Chapter 1

The Roberts Enterprise Development Fund: A Case Study on Venture Philanthropy

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Introduction

In recent years, the traditional approach to foundation practice has undergone significant changes. The response of the philanthropic community to "Virtuous Capital: What Foundations Can Learn from Venture Capitalists," a *Harvard Business Review* article published in early 1997, reflects the extent of these changes. The article contrasts venture capital investment practice with that of mainstream foundations, many of which refer to themselves as "the venture capitalists" of the nonprofit sector. In the foundation community, there has been a growing interest in applying some of the venture capital approaches described in the article to the field of philanthropy. And indeed, the term "venture philanthropy" is increasingly used to describe the work of various foundations across the country.

In 1998, based on the evolution of its work since 1990, The Roberts Enterprise Development Fund (REDF), a philanthropic venture of The Roberts Foundation, released a case study through the Stanford Graduate School of Business. The case, "*The Roberts Enterprise Development Fund: Implementing a Social Venture Capital Approach to Philanthropy*," details the foundation's experience of applying venture capital practices in its philanthropic support of a portfolio of nonprofit organizations running social purpose enterprises in the San Francisco Bay Area. In this case, the authors Emerson and Tuan described the changing nonprofit and philanthropic marketplaces, the evolution and application of a social venture capital approach to philanthropy at REDF, and the limitations, challenges, and general applicability of social venture capital practice in the field of philanthropy.[1]

While many aspects of implementing a social venture capital approach to philanthropy remain relevant since the case was published, REDF's approach to venture philanthropy and understanding of the challenges and lessons learned have continued to expand and evolve. REDF is committed to an ongoing process of evaluating and assessing its approach and to sharing these learnings with the broader community. This document details these further reflections and references recent REDF papers that discuss, in a more comprehensive manner, aspects of REDF's lessons learned.[2]

Background on The Roberts Foundation

The Roberts Foundation is a private family foundation located in San Francisco, CA. George Roberts, a founding partner of the leveraged buyout firm Kohlberg Kravis Roberts & Company, established the foundation in 1986. The Roberts Foundation pursued its initial philanthropic strategy from 1990 to 1996 through its first grantmaking vehicle—The Homeless Economic Development Fund (HEDF). The HEDF's goal was to support a variety of efforts by nonprofit organizations to expand economic opportunity for homeless individuals. The strategy funded programs in three areas: increased accessibility of traditional job training programs for homeless people, self-employment for homeless women, and the practice of nonprofit-run enterprise. Foundation staff and trustees, after evaluating the HEDF's experience in these areas, decided the greatest program impacts were in the area of social purpose enterprise. Over the years, the Foundation increasingly focused on the strategy of social purpose enterprise while it decreased and eventually eliminated its funding of other approaches to homeless economic development.

By the time the HEDF was dissolved at the close of 1996, the Foundation had made grants in excess of $6 million to over 40 nonprofit organizations in the greater San Francisco Bay Area. In September of 1996, the Foundation published a report on its work entitled *New Social Entrepreneurs: The Success, Challenge and Lessons of Nonprofit Enterprise Creation*, a 400-page document which presented an open, comprehensive discussion of the Foundation's work and an assessment of its outcomes.[3]

The Creation of The Roberts Enterprise Development Fund: Rationale and Strategy

The first major finding of the HEDF initiative was that, contrary to mainstream opinion,nonprofit organizations could successfully plan, launch and manage profitable, market-based enterprises while simultaneously providing employment and training opportunities for formerly unemployed individuals. This was an important finding in light of the history of failure experienced by many practitioners in the field of job creation and business development over the past 30 years. While there have been individual success stories of nonprofit-run enterprises across the country (Pioneer Human Services in Seattle, New Community Corporation in Newark, NJ among several), there has been little evidence that a group of nonprofits in a single geographic area can achieve success. The Roberts Foundation is committed to building the capacity of not one but a portfolio of nonprofits within a limited geographic region with the goal of producing successfully run social purpose enterprises.

The second major learning from HEDF was that the success of these social purpose enterprises rested largely on the provision of extensive support in addition to financial assistance in order to pursue both financial profitability and a social mission.[4] Foundations have traditionally shied away from funding the organizational capacity of nonprofit organizations and have operated at arm's length from the nonprofits. In contrast, The Roberts Foundation is committed to providing a portfolio of nonprofits with the necessary resources and building their capabilities to successfully execute social purpose enterprise business strategies.

Based on these two significant learnings from HEDF, The Roberts Enterprise Development Fund was launched in January 1997 as a social venture capital fund with a small portfolio of nonprofit organizations, each of which was running businesses to employ individuals who exist at the margin of society. A detailed description of The Roberts Foundation's evolution from a more traditional approach to philanthropy, in the early years of HEDF from 1990–1993, to HEDF from 1994-1996, to REDF in 1997 and beyond can be found in REDF's "The Challenge of Change" paper released in February 1999 and also included in this book.[5]

Whereas HEDF's mission was more narrowly defined to assisting social purpose enterprises, the mission of REDF is to:

> ***Raise the standards of excellence and integrity in the nonprofit and philanthropic community nationwide through the development and dissemination of innovative approaches to address critical social issues.***

The Roberts Enterprise Development Fund: Implementing a Social Venture Capital Approach to Philanthropy

The REDF approach to a social venture capital practice involves investments in a portfolio of seven San Francisco Bay Area nonprofit organizations. These "investee" organizations benefit from a number of core financial investments by REDF in human capital as well as a number of additional components. These components include:

- Capital grants for the business,
- Targeted business analysis and assistance,
- Involvement and partnership with REDF through Venture Committees,
- Organizational capacity-building through Farber Interns and Farber Fellows Programs for MBA students and graduates,
- Business networking through the Partners-for-Profit, and
- Access to and training in the use of technology and outcome measurement. [6]

Core Investments

The core financial support received by each organization in the portfolio comes in the form of an annual capacity-building grant ranging between $100,000 and $125,000. This grant enables the nonprofit to hire an enterprise manager and invest in the human capital required to develop and oversee the execution of a business strategy as articulated in their 3-5 year business plan.

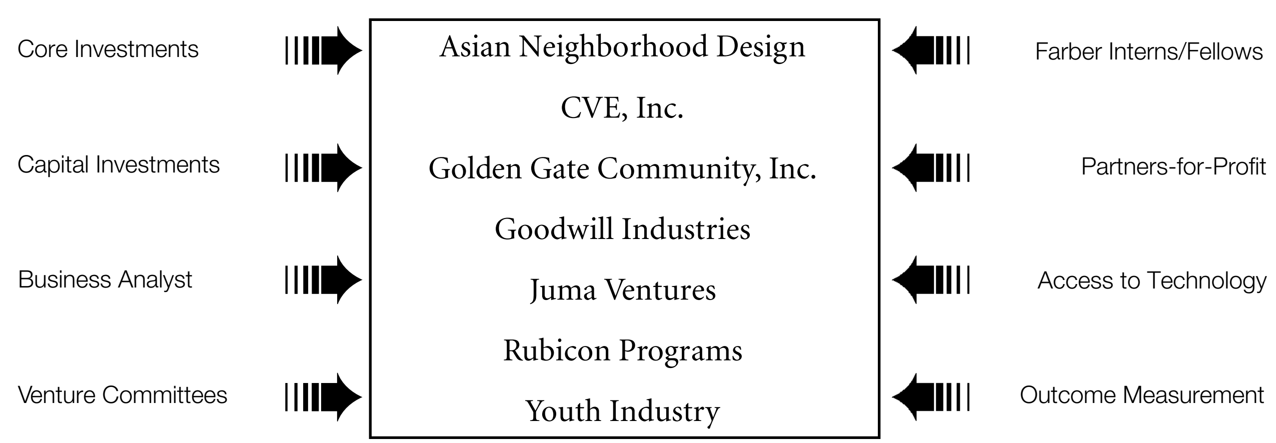
Capital Investments

The Fund provides additional financing as dictated by each enterprise's business plan and augments that financing with other charitable investments provided by individuals, corporations and foundations interested in supporting the enterprise development goals of the Fund. The Fund also makes available a range of other capital resources through a mix of grants, recoverable grants and networking opportunities to secure low-interest loans from both commercial and nonprofit lending institutions.

Business Analyst

REDF has partnered with Keystone Community Ventures, a local technical assistance organization specializing in nonprofit business development, to assist the manager and Venture Committee in running the

The Roberts Enterprise Development Fund Portfolio of Investments[7]



enterprise(s). Keystone Community Ventures was launched in 1993 with planning grants from The Roberts Foundation and has had a long history of collaborative work in this area. The business analyst is involved in analyzing the strategic position of the business, critiquing the venture's business plan, evaluating the business' financial statements (both actual and pro forma), and providing an objective evaluation of the business. The business analyst *directly* assists management in conducting the analysis and assists the managers in developing *their own* skill set in order to assure that knowledge transfer occurs and the future capacity of the organization to effectively manage the venture is developed.

Venture Committees

The Venture Committee consists of representatives from REDF, the nonprofit executive director, the enterprise manager, and, as appropriate, a Board member from the investee organization. This group is sometimes joined by an individual with direct expertise in the industry sector of the enterprise. Together, the committee meets monthly to review financial and operational performance, identify areas of concern, and help ensure that these concerns are addressed in accordance with the enterprise's business plan.

Farber Interns and Farber Fellows

REDF, in partnership with The Phalarope Foundation and Students for Responsible Business, established the Farber Interns and Farber Fellows programs to leverage the talent of business school students in support of investee organizations. The Farber Interns and Fellows are named to honor Michael E. Farber, who passed away in 1996. During his tenure at Rubicon Programs from 1989 to 1996, Mike helped chart out the growth and expansion of two of Rubicon's enterprises, Rubicon Buildings & Grounds and Rubicon Bakery. The presence of a summer Farber Intern or year long Farber Fellow rounds out the Fund's efforts to enhance the capacity of its portfolio organizations in the effective management of their ventures.

Partners-for-Profit

Partners-for-Profit (PFP) was created to address the enterprises' need for direct market access. The initiative is a *focused* working group of Bay Area business leaders representing a variety of industries. PFP provides REDF investees with one more level of analysis and assistance. In addition to providing advice and guidance to investees, PFP members assist in connecting enterprise managers to professional networks within their industries and target markets. Finally, PFP provides opportunities for the hands-on involvement of business people interested in making a meaningful and direct contribution to the process of social purpose enterprise creation and expansion.

Access to Technology

REDF has equipped each enterprise, on a limited basis, with the basic hardware and software necessary to gain access to the web and communicate via e-mail. REDF partnered with CompuMentor, a San Francisco-based nonprofit computer consulting organization, to build a private web site for the REDF Portfolio and organizations and to train all the nonprofit managers in accessing the web and using e-mail. Additionally, REDF has contracted with Dayspring Technologies to develop custom databases for each organization to track social indicators and provide managers with training on how to use and build upon them

Outcome Measurement

Rather than implementing traditional evaluation methods, REDF, in partnership with its investees, developed and launched a web-based information system called "WebTrack" which was custom designed using standard business MIS tools. REDF contracted with BTW Consultants to work with the enterprise managers in developing indices of operational and social outcome success against which future performance can be measured. Over time, BTW Consultants will be building each organization's capacity to conduct its own social outcome studies. "WebTrack" will enable enterprise managers and REDF to track monthly performance on both economic *and* social terms[8] for the duration of the five-year initiative. This work will result in a system through which each organization can assess and adjust its social impacts in a meaningful and timely manner. It also creates the framework for analyzing the Social Return on Investment (SROI) on each enterprise and the REDF portfolio as a whole.[9]

Each of these components of the REDF venture philanthropy practice has evolved over time—and REDF is continually seeking to improve the support it provides to its portfolio of nonprofit organizations. There are many ways in which each of these components relates to standard venture capital practice.

The chart on the following page from the Stanford case on REDF summarizes the differences between venture capital and traditional foundation approaches across seven relevant areas of practice.[10] The fourth column provides examples of how REDF is applying a venture capital approach in each of these areas.[11]

While there are clearly many similarities between venture capital practice and REDF's venture philanthropy approach, there are also significant differences that should be highlighted in several of the categories.

Risk Management

Most venture capitalists look to build a portfolio to minimize their risk and maximize their total return on investment. While venture capitalists certainly end up backing many risky investments, they are clearly not looking to fund businesses that have a high likelihood of failure. By contrast, REDF's approach is risky by design and limits financial returns. The purpose of the REDF portfolio enterprises is to employ individuals that private sector companies have already fired or would never hire. And often, businesses with jobs appropriate for people with little or problematic work experience are in industries with low profit margins. REDF expects that at any given time, 70% of the enterprises in the portfolio will be profitable (or if losing money, doing so according to plan), while 30% will be losing money at greater rates than planned. REDF is willing to tolerate more business performance risk as a necessary tradeoff of employing its target populations.

REDF's approach to social venture capital is also different in that REDF invests in nonprofit organizations with the capacity and capability to run social purpose enterprises that may be at different stages of development across a variety of industry sectors. By contrast, the typical venture capital firm invests in a portfolio of companies at similar stages of development in a single industry. For example, in 1999 the REDF portfolio consists of 23 different businesses in a range of industries from furniture manufacturing to retail to food services. These businesses are at various stages of development, ranging from start-ups to more mature businesses of 10 years plus. This necessarily increases the complexity of managing such a portfolio and requires a different skill set on the part of REDF's management.

Amount of Funding

Many venture capital firms fund start-up businesses in their entirety or have a majority stake in the investment with other, lesser investment partners. REDF does support a majority of the social purpose enterprises' financial needs for start-up and ongoing operations; however, the social purpose enterprise is usually just one program of an entire agency whose funding needs far exceed that of the enterprise. This makes for an interesting tension in REDF's work—similar to what would happen if a venture capitalist only funded one division of an existing company, to the exclusion of the other divisions. A further discussion of this can be found in the "Lessons Learned" section that follows.

Relevant Practice	Venture Capital	Foundations	REDF Approach
Risk Management			
	High degree of shared risk Funds are lost when projects fail	Low risk for foundation High risk for nonprofit organization (NPO) Funds themselves not at risk (must be spent)	High Managerial risk management through Business Analyst, Farber Interns/Fellows. Enterprise and Organizational risk management through portfolio diversification
Amount of Funding			
	Substantial commitment to provide significant capital and to help raise additional current and follow-on capital	Partial commitment – will provide small part of total needed capital. NPO management must continue fundraising independently.	Significant Core and Capital Investments Support in fundraising efforts through networking on enterprises' behalf
Duration/Length of Relationship			
	5-7 years Linked to success	1-3 years Arbitrary	Minimum five-year horizon for Initiative
Terms of Engagement			
	Joined at the hip Small portfolios Partnership	Arm's length Large portfolios Oversight	Input into management of enterprises through venture committee structure Small portfolio (7 organizations)
Organizational Capacity Building			
	Funding to build capacity to successfully execute business plan	Funding primarily for programs not personnel, infrastructure, overhead	Funding for organizational capacity: human capital, overhead, capital requirements, technology, etc.
Performance Measures			
	Clearly defined rewards and risks for all	Funder: reward is in grant-making NPO: reward is in outcome	Social Return on Investment analysis (SROI)
Exit Strategy			
	2 stars, 2 failures, 6 walking dead or wounded	"Myth" of government take-out. Burden on nonprofits.	Portfolio decreased from 10 to 7 between 1997 and 1999. Philanthropic, market, and commercial exits
Results			
	1% of capital for all start-ups but 30% of companies that reach IPO stage	Harder to know. Not quantified. Same potential to support organizations to scale?	Social Return on Investment Reports, Agency and Enterprise Specific and Portfolio-Wide (SROI)

Exit Strategies

As described in the Stanford REDF case, the investment philosophy of REDF identifies several levels at which an exit strategy may be executed. The first is within the organization itself. REDF funds may be initially applied to a planning process and later transferred to support the capitalization of a venture. This transfer represents a graduation of funds to progressing stages of business development. Second, as the venture is increasingly successful, other foundations or sources of funds may be brought into the capital structure. This effectively decreases the percentage of REDF funds present, which in turn limits REDF's exposure. Third, as the enterprise continues to establish itself in the market, REDF funds may be replaced by market-based capital in the form of commercial lending and other resources. And finally, some businesses are now able to support all of their expenses internally, through sales revenues. Each of these levels represents a different exit strategy as REDF's funds are moved to increasingly "higher" purposes and eventually out of the capital structure all together.

A key issue in assessing exit strategies is how to determine the return on investment in the social purpose enterprise. A detailed discussion of REDF's approach to quantifying a social return on investment (SROI) can be found in a companion chapter in this book.[12] However, it should be acknowledged that for the philanthropic investor, exit strategies will most likely not look like more typical "take-out" strategies in the for-profit sector. Rather, exits may occur as a result of funding by other investors or commercial lending institutions, resulting from the achievement of operational goals and social impacts.

As the nonprofit sector achieves greater capacity to document these social impacts, public and other types of funding may be put in place to reward nonprofits for their social outcomes. This shift to outcome funding may lay the foundation for creating actual revenue streams to support the work of the nonprofit sector, providing further opportunities for initial "investors" to exit their capital and apply it in other areas of interest.

Other Differences Between Typical Venture Capital Practice and REDF's Approach to Venture Philanthropy

In addition to the areas listed above, there is one other significant area in which REDF's practice differs from traditional venture capital practice. REDF staff allocate their time quite differently than the typical venture capitalist. Many venture capitalists spend much of their time looking for "deal flow" and less of their time on actual management of the businesses they are invested in. In contrast, REDF staff spends over 90% of their time managing the portfolio enterprises and virtually no time looking for new investments outside the current portfolio. REDF focuses its efforts on expanding the existing enterprises and identifying and exploring business development opportunities for the seven nonprofit agencies in the existing portfolio. The result has been that although the REDF portfolio decreased from ten to seven nonprofit agencies from 1997 to 1999, the number of social purpose enterprises in the portfolio actually grew from 22 to 23 during the same time period.

REDF's Lessons Learned as of 1999

REDF staff continues to learn from their mistakes and successes. "The Challenge of Change: Implementation of a Venture Philanthropy Strategy," a presentation of the Fund's lessons learned from 1997–1998, included the following learnings:[13]

- The central importance of a donor's commitment to supporting an honest grantmaking process grounded in integrity
- The challenge of building genuine trust in philanthropic relationships is more difficult than many would like to believe
- It takes time to create a meaningful venture philanthropy practice
- There is a fundamental power imbalance present in funding relationships. Rather than attempting to deny or gloss over that fact, it is better to simply acknowledge it up front and find ways to work more effectively together with respect for the power each player brings to the partnership
- Both investee and funder must be open to learning new lessons and understanding how they must transform themselves to maximize the benefits of evolving relationships in a new market place. This responsibility rests equally upon both parties and is not simply the responsibility of the grantmaker

Since the "Challenge of Change" paper was written, REDF has reflected on several other significant lessons and feels these are important for the philanthropic community to understand and consider applying in their own explorations of venture philanthropy. Key areas include issues such as:

Whether to Take a Seat on the Nonprofit Organization's Board of Directors

Several newer foundation initiatives have presented a venture philanthropy strategy in which the foundation officer would take a seat on the nonprofit's Board. Proponents of taking a Board seat have argued that doing so will enable them to participate directly in the organization's decision-making process and possibly exert authority over the nonprofit's activities specifically as it relates to oversight of management. REDF has intentionally decided against such a strategy for a number of reasons.

First, REDF views all its work as a form of investment in the capacity building of the nonprofit sector. REDF believes nonprofit organizations should be "owned" by the communities of which they are a part. When Foundation trustees originally began pursuing a more engaged approach to grantmaking, they discussed whether the foundation should create a development corporation to pursue its goals or, perhaps,create an operating foundation to protect its vision over the years. The conclusion was made that while those were certainly viable options,the primary intent of the Foundation was to enhance a community's own capacity to pursue its vision of social purpose enterprise creation. If the Foundation were to take a direct seat on the board of its funded nonprofits, it was feared the presence of the foundation might in some ways threaten or distort the community authority of the board of directors.

Second, while nonprofit boards play a critical role in steering the course of an organization, most boards are significantly removed from the key operational and day-to-day decision making which makes for success or failure in social purpose enterprise development. As opposed to being in a board role to receive reports from staff,REDF wanted to be directly engaged in the internal debates and discussions of practitioners. While an organization's board and staff must retain decision-making authority, REDF has found that greater input and perspective are leveraged at the operational as opposed to policy level of an organization. Accordingly, REDF has opted to play its role at that level.

Finally, while many foundations may feel their authority is best exercised at the board level,a board seat with its single vote does not really provide the venture philanthropist with the degree of control many might hope for. In the REDF experience, it is not through the ability to vote that an investor really exerts authority, but rather through guidance and influence as options are discussed and decisions made. In sum, REDF believes partnering with the nonprofit and the managers of its social purpose enterprises can best be accomplished through developing a relationship built on mutual trust created over time. The existing power dynamic between foundations and grantees is already largely distorted by virtue of the investor/investee relationship. This power dynamic could be further distorted by taking a Board seat. Having influence over the direction of the enterprise as opposed to exerting authority is where REDF believes a more significant contribution may be made.

The Importance of Nurturing the Communication Process By Creating Different Levels of Communication Between the Investor and Investee

REDF's management team is made up of REDF's Executive Director, Associate Director, the Business Analyst, Social Outcomes Consultant, Technology Consultant and SROI Analyst. The diversity of the personalities, communication styles, and expertise of each individual represents opportunities for communicating with portfolio members with even greater diversity. In REDF's monthly management team meetings,sensitive issues regarding relationships with portfolio members and individual enterprise managers or nonprofit executive directors are discussed. A diverse management team allows REDF to communicate with and engage investees in a coordinated yet individualized manner.

Over time, REDF has learned that certain members of the management team are more effective at communicating certain types of decisions, asking tough questions, or providing the necessary verbal support and encouragement to the many different individuals responsible for the evolving success of the portfolio's social enterprises. Time and again, REDF has observed that nurturing relationships through constant and consistent communication is key to the success of the Initiative. Managing REDF's overall communication with investees has been and continues to be both more difficult and more important than REDF staff had initially appreciated.

The Value of Creating Flexible Funding Instruments

REDF has increasingly found that flexible funding instruments are necessary to engage in this type of venture philanthropy. Over time, the needs of the social purpose enterprises in the portfolio have pushed REDF to engage in different types of funding and use various financial instruments to provide the necessary support for the enterprises. While The Roberts Foundation began its funding with traditional program grants, REDF now provides an array of financial support,including enterprise grants, capital grants, recoverable grants, credit lines and loan guarantees. REDF continues to investigate other means of providing financial backing for portfolio enterprises. A description of this progression toward more varied financial instruments is discussed in "The Challenge of Change" mentioned earlier.

The Incredible Complexity of True Venture Philanthropy Implementation

When The Roberts Foundation first launched its Fund, staff and trustees were both aware that the Foundation was embarking on a new, largely untried path. Existing relations between "classical" foundations and their grantees have evolved over decades; on the whole, most of the players understand and fulfill their various roles. To a greater or lesser degree, the traditional "system" works. At the beginning, neither the foundation staff nor the investees fully anticipated the complexity involved in pursuing a venture philanthropy practice. An overarching learning has been that this is complicated, difficult work.

Like the proverbial "pulling a thread on a sweater," the REDF experience has shown that venture philanthropy is not to be undertaken lightly. This new approach cannot be based on the old, traditional relationships and assumptions. Venture philanthropy rapidly moves the foundation from simply funding the work of others to being a participant observer, advisor, advocate and investor. As the REDF experience has evolved, staff has become involved in

- recruiting candidates and helping retain individuals for positions within the portfolio,
- negotiating conflicts and relationships between agency and enterprise staff,
- brokering relations between portfolio organizations and interested others,
- engaging in discussions about and complete re-design of organizations' accounting systems,
- developing management information systems with portfolio organizations in order to more effectively track social and financial information,
- managing relations with other funders interested in participating in investees' work,
- and countless other areas of support.

This has required REDF staff to develop new skills, shift roles from meeting to meeting (depending upon the needs of a particular organization), and continually be open to a process of change not commonly experienced by those involved in classical foundation practice. While this growth of skills and flexibility is a value-added outcome of a venture philanthropy practice, it has also placed significant demands upon the Foundation and its staff.

Are Smaller/Younger Nonprofit Organizations in Better Positions to Benefit from a Venture Philanthropy Partnership than Larger/ Older Organizations?

From the beginning, REDF's focus has been on the creation and support of viable, market-based social purpose enterprises. Over the years, however, it has become clear that beyond assisting in specific venture development, REDF has also come to be involved in areas of core organizational development with the nonprofits in its portfolio. The nature of REDF's working relationship differs depending upon the size and age of any given nonprofit organization.

An area of future exploration for the Fund will be the question of whether smaller, perhaps earlier stage organizations gain greater benefit from a venture philanthropy approach than those organizations that enter the venture relationship with a more established (or perhaps entrenched) culture, organizational structure and history. The younger organizations' flexibility and openness to experimentation may hold the key to a successful relationship, while the established nonprofit may find greater benefit from a philanthropic approach more like that of an investment banker than a venture capitalist.

Conclusion

Like any good relationship, the relationship between REDF and its investee organizations has evolved. The venture philanthropy approach has made it possible for the organizations in the portfolio to receive support and investments not previously available in the nonprofit sector. And the patience of REDF investees has allowed the Foundation to grow in its understanding of how best to support the work of the practitioner community. We have learned a great deal from this process and look forward to expanding upon our learnings over coming years.

Footnotes

1 A comprehensive description and analysis of REDF can be found in the Stanford Graduate School of Business case study entitled "The Roberts Enterprise Development Fund: Implementing a Social Venture Capital Approach to Philanthropy," October, 1998. This case is available through the REDF office or by contacting the Stanford Graduate School of Business.

2 A complete listing of REDF publications may be found on the publications page of REDF's website at www.redf.org.

3 Copies of the book can be downloaded from our website and hard copies may be ordered from the REDF office. Please visit our web site at www.redf.org or email book@redf.org.

4 See the Stanford Graduate School of Business case study entitled "The Roberts Enterprise Development Fund: Implementing a Social Venture Capital Approach to Philanthropy," October, 1998, pages 6 - 7 for a more in-depth discussion of the lessons learned from HEDF.

5 "The Challenge of Change: Implementation of a Venture Philanthropy Strategy," can be found in Chapter 2 of this book and is also available at www.redf.org.

6 Please see the Stanford Graduate School of Business case study entitled "The Roberts Enterprise Development Fund: Implementing a Social Venture Capital Approach to Philanthropy," October, 1998.

7 REDF began in January 1997 with a portfolio of ten nonprofit organizations. As of Fall 1999, three organizations had been excused from the portfolio. See "Enterprises Gone But Not Forgotten," Chapter 3 of this book for a more detailed account of the lessons learned with these organizations.

8 See "WebTrack and Beyond: Documenting the Impact of Social Purpose Enterprises" in Chapter 6 of this book.

9 For a more detailed discussion of SROI,please see "Social Return on Investment: Exploring Aspects of Value Creation in the Nonprofit Sector" in Chapter 8 of this book.

10 Chart adapted from Stanford Graduate School of Business case "The Roberts Enterprise Development Fund: Implementing a Social Venture Capital Approach to Philanthropy," October, 1998, p. 5.

11 Please see the Stanford Graduate School of Business case on REDF, pages 11 - 19 for a more detailed discussion of REDF's venture capital approach in each of these practice areas.

12 Please see "Social Return on Investment: Exploring Aspects of Value Creation in the Nonprofit Sector" in Chapter 8 in this book.

13 Please see "The Challenge of Change: Implementation of a Venture Philanthropy Strategy," in Chapter 2 of this book.