



## **SIP brings PE value-add to COVID-19 hit HK social enterprises**

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Social Impact Partners (SIP), a Hong Kong-based venture philanthropy organization supported by several private equity firms, has been drawing on industry resources to support portfolio organizations that face financial and operational challenges because of COVID-19.

“It’s not just a matter of surviving as a business but also achieving the social impact needs of beneficiaries,” said Lindy Lek, executive director of SIP. “When we talk to them about pivoting or redefining their impact, they are thinking more about wellness. It has become a bigger area of focus, if it wasn’t before. Social distancing has highlighted mental and physical wellness issues.”

SIP raised a debut fund of \$2 million in 2014, receiving seed commitments from Baring Private Equity Asia and CVC Capital Partners, as well as some family foundations and high net worth individuals. A second fund, also of \$2 million, closed in 2018, with the likes of All-Stars Investment joining the investor roll.

The firm supports Hong Kong social purpose organizations (SPOs) addressing issues in social education, youth wellbeing, and the environment. While Fund I issued grants, Fund II makes loans to its portfolio organizations. Lek said that new facilitates and extensions to existing ones are both under consideration, depending not only on an organization’s needs but also on the progress of any restructuring or business plan repositioning.

Much of the value-add comes through professional service providers – some of them recruited through SIP’s private equity backers – that operate on a pro bono basis. Last month, SIP held a boot camp for all its SPOs at which the likes of Bain & Company, Clifford Chance, Egon Zehnder, and PwC ran sessions on business pivoting, legal considerations, leadership, and business continuity.

“These social enterprises are essentially start-ups; they are very small, and they don’t have the resources of large organizations. The people are unbelievably committed and driven but they are often relatively young, and the breadth of experience in their teams is limited,” said Vinit Bhatia, a partner at Bain who took part in the boot camp. “The challenges they face are the same as everyone else: We can’t deliver our service right now because it’s an in-person model, how do we switch to digital? Our major sources of funding have gone away, so how do we think about other sources?”

There is a standard two-phase development process: taking immediate action to protect the organization and its customers and ensuring business continuity; and planning for the future, which involves positioning the organization to accelerate in a recovery situation and considering what long-term changes might be required. Most of SIP’s SPOs have addressed the first phase.

Of the five that attended the boot camp, RunOurCity has been most heavily impacted by COVID-19. It organizes training programs for young people aged 13-20, using the empowerment that comes

from reaching distance goals in running to help participants overcome broader motivational and behavioral problems. Revenue comes from events – in the form of entry fees and corporate sponsorship – but these are no longer happening.

"They had one event in January, in that window between the protests winding down and COVID-19 starting to rage in Hong Kong. After that, even under the most relaxed restrictions, where a workable number of people were gathering, schools had restrictions on activities that involved sweating, which made it impossible," Lek said. "They have moved to a hybrid model, whereby personal training and one-to-one mentoring happens online."

RunOurCity's new initiatives include a "run to the moon" virtual event, where participants signed up to run certain distances towards a cumulative target equal to the distance between the earth and the moon. Two foundations offered to contribute funding, increasing their contributions as new distance targets were met.

"It's a short-term pivot that solves a funding issue, but should that be part of the model going forward?" Bhatia added. "The model is currently focused on Hong Kong, but across the border they are open, so could you start organizing races in Shenzhen or the GBA [Greater Bay Area]? There are a lot of things, previously back of mind, that they now have to think about."

Organizations have been impacted to different degrees. Teach4HK, which targets underprivileged students, was already online oriented, while Rooftop Republic, which supports the transformation of urban spaces into farms, took an initial hit but quickly switched to virtual workshops and online sales. The legal status of organizations is also important, with those that have formal non-profit arms better positioned to take advantage of government relief funding.

One unifying theme was the pressures faced by the leadership of these organizations and Lek observed that the boot camp was therapeutic in that it allowed these individuals to share experiences. The challenges of COVID-19 might have uncovered previously unknown levels of resilience in these individuals, but that doesn't necessarily stretch to entire teams.

"There is a need to build a more entrepreneurial culture below the founder," Bhatia said. "It's about ensuring your teams make things happen and don't wait to be told what to do all the time."