

SCALINGS IMPACT VENTURE PHILANTHROPY

Successful private equity teams and venture capitalists can use their skills and experience to create social value through venture philanthropy.

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What is Venture Philanthropy?

Venture philanthropy is the combined use of financial and non-financial resources to support the development of social purpose organisations in delivering social impact. Venture Philanthropy organisations operate on these principles:

01

Funding for growth and development: Venture philanthropists view their funding (in the form of donations or other financial instruments) as helping organisations to scale up and so typically commit funding for 3 – 5 years during this phase. Importantly they view their donations as ‘investments’ in the organisation rather than simply a way of purchasing their services.

02

Building capacity and infrastructure: Many social purpose organisations operate below capacity, with under-developed systems and few resources for developing people. Venture philanthropists focus on helping build stronger, more sustainable organisations.

03

Focused on outcomes: Venture philanthropists are concerned that the organisations they support create real social impact. They help these organisations understand how to effectively communicate their ‘theory of change’, and hold them accountable to delivering the highest possible social impact.

04

An engaged relationship: As opposed to broad-based grant-makers, venture philanthropists work with a small number of organisations at any one time, preferring a deeper engagement than possible with a large portfolio of grantees or investees. Venture philanthropy funds also typically accept one or more places on the board of the organisation, to add value in governance and strategy.

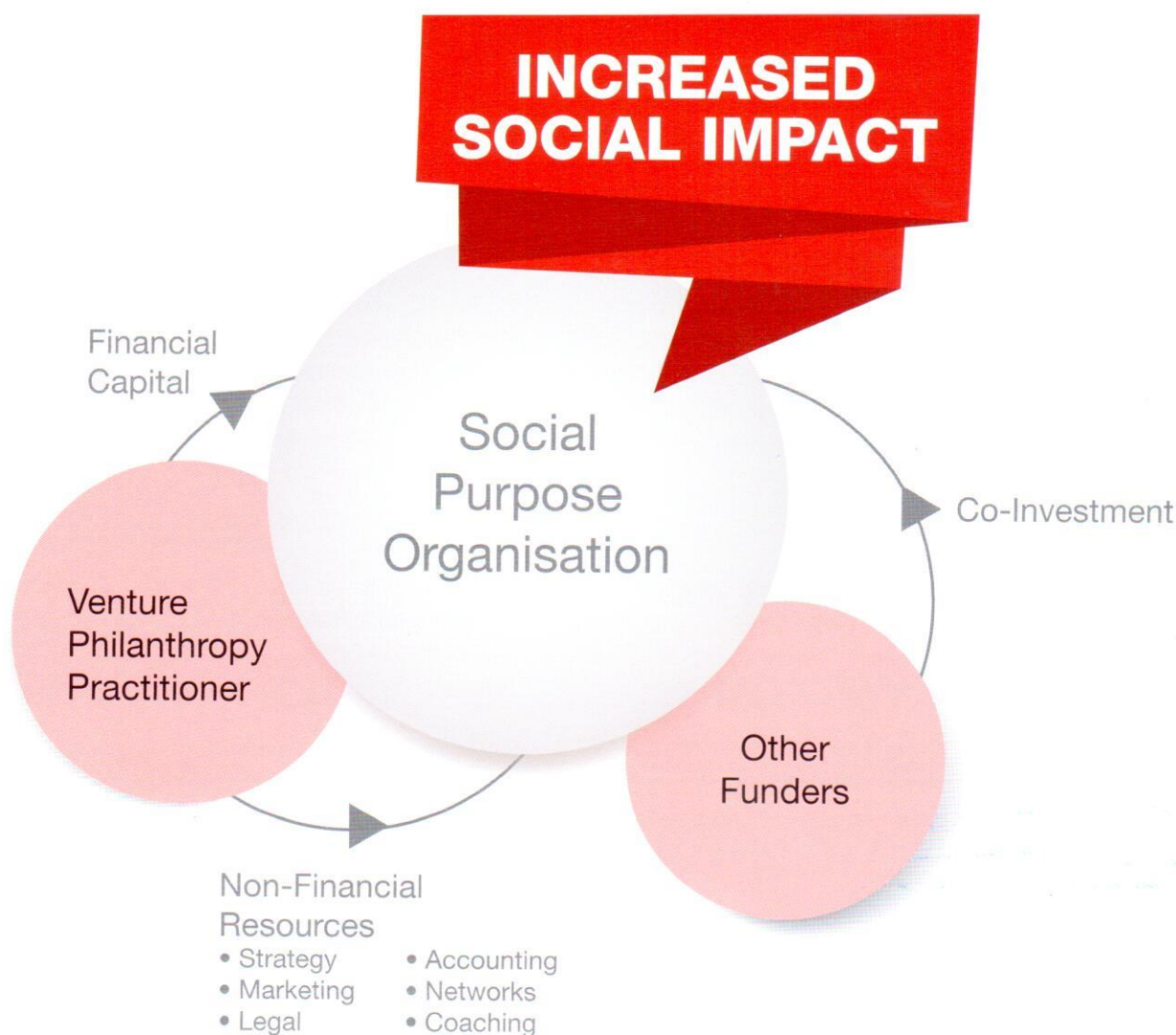
05

Investing in people and leaders: Capable leadership is essential for strong organisations going through a period of growth. Venture philanthropists aim to provide the resources to help nurture strong executives and boards.

These principles are among the characteristics of good grant making and social investment, practiced by foundations and other social sector funders for decades. In venture philanthropy they converge to focus on capacity building to deliver growth in mission and impact. It is viewed as an active, hands-on investment in an organisation and its people.

VENTURE PHILANTHROPY CORE MODEL

Developing sector knowledge, creating a pipeline of attractive investment opportunities, screening the deals, conducting full due diligence, negotiating a funding agreement and then funding the most attractive organisations is the “day job” of PE and VC investors but becomes different and more challenging when the goal is to create social impact and the investee organisations are non-profits or risky social enterprises. This is the venture philanthropy model (see figure) and works through active private volunteering, pro- bono services and often personal funding. In Asia, new dedicated funds are being setup and measured according to expressed venture philanthropic principles.



The private equity and venture capital industries have awoken to the fact that they have social and environmental responsibilities not significantly different from other major investors in businesses. The larger this sector has become the larger its collective impact.

Some of the large private equity investors have embraced industry standards such as the UN Principles for Responsible Investment ("PRI"). They have also responded to pressure from the largest investors in their funds to pro-actively monitor the Environmental, Social and Governance ("ESG") standards of the companies they invest in. Similarly, private equity and venture capital firms and their successful founders are beginning to align their philanthropic initiatives using their skills from investing in businesses to invest instead in organisations that create a significant change or impact on social and environmental problems. They have chosen to use an approach that has become known as venture philanthropy, which combines an investment mind-set with the primary objective of creating social impact rather than financial return.

The pioneers of venture philanthropy in the US included George Roberts of KKR who setup REDF in California; Mario Marino an entrepreneur and advisor to General Atlantic who founded Venture Philanthropy Partners in Washington DC; and Monitor Group which helped launch New Profit Inc. in Boston. The venture capital community supported Social Venture Partners network that grew in cities across the USA and is now expanding rapidly in India, South Korea and China. Other networks with roots in venture capital and private equity include Omidyar Networks, Village Capital, ANDE and Endeavour (actively supported in Asia by Abraaj Capital).

In Europe, venture philanthropy, was accelerated by the European Venture Philanthropy Association ("EVPA") which was founded in 2004 by a group of professionals with backgrounds in private equity and venture capital. They also set up venture philanthropy funds such as Impetus Trust in the UK and Bon Venture in Germany, as well as social investment funds such as Bridges Ventures. The early activities of venture philanthropists and the cross-sector networks they formed between the business, financial and social sectors led to much larger initiatives such as Big Society Capital, the Sustainable Stock Exchange, Social Impact Bonds and government funded trusts to promote social innovation.

Building on the success of venture philanthropy in the US and Europe, the Asian Venture Philanthropy Network was formed in 2011. Headquartered in Singapore, the founding sponsors of AVPN include Baring Private Equity Asia, CVC Asia and Adams Street. Today, its membership has evolved and expanded to include a collaborative mix of foundations, corporations, professional service firms, family offices and high net worth individuals.

The venture philanthropy pioneers in Asia include Social Investment Partners (founded by former Permira and Ripplewood executives), Social Venture Partners in Japan, Social Impact Partners in Hong Kong, Social Ventures Hong Kong, Social Ventures in Australia, DASRA and Edelgive in India, Non-Profit Incubator in China and Change Fusion in Thailand.

Simon Chadwick is a director of the Asian Venture Philanthropy Network and its former CEO. He is based in Singapore and has been involved in private equity investments since 1994. There is much more information available at www.avpn.asia and www.evpa.eu.com, including the EVPA publication "A guide to Venture Philanthropy for Venture Capital and Private Equity Investors" and the AVPN guide to "Getting Started In Venture Philanthropy in Asia".