



EAB

RESEARCH BRIEF

Venture Philanthropy

Attracting, Developing, and Managing Venture
Capital Funds

Advancement Forum

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1) Executive Overview

Key Observations

Venture funds finance student-centered programs and initiatives, technological and research-driven innovations, and university-wide entrepreneurialism. Student-centered programs financed by venture capital funding allow students to work in interdisciplinary teams and develop business plans for campus-born technologies and innovations. One profiled institution engages primarily in research-driven venture philanthropy by seeking investment in medical, engineering, and drug discoveries developed in partnership with local organizations and institutes. Other profiled institutions channel venture capital funding into construction of centers for entrepreneurship and technology funds that support student, staff, and faculty research and innovation.

Provide institutional funding for initial program development to attract further investment from venture capital firms and foundations. Contacts report that all programs that require additional venture funding must possess sound financial support from the institution during the initial stages of development. One profiled institution matches all external venture dollars raised with internal institutional dollars to assure investors of the university-wide commitment to continued entrepreneurialism. Corporate and foundations relations staff conduct outreach to alumni, community leaders, and local businesses to amass start-up funds and leverage these resources to attract larger investments from venture firms and foundations.

Venture capital firms and foundations seek investments in interdisciplinary programs that equip engineering and medical advances with sound business plans and marketing strategies. Profiled institutions maintain at least one interdisciplinary program funded by a venture firm that links business students with engineering, medical, nursing, or architecture students. Students participating in venture funded programs develop strategic plans for marketing campus-born technologies and innovations to external investors. Contacts report that venture philanthropists increasingly value the intersection of medical, engineering, and biotechnology fields with a basic understanding of business and marketing tactics.

Align the expansion of institutional entrepreneurship as a strategic goal to emphasize campus-born technologies and innovations. Venture philanthropists seek to invest in institutions that value entrepreneurship and promote innovation among students, faculty, and staff alike. One profiled institution lists encouraging innovation and discovery as a core near-term goal. To achieve university-wide entrepreneurialism, the institution has pledged to finance more campus-born start-up companies, establish a student incubator space for innovation, expand current entrepreneurial academic programs, and raise over \$50 million for a new building space in the business school.

Attract venture capital funding by emphasizing regional impact of discoveries, leveraging university-wide advancement campaigns, and permitting restricted giving practices. Since most profiled institutions lack the entrepreneurial prestige and tradition of institutions with more experience in the realm of venture philanthropy, contacts recommend partnering with local organizations and sister institutions to increase regional impact. Venture philanthropists greatly value institutional efforts, innovations, and technologies that improve local and regional economies beyond the institution itself. In addition, profiled institutions often allow venture firms to restrict their investment, which awards the firm greater control over the funding and can increase funding levels. Contacts recommend aligning venture capital campaigns with university-wide advancement campaigns to demonstrate the potential impact of investment on university-wide projects and initiatives.

2) Motivations and Institutional Support

Motivations

Attract Venture Capital to Enhance Entrepreneurialism, Recoup Lost Government Funding, and Develop Technological Innovations

Most profiled institutions began seeking venture philanthropy funding in recent years to foster innovation and entrepreneurship of students, staff, and faculty and to substitute declines in state and federal funding. **Institution B** and **Institution C** primarily focus on attracting venture philanthropists to develop seed funds or programs that allow students, staff, and faculty to create new innovations and technologies. **Institution A's** strategic plan includes a goal to encourage innovation and discovery by building communities that support new ideas from discovery to execution. To promote entrepreneurialism across the institution, Institution A seeks venture capital investment in campus-born ideas and discoveries. **Institution D** and **Institution E** engage in more informal methods of venture philanthropy including public-private partnerships and small seed-fund programs.

Strategies to Attract Firms and Foundations



Promote Institutional Entrepreneurialism and Innovation

Profiled institutions emphasize the entrepreneurial culture of their institution to entice venture capital investment. **Institution A** aligned its strategic goal of becoming an entrepreneurial institution with the recently launched \$1 billion capital campaign to prioritize venture philanthropy endeavors. Contacts also organize centers for entrepreneurialism to engage students in innovative business strategies.



Develop High-Demand Interdisciplinary Programs

Contacts report that venture capital firms increasingly seek to fund programs, initiatives, and innovations that intersect multiple academic disciplines. **Institution F** designs programs that develop translational research with real-time applications in a variety of fields and industries. Most profiled institutions maintain at least one interdisciplinary entrepreneurial program.

Target Venture Capital Investors at Profiled Institutions

- Local technology start-up firms
- Serial venture capital firms (e.g., Lemelson Foundation, Kauffman Foundation)
- Entrepreneurial alumni, donors, and friends of the institution

Corporate and Foundation Relations Staff Support Venture Capital Endeavors

The Corporation and Foundation Relations group within the Advancement office at **Institution A** consists of six staff members: a senior director, a senior development office, two junior development officers, an administrative assistant, and a marketing intern. In addition, staff from the business school offer support and administrative assistance to the Chemistry Entrepreneur program. At **Institution C**, administrators and faculty within the School of Engineering, School of Management, Advancement office, Technology Transfer office, and Alumni Foundation all collaborate to attract and maintain venture funds. Executive leaders at **Institution B** are creating a new position, the Vice President of Economic Development, to coordinate all entrepreneurial and research-based venture initiatives.

Vice President of Economic Development at *Institution B*

- Directs the Entrepreneurship Institute
- Responsibilities:
 - Develop strategies to attract venture capital investors
 - Design programs that intersect across multiple disciplinary areas
 - Streamline business processes to increase departmental efficiency
 - Conduct outreach to local community leaders, foundations, and firms to secure evergreen funding

Design Clear Funding Models to Ensure Proper Planning and Build Evergreen Funds

Contacts report that proper funding structures and start-up institutional backing catalyze investment by larger venture firms and foundations. To initiate **Institution A's** mission to become an entrepreneurial institution, the President placed an "entrepreneurial resident" within each school to coordinate innovative activities and allocated funds from the capital campaign to entice venture capitalists to invest further. **Institution C** matches all external dollars from venture capital with either internal dollars or investment from other external philanthropists. Contacts affirm that strong financial backing successfully leverages additional venture funding. **Institution B** is building an evergreen fund to finance all medical and engineering-based discoveries. Advancement administrators solicited smaller scale initial investments from alumni and local businesses to then market these programs to larger venture foundations and firms.



Decentralized Funding Model at *Institution F*

Individual schools and colleges that develop joint venture-funded programs provide initial start-up funding at **Institution F**. For example, administrators within the schools of Engineering, Nursing, and Architecture drafted funding plans, personnel allocations, and forecasted administrative costs before launching the joint program. The Office of Gift Accounting then reinvests revenues based on a predetermined percentage breakdown for each school.

3) Venture Philanthropy Initiatives and Projects

Types of Venture Philanthropy Projects

Employ Venture Funding to Support Student Projects, Technological Innovations, and Academic Initiatives

Most venture philanthropy endeavors at profiled institutions seek funding for one or more of the following areas: student entrepreneurial development, research-driven innovations, or institution-wide projects. Often, a venture funded initiative achieves more than one of these goals. For example, a student may develop and market a new technological discovery or a venture firm may fund the creation of an institution-wide entrepreneurship center. Most institutional venture philanthropy projects at profiled institutions focus on student development and student entrepreneurship.

Types of Venture Capital Funded Programs at Profiled Institutions

Student-Centered	Research-Driven	University-Wide
<ul style="list-style-type: none">• Focus on the collaboration of students across disciplinary areas• Students develop and pitch business plans for start-up firms or new technologies• Experiential learning for students to invest in campus-born seed or early-stage companies	<ul style="list-style-type: none">• Focus on marketing and funding research and technological initiatives• Projects seek strategic partnerships with technology and medical firms to support new technologies• Contacts position strategic partnerships to attract further investment	<ul style="list-style-type: none">• Focus on branding the institution as a leader in innovation and entrepreneurialism• Venture capital provides funding for university-wide projects (e.g., Centers for Entrepreneurialism, institutional technology funds)• Designed to foster innovation across campus

Student-Focused Venture Philanthropy

Interdisciplinary Entrepreneurial Programs Prove Attractive to Venture Capital Firms

Student-centered venture funds aim to both increase innovation and provide industry experience to participating students. **Institution A**, **Institution C**, **Institution E**, and **Institution F** all maintain some form of student-centered venture philanthropy project. Most initiatives group students from schools of business with students from schools of engineering, medicine, or architecture to develop strategic plans for marketing and selling new engineering and medical innovations. Contacts report that venture philanthropists value the interdisciplinary approach that links the innovation-side with the management-side of technological discovery.

Interdisciplinary Programs at Profiled Institutions

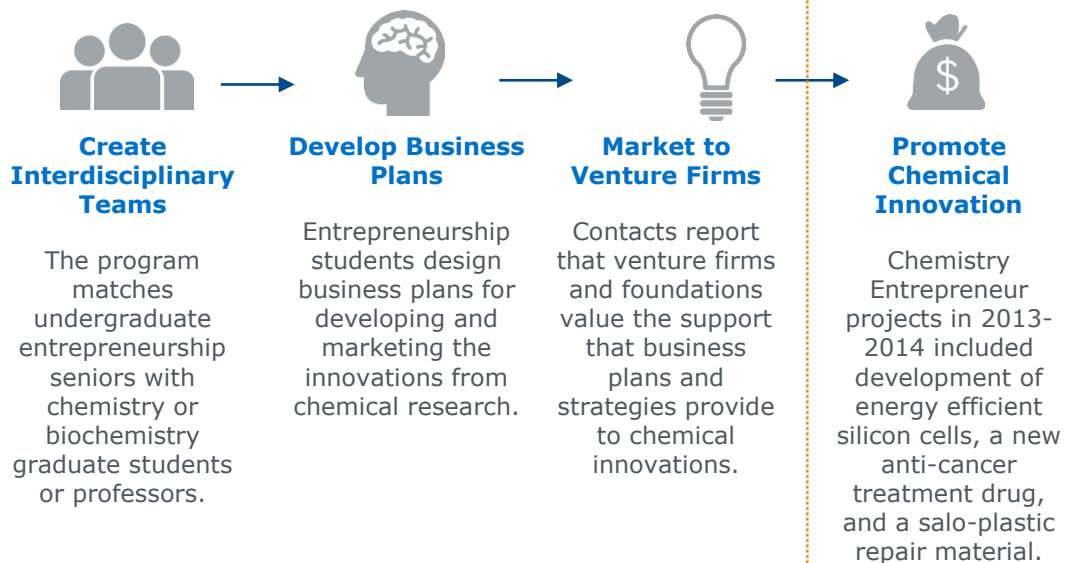
Institution	Program Type	Disciplinary Areas
Institution A	Chemistry Entrepreneur Program	<ul style="list-style-type: none"> • Chemistry • Entrepreneurship/Business • Engineering
Institution C	Venture Fund	<ul style="list-style-type: none"> • Management • Innovations across all institutional disciplinary areas
Institution E	Business Venture Competition	<ul style="list-style-type: none"> • Business • Entrepreneurship • Engineering • Medicine
Institution F	Smart Housing Initiative Medicine and Engineering Partnership	<ul style="list-style-type: none"> • Engineering • Architecture • Nursing • Medicine

The Biomedical and Engineering venture fund at **Institution F** the development of computer systems, biotechnology, cell engineering, tissue engineering, and molecular engineering technologies. Contacts report that venture capitalists highly value the intersection of engineering and medical technologies.

Venture Funds Develop Student Business Acumen and Industry Experience

A student-assisted venture capital investment fund at **Institution C** awards participating MBA students between \$75,000 and \$100,000 to invest in campus-born seed or early-stage companies. This fund allows students to gain industry experience in generating leads and screening potential candidates under the guidance and direction of investment professionals. Students that compete in a venture challenge at **Institution E** form interdisciplinary teams, select a campus-born technology from a predetermined list, and present their business plan against 20 other teams. Winners of the challenge then compete against teams from other schools. Despite three consecutive national victories for Institution E, the venture challenge program is currently on hold due to faculty changes.

Chemistry Entrepreneur Program Program at *Institution A*



Research-Related Venture Philanthropy

Venture Capital Finances Institutional Medical Devices and Research-Driven Innovations

Institution B and **Institution E** seek venture funding to promote research-based technologies and discoveries. Institution E launched a seed and early-stage technology investment firm focused on IT, physical sciences, and clean energy discoveries for all institutions in its metropolitan area to participate in. The firm analyzes promising technologies on participating campuses and offers between \$25,000 and \$250,000 to initiate the beginning stages of development. Companies can then employ the initial financial backing to attract investment from larger venture capital firms. Institution B engages in strategic partnerships with local organizations to share resources for drug discovery, genetic engineering, biotechnology, and life sciences IT. Contacts report that strategic partnerships enhance institutional ability to attract venture capital investment in medical and engineering devices.

Research Initiatives at *Institution B*

Medical Technology Alliance	Drug Discovery Alliance	Entrepreneurship Institute
<ul style="list-style-type: none"> Partnership between the department of Electrical and Computer Engineering and the an external research institute Goal to create, develop, and market new medical technologies in five key areas by 2020: cardiology, orthopedics, ophthalmology, rehabilitation engineering, and trauma 	<ul style="list-style-type: none"> Collaboration between the School of Medicine and an external research institute Designed to facilitate drug discovery and therapy for diabetes, kidney disease, myeloma, Parkinson’s, Alzheimer’s, cancer, etc. Recently received a \$2 million gift to fund additional discovery 	<ul style="list-style-type: none"> Partnership between the School of Business, Research Foundation, and School of Engineering Provide funding for promising research, devices, and discoveries developed within the institution Attract local investors to build initial evergreen fund for internal discoveries

University-Wide Venture Philanthropy

Entrepreneurship Centers Promote Institutional Innovation and Discovery

Profiled institutions employ venture capital funding to finance centers for entrepreneurship, market institutional discoveries and technologies, and support faculty, staff, and student innovation. All profiled institutions maintain a center for entrepreneurship that supports students, faculty, and staff to be leaders in technology innovation.

While most entrepreneurship centers are housed within business schools, centers offer training and support to students, staff, and faculty in all disciplinary areas. Ten years ago, an individual venture capitalist funded the \$10 million Entrepreneurship Center at **Institution C**. The center provides lab workspace, toolkits, start-up

business education, mentoring services, and networking events to the local community.



Technology Fund Builds Innovation Ecosystem at *Institution C*

Ten years ago, a university alumnus financed the development of a technology fund within the Entrepreneurship Center to accelerate the translation of institutional discoveries to real-time applications. Faculty, staff, and graduate and undergraduate students submit formal applications (e.g., description, market opportunity, state of development, objectives) to the managing director of the fund and the investment committee. Contacts report that the fund has successfully promoted institutional innovation in the fields of software, communications, electronics, medical devices, and instrumentation.

Profiled Institutions Struggle to Compete with Research-Intensive Institutions

Institutions like **Harvard University**, **Stanford University**, and the **University of California – Berkeley** have a long history of attracting venture philanthropy funds due to large research profiles and a long-term institutional emphasis on entrepreneurship and innovation. While profiled institutions do not hold the same degree of prestige and experience in the realm of venture philanthropy, contacts develop new strategies to attract a diverse set of investors. Corporate and foundation relations staff engage in outreach to alumni, local businesses, and community leaders that possess strong ties to the institution. In addition, profiled institutions leverage public and private partnerships and current foundation relationships to attract further investment and fund development.

4) Venture Philanthropy and Mission Alignment

Marketing and Branding Strategies

Create a Culture of Innovation and Entrepreneurship to Attract Venture Firms

Institution B hosts state representatives, collaborates with sister institutions, and designs campaigns based on improving the local and state economy to further engage venture philanthropists in institutional innovations and technologies. Institution B recently received funding from a donor to develop a “Season of Entrepreneurship” to allow students from multiple system campuses to attend coordinated events and seminars on leveraging technology, fostering innovation, and launching start-ups. Venture capital firms and foundations value institutional efforts to develop state and local economies through investment in campus-born initiatives. Contacts at **Institution C** affirm that aligning venture funding campaigns with university-wide advancement campaigns proves an institutional emphasis on entrepreneurship and attracts additional investment.

Strategies to Attract Venture Capital Investment

Focus Efforts on Improving Local Economies

Contacts recommend developing initiatives and projects that benefit the institution and its surrounding region to encourage investment. **Institution B** engages in strategic partnerships with local research organizations and sister institutions to promote entrepreneurship, share resources, and provide greater returns to scale.

Leverage Advancement Campaigns

Corporate and Foundations relations staff link venture philanthropy endeavors to greater institution-wide strategic goals and advancement campaigns. For example, **Institution A** aligned its goal of becoming an entrepreneurial institution with its current \$1 billion capital campaign. Contacts recommend demonstrating the value that venture capital contributes to university-wide projects and initiatives.

Allow Restricted Giving to Support Initial Costs

Many venture capital firms and foundations seek greater levels of control over funding allocations and program outcomes. Therefore, contacts at **Institution C** affirm that allowing restricted giving may increase investment dollars. Institutional funding must supplement venture capital to finance the administrative costs of research and entrepreneurship.

Steps to Encourage Innovation and Discovery at *Institution A*

1. Allow non-business majors to enroll in four-course sequence in Entrepreneurship
2. Allocate one “entrepreneur-in-residence” in all interested colleges to support faculty and students across disciplines
3. Expand the Chemistry Entrepreneur program
4. Recruit more women, veterans, and minority populations into entrepreneurship programs and initiatives

5. Raise \$50 million to erect a new building in the College of Business, which will provide space for students to develop new business ventures, learn investment strategies, and conduct research on business-related issues
6. Finance university-wide competitions for campus-born start-up companies
7. Create a branded platform to attract angel investors and venture capitalists
8. Establish a student incubator to support students developing start-up companies and technological innovations

Align Venture Philanthropy with Institutional and Regional Strategic Goals

Corporate and foundation relations staff, institutional leaders, and venture firm representatives develop program goals and outcomes in collaboration with one another. As venture philanthropists continue to push for restricted giving, institutions must complement venture funding with additional financial resources. Therefore, **Institution A**, **Institution B**, and **Institution C** elevate campus-wide entrepreneurialism as a near-term strategic goal. Contacts at Institution B affirm that institutions must demonstrate the value of institutional research to industry, foundations, and venture firms, rather than simply conducting research for the benefit of the institution itself. Venture philanthropists seek investments that increase innovation and technological advancement beyond the birthplace of the device.

Recommendations for Attracting and Maintaining Venture Funding

<i>Recommendation</i>	<i>Example</i>
<div style="background-color: #004a87; color: white; padding: 10px; text-align: center;"> Support Venture Projects with Adequate Start-up Funding </div>	<p>→</p> <div style="background-color: #e0e0e0; padding: 10px;"> <p>Institutions provide start-up funding to prove project longevity and sustainability to potential investors. Initial investments by alumni and local firms provide the foundation for larger evergreen funds to support more intensive research and development projects.</p> </div>
<div style="background-color: #004a87; color: white; padding: 10px; text-align: center;"> Design Program Goals in Collaboration with Funders </div>	<p>→</p> <div style="background-color: #e0e0e0; padding: 10px;"> <p>Corporation and foundation relations staff conduct regular outreach to alumni, donors, foundations, and corporations to preserve lasting relationships and demonstrate the value of investments. Contacts recommend designing programs with common goals and outcomes to ensure future longevity.</p> </div>
<div style="background-color: #004a87; color: white; padding: 10px; text-align: center;"> Focus on the Intersection of High-Demand Programs </div>	<p>→</p> <div style="background-color: #e0e0e0; padding: 10px;"> <p>Venture firms and foundations increasingly seek programs that coordinate innovations across disciplinary areas. Initiatives that provide business acumen to engineering, medical, and technological advances prove attractive to venture capital investment.</p> </div>

5) Research Methodology

Project Challenge

Leadership at a member institution approached the Forum with the following questions:

- What motivates administrators to develop venture philanthropy initiatives, funds, and departments?
- How do institutions attract donors to invest in venture philanthropy activities?
- What types of venture philanthropy initiatives and projects do institutions develop?
- What start-up funds and resources do venture philanthropy initiatives require?
- What goals and outcomes do administrators design for venture philanthropy investments?
- How do administrators monitor the progress and development of venture philanthropy endeavors?
- What other personnel and financial resources are required to support and administer venture philanthropy investments?
- How do administrators solicit support and buy-in from relevant institutional stakeholders?
- What long term goals and outcomes do administrators establish for the development of venture philanthropy efforts over the next five or ten years?
- How do administrators measure progress towards long-term goals and outcomes of venture philanthropy projects?
- How do administrators adapt venture philanthropy projects as they develop?
- How do university stakeholders and donors collaborate to establish and prioritize institutional goals?
- What advice or recommendations do contacts suggest for securing and sustaining venture philanthropy projects?

Project Sources

The Forum consulted the following sources for this report:

- EAB's internal and online research libraries (<http://www.eab.com>)
- National Center for Education Statistics (NCES) (<http://nces.ed.gov/>)

Research Parameters

The Forum interviewed directors of corporate and foundation relations at institutions that engage in venture philanthropy initiatives.

A Guide to Institutions Profiled in this Brief

Institution	Location	Approximate Institutional Enrollment (Undergraduate/Total)	Classification
Institution A	South	31,000/40,000	Research Universities (very high research activity)
Institution B	South	11,000/18,000	Research Universities (very high research activity)
Institution C	Pacific West	24,000/29,000	Research Universities (very high research activity)
Institution D	South	33,000/50,000	Research Universities (very high research activity)
Institution E	Midwest	17,000/28,000	Research Universities (very high research activity)
Institution F	Mid-Atlantic	16,000/24,000	Research Universities (very high research activity)