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Entrepreneurial Philanthropy Partnerships: In Search of Alignment

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1 Summary

In the late 20th century, a new generation of philanthropists emerged: entrepreneurs who preferred using their capital, expertise and network assets to invest in solving societal issues rather than just donating. These so-called 'philanthropreneurs' (PHs) intend to transfer their innovations in business- and market mechanisms by partnering with non-profit organisations. The returns envisioned seem partly social, partly financial, and partly symbolic, and fit in with the current zeitgeist where entrepreneurs also want to create societal impact as an alternative to unfettered economic growth. This entrepreneurial belief in giving back, their personal association with the cause and the symbolic capital attached to this type of investment, is defined here as entrepreneurial philanthropy which can be seen as a business activity as well as a personal, reflective process for benevolent human relations.

The nature of the phenomenon as a resurgence of engagement was examined, as well as its development up to its differentiated appearance. The entrepreneurial approach has been suggested to be incompatible with the democratic governance of non-profits, and seems little to do with an emphasis on collective, voluntary action for the public good that implies aspects of fairness and justice in civil society. For the senior executives (SEs) of non-profits there is a challenge how to cope with this output-oriented approach, and how to trust these PHs will serve them well. However, the retreating government interest and increased donor demands created shifting powers in civil society that compel non-profits to adopt entrepreneurial business methods and values to become more market-like. When SEs want to respond to these shifting powers in civil society, they do not always feel familiar with the entrepreneurial approach of these PHs. Consequently, this unfamiliarity may lead to a 'Tower of Babel' speech confusion when they meet with one another, which may result in failing partnerships, or even the cancelling of promising projects.

A literature study about the development of a structured, strategic approach to successfully engage for-profit and non-profit partners leads to a preliminary definition of entrepreneurial philanthropy partnership (EPP): *The search performed by philanthropreneurs (and their companies) to create an aligned partnership with the senior executive of a non-profit organisation to achieve greater philanthropic impact, contributing business principles such as tailored investment, human networks, knowledge transfer, applied materials and/or time capacity, therefore acquiring economic, and/or symbolic returns.* It has been argued there are specific conditions under which an entrepreneurial philanthropy partnership between a PH and a SE is likely to emerge. The entrepreneurial idealism seems grounded in the alignment paradigm, which is further developed as an expression of a management concept to increase the accomplishment of a partnership when creating societal impact. A second literature study was made to determine a theoretical framework which can enhance the idea of entrepreneurial philanthropy. The organisational management domains of leadership, strategy and culture were selected, and 25 performance indicators that might be of influence in the process of alignment.

This Theoretical framework of entrepreneurial philanthropy alignment was qualitatively tested with 12 Dutch PHs and SEs. A series of semi-structured exploratory interviews were conducted to find evidence to decide upon the domains and to select the most important indicators that could positively influence the alignment paradigm when establishing a partnership. The research clarifies the theoretical framework that describes three domains with different paths, each of which branches from the linking path of leadership that is considered to be the impetus for the process of entrepreneurial philanthropy alignment; for strategy that is considered to be the guiding path, and for culture, the driving path. Within these three domains, the research attempted

to adjust the 25 theoretically-derived indicators, and select the most important indicators experienced in the partnership context. A selection of 15 significant indicators was made, based on the multi-level perspective of PHs and SEs that ask how they manage the interdependencies between leadership, strategy and culture effectively. The principle of alignment seems a catalyst for the partnering process, that may provide leverage for change. The outcome give insights to modify and upgrade it to a conceptual framework of entrepreneurial philanthropy alignment, and provide support to study the principle of alignment further.

In the third literature study, a conceptual framework was evaluated and new evidence was found that the indicators in three domains and the intermediate variable of alignment might contribute to establish an EPP. However, both partners should identify clearly their mutual goals and seek an approach in which they can mutually benefit by advancing each other's vision and mission. The findings of the research gave direction for the development of a entrepreneurial philanthropy alignment model (EPAM) that may help the partners to remove barriers that impede cooperation, and thereby increase the performance of the partnership organisation as a whole to create a greater philanthropic impact (Figure A).

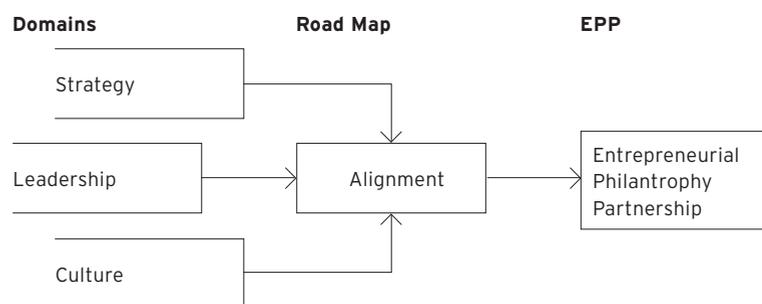


Figure A *Entrepreneurial Philanthropy Alignment Model (EPAM) in headlines*

The EPAM was empirically tested in the context of existing EPPs in The Netherlands to continuing building the theory to test practically the magnitude of partnership practice, and to enhance the responsiveness to partners' expectations of an EPP. Therefore, the formulated primary research question is if the EPAM can determine whether or not an EPP between a PH (and her/his company) and an SE will be established. A qualitative methodology using semi-structured in-depth interviews suggest to be appropriate to investigate 10 existing partnerships among Dutch SEs and their PHs, a population of in total 20 experts. The data from the research were analysed with regression and correlation techniques and delivered preliminary evidence that the EPAM may be effective for EPP formation and cooperation, by developing the required alignment as its effective road map. First, analysis of the results revealed that the indicators of leadership and culture are more related with establishing an EPP than the indicators of strategy, but only partial conformation was provided for the prediction that the selected indicators of the three domains have a positive correlation therefore, further statistical weighting of selected indicators is probably needed. Second, the results provided conformation for the prediction that leadership has a positive correlation with the process of alignment. Third, alignment is varying to what extent the culture is supercharging the partnership, while strategy is responding in a similar way when guiding the partnership. Fourth, the data collected provide support that the importance of alignment might explain the dynamic process of establishing an EPP.

Examples were found of the structural power that patience, trust, willingness to coordinate and commitment all serve to better align partners' expectations of the EPP, while leadership had a meaningful impact on the partnership development. The challenge, however, lies in developing a partnership culture in which autonomous parties can relinquish supremacy and supervision, while also engaging in planning and organising that considers the needs of both

partners. Such a voluntary resignation of autonomy and control does not come easily, but appears to be a necessary leadership condition to increase the probability of EPP establishment. EPPs are by, their very nature quite demanding, requiring cooperation between the staff from both partners who may have different concerns, core values and working methods. These challenges were typically reflected in all aspects of communication, both within and outside the EPP. The process of alignment may be beneficial for an effective partnership, but weak alignment may create the conditions necessary for social loafing, which ultimately causes friction and the exclusion of the partner who is deemed insufficiently committed or competent. The importance of alignment in the process of an EPP, based on insights obtained from the research has been confirmed to calibrate the relational processes of leadership, strategy and culture. One particular lesson learned from programmes that have established EPPs is that partnership development often takes considerable more time than originally thought; therefore, patience seems an important virtue held by both partners.

The data analysed in the qualitative test delivered preliminary evidence that the concept of the EPAM might help to generate and evaluate outcomes, align plans with realistic implementation of timeframes and budgets, and empower for-profit and non-profit worlds to accomplish societal EPP goals. Notwithstanding the above mentioned points, there are lacunas within the process of alignment to EPPs that call for clarification. Further research is needed to adjust the practice-based indicators within the three domains with more overarching theoretical partnership alignment concepts, so the chance to reach a successful EPP will be further increased in the near future.