



## AN INTERVIEW WITH **DOUG MILLER**

The outgoing EVPA chairman talks about private equity's cynics, the evolution of venture philanthropy, and why investors should not hide their charitable activities.

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**IT WOULD BE NICE TO THINK THAT WHEN THE** current generation of private equity players find the opportunity for other pursuits, they can employ their skill, contacts and wealth as productively as Doug Miller has done.

It's been more than three years since he and four other private equity professionals set up the European Venture Philanthropy Association, during which time he has worked tirelessly to spread the word and build support for this particular form of charitable giving.

We first met at the annual EVPA conference in Madrid last October, which attracted over 300 delegates from 30 countries, where Miller stressed the need to transform interest in philanthropy into engagement, and engagement into meaningful impact. As we sit down in a quiet bar off the King's Road in London, I ask for hard numbers on the progress of the fledgling organisation.

"Our original aim was that we'd have 50 members after five years, and we're at 90 after

38 months. We think that by our conference in Frankfurt in September we'll have more than 100; our current rate of membership growth is two to three a month. We're probably three years ahead of plan." Miller feels this growth comes from individuals, specifically from private equity, wanting to give something back to society. It is a way for individuals who have accumulated some wealth to use their experience, network and capital to maximum effect.

Then, with his usual deference, he emphasises that the growth of interest was not solely driven by the EVPA. "It's also down to organisations such as Ashoka and the Private Equity Foundation. Venture philanthropy is flavour of the month."

This last comment is not flippant - he is concerned that expectations about what can be achieved should be realistic. The growth of venture philanthropy is going to take time, and his favourite analogy is the evolution of the buyout industry in the US over the past 40 years. To illustrate the

point, Miller produces the PPM for Kohlberg Kravis Roberts' first fundraising, which Miller's employer at the time, Chicago-based Continental Illinois, invested in. Back then, in 1978, the buyout pioneers had a hard cap of \$20m (€12.9m) - light years from the multi-billion-dollar funds KKR has under management today (see opposite).

The young Miller was mesmerised by the emerging industry. "I wasn't necessarily focusing on the fact that it was more lucrative, but it was definitely more interesting. It wasn't only about loaning money, which I determined early on was a bad game - you get lower and lower spreads and all of a sudden you've got massive write-offs. In private equity, on the other hand, you have gains and losses, but if you do it right then your gains more than offset your losses."

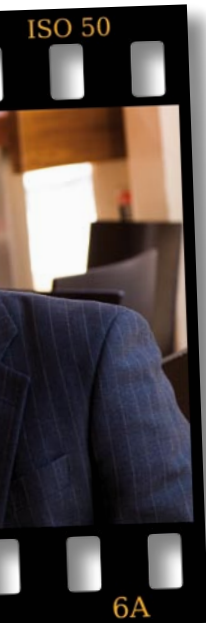
During his time at Continental Illinois, the bank financed Apple Computer, when it had six employees. It invested \$600,000 and got back \$48m, 80 times its money.

"Formal private equity didn't start until the 1970s, so that's only 37 years ago. I think we are in year six or seven of venture philanthropy."

Already the first generation of venture capital and private equity pioneers have gone on to form philanthropic movements, such as George Roberts of KKR, who founded California-based Roberts Enterprise Development Fund in around 1996, and Sir Ronald Cohen, "a real pioneer in the social capitals markets".

More recent philanthropic activists include transatlantic buyout house Towerbrook's initiative the Towerbrook Foundation, and Investindustrial's Invest for Children. "All these people are pioneers," says Miller. "I personally think we'll look back at this ten years from now and say, 'Wow, look what happened.'"

Over the past two years, a number of large buyout groups have jumped on the venture



philanthropy bandwagon, looking to set up their own foundations or charitable bodies. The latest private equity brochures make the most of these activities. There has, therefore, been an inevitable level of cynicism regarding the motivations of these groups. Miller expresses frustration when I ask him how the association deals with cynics.

"It annoys me, but it doesn't surprise me," he says. "There are a lot of cynical people out there. I've been in the private equity industry for 27 years - and I've been involved in philanthropy for most of that time, before the industry got bad publicity from a small section of the press. Every private equity person I've met - and I would challenge anyone to contradict this - has a mother and father, many of them have children

and all of them live in the wider society. So why would you not want to improve the conditions in that society - whether in health, education, drug abuse or anything else?"

More importantly, Miller believes that the vast majority of people in the industry are already involved in philanthropy but that many of them won't announce their activities because people will say they're doing it for self-publicity, or they wish to avoid getting on the mailing list of those seeking money. Miller emphasises that one of the EVPA's aims was to reassure members that they won't be attacked, and that funding solicitations can be politely turned down.

As Miller comes to the end of his tenure as chairman of the association, the start-up is now preparing to go through a period of institutionalisation, under the leadership of Pantheon Ventures partner and EVPA co-founder Serge Raicher, who will take over at the EVPA conference this September.

"So far, our office has been in my spare bedroom, and there have been no full-time staff. We've done all this on less than £250,000 over the three years, with a lot of sweat equity by all the trustees and several consultants. We're now going to move to a formal office in Brussels. We'll hire two full-time staff and it will develop from there."

Raicher was formerly secretary general of EVCA, and has in-depth experience of heading a membership organisation. "Running the day-to-day activity of the association is probably not my strong suit," Miller says.

Brussels had always been part of the plan. Headquarters of the EU and the EVCA, it is also the home of the European Foundation Centre - an international association of foundations. "All three triangles come together in Brussels."

After the handover, Miller, who sees himself more as a start-up specialist, will explore creating a sister organisation in Asia, with an initial focus on Hong Kong and Singapore. "We're already using our industry contacts to explore that."

Miller says the EVPA's big challenges in the short term is handling negative publicity by ensuring there are realistic expectations regarding venture philanthropy, as well as enabling the association to add value to the philanthropic process.

The other big issue - perennially so in the third sector - is fundraising. "There's more talk at the moment than there is capital, so we're looking at creative ways." Co-investment is one method being taken from private equity and actively implemented. "We came up with an idea at

Impetus, for example, and myself and a few others actually underwrote the investments. We said:

“ Why do we need all this material stuff? When I die, I want to look back and say I had some tangible, positive effect on society ”

'Okay, you go ahead and commit over and above the capital that Impetus wants to put in, and then you need to sell it to a co-investor. But if you can't find the co-investors then we write the cheque.' So far we've done five deals, and I haven't yet had to write a check. Obviously, I've told them that the first time I write the cheque the money's gone, though that threat has never been tested."

The EVPA, which is already working closely with foundations, ultimately hopes to work with governments. Finally, Miller's grand vision for the continued evolution of private equity's third sector is that "social investment and social engagement will become a common activity and not even worthy of news articles in 20 years' time".

So what motivates someone that could spend his life being served pina colodas from a hammock, or at least schmooze with the great and the good of European boardrooms, to undertake such a tireless campaign, which includes the unglamorous task of braving London's underground system to take coffee with a trade journalist?

"I made an assessment and thought, 'I have some capital; I've got a great network that was built through the private equity industry and being in the placement business.'" Miller, who is currently in the process of raising his 25th fund, started out as a general partner in private equity. "Probably in the past three or four years I've allocated at least 30 per cent of my time, and I've extended my working week to do that. My kids have grown up, so I can work weekends, too," he adds.

Among many other things, Miller is a Vietnam veteran. "At the age of 23 we were killing people, and we were seeing people beside us get killed. I was making decisions that were the toughest decisions that I will ever make in my entire life.

That's made business decisions subsequent to that very, very easy because I just say to myself: 'Nobody dies.'"

Miller was also left with a lasting impression of the contentment of the mountain-dwelling Vietnamese with which his unit lived during special-forces operations. "They had no running water, no electricity, no plumbing, no radios. But they were generally happy, cohesive communities, apart from the fact there was this war going on alongside. So I thought, why do we need all this material stuff? I live well, but I live on less than ten per cent of my income because I don't feel that material goods are that important. When I die, I want to look back and say I had some tangible, positive effect on society with my life."

On finishing the interview, I ask if there are any final points we should cover. He quickly reads through his prompt notes until tripping on the final note-to-self: "Make no comments that could be construed as self-glorification." As we part ways, and Miller asks me to point out the way to the nearest tube station, I realise there was never much chance of that. ●

**The EVPA's fourth annual conference will be held at the Johann Wolfgang Goethe-Universität in Frankfurt on 23 September. [www.evpa.eu.com](http://www.evpa.eu.com)**

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