “customers do consider the charitable aspects of the ... purchase when buying [products]” (p. 61). XYZ regards the purchase of products a

separate revenue line, and it is recorded as a product purchase rather than a donation. Given that a good is exchanged for money, the acquisition of the product for personal use would not qualify as a donation. This may be inconsistent with some consumers' perceptions. Owens et al.'s (2018) research clarified the consumer's sentiments which suggested individuals who purchased products believed they were giving to charity. This idea of receiving something for a perceived donation is an important point of consideration when exploring perspectives of potential donors to assess the feasibility of a venture philanthropy approach. XYZ will need to consider the needs of donors when evaluating viability.

Table 1

XYZ Financial Summary 2015-2019

Financial category	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015
Product sales	\$7,138,322	\$7,102,144	\$7,347,329	\$6,145,653	\$6,355,923
Contributions	\$924,919	\$754,816	\$877,723	\$839,898	\$813,214
United Way	\$28,810	\$52,194	\$204,886	\$247,734	\$277,881
Programs	\$1,791,646	\$1,761,815	\$1,920,992	\$2,023,455	\$2,129,847
Investment	\$273,211	\$263,107	\$257,256	\$1,104,581	\$206,958
Miscellaneous	\$363,668	\$310,685	\$250,765	\$289,804	\$357,816
Total revenue	\$10,520,576	\$10,244,761	\$10,858,951	\$10,651,125	\$10,141,639
Total expense	\$10,489,226	\$10,253,845	\$10,401,684	\$10,504,442	\$9,416,075

Note. Financial figures were compiled from XYZ's public annual reports for 2015-2019.

Role of the DPA Student/Researcher

I have worked as a professional fundraiser since 2007. My work as a fundraiser began in an independent school and after 12 years, I left that school to take a position at XYZ organization. I worked for XYZ from June 2019 to April 2021. My inspiration for this study came during the COVID-19 pandemic as I watched XYZ, and other nonprofit

organizations, struggle to find funding amidst the global health crisis. One question XYZ considered during that time, which was also a question discussed during my tenure at the independent school where I worked, was how can the organization identify new revenue streams? I consulted the CEO at XYZ, my supervisor at the time, about the idea of pursuing a study to investigate the viability of a venture philanthropy approach at XYZ. The CEO supported my research as a student. I am no longer an employee of XYZ but remain a lifetime member of the organization. I do not currently engage with XYZ in a volunteer capacity or any other way.

I believe that a venture philanthropy concept is a viable way for nonprofit organizations to identify new streams of revenue. I do not have a preconceived notion regarding the application of a venture philanthropy approach being successful at XYZ but I do believe the approach may be beneficial to some members of the nonprofit community. To mitigate this bias, I framed my survey questions to prospective donors in an open-ended manner as to not lead the participants to a particular conclusion or answer. While I know some of XYZ's past donors, I have not discussed this concept with any of XYZ's donors that I was acquainted with during my tenure or after. I believe I have the ability to set aside my personal feelings about venture philanthropy and have conducted an impartial research study and feasibility report to support future work for others at XYZ or more broadly in the nonprofit management field.

Summary

In Section 2, I documented current theories regarding donor engagement and the impact of donor engagement on fundraising performance. The literature review also

documented the concept of venture philanthropy and its relationship to donor engagement and nonprofit fundraising performance. I presented, in detail, the budgetary constraints and challenges with revenue generation XYZ has faced over the past 5 years as well as my connection to the organization. In Section 3, I describe the research strategy I used to evaluate the viability of a venture philanthropy approach to revenue generation at XYZ.

Section 3: Data Collection Process and Analysis

XYZ requires additional financial resources to carry out its mission. The organization's current revenue streams are strained, and organizational leadership is seeking to diversify revenue sources. Declining membership has negatively impacted the annual product sales program, which provides a significant amount of operational funding to allow XYZ to deliver its mission. Venture philanthropy is one possible avenue for revenue diversification XYZ might consider when building operational plans. I designed this study to gain the perspectives of current and prospective donors to XYZ in order to determine if a venture philanthropy approach, resulting in a mission-related business, is a viable option for the organization. As Pimperal et al. (2018) described, venture philanthropy is an investment of private funds with the goal of causing positive and measurable social impact. More simply, a donor would fund a business that would generate profit for the primary purpose of reinvesting the proceeds into the work of the nonprofit organization it was affiliated with.

As noted in Section 2, donor engagement is a key component to a successful fundraising appeal to a donor when seeking a significant financial investment. In Section 2, I presented examples from the literature that illustrated the importance of donor engagement in the success of overall fundraising appeals. In Section 3, I describe the process that I used to gain participants' perspectives regarding the viability of this approach at XYZ. I gathered data through personal interviews with current and potential donors to XYZ. Section 3 includes the interview questions and information on the analysis process that I used to evaluate the viability of venture philanthropy approach. I

also present the practice-focused questions and sources of evidence for the study. In addition, Section 3 includes discussion of the protections in place for interview participants as well as the methodology employed for the evaluation of interview data.

Practice-Focused Questions

To assist XYZ in exploring a venture philanthropy approach to augment its revenue stream, I gathered data on the needs of current and prospective donors when making this type of investment. Using data from my interviews with participants, I created a feasibility report for XYZ leaders (see Appendix A) to help them determine if a venture philanthropy approach is possible or appropriate for the organization, based on donor interest and need. By gaining the perspectives of potential donors, XYZ leaders may be able to evaluate the organization's internal resources and capacity gaps to consider infrastructure and staffing needs to support this new business model and support donor expectations. No literature exists to date, according to my review of the literature, to guide nonprofit organizational leaders who are interested in exploring a venture philanthropy approach. I sought to answer the following GQs:

GQ1: To what degree do donors have an interest in helping establish a mission-related business to generate additional operating revenue in support of XYZ's mission?

GQ2: What does a potential donor want to know to consider an investment in a mission-related business at XYZ?

GQ3: Is a venture philanthropy approach a viable possibility to support the mission of XYZ?

Interview Questions

Prior to the interview, I gave each participant Pimperal et al.'s (2018) definition of venture philanthropy, which explained that venture philanthropy is an investment of private funds with the goal of causing positive and measurable social impact. The purpose of this definition was to cultivate a shared understanding of venture philanthropy before the interview began. The questions interview participants were asked for this qualitative study were as follows:

1. Based on your understanding of venture philanthropy, do you believe a mission-related business would be a viable concept for XYZ to explore in order to generate additional revenue to support their mission?
2. What types of mission-related businesses do you see as relevant to options XYZ might explore given their mission and location?
3. If a mission-related business requires the investment of a donor to fund start-up costs, what might a potential donor need to know before making the decision to fund the business?
4. What might a donor who makes this type of investment want to know, or be involved in, once the business is launched?
5. If you had the financial resources necessary, would you make a venture philanthropy investment to fund a mission-related business at XYZ?
6. Do you have anything else you would like to share regarding the idea of XYZ launching a mission-related business or around the concept of a venture-philanthropy investment?

Sources of Evidence

I collected qualitative data from my interviews with study participants. The results of these interviews were transcribed and used to inform a feasibility study for XYZ to consider. These findings offer the client organization insight into the viability of a venture philanthropy concept to augment revenue streams. The perspectives provided by participants in the interviews will help XYZ understand if donors feel a mission-related business is a viable concept for the organization, as well as what information prospective donors would want to know in order to consider making this type of investment. I assumed that each interview participant had the financial capacity to make a financial contribution of \$500,000 over a 2-year period. XYZ used wealth screening data and internal capacity indicators, such as past giving history, to identify appropriate interview participants. As the researcher, I assumed that the data provided by XYZ were accurate and that the donors met the financial qualification criteria without any additional markers of financial qualification being required. The insights provided by the participants provided helpful perspectives that may assist XYZ in determining the viability of a venture philanthropy concept at the organization. The results of this study may help XYZ understand the needs of donors when considering this type of investment as well as the ongoing needs for donor engagement in the philanthropic process if the mission-related business is established.

Data Analysis

After obtaining Walden University Institutional Review Board approval (no. 09-28-21-0348894), I interviewed 10 potential leadership donors who were capable of

making a philanthropic investment of \$500,000 over 2 years. These individuals were current or prospective donors to the organization. Participants were offered the opportunity to meet in-person at a location of their choosing, such as a library or office, or via a web-based meeting platform, such as Zoom. Interviews were recorded, with the participant's permission, and transcribed using the computer aided qualitative data analysis software NVivo. Transcripts were read and shared with each interview participant to confirm accuracy. Participants had 1 week to confirm accuracy of the transcript. Following confirmation by the participant that the transcription was accurate, the transcript was reread to identify patterns, which informed the coding process. The use of software for the purpose of coding served as a tool to ensure that results were interpreted and reported without bias. This process assisted in the identification of themes.

I also used NVivo for the purpose of visually coding the emergent themes to assist with interpretation and to provide greater insight and meaning. Yakut and Seritas (2017) noted that “the analysis process in qualitative research typically begins with the preparation and organization of qualitative data. Afterwards, the data is encoded and the themes may be created by employing the combination of the codes” (p. 518). Following the coding process, the results were reviewed to identify connections, or the absence of, between themes. The results of this analysis are reported in Section 4. Themes that emerged from this analysis informed the recommendations to XYZ organization regarding the viability of venture philanthropy as a possible revenue stream to support the needs of the organization.

Published Outcomes and Research

I used internet and library search engines and databases to find relevant material related to venture philanthropy. In addition to the Walden University Library databases, Google and Google Scholar were used for this research. Key search terms used included *venture philanthropy, mission-related business, mission-related business income, feasibility study, donor engagement, fundraising best practice, nonprofit revenue diversification, nonprofit funding sources, nonprofit revenue streams, qualitative methodology, and qualitative data analysis*. Sources used for this research included scholarly journals and trade websites and publications, as well as books related to industry best practices. The publication dates for literature used ranged from 2009 to 2021. I consulted the Walden University librarian for Public Policy and Administration on January 21, 2021, to review my search criteria and sources and to ensure that my background research was exhaustive on the topic.

Analysis and Synthesis

Participants

XYZ identified 25 individuals with the financial capacity to make a \$500,000 gift over a 2-year period. These individuals were current or prospective donors to XYZ. I reached out to the identified individuals to discuss my role as a student consultant and to request their participation in the interview process. XYZ's qualification of donors was accepted at face value, and it was assumed that the individuals selected met the financial capacity criteria. All study participants are anonymous in the final report. I aimed to have 10 to 15 participants and recognized that some of the identified 25 might decline to

participate. There were no additional demographic limiting questions such as age, sex, or location. Interviews were offered either in person at a location of the participant's choosing, such as an office or library meeting room, or via a web conference platform, such as Zoom.

Procedures

In December 2020, I received a written commitment from the CEO of XYZ to participate in this study. XYZ provided a list of 25 prospective interview participants. I reached out to the 25 identified individuals to provide a brief introduction addressing my role as a student, my relationship with the organization, and my research. I personally contacted each of the 25 people via email to evaluate their interest in participating in the study and to schedule a time for an interview. Each study participant was told that their responses would be anonymous and that no identifying information would be provided to XYZ. Each participant who agreed to the interview electronically signed a voluntary consent form to document their willingness to participate and memorialize an understanding of our agreement for the recorded interviews. The interviews took place in accordance with the participant's preferences for meeting to ensure their comfort and privacy. Interviews were recorded and transcribed after the meeting. The interview participant was asked to review the transcript within 1 week following the interview to correct any errors and to allow the analysis to move forward. Each interview was allotted up to 90 minutes, and participants were advised that the transcript review process would take 15 to 30 minutes.

I completed transcription and coding using NVivo software, a computer-aided qualitative data analysis software. Yakut and Saritas (2017) found NVivo to be a preferred research tool for qualitative studies requiring coding and analysis. I used coding to help identify patterns or themes in the data. Once the individual agreed to participate in the study, the participant received Pimperal et al.'s (2018) definition of venture philanthropy to ensure a shared understanding of the term. At the start of the interview, the participant was asked if they had any questions regarding the definition that was provided, and I answered those questions as needed. Maher et al. (2018) explained that coding is the primary method of data analysis when evaluating qualitative data. The results from the interview analysis were used to highlight any themes that emerged within interview results. The findings of this study will be shared with interview participants in the form of a one to two-page summary in lay language following the conclusion of this study and receipt of all necessary academic approvals.

Timeline

Following approval from Walden University, I reached out to XYZ to identify study participants and provided the agreed-upon note of introduction to those individuals. Interviews with participants were scheduled over a period of 14 days; interviews took up to 40 minutes each but were allotted 90 minutes, if needed. Research and documentation were provided to my supervising committee not more than 30 days following the completion of the interviews.

Protections

Participants in this study are anonymous. The nonprofit client is also anonymous and identified as XYZ organization. I assigned each participant a numeric code for tracking purposes. The participant's numeric code, contact information, and personal identity have been stored in a password-protected external hard drive that is only accessible to me. The hard drive is stored in my office, which is protected with both a keypad lock and alarm system. Details about individual study participants, or the name of the client organization, have not and will not be shared in published findings. The identities of interview participants in this study have been protected by not sharing any personally identifiable information in the form of direct quotes or demographic details. This includes any personal information that was shared during the interviews. No specific references to names of individuals or organizations are made in this report to further safeguard both the participants' and client's privacies.

I will keep all data for 5 years, as required. The note of introduction informed prospective participants of the privacy agreement. At the start of the interview, I again reminded participants of the privacy agreement before discussing their understanding of venture philanthropy. Participants were also informed that they were free to discontinue the interview or withdraw from the study if they choose. No participants elected to withdraw from the study. If they had, the participant's responses would not be incorporated into data analysis or the feasibility report for the client organization. Participants were informed that the interview was being recorded and would be

transcribed. Participants had the opportunity to review the transcript and to correct any errors or miscommunication within 7 days following the interview.

Analysis and Synthesis

I collected data from personal interviews I conducted with 10 participants. Once the transcripts were agreed to by the interview participants, the qualitative data were analyzed, in part with NVivo, a computer aided qualitative data analysis software. As Yakut and Saritas (2017) reported, NVivo is a preferred research tool for qualitative studies requiring coding and analysis. Prior to using NVivo for analysis, I read the transcripts to identify any themes which emerged in words or in concept. Themes were coded, as described by Maher et al. (2018), using colors to visually illustrate where themes occurred to aid in the identification of patterns in relationship to topics or interview questions. Transcripts were reread to ensure that each of the identified themes, in each interview response, was appropriately coded. Each transcript was read no less than five times. NVivo was used to identify how data was connected through the established themes or otherwise. In Section 4, I discuss patterns, as indicated by the data, and present the overall results of this study. Outlier perspectives were reported as such if they presented a sufficiently different way of thinking from the identified theme. These perspectives were not shared as direct quotes to protect the privacy of interview participants. Recommendations for further research, or considerations stemming from these findings, are presented in Section 4 to allow the organization to determine if a venture philanthropy concept is a viable method of augmenting revenue at XYZ organization.

Summary

I presented the results of this study to XYZ as a feasibility report. This will serve as a resource XYZ's leadership can use for action or additional research should the client wish to further pursue a venture philanthropy approach to revenue generation. In Section 3, I presented the research method used to explore the viability of a venture philanthropy approach with identified interview participants at XYZ organization. As noted in the methodology, participant selection criteria, procedures, analysis tools, and protections were also described. In Section 4, I will report the findings and implications of the study as well as make recommendations for XYZ based on the data collected. Section 4 includes an evaluation of donor interest and an exploration of the perspectives of current and potential donors to help XYZ identify possible mission-related business opportunities and donor engagement strategies to implement a venture philanthropy concept. I also note any limiting factors that impacted the study and provide recommendations for future related research.

Section 4: Evaluation and Recommendations

The purpose of this case study was to examine and understand the perspectives of financially capable current and prospective donors to XYZ concerning the feasibility of a venture philanthropy approach to augment the organization's revenue stream and support the organization's mission. Donor engagement was a key concept in this study. As the literature demonstrates, donor engagement plays an important role in the success of fundraising efforts (Perry, 2019). One shortcoming, which the literature established, was the lack of understanding between major donors and nonprofit organizations when pursuing a venture-type approach. In this study, I addressed the knowledge gap between donors and nonprofit organizations by highlighting donors' needs when making a venture-level investment. This study informs XYZ regarding the needs of their major donor community when considering this approach. Other nonprofit organizations may also benefit from the study findings in that their major donors may have similar needs. A venture-philanthropy approach was both feasible and attractive to the donors who engaged in this study.

Data Collection and Coding

I collected qualitative data from 10 individual interviews with study participants. Each interview participant was asked six questions. Although they had the opportunity to meet in person to conduct the interview, all participants elected to engage in virtual meetings citing either safety due to the COVID-19 pandemic or the ease of scheduling. All participants agreed to participate using the web-based meeting platform Zoom. I transcribed and coded the results of these interviews to detect themes and provide data to

document the perspectives of individuals with the financial capacity of making a contribution of \$500,000 over a 2-year period. The perspectives provided by participants in the interviews may help XYZ leaders understand how a mission-related business might be feasible for the organization to generate additional financial resources.

Recorded interviews ranged in length from 15 to 40 minutes to answer the six interview questions. I completed an initial reading of all interview transcripts and shared the transcripts with the interview participants within 24 hours of the interview. Inductive coding was used to develop codes based on the answers given by interview participants. Inductive coding was selected, rather than deductive coding which uses a list of preestablished codes, to allow for greater flexibility and analysis of open-ended conversation (Saldana, 2009). Inductive coding offered a greater opportunity to identify trends in data. Once transcripts were approved by the participant following the interview, the transcripts were read to broadly identify themes. The transcripts were uploaded into NVivo to allow for more in-depth coding and analysis. In NVivo, each transcript was evaluated, and color codes were assigned to visually identify patterns. Each transcript was read a minimum of five times for coding and analysis to ensure details were not missed. NVivo was then used to examine key words, repetition of themes, and trends that emerged between research questions and participant responses.

Findings and Implications

In this subsection, I discuss the key themes, which are organized per this study's GQs.

Guiding Question 1

GQ1 asked, To what degree do donors have an interest in helping establish a mission-related business to generate additional operating revenue in support of XYZ's mission? To gain insight into this question, I used data from Interview Questions 1 and 5. Interview Question 1 asked, Based on your understanding of venture philanthropy, do you believe a mission-related business would be a viable concept for XYZ to explore in order to generate additional revenue to support their mission? All participants responded positively to this question and agreed that a mission-related business was a viable concept for XYZ to explore. Interview Question 5 asked, If you had the financial resources necessary, would you make a venture philanthropy investment to fund a mission-related business at XYZ? Six of the participants affirmed that they would make this type of investment, in principle to support XYZ. The three who said they would not make a venture philanthropy investment to fund a mission-related business at XYZ cited other organizations who were higher philanthropic priorities. In a follow-up to Interview Question 5, all three indicated they would make a venture-level investment to a nonprofit that was a higher philanthropic priority. XYZ was not a philanthropic priority to any of these participants at this time. One participant said they would be most inclined to make an unrestricted gift the organization could use however it felt best to serve its mission. As Gurvis (2016) explained, it is important to establish a compelling case for support in major gift fundraising. Those who expressed an interest in a venture philanthropy approach suggested that a well-articulated case and the anticipated impact on the

organization would help them feel confident and inspired by the organization's plans thereby increasing the likelihood for venture-level investment.

Guiding Question 2

GQ2 asked, What does a potential donor want to know to consider an investment in a mission-related business at XYZ? Data from Interview Questions 3 and 4 provided insight into this question. Interview Question 3 asked, If a mission-related business requires the investment of a donor to fund start-up costs, what might a potential donor need to know before making the decision to fund the business? Two distinct types of thinking emerged from this question. The first type of thinking was financial. Eight participants indicated that a business plan, presented by the nonprofit organization, was an important decision-making criterion and interview participants drew parallels between the organization's business plan and the ultimate impact on XYZ's mission. Building on the idea of the business plan, key data points that were mentioned included start-up costs, length of time to returns, return on investment, and tax advantages. Three participants indicated they would like to know more about the leadership of the organization. The participants' definition of leadership ranged from the person who would be leading the business to the nonprofit's executives. Two participants articulated an interest in knowing more information about the nonprofit organization's board members. Two different participants expressed interest in a marketplace analysis to determine the feasibility of the new venture concept to evaluate the idea for potential for success, absent the association with the nonprofit organization. In these two cases, the participants cited the failure rates of new businesses in general and wanted to mitigate those risks.

The second type of thinking that emerged was relational. Six participants mentioned a connection to the organization's membership or community. These participants were more specifically seeking to understand how the organization would involve its members or staff to support the business and the potential impact on the operations of the nonprofit organization. This segment also associated the organization's programs and services with the business and felt the two should be aligned. One participant specifically commented on an opportunity to use the business as an extension of XYZ's mission to positively impact the organization's members.

Interview Question 4 asked, What might a donor who makes this type of investment want to know, or be involved in, once the business is launched? This question drew the most varied results. Four participants indicated they would want to know how the money was used, five participants mentioned reporting, and one participant would want to be involved in the operation of the business. One participant expressed interest in knowing the long-range plan for the business. More specifically, that participant was interested in knowing if the business would be a private entity or seek to grow into a larger corporation. These responses are in addition to the unanimous desire of all 10 study participants to know the ultimate impact on XYZ's goals and mission.

Guiding Question 3

GQ3 asked, Is a venture philanthropy approach a viable possibility to support the mission of XYZ? Interview Question 1 asked this question directly and saw unanimous agreement. All of the participants stated that a venture philanthropy approach was a viable possibility. Each interview question provided additional insight into the individual

perspectives of participants that would shape a unique donor engagement strategy, if cultivating that person as an individual prospective donor. This point underscores the importance of donor engagement in the development process when pursuing a mission-related business concept.

Themes

Three themes emerged from this research that XYZ leaders should consider when evaluating the viability of a venture philanthropy approach from an operational perspective. The first is governance. When evaluating the decision to make a venture-philanthropy investment, interview participants expressed an interest in knowing more about who would be running the business operations and who would be governing the affiliated nonprofit, in this case, XYZ. One participant expressed an interest in a governing role if making a venture-level investment to ensure the success of the business. Of the four participants who mentioned governance, all were interested in the leader's abilities to effectively oversee the mission-related business. One participant expressed the need to vet the affiliation with XYZ's organizational leadership to mitigate potential personal reputational risks. Another participant was interested in the business forming a governing board that would be separate from the nonprofit board to ensure the interest of both were protected as separate and unique entities.

This study asked about a venture philanthropy approach specifically to benefit XYZ. A majority of participants expressed interest in member involvement. The specific affiliation with the organization may have resulted in a direct correlation between the goal of the mission-related business and the mission of the nonprofit organization. As

a result, many participants brainstormed business ideas related to the nonprofit's mission. Interview Question 2 asked, what types of mission-related businesses do you see as relevant to options XYZ might explore given their mission and location? Eight participants suggested business ideas related to existing organizational programs. Four participants expanded on that and specifically suggested businesses related to the product sales program. Seven participants discussed the involvement of members in the production of goods or services the business might create and generate revenue from in an effort to closely align with the nonprofit's mission. While these specific ideas varied, all of the ideas generated involved the ability to use the business as a learning opportunity for XYZ's members. One participant suggested a business idea largely disconnected from the mission of XYZ with a goal of maximizing the financial impact of the business to generate the greatest amount of support for XYZ's mission. This participant was interested in member involvement in the business but producing a financial return that would have the greatest impact on XYZ's members was the participant's primary focus. Given the potential pitfalls identified by Gross and Shapiro (2014), it is important the XYZ identify and articulate the opportunities for member involvement while clearly defining boundaries to safeguard against donor dissatisfaction and an unwelcome level of member involvement in the business planning. Gross and Shapiro's research is consistent with Webb Farley (2018) who researched the implementation of a venture philanthropy approach in public universities. Both studies pointed to the importance of role clarity between donors and nonprofit organizations. Given the perceived importance

of member involvement, it will be helpful for XYZ to plan for a way to align member interest with the organization's strategic goals.

Measurable impact was an important theme that emerged from interview participants. The need to understand and believe in the organization's business plan for the mission-related business was central to the participant's willingness to make a venture-level investment. Participants articulated a direct correlation between an effective business plan and a successful impact on XYZ's mission. No participant indicated that the type of business played a role in their decision making with one exception being a single participant who commented about personal reputational risk. That participant would not want the organization to invest in a business that was incongruent with their personal values. Eight interview participants mentioned the importance of a well-documented business plan that mapped out how the donor's investment would be spent to set up the business, the expected expenses, and the timeline to see a financial return; measured by the impact on XYZ. All of the participants expressed an interest in seeing the impact of their investment through the perspective of XYZ's ability to positively impact their members and deliver their mission. This datapoint is consistent with existing research by Kollmann et al. (2014) who cited the need for donors to understand the measurable impact of the dollars they invest. While the donor's needs varied regarding how they would like to see that impact documented, regular statements of impact were thematic. There was consensus amongst interview participants regarding the need for upfront data regarding the establishment of the business in comparison to ongoing data once the business was fully launched to document operations. Four participants expressed

an interest in ongoing information about the business's operational data compared to all participants who expressed interest in the nonprofit's impact data. This finding is consistent with the research conducted by Webb Farley (2018) which noted return on investment as a key donor priority when consider a major gift to a nonprofit organization.

While this study evaluated the viability of a venture-philanthropy approach at XYZ, the results highlighted the potential applicability to other nonprofit organizations. As illustrated by the responses to Interview Question 5, some participants would be interested in this type of approach at other organization's the participants were affiliated with that were seen as higher philanthropic priorities to those individuals. This point shows that a venture-philanthropy approach may have applicability in the nonprofit field beyond XYZ organization. Other nonprofit organizations may be able to pursue a venture-philanthropy approach to support their missions thereby fueling social change at a variety of levels and across nonprofit sectors. This approach may result in additional revenue which expands a nonprofit organization's capabilities and resources thereby enhancing that organization's ability to carry out its mission and positively impact social change.

Recommendations

The data showed that there is interest within XYZ's existing constituent base to explore and possibly fund a mission-related business with a venture philanthropy investment. The results will be presented to XYZ and appear in Appendix A. The following recommendations are presented to help XYZ consider internal and external

needs to increase the likelihood of a successful outcome and further the organization's understanding regarding the feasibility of a venture-philanthropy approach.

Business Planning

Participants clearly expressed the need for additional information when considering this type of financial commitment to XYZ. All participants asked for additional data before making this type of decision. The organization should consider a working group to identify possible business concepts and explore a competitive analysis of the business landscape for the identified business concepts. This data will be helpful to share with donors and build confidence that the organization has done its due diligence when vetting mission-related business ideas. Once identified, XYZ should create a business plan outlining the costs associated with the start-up as well as a timeline from funding to opening, taking into account all relevant city and state ordinances. Gras and Mendoza-Abarca (2014) evaluated the effect of earned income strategies, also known as mission-related businesses, in Canada. The authors found that the addition of market-based revenue decreased the likelihood of nonprofit failures. Gras and Mendoza-Abarca noted a point of caution where the mission-related business becomes too successful and detracts from the nonprofit organization's purpose. When the nonprofit becomes too focused on the mission-related business, or too dependent on the income, it may detract from the nonprofit's own focus on its mission. By evaluating appropriate types of mission-related business and developing an effective business plan, the organization can prevent this conflict from occurring. It is important XYZ notes that the purpose of the mission-related business is revenue diversification and be mindful not to transition to an

operational model that overly relies on the income. This point of caution is to prevent XYZ from becoming overly dependent on a single revenue source.

Constituent Engagement

A theme that emerged from interviews was member involvement. Prospective donors were interested to learn how XYZ's members might be involved in the mission-related business or how the business would serve the community. Following the market analysis to establish a business plan, and the selection of a business concept, XYZ would benefit from considering how members and donors may be involved with this project. This discussion could begin, in concept, at the board level and expand, as appropriate to solicit the feedback of members to evaluate interest. Articulating a well thought out process will further inspire the confidence of prospective donors and will directly address one of the clear priorities' donors expressed when participating in the survey. Heyman (2016) noted that transparency with donors is an important aspect of donor engagement. Given the interest of participants in the role of members in the mission-related business, it is likely that a prospective donor will be interested in the steps the organization may take to engage its members. By involving members and establishing a plan for the future involvement of members, if appropriate, XYZ will demonstrate transparency and well as address as key aspect of donor feedback shared in this study.

Internal Feasibility

The feasibility to establish a mission-related business has two key parts; the feasibility of funding the business with a donor's gift and the feasibility of managing the business. This study addressed the former but XYZ should still evaluate the latter

through future organizational research. An internal capacity analysis is essential to identify gaps in skills or resources necessary to take on the management of a new entity. Barry noted that in a for-profit feasibility study, when exploring a new venture, an evaluation of “organizational competence, and non-financial resources to launch and manage the proposed new venture” were important considerations (2017, p. 58). Barry expanded the core tenants of feasibility to also include “availability of quality staff and receptivity of the community” (p. 58). Through an internal capacity analysis, XYZ will fully understand the cost to the organization. In addition to the financial capital necessary to launch the business, XYZ may also identify staffing or systems needs necessary to support the business, facilitate reporting, and support donor or community relations requirements.

An important second part of the internal feasibility study is directly related to feedback from study participants, governance. As one participant noted, the skills needed to run a nonprofit organization may be different from the skills necessary to run a for-profit business. This is consistent with the research by Phillips and Johnson (2021) who found venture-philanthropy level donors did not feel nonprofit organizations were equipped to take on the additional challenges of impact reporting. The researchers noted a lack of financial acumen which created a disconnect between organizational leadership and financially sophisticated donors. Ensuring effective leadership was a key concern from study participants as well who equated leadership capacity with the successful operation of the mission-related business. If the concept moves forward, XYZ might consider profiles of key leadership personnel who would be involved with the business

operations to inspire confidence in the venture-level donor or prospect. If XYZ can document this type of experience in financial planning it may help build confidence among high capacity current and potential donors.

Strength and Limitations of the Project

This study contributes to bridging the gap in literature between venture investing and the nonprofit sector and affirms existing knowledge about the importance of donor engagement. The findings demonstrate interest on the part of financially capable individuals to engage in a new type of philanthropy and, as three participants expressed in Interview Question 6, an appreciation for the innovation in concept. These three participants recognized that venture-philanthropy was a new concept in the nonprofit field and applauded XYZ for considering a new approach.

This study did not test a particular business idea, which may play a role in a donor's decision to fund a mission-related business. While there was collective enthusiasm for the idea of a new revenue stream to support XYZ's mission; the data was collected for the purpose of academic research. It is unknown if a solicitation for funds would be met with the same degree of enthusiasm, even if all expressed questions are addressed. Future research could consider the applicability of the venture philanthropy approach from an internal perspective to understand the impact on organizational operations and infrastructure.

Summary

Section 4 presented the findings of the study and identified the themes which emerged throughout the data collection process. Section 4 also recommended next steps to support the needs of donors as well as conduct an internal feasibility study to identify organizational capacity needs. Section 5 describes the dissemination plan for study results and recommended audiences for this research.

Section 5: Dissemination Plan

I will present the results of this study to XYZ as a feasibility report (see Appendix A). This study articulated participating donors' perspectives regarding the viability of a venture philanthropy approach to augment operating revenue at XYZ organization. Following the presentation of this report to the organization, I will make myself available to the organization's leadership for any questions about the research or recommendations. The key study findings will also be summarized in a one to two-page document that will be shared with survey participants following university approvals of this study. The study recommendations may result in XYZ conducting an internal capacity assessment to determine if the perspectives shared by interview participants align with existing organizational capacities, or if further analysis is required to determine the viability of implementing a mission-related business.

The audience for this study would include nonprofit board members and senior executives with an interest in diversifying revenue at their organizations. Individuals with an interest in supporting a mission-related business would also be an appropriate audience. Fundraising or donor relations staff may also be interested in the findings of this report, specifically the role of donor engagement in discovery process. The product of this study might be shared in strategic or financial planning sessions or in the context of academic research or references in the fields where venture philanthropy is of interest.

Summary

This study demonstrates that venture philanthropy is a viable alternative some nonprofit donors may consider to fund a mission-related business in support of the

mission of nonprofit organizations. If implemented, venture philanthropy may generate a previously unknown revenue stream that assists the leaders of a nonprofit organization in carrying out the organization's mission. This additional revenue stream may also allow the organization to expand its impact on social change. However, donors are interested in seeing the impact of their investment in the form of a return. This return donors are seeking is not financial in nature but would require the nonprofit organization to commit to reporting on the progress of the mission-related business and how that progress is impacting the nonprofit organization's ability to fulfill its mission. This study described that donors are looking for transparency in the organization's goals and the impact a mission-related business would have on progress toward those goals. Donors want to see social change presented through the organization's ability to fulfill its mission. Although viable from the perspective of donors, nonprofit organizational leaders need to carefully evaluate their organization's internal resources and capacities to determine if the organization is able to support the added demand of the mission-related business and the expectations of donors to feel fulfilled in their giving. There are circumstances where this model may be appropriate, but it should not be taken on without careful planning and consideration. In the appropriate circumstances, venture philanthropy may provide needed revenues that help an organization to fulfill its mission and achieve sustainability.

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Appendix A: Feasibility Report for XYZ Organization

I am pleased to submit this feasibility study conducted to explore the viability of venture philanthropy to expand XYZ's revenue streams. I would like to acknowledge the organization for their partnership on this project and that staff who assisted in supporting this research. Their responsiveness and enthusiasm for this project have made it a true joy to complete. I have enjoyed this opportunity to expand my understanding about XYZ, as well as the opportunity learn more about how a venture philanthropy approach may contribute to the field of nonprofit management. The current and prospective donors who participated were thoughtful, engaging, and genuinely interested in both the topic and the organization.

Guiding Questions

This feasibility report centers around three guiding questions to aid XYZ in future decision making regarding the exploration of alternative revenue streams. This study specifically addressed venture philanthropy as a mechanism for funding a mission-related business to generate additional revenue, in perpetuity, to support the organization's mission. The guiding questions for this study were

1. To what degree do donors have an interest in helping establish a mission-related business to generate additional operating revenue in support of XYZ's mission?
2. What does a potential donor want to know to consider an investment in a mission-related business at XYZ?

3. Is a venture philanthropy approach a viable possibility to support the mission of XYZ?

The topics of venture philanthropy and mission-related businesses are complex decisions for any organization. This study provides donor perspectives to aid in the decision-making process should the leadership of XYZ wish to explore the concept further.

Study Process

Following University approval, I was provided with a list by Jane Doe of 25 individuals who met the established criteria of being capable of making a \$500,000 contribution to the organization over a 2-year period. I reached out to each individual via email and explained my role as a student researcher, my prior working relationship with the organization, and the topic and purpose of my study. I let each individual know that their responses would be anonymous and the protections and procedures associated with their participation. Ten individuals elected to participate, representing 40% of the initial list of possible participants. Those who elected to participate were offered the opportunity to meet in person or via web-based video conference platform. All of the individuals elected to engage in a Zoom meeting citing either scheduling or pandemic concerns. Prior to participating, each person was provided with a definition of venture philanthropy to facilitate shared understanding of the term. The definition they were provided was written by Pimperl, Comma, Hildebrandt, and Groene and explained venture philanthropy as “social investing...which utilizes mostly private investor and foundation money with...the aims of causing a positive, measurable social impact and making a financial profit.”

Each interview was allotted up to 90 minutes; interviews ranged from 15-40 minutes following introductions. Each participant was asked the same six questions and was provided with a written transcript of the conversation and asked to confirm accuracy. Following confirmation of the transcript from the interview participant, transcripts were then read and coded to detect themes. A data analysis software, NVivo, was used to assist in this process. Three key themes emerged and are described in the General Findings and Themes section.

Interview Questions

The following questions were asked of each interview participant:

- 1 Based on your understanding of venture philanthropy, do you believe a mission-related business would be a viable concept for XYZ to explore in order to generate additional revenue to support their mission?
- 2 What types of mission-related businesses do you see as relevant to options XYZ might explore given their mission and location?
- 3 If a mission-related business requires the investment of a donor to fund start-up costs, what might a potential donor need to know before making the decision to fund the business?
- 4 What might a donor who makes this type of investment want to know, or be involved in, once the business is launched?
- 5 If you had the financial resources necessary, would you make a venture philanthropy investment to fund a mission-related business at XYZ?

- 6 Do you have anything else you would like to share regarding the idea of XYZ launching a mission-related business or around the concept of a venture-philanthropy investment?

General Findings and Themes

XYZ does have current and prospective donors who are interested in exploring a venture philanthropy approach. All participants responded positively to this question and agreed that a mission-related business was a viable concept for XYZ to explore. Several participants took their agreement a step further and praised XYZ for exploring an innovative approach to generate funds. Some cited personal fatigue from annual fundraising appeals and appreciated a new approach to generate revenue. The specific findings of the study are explained through the perspective of the three themes which emerged. Those three themes are member involvement, measurable impact, and governance. Each theme is discussed to explain the specific donors' questions and needs related to these themes.

Member Involvement

As a member-based organization, it was unsurprising that membership involvement emerged as a theme. Eighty percent of interview participants expressed an interest in a mission-related business that involved members and furthered the reach of XYZ's mission. Several participants suggested business models that could expand the learning of members or provide opportunities for community partnerships. These ideas included a thrift store, greenhouse, or craft-related business that members could engage in as part of XYZ's work while still producing revenue. One individual expressed an

interest in a business that would provide the greatest financial return to support the organization. This individual was specifically interested in the success of the mission-related business to generate a positive financial impact on XYZ's operations and less interested in the type of business. It is notable that while all participants brainstormed ideas for mission-related businesses, no participant expressed the need to choose the business for the organization. One participant did note the need to vet the business idea for reputational risk, but that sentiment seems like a logical consideration XYZ's leadership would evaluate given its brand and role in the community.

Measurable Impact

All of the study participants expressed an interest in seeing the impact of their investment through the perspective of XYZ's ability to positively impact members and deliver the organization's mission. A variety of viewpoints were expressed regarding the frequency of reporting, ranging from monthly to annually, but it was clear that tying the mission-related business revenue to the outcomes of the nonprofit organization was important to interview participants. A venture philanthropy level investment is akin to a major gift by traditional fundraising standards. The organization might consider this impact report a form of stewardship to keep donors apprised of the effect their investment is having on XYZ's ability to carry out its mission and serve its members.

Business planning was an important element of this theme. While participants did not want to choose the business for the organization, the majority of interview participants expressed an interest in understanding XYZ's plan to fund and operate the business prior to investing. These individuals were also interested to learn the ultimate

goals XYZ would set for the business and how those goals would relate to impact on XYZ and the community it serves. Interview participants were overwhelmingly interested to see a comprehensive vision that begins with the business plan and illustrates how that would ultimately impact XYZ's members.

Governance

The leadership of the mission-related business was a theme that some participants tied to the overall success of the venture. Forty percent of those who participated were interested in who would be leading the business and what that person's qualifications are. A smaller number of participants expressed an interest in learning more about the nonprofit's leadership which ranged from interest in the executive team to the board of directors. One interview participant expressed a willingness to serve on the organization's board, if they made a significant financial commitment, while another expressed an interest in seeing the mission-related business develop a governing board separate from the nonprofit board. A key takeaway from this theme was the correlation between governance and success. Participants saw a need for a capable leader, for both the nonprofit organization and the mission-related business, to ensure the success of both organizations.

Considerations

Prevailing research in the field of major gift fundraising notes the challenges that can emerge when donor expectations and nonprofit organizations' goals do not align. The field of venture-philanthropy is similar to major gift fundraising in that the stewardship of donors is important. Donor engagement is a fundamental element of donor stewardship.

All of the individuals interviewed felt that a venture philanthropy approach was a viable option for XYZ. All of the individuals also expressed an interest in regular updates on the impact of their investment, with a high percentage of participants believing the mission-related business should involve members. XYZ would benefit from engaging current or prospective donors, and perhaps members, in the development of the business concept. It is also important that if XYZ chooses to pursue a venture philanthropy approach, a stewardship plan is established to keep donors informed about the impact of their investment.

Recommendations and Suggested Next Steps

This feasibility report offers insight into the perspective of current and prospective donors. The sample size is meaningful because one single individual has the financial ability to make this type of investment; if there is alignment between that individual and the organization. The ability to fund the mission-related business only represents one side of the concept's feasibility. An internal feasibility study should be conducted by XYZ organization to assess the impact on the organization and operations to identify internal capacity needs. Some important points to consider include staffing, systems resources, public relations, and other strategic priorities. It is important XYZ analyzes the overall impact a mission-related business may have on the operations of the nonprofit organization and the community it serves. Beginning these conversations at the board and executive levels will allow XYZ to look across departments and in the context of strategic priorities to identify gaps. As the organization works through a plan to address any gaps, it may then benefit from involving staff and members in focus group

style conversations to expand the organization's understanding of both perspectives and challenges that may arise at the operational level.

As a short-term step, I would be pleased to make myself available to answer any questions related to this research to assist XYZ in fully understanding the study and results. XYZ's board of directors and executive team may then want to review this study and consider how the organization may choose to evaluate the feasibility from an internal perspective. Building a venture-philanthropy approach into the organization's operation plan and long-term strategic goals is also important to galvanize the approach as a key organizational priority. I recommend any next steps be agreed to at the board level and disseminated in a way that is practical for the organization.

Appendix B: Interview Questions

I posed the following interview questions to each interview participant.

1. Based on your understanding of venture philanthropy, do you believe a mission-related business would be a viable concept for XYZ to explore in order to generate additional revenue to support their mission?
2. What types of mission-related businesses do you see as relevant to options XYZ might explore given their mission and location?
3. If a mission-related business requires the investment of a donor to fund start-up costs, what might a potential donor need to know before making the decision to fund the business?
4. What might a donor who makes this type of investment want to know, or be involved in, once the business is launched?
5. If you had the financial resources necessary, would you make a venture philanthropy investment to fund a mission-related business at XYZ?
6. Do you have anything else you would like to share regarding the idea of XYZ launching a mission-related business or around the concept of a venture-philanthropy investment?