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What do venture philanthropy organisations seek in social enterprises?

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Abstract

Venture philanthropy organisations (VPOs) help social enterprises (SEs) to achieve social impact and economic sustainability. This paper aims at explaining why VPOs invest in SEs and how they select their investments. It is based on the case study of an international VPO: danone.communities. Our findings show that VPOs provide SEs with financial and nonfinancial support to tackle social challenges. In return, they acquire knowledge and improve their reputation. We discuss three main factors that VPOs seek when selecting their investments in SEs: the social value proposition of the SE, key resources and processes of both SE and VPO, and the synergies between them. Finally, we propose some criteria to assess such partnerships.

KEYWORDS

impact investment, innovation networks, reverse innovation, social enterprise, venture philanthropy

1. INTRODUCTION

Social enterprises (SEs) can provide innovative responses to societal and economic needs (European Commission, 2011). The concept of SE is not new (Waddock & Post, 1991). However, studies on SEs have considerably increased in recent years, as well as the number of academic courses, such as those

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at Harvard University, and research centres such as the Skoll Centre for Social Entrepreneurship at Oxford University (Short, Moss, & Lumpkin, 2009). More attention is coming from mainstream media, practitioners, and even governments (Glänzel & Scheuerle, 2016).

Meanwhile, SEs are growing and the EU estimates that today there are almost two million SEs (Arena, Bengo, Calderini, & Chiodo, 2018). SEs contribute to the social, economic, cultural, and environmental fabric of communities (Shaw & Carter, 2007). However, a universal definition of SE is lacking (Short et al., 2009): Some authors define SEs as non-profit organisations (Sharir & Lerner, 2006; Weerawardena & Mort, 2006), whereas others include for-profit organisations (Battilana, Sengul, Pache, & Model, 2015; Battilana & Dorado, 2010; Haigh, Walker, Bacq, & Kickul, 2015; Pache & Santos, 2013; Parrish, 2010). In this study, we assume that an SE is a hybrid organisation, that is, a for-profit organisation with a social aim. An example of hybrid organisation is the Benefit Corporation, a form of entity created in 2006 to identify for-profit organisations that primarily achieve social aim (Rawhouser, Cummings, & Crane, 2015).

Because SEs aim is to realise social and/or environmental returns, thus reducing financial returns—Pareto assumption—they struggle to find financial resources (Scarlata, Gil, & Zacharakis, 2012). SEs have specific ways to access finance (Austin, Stevenson, & Wei-Skillern, 2006): venture philanthropy (Di Lorenzo & Scarlata, 2018; Hehenberger, Harling, & Scholten, 2013; Scarlata & Alemany, 2010), social impact investing (Arena et al., 2018), impact networks (Meyskens, Robb-Post, Stamp, Carsrud, & Reynolds, 2010), and social business incubators (Sonne, 2012).

Venture philanthropy organisations (VPOs) are a recent phenomenon, and the few studies about them (Gordon, 2014) do not address the relationship with SEs (Achleitner, Lutz, Mayer, & Spiess-Knafl, 2013). This piece of research aims at understanding why and how VPOs invest on SEs studying the case of danone.communities. This is a specialised professional fund controlled by the Danone Group that invests in SEs, mostly in developing countries.

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The structure of the paper is the following: In the next section, we will review the literature on VPOs. Then we will present our research questions, explain the methodological approach, and outline danone.communities case. We will then present our findings and discuss them proposing some managerial implications. We conclude the paper with the academic contributions and scope for future research.

2. LITERATURE REVIEW

This rising interest in social impact has encouraged successful entrepreneurs and multinational companies to support SEs. Their approach is deeply influenced by their business experience and domain (Gordon, 2014). This new movement is called “venture philanthropy,” but it is also referred to as impact investment (Di Lorenzo & Scarlata, 2018). According to the European Venture Philanthropy Association (EVPA), venture philanthropy is a high-engagement and long-term commitment to generate impact through tailored financing, organisational support, and impact measurement and management. The label “venture philanthropy” suggests a similarity between venture capital (VC) and philanthropy, though there are differences: First, VPOs aim at maximising social impact rather than financial return like in the case of VC (Scarlata & Alemany, 2010). Second, the expertise and knowledge of the SE create value for the VPO, which is generally less important to the VC (Gordon, 2014). Third, differently from VCs, VPOs put more attention on human capital than on the market dimension when selecting investments (Scarlata et al., 2012). VPOs pursue societal impact through the combination of financial support—similarly to VC (Gompers & Lerner, 2001)—and nonfinancial support such as valueadded and monitoring services (EVPA, 2015; Letts, Ryan, & Grossman, 1997). Nonfinancial support includes strategic process expertise, managerial consultation, human resource services, marketing and communication, and access to business networks (Scarlata et al., 2012). Therefore, the relationship between SEs and VPOs goes beyond funding, and because it entails also nonfinancial

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support, it is stronger than the bond that a donor may have with a charity (Acs, Boardman, & McNeely, 2013). VPOs' exit strategies are rather different from VCs': VCs quit an investment when it maximises financial return, whereas VPOs disengage from SEs once the investee reaches economic viability, and this usually requires a longer period. VPOs differ from pure philanthropic organisations because they are also looking at the financial performances of the SE. Therefore, VPs face a dual objective: to create economic value—as in VC practices—and social impact—as in a philanthropic approach (Scarlata et al., 2012). Figure 1 presents a visual summary of these differences.



Figure 1 - Philanthropy, venture philanthropy, and venture capital

According to Scarlata and Alemany (2010), the number of VPOs increased at an annual growth rate of 22% in Europe and 15% in the United States over the period 1993–2008 triggering the interest of mainstream private and institutional investors. In fact, there is an increasing number of coinvestments with VPOs and other investors (EVPA, 2015). However, financial and social returns are not straightforward. Glänzel and Scheuerle (2016) point out how difficult it is to measure social returns: The metrics such as the triple bottom line,¹ Impact Reporting and Investment Standards,² and Social

¹ The triple bottom measures human/social impact, economic gains, and environmental impact for an enterprise (Meyskens et al., 2010).
² Impact Reporting and Investment Standards is the catalogue of generally accepted performance metrics that leading impact investors use to measure social, environmental, and financial success, evaluate deals, and grow the sector's credibility organise by the Global Impact Investing Network. More information is available here: <https://iris.thegiin.org/about-iris>.

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Return on Investment³ do not spread easily (Millar & Hall, 2013). Moreover, the relationships between investors and investees are made difficult by the lack of infrastructure for impact investing. Pärenson (2011) suggests that a preliminary impact evaluation should be based on three criteria: evaluation of the SE's social mission, including but not limited to its financial provision and return; analyses of the impacts of the activities and stakeholders; and comparable analyses with other similar SEs. Scarlata et al. (2012) explain the different practices between VPOs and VC, whereas Gordon (2014) develops a model of VPO with eight distinct stages. Table 1 compares the two cycles identifying their correspondences for VPOs.

Table 1 - VPOs' practices and stages

Practice	Stage	Description
Deal origination	Deal sourcing	Deal origination can be passive - e.g., VPO web page - or active - e.g., network – (Scarlata, Gil, & Zacharakis, 2012). Find potential investees through formal and informal networks (Gordon, 2014)
Deal screening and evaluation	Relationship building, screening and information gathering	The development of a mutually beneficial relationship where both parties think about the potential returns of working collaboratively (Gordon, 2014)
	Co-creation	The formation of a proposal by the VPO's team and the SE (Gordon, 2014)
	Early decision-making	VPOs define criteria based on Human Capital (experiences of the founders and team of the SE), potential social impact of the SE, external environment condition, strategy of the SE, good fit into the existing portfolio of the VPO and the terms of the agreement (Scarlata, Gil, & Zacharakis, 2012). The screening of SEs based on decision-making criteria of the VPO is divided into social and economic factors, leadership and management of the SE, social return and potential exit (Gordon, 2014).
	Circular reasoning	A long process of circular reasoning that leads to the creation of investment proposals and social intervention projects (Gordon, 2014)
Deal structuring	Deal structuring	The deal structuring is the phase where VPOs define the funding instrument (e.g. grant, equity, loan or debt),

³ Social Return on Investment is a performance measurement tool that aims to capture social impact (Millar & Hall, 2013).

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		valuation methods and contractual provisions (Scarlata, Gil, & Zacharakis, 2012). The decision to invest or not (Gordon, 2014)
Post-investment activities	Post-investment after care	Supportive and collegiate working relationships after the investment (Gordon, 2014) through meetings and reports during the post-investment stage (Scarlata, Gil, & Zacharakis, 2012).
Exit	Disengagement and return	The VPO's investment acquires a specific measurable return for the benefit of the society (Gordon, 2014).

Scarlata and Alemany (2010) suggest that the social mission and the integrity of the SEs are the most important selection criteria for VPOs. According to Scarlata et al. (2012), during the postinvestment stages, VPOs cooperate with the SEs through different activities such as strategic and governance counsel, access to future investors, human resource advice, financial and accounting management, marketing and communication, legal services, and IT is better consultation. VPOs should not hinder SEs' social mission after the investment, as feared by the critics regarding the “marketisation” of philanthropic practices: Market-inspired methods seem to legitimate “marketised” philanthropy by invoking alternative conceptions of poverty, social progress, and philanthropy (Bajde, 2013; Edwards, 2010; Eikenberry, 2009; Nickel & Eikenberry, 2009). Analysing a number of investment cases (including danone.communities), Payaud (2014) suggests that a range of marketing strategies may exist in bottom of the pyramid (BoP) markets, that is, those serving the poorest individuals on the planet. On one end, a global marketing strategy takes advantage on the low manufacturing cost of BoP countries without any adaptation of the product to the local needs. On the other end, BoP marketing strategies take into account the needs and resources available to the local population and focus on developing products that are affordable, accessible, and adapted to the local conditions. Consumer education can be advisable in markets where literacy is low, but a genuine BoP marketing strategy should contribute to building an ecosystem ensuring sustainable development. This can be achieved favouring entrepreneurship, creating jobs, training local employees, and distributing revenues locally, as danone.communities does through its investments in SEs. Nahi (2016) formulates a similar concept:

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Companies engage with local stakeholders at different levels of depth, going from a business-driven approach to an empowerment-driven approach. With the former, the company may achieve legitimacy and efficiency, whereas the latter will foster sustainable development and empowerment of local communities. Because VPOs have explicitly a dual intent, the balance between the two dimensions of business and social returns is subtle, and to our knowledge, there is not much literature on this matter. The extant literature on VPOs mostly investigate similarities and differences between VPOs and VCs rather than the relationships between VPOs and SEs. The studies here cited focus on VPOs investment processes, neglecting the key factors sought in SEs. Moreover, an in-depth case study was not present in academic literature. This piece of research aims at increasing knowledge on danone.communities and VPOs by explaining why they invest in SEs and how they choose and manage their investments.

3. RESEARCH METHODOLOGY

Because venture philanthropy is a recent and under-researched phenomenon, a qualitative approach was adopted. Qualitative research provides broader information than quantitative approaches and helps understand the environment where organisations operate and identify cause–effect relations (Myers, 2009; Yin, 2013). This study refers to the case of danone.communities, an international VPO emanation of the Danone Group, that we had the opportunity to know first-hand. Our description is likely to be a precursor to an explanation; therefore, a descripto-explanatory study will be carried out (Saunders, Lewis, & Thornhill, 2009).

Because it aims at empowering the SEs in which it invests, danone.communities has a genuine BoP strategy (Payaud, 2014). In other words, it does all what is expected from a VPO. Moreover, it is a member of the EVPA. We will analyse the relationship between danone.communities and four SEs from their portfolio using a range of qualitative methods to generate information for the study. Our

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first author worked with danone.communities as a community manager for 7 months in 2013. Based in the French headquarters, she conducted a dozen in-depth interviews with top managers of danone.communities, social innovation managers of Danone Group, and social innovation consultants (list in Appendix A). She also visited danone.communities-supported SEs in India. In 2014, she advised danone.communities on social media strategy. Additional information was collected from public sources such as websites, annual reports, and press articles. This piece of research focuses on the relationships between danone.communities and four SEs in its portfolio, and it will address the following questions:

1. Why do VPOs invest in SEs?
2. How do VPOs choose and manage their investments in SEs?

Description of danone.communities

Danone Group SA is a global food processing company producing fresh dairy products, bottled water, early life nutrition, and medical nutrition products. In 2005, Frank Riboud, then Danone Group's CEO, met Nobel Peace Prize-winner Muhammad Yunus, and together, they decided to establish Grameen Danone Foods Ltd in Bangladesh. Scope of this SE was to develop a yoghurt enriched in micronutrients to reduce malnutrition in Bangladesh and provide local milk producers and door-to-door sellers with a source of income. Two years after this experience, Danone Group created danone.communities, a professional fund specialised in social business, to support SEs mostly in developing countries and in the sectors of its core business, that is, food, dairy, and drinking water (Danone, 2018). The list of supported SEs is in Appendix B. Our interviews refer mainly to four SEs: Grameen Danone Foods Ltd in Bangladesh, 1001 Fontaines in Cambodia, La Laiterie du Berger in Senegal, and EcoAlberto in Mexico. They are representative of danone.communities' portfolio, and there is relatively more publicly

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available information for them than for their other investments. Table 2 presents the main features of danone.communities.

Table 2 - Main features of danone.communities

Year of foundation	Headquarters	Aim	Number of SEs supported	Size of the investment	Useful links
2007	Paris, France	To support SEs through capital, technical, and managerial expertise	10 (until 2018)	As of December 2017, Danone Group invested 13 million euros in danone.communities (64% of equity).	www.danonecommunities.com evpa.eu.com/members/danonecommunities

Even if there are no geographical limits, Danone.Communities is mainly supporting SEs in developing countries.

The interviews refer mainly to four SEs: Grameen Danone Foods Ltd in Bangladesh, 1001 Fontaines in Cambodia, La Laiterie du Berger in Senegal, and EcoAlberto in Mexico. They are representative of Danone.Communities' portfolio and there is relatively more publicly available information for them than for their other investments.

4. FINDINGS AND DISCUSSION

In this chapter, there will be a section for each of the two research questions followed by a discussion session.

4.1. *Why do VPOs invest on SEs?*

Primary and secondary sources indicate that danone.communities was created to support inclusive business solutions, enable talents for greater impact, and inspire change with financial and nonfinancial support. One of the interviewees explained that nonfinancial support is provided by danone.communities' managers. Through danone.communities', Danone Group can carry out socially

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driven activities without the pressure of its investors. Moreover, employees of Danone Group help through a volunteer initiative in which they engage in social projects in collaboration with danone.communities. The relationship between danone.communities and Danone Group makes high-level managerial support available to the investee SEs. Danone Group's employees appreciate the opportunity to engage with SEs. On the other hand, Danone's CEO Emmanuel Faber considers SEs as a “genuine laboratory” for Danone Group too.

The priority areas of danone.communities are linked to Danone Group's core businesses (e.g., food, dairy, and water) and relate mostly to reducing poverty and eliminating hunger, issues that are part of the 17 Sustainable Development Goals declared by the United Nations (UN) General Assembly in 2015. The No poverty UN goal refers to ending poverty in all its forms (such as health care, safety, and education) everywhere. The Zero hunger UN goal includes working on ending hunger, eliminating all forms of malnutrition, and building inclusive and sustainable food systems.⁴ The know-how that danone.communities makes available to its partners ranges from product development to operations but also to marketing, as in 2009, when it helped La Laiterie du Berger to create the brand “Dolima,” and legal advice, as the support given to Grameen Danone Foods Ltd to become a certified Benefit Corporation. Moreover, danone.communities shares lessons to inspire other people and launches initiatives fostering a more inclusive society. Therefore, the BoP strategy implemented by danone.communities is genuine because it aims at improving the viability of SEs in its portfolio and the life conditions of the communities where it operates. For the Danone Group, the return of this investment is mostly nonfinancial: internally, increased innovation and new product development capabilities and a “feel good” vibe for the employees, and externally, better knowledge of emerging markets and a more positive image.

⁴ Retrieved from <https://www.un.org/sustainabledevelopment/sustainable-developmentgoals/>.

4.2. *How do VPOs choose and manage their investments in SEs?*

To analyse how VPOs choose and manage their investments, using extant literature, we consider three main factors, and we discuss them separately:

1. the social value proposition of SEs (Pärenson, 2011; Scarlata et al., 2012; Scarlata & Alemany, 2010);
2. SEs' resources and processes (Scarlata et al., 2012); and
3. the synergies between SEs and VPOs (Acs et al., 2013; Gordon, 2014).

Social value proposition of the SE

Scarlata and Alemany (2010) suggest that the social mission of the SEs is one of the most important selection criteria for VPOs. Accordingly, danone.communities invests only in projects aiming at social impact through innovative solutions. An interviewee explained that “one of the major limitations of the financial market is precisely that operators make their decisions on the basis of a single criterion: the financial performance [...] We intend to turn the matter upside down. [...] We propose a financial instrument that gives low yield savings but a lot of sense [...] based on the simple idea that social impact is the shareholders' remuneration for their financial investment.” This is in line with Scarlata et al. (2012): VPOs “invest in organisations with a primary social purpose.” In the danone.communities portfolio, every SE has a social value proposition aiming at poverty reduction and hunger elimination: La Laiterie du Berger and Lemateki were created to address malnutrition in Senegal, whereas EcoAlberto was established in Mexico to help families living far away from water sources to have an easier access to drinking water.

SEs should achieve their social value proposition through innovative products or services while having some economic returns, in order to be sustainable. A respondent said that “it is a business, so

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you have to be profitable, but at the same time it is a social business so you have high social constraints.” This is why, before investing in an SE, danone.communities analyses its business model to check whether it is viable and whether the entrepreneur is committed to a long-term vision, which will ensure economic and financial sustainability, consistently to the dual aim, or hybrid nature, of SEs.

Moreover, danone.communities' people learnt through experience how important is sharing a common agenda to reach the social value proposition of the SEs: An interviewee who had been working in Senegal and Bangladesh for 9 years underlined that “in such a highly complex environment, it is very important to share the same vision and common aligned working capacities.” Similarly, for another respondent, “it is very difficult to build a vision for a project if you do not have proper incentives from the beginning.” Therefore, a social mission and an innovative approach are the main components of their projects, and a common agenda and total dedication are the key success factors. This brings us to two other important factors: resources and processes of the SEs and synergies between SEs and VPOs. A very important resource is people, in particular, the social entrepreneur and her team: Xotchil Galvez, founder of EcoAlberto, was awarded the “Entrepreneur of the Year” award in 1994 and 1995. Moreover, the World Economic Forum of Davos acknowledged him as one of the 100 Global Leaders of Tomorrow. A respondent explained that “the main success factor of La Laiterie du Berger is the vision of Bagoré Bathily. He is a great social entrepreneur. He knows how to keep track of his ambition and projects, even if it is taking longer than expected [...] Bagoré is driven by the social mission of the project.” In 2012, Bagoré Bathily won the “Africa Award for Entrepreneurship” prize.

Key resources and processes of the SE

SE social value propositions require innovative approaches, and people capabilities are fundamental to develop innovation. For this reason, VPOs put much attention to human capital and innovation skills (Scarlata et al., 2012). Moreover, several interviews suggest that for social challenges, the “how” is as

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important as the “what.” A respondent learned in Indonesia that to reach social impact, R&D processes should be adapted to the local culture: The product he developed included a raw material that local traditions associated with bad luck. Even though it was a valuable nutriment, local consumers rejected the product. To avoid the same mistake, in Senegal, he worked closely with local experts. Starting “from the local embeddedness” approach, he believes that SEs should find the right balance between product quality and affordability by understanding local consumption habits, food practices, and products and compare ingredients and nutriment costs and reliability, the industry ecosystem, and practices. Then SEs should design the most efficient and affordable production processes. Another respondent confirmed how much the local embeddedness is important. She assessed risk and opportunities to invest in La Laiterie du Berger in Senegal. This SE had an inconsistent positioning in the market, consequently suffering from low credibility. After evaluating the relevance of its products and potential interest for danone.communities, the respondent drafted a business plan, suggesting a different positioning for La Laiterie du Berger. The decision to invest came only when it was clear which strategic positioning answered best to the SE's mission and credibility. This shows how SE processes quality and their consistency with the social value proposition are necessary to attract the interest of VPOs.

Also, VPOs resources and processes matter when supporting SEs: danone.communities employs project managers, human resources, marketing, finance, and business development experts. As SEs need human resources to reach their social aim, danone.communities supports them also to hire the right people. When the investee or its products are not well accepted by the local population, danone.communities market and technology specialists help the SE to develop credibility and local acceptance. Somewhat, danone.communities support SEs as an incubator would do. Moreover, they offer a special track for Danone Group's employees to go on a mission and deliver technical support to SEs: One of their most skilled executives in plant building was sent to Bangladesh where he had a key

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role in Grameen Danone Food Ltd creation. In addition, the international recognition of danone.communities gives credibility to its investees and provides them with access to a vast network, as in the case of La Laiterie du Berger that received an investment of the Grameen Crédit Agricole Foundation.

Having analysed how resources and processes of both SEs and VPOs matter, the former to reach a social aim, and the latter to effectively support it, we will now examine the synergies they do create when working together.

Synergies between SEs and VPOs

SEs need to develop a strong relationship with VPOs to benefit from them (Acs et al., 2013). Gordon (2014) adds that this relationship can be mutually beneficial. In the case of danone.communities, it is a form of collaboration for innovation with its investees (Coletti & Landoni, 2018): They receive resources and support to improve products and processes, and in exchange, they provide the investor with learning opportunities. In 2014, a respondent organised a “learning expedition” to El Alberto (Mexico) bringing all social entrepreneurs working on water access activity in Mexico. He believed that “sharing their best practices will help them to develop new and more efficient models. I am working in creating learning opportunities. If we succeed in involving the entrepreneurs in a group of peers it could really foster the innovation on the projects.” This is in line with the relationship building stage presented by Gordon (2014), and it is especially true for nonfinancial support. In fact, a technical expert of danone.communities can work for a limited period of time (up to 6 months) in an SE, with the understanding that during that period, the SE must acquire the know-how necessary to operate in autonomy. Fast assimilation implies absorptive capacities (Spithoven, Clarysse, & Knockaert, 2010) under the form of resources within the SE who can learn these tasks and good synergies between SEs and VPOs to make the best match. An example of this is the brand “Dolima,” created by La Laiterie du

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Berger with the support of danone.communities in 2009. Three years later, Dolima yoghurts were distributed in more than 8,000 stores in Senegal's capital Dakar and in other parts of the country.

These synergies help the VPOs improve their knowledge: A respondent described how much the experiences of working with SEs have helped him switch perspective for higher creativity levels. Stepping out of his well-equipped French R&D laboratory to share the kitchen with a former Senegalese cook was awakening for him: “In developed economies, consumers are not very innovative. As a consequence, they do not expect disruptive innovation from the companies. Inversely, poor people are way more creative than the rich. They are ingenious; they find solutions so they can live the best they can. So you have to be really innovative.” There, everything you do is about innovation and experimentation. One must forget about industrial feasibility and stay focused on products that bring real value to consumers. An interviewee highlighted that SEs are a source of frugal innovation or “jugaad,” as it is called in India. She added that two innovative approaches to supply network and distribution channels adopted by Danone were initially developed within la Laiterie du Berger.

Lastly, synergies between SEs are also important: “Connecting the dots” between SE challenges enables danone.communities to transfer solutions across SEs: In 2013, both Naandi and 1001 Fontaines faced the same challenge of how to train local people to become entrepreneurs at water plants. A respondent suggested Naandi to learn from 1001 Fontaines' new tool: “I went with Naandi on the field to visit 1001 Fontaines projects. We discussed with them how they could be useful for Naandi and how Naandi could replicate the model. Now we are working on an agreement between Naandi and Accenture so they can implement the same successful model for coaching and for micro-entrepreneurship.” Potential synergies between VPOs and SEs and between SEs belonging to the same portfolio are both a reason for VPO investment.

5. DISCUSSION

In the previous sections, we have seen why Danone created danone.communities and the internal and external objectives they may pursue: On one side, there is the genuine will to help SEs to address the social needs of their communities and become sustainable. This is achieved through financial backing and the transfer of managerial and technological competences. In addition to financial support, venture philanthropists provide precious services such as strategic planning, coaching and human resource advice, marketing and communication, and access to other SEs and investors (Cummings & Hehenberger, 2011). Using EVPA definitions, danone.communities is a corporate social investor, that is, a vehicle formally related to a company (Danone Group in this case) that aims to create social impact.⁵ Therefore, it inscribes its scope into corporate social responsibility activities (Cochran, 2007).

On the other side, there are several returns for Danone: improved innovation capabilities and market knowledge, higher level of employee engagement, and a better reputation and social evaluation (Wang, Tong, Takeuchi, & George, 2016). There also potential financial returns on the investment, though at the time of writing they did not happen yet.

Moreover, we found that the three main factors mentioned in literature for VPOs to select their investments, that is, the SE social value proposition, its resources and processes, and synergies between SEs and VPOs, are relevant also in the case of danone.communities. The SE social value proposition needs to be relevant and aligned to the competences and interests of the investor, as it is the case of danone.communities. The social value proposition of the SE should be clear since the beginning, and it is often embodied by the social entrepreneur. To back SEs, danone.communities rely on its financial resources and experts and their knowledge. These experts may be Danone's employees; therefore, SEs that are part of the danone.communities portfolio can access a much wider pool of

⁵ EVPA Glossary 2018.

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competences, given that the Danone Group employs more than 100,000 people worldwide (Infront Analytics, 2019) and that many competences are available also in the other supported SEs. The transfer of knowledge and funds helps SE to increase available resources and improve processes, with the consequence of bigger social impact and better economic viability. The experimentation takes place in key resources and processes, and because the outcomes serve both SE and VPO, the latter invests a significant amount of qualified human resources. In this process, knowledge flows in both ways: The Danone experts working the SEs refine their innovation capabilities and acquire familiarity with developing markets that may be a target for Danone SA. For this reason, VPOs may assess not only the social impact of their investments but also the potential for reverse innovation, that is, the adoption in most developed countries of innovation born in developing countries, that learning from these investments brings (Immelt, Govindarajan, & Trimble, 2009). This confirms and expands the “developmental impact investing” approach proposed by Geobey, Westley, and Weber (2012). Not only does danone.communities manage a portfolio of investments in different countries and subsectors but also each of them is an experiment that helps other experiments succeed. More than that, it provides Danone Group with precious inputs that may be helpful to enter the developing countries in which the SEs operate and possibly to suggest ideas that can be applied in developed markets too. Moreover, a VPO investment in the SE signals its quality, and this attracts other potential investors and partners. These are the synergies between VPOs and SEs anticipated by the extant literature. Other benefits for Danone are stronger employee engagement and higher social evaluations.

The case here discussed is unanimously considered exemplary because of the genuine benefits that the VPO brings to the SEs in which it invests and the focus on improving life and economic conditions of the communities where they operated. Through danone.communities, the technical capabilities of Danone Group support social entrepreneurs to develop innovative solutions in order to

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achieve social impact (Morrar, Arman, & Mousa, 2017). Though difficult to measure directly, there are synergies and benefits to be obtained by the VPO when collaborating with an SE. This is consistent with the arguments that in the long-term, social, and economic benefits are interconnected, and that in order to be effective, corporate philanthropy should be context focused, that is, leverage on corporate competencies and competitive advantages in order to improve the business environment where the investees operate (Porter & Kramer, 2002).

The case of danone.communities can be a model for other VPOs. However, other companies may be more short term or business driven and prefer to focus on what they can extract from their investments in SEs rather than what they can provide to them. In other words, the VPO can exploit its investments for their own benefit, being economic, technology, or marketing related without worrying about the actual social impact. It does not help that there are not generally accepted metrics and key performance indicators in this field. Often, the impact is described rather than measured: The danone.communities website indicated that EcoAlberto is helping 300 women from the Otomi indigenous community ensure the sale of safe drinking water in 85 villages of the El Alberto region.

However, the experience of danone.communities suggests that social impact is achieved through the success of its investees, and this can be obtained with a significant financial and nonfinancial commitment of the VPO. Concerning the financial commitment, this may take the form of equity acquisition, grant or soft loan, and danone.communities grants to its SEs both equity and nonequity support, according to circumstances. Given the uncertainty of all innovation endeavours, success should be measured not only at the level of the individual investment but also at the portfolio level, as VC firms do. Direct and indirect benefits for the VPO should not be criticised if they are the result of a genuine collaboration with the SE and are not obtained at the detriment of its social mission.

6. CONCLUSIONS

This paper investigates the relationship between VPOs and SEs, through the study of danone.communities, a corporate social investor considered best in class among the VPOs.

We clarified the distinction between philanthropy, venture philanthropy, and VC and identified the key steps of the venture philanthropy process. We answered to the question why VPOs invest in SEs: They do it to develop inclusive business solutions, empower talents for greater impact, and inspire change with financial and nonfinancial support, generally in sectors relevant for their business. Meanwhile, the VPO reaps benefits from the investment in terms of increased knowledge and reputation as we have seen in the case of danone.communities.

Moreover, we found that also in the case of danone.communities, the main factors that VPOs consider when they choose and manage their investments in SEs are their social value proposition, their key resources and processes, and the possible synergies. These factors are interconnected. This paper not only adds to extant literature a detailed case study of a VPO social investment strategy but also highlights that knowledge and innovation flow in both directions, opening the way to further studies into mechanisms of “learning by supporting.”

Despite its consistency with extant literature, our case study may have limited generalisability of the findings and the replicability of the model. The relationships between danone.communities and the SE management team or, more at large, with social and political stakeholders, as well as the different ways to provide financial support were not discussed in depth. Future research may take the form of a longitudinal study to observe learning and improvement dynamics over time, possibly analysing the differences between SEs that received support from VPOs and SEs that did not. This would help to measure more objectively the social impact of VPOs investments.

Identifying the key factors that VPOs need to consider when they are investing in SEs and how these factors work and interact with each other, our research is useful also to practitioners. Because

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VPOs provide broad support to SEs, our results can be useful to them: They can better understand what the key decision-making factors are that VPOs are looking at and search for suitable ones. Our hope is that other VPOs can be inspired by the example of danone.communities and engage in social challenge that can benefit all stakeholders.

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APPENDIX A

List of Interviews and dates

1. François Colombar, Food Design Director at Danone. August 2013
2. Stefania Avanzini, Senior brand manager at Danone. July 2013
3. Isabelle Sultan, Head of Alimentation Strategy at Danone.Communities. July 2013
4. Adrien Varrod, Brand manager at Danone. July 2013
5. Miora Ranaivoarinosy, Social Innovation and Animation Manager. July 2013
6. Olivier Maurel, Open Innovation Director at Danone and founder of “Danone for Entrepreneurs”.
7. Luc Jonveaux, international development consultant, worked with Grameen Danone Food in Bangladesh. July 2013
8. Jean-Christophe Laugée, Social Innovation and Ecosystem Director at Danone. July 2013
9. Anne-Laure Prevost, former Communications officer for Danone Ecosystem. July 2013
10. Eric Soubeiran, European Milk Sourcing Director at Danone. October 2013
11. Raghav Narsalay, leader of the Indian operations of the Accenture Institute for High Performance. October 2013
12. Navi Radjou, consultant and writer on “Jugaad Innovation”. May-June 2013.

Appendix B

Table B1 - danone.communities' portfolio

Name	Country	Description	Year of investment
Grameen Danone Foods Ltd	Bangladesh (South Africa)	Yoghurt enriched in micronutrients to reduce malnutrition in Bangladesh and provide a source of income to local milk producers and door-to-door sellers.	2006
1001 Fontaines	Cambodia (Asia)	Producing safe drinking water, which is then bottled and distributed to isolated populations in Cambodia.	2008
La Laiterie Du Berger	Senegal (West Africa)	In a country where 90% of milk consumed is imported as powder, they want to increase the supply of locally produced milk.	2008
Lemateki	Senegal (West Africa)	Improving diet and nutrition among school-age children in Senegal and offering services with a powerful social impact, in particular on hygiene and nutrition education	2008
Malin	France	Improving nutrition for children whose families are struggling with social and/or economic challenges	2008
Naandi Community Water Services Ltd	India	Dealing with children's rights, providing access to safe drinking water and decent living conditions in India	2009
Isomir	France	Helping create mini-plants by small groups or a single individual. These mini-plants enable producers to process their own output and sell higher value-added products, especially in short distribution channels.	2010
EcoAlberto	Mexico	Providing health through water to inhabitants of El Alberto and other indigenous communities in Hidalgo, Mexico	2011
JITA	Bangladesh (South Africa)	A network that aims to educate women in order to improve their daily life such as hygiene products, seeds, solar lamps and many others.	2011
NutriGo	China	Fighting child malnutrition in China using an awareness-raising program and a fortified nutrition supplement	2012