



Venture Philanthropy and Regional Innovativeness

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1. What shapes regional innovativeness?

Financing gaps as a problem of inventors and entrepreneurs

2. What are the potentials of philanthropy for regional innovativeness?

Provision of finance, knowledge and social and relational capital

3. What defines philanthropy's impact on regional innovativeness?

Civil society structure, regional endowment with local wealth and non-formal and organizational networks

4. Conclusion



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What shapes regional innovativeness?

- **Inventors, founders and entrepreneurs:** The local culture of inventing, business-formation and entrepreneurship forms one central aspect of a region's innovativeness.
 - **Financing gaps:** In their early stages inventors and start-ups operate under very high risk. This results in difficulties in obtaining finance through the market.
 - **Relevance of funding from outside the market:** Thus, funding from outside the financial market, for example public funding, is of central importance.

- **Potentials of philanthropy and the non-profit sector as alternative sources of funding?**



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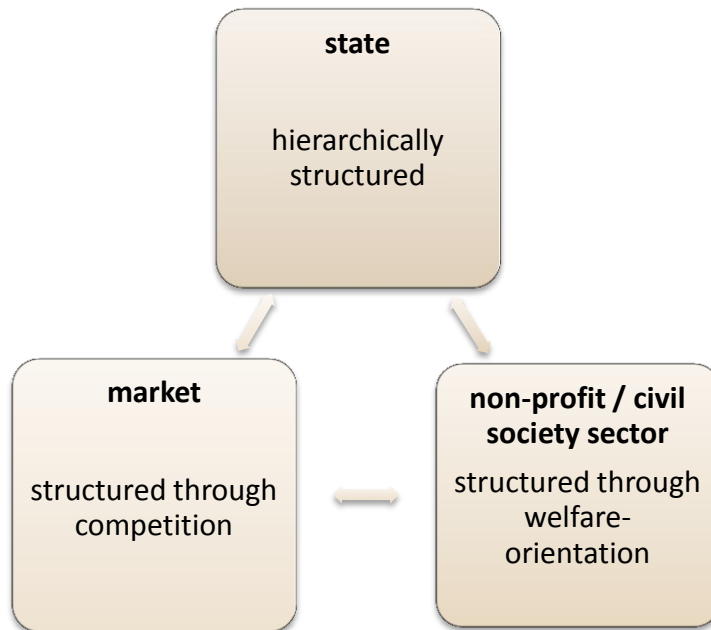
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Increasing importance of the non-profit sector and philanthropic giving



Philanthropy:

- *“voluntary dedication of personal wealth and skills for the benefit of specific public causes [...], refers to private efforts to solve common social problems [...].”*
- operating logic of the non-profit sector which *“provides the organizational infrastructure of civil society.”*

Entities of the non-profit sector:

- organized
- private
- not profit distributing,
- self-governing
- voluntary

Venture Philanthropy: transferring concepts and strategies of venture capital to the non-profit sector



“Clearly, foundations and venture capitalists face similar challenges: selecting the most worthy recipient of funding, relying on young organizations to implement ideas, and being accountable to the third party whose funds they are investing.”

- long-term funding instead of short-term projects
- support goes beyond the provision of financial capital
- capacity building
- performance measures
- exit strategies

What are the potentials of philanthropy for regional innovativeness?



1. Provision of funding, seed or starting capital for inventors and entrepreneurs

- expectance to raise social or societal welfare, ideology or private interest as possible motives of wealthy patrons or nonprofit organizations to support research, inventing and founding activities

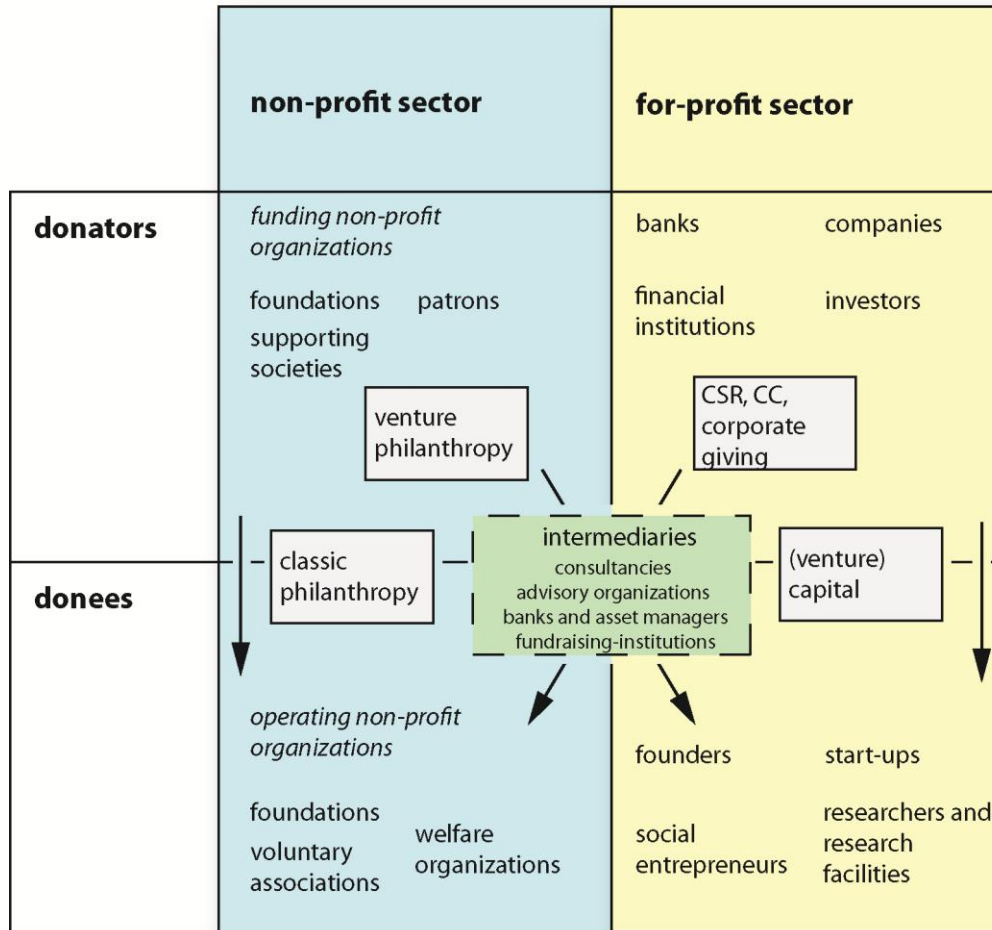
2. Support through competences, knowledge and relational and social capital

- non-profit-organizations or wealthy patrons as providers of advice, guidance and counselling
- founders and inventors get opportunities to learn from the experience and personal social and business networks of patrons or donors
- conceptual relation to business-angels-partnerships

-> how to draw the line between non-profit and for-profit activities?



Research object: intersectoral flows of capital



- Does venture philanthropy imply new forms of capital flow between the non-profit and the for-profit sector?
- Do private inventors and entrepreneurs obtain capital from the third sector?
- Do, with rising intersectoral capital flows, intermediaries gain importance?



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What defines philanthropy's possible impact on regional innovativeness?



1. The structure of civil society and the regional endowment with local wealth and philanthropic donors

- Charitable giving is often regionally focussed. Wealthy donors, foundations and other non-profit organizations often limit their activities to the surrounding regions.
- Proximity influences the „Philanthropy Marketplace“.
- Wealthy donors do not only feel the need to „give back to society“, but also to „give back to the region“.
- Foundations focus their activities to limited spatial areas.

What defines philanthropy's possible impact on regional innovativeness?



2. The structure of the regional economy

- The regional economy influences regional philanthropists' and non-profit-organizations' resources.
- A local focus of charitable giving implies the dependence of accessible philanthropic capital on local wealth and income structures, which again are framed by the regional economy.

3. The structure of informal and organizational networks between philanthropists and foundations on the one hand and creative entrepreneurs within public as well as private institutions on the other.

- Organizational proximity, personal or institutionalized relations have been argued as relevant for access to philanthropic or welfare-orientated capital flows.
- Obtaining financial support is easier for those non-profit organizations cross-linked with the corporate elite which forms the „inner circle“ of the business community.

Research plan: mixed methodology



Media Analysis

volume and direction of publicly reported philanthropic giving



Social Network Analysis

actors' network and cross-links between the non-profit and the economic sector



Qualitative Interviews

motives and logics of actions of philanthropic donors, donees and intermediaries



Standardised Survey

motives and logics of actions of philanthropic donors, donees and intermediaries



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- Non-profit organizations, philanthropy and charitable giving have potential to positively influence a region's innovativeness by providing funding and seed or starting capital as well as non-financial support for inventors and entrepreneurs unable to obtain finance through the market.
- We expect regional philanthropy as a possible influencing factor of regional innovativeness to be conditioned by the following aspects:
 - (i) the structure of civil society and the regional endowment with local wealth and philanthropic donors,
 - (ii) the structure of the regional economy,
 - (iii) the structure of informal and organizational networks between philanthropists and foundations on the one hand and creative entrepreneurs within public as well as private institutions on the other.
- In what dimensions regional innovativeness is actually shaped by these local structures of philanthropy and civil society, wealth and economy as well as informal and organizational intersectoral networks shall be object of empirical research.



Thank you for your attention.