

PRIVATE EQUITY

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Ground Floor
Newspaper House
8-16 Great New Street
London EC4A 3BN
Tel: +44 (0)20 7906 1188
Fax: +44 (0)20 7583 8485

Social mission

A group of private equity practitioners are importing venture philanthropy from North America to Europe. Impetus Trust, the UK's first charitable venture philanthropy fund, is leading the charge.

You don't have to have a Marxist view of the world to believe that venture capitalists deserve the name they go by. They're capitalists all right. Generating profit is what the profession is about; self-interest is a key source of motivation for those practising the trade.

However, venture capitalists are often not immune to the appeal of the not-for-profit sector's way of rewarding personal effort. As a result, many venture capitalists give a portion of their personal wealth to charity. And then there are those who believe that some of the business methods venture investors use to ensure their capital works as hard as it possibly can are indeed applicable to charitable organisations, too.

This idea, known as venture philanthropy, has been gaining much ground over the last ten years, especially in the United States. Early stage investors, the theory goes, are good at deploying capital and management know-how effectively in order to help establish successful enterprises, so shouldn't they be able to help charities achieve their goals as well? Venture capitalists know about fundamental business concepts such as risk management and measuring performance. They aspire to being close to the projects they commit money to, they seek representation on the boards of the companies they invest in and aim to provide "hands-on" support to the managers they back. Finally, they want to be involved with a business only for so long: successful engagements will come to an end by way of profitable exits.

All of this, say venture philanthropists, is applicable to not-for-profit organisations too, except that for the "donor-investor" a successful exit doesn't translate into a financial return on investment. In the US, a multitude of organisations devoted to this cause have been established across the country.

Step-change

In Europe, the concept is less well known. But a number of initiatives are currently underway that look set to change this. Most advanced is a project in the UK, where earlier this year a group of well-known venture capital professionals

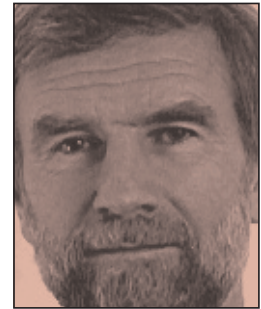
launched Impetus Trust, Britain's first general venture philanthropy charitable fund.

Led by Stephen Dawson, managing director of London-based private equity manager ECI Partners, Impetus' mission is to provide long-term funding of core costs and management support to charities that may be experiencing rapid growth, undergoing a turnaround situation or participating in a merger with another charitable organisation. As Dawson explains: "The idea is to enable charities to achieve a step-change in their performance and develop a professional management infrastructure. With regard to donors, Impetus is for people who find cheque writing too reactive and who want to be certain that their money makes as much difference as possible. And we're offering business people a platform to apply their skills and experience to the voluntary sector."

Established to help people rather than animals, arts or heritage, Impetus will initially focus on medium sized UK charities with income between £250,000 and £10m. The group is currently evaluating a number of possible projects that focus on a range of geographies.

Impetus' initial fundraising target is £4m. Several UK venture capitalists have already made donations totaling £1.5m to Impetus, including Adrian Beecroft and Peter Englander from Apax Partners; Jon Moulton from Alchemy; ECI's Ken Landsberg, Tim Raffle and Jonathan Baker as well as a senior executive from Phoenix Capital Partners. Impetus' co-founders and trustees, who include Doug Miller from International Private Equity Ltd, the fund placement consultant, and Nat Sloane, formerly at Accenture Ventures, have also invested in the fund.

Another £300,000 has been raised from three grant making organisations in the UK: the Gatsby Foundation, the >>



**Dawson:
more than just
cheque writing**

Esmee Fairbairn Foundation and World in Need (WIN), an Oxford-based 'charity of charities' that for the past 50 years has been executing a strategy much akin to venture philanthropy. WIN gives money to typically early-stage not-for-profit groups over a period of up to five years to cover operational costs and build up professional management structures.

WIN was established in the 1950s by Cecil Jackson-Cole, an visionary entrepreneur and philanthropist who used his commercial acumen, business methods and capital to found and grow a series of now leading UK charities such as Oxfam, Help the Aged and ActionAid. Today WIN, whose main source of income is the late Jackson-Cole's surviving real estate business it owns, continues to back newly established not-for-profit organisations. Like Impetus, the charitable trust is in the business of funding core costs, seeking board representations at the charities it supports and looking to move on to new ventures once a particular mission has been accomplished.

Rob John, director of WIN, says meeting Stephen Dawson six months ago gave rise to the exciting prospect of injecting new momentum into Britain's charity sector while providing WIN itself with an opportunity to realise its own ambition to scale up. "Impetus' key market is grossly underfunded. Impetus can offer people in the venture community, whose language it speaks, access to the charitable sector. They have good people on board who know how to raise money and make it work hard."

Whether Impetus can live up to expectations in part depends on whether the venture professionals involved in the project can adapt to non-for-profit's way of doing things. John notes that while there are unmistakable parallels between venture capital and venture philanthropy, applying VC terminology to the charity sector too rigidly can be misleading, and that some adapting will be necessary. "Had the idea been to take the entire venture capital technology and parachute it into the voluntary sector, WIN wouldn't have backed the project. A certain degree of humility is necessary to execute. WIN's experience in working with charities can be an asset there."

The point isn't lost on Impetus' initiators. Says co-founder and trustee Miller: "Venture capitalists working with charities have to adjust their style and approach to providing hands-on support. It's about encouraging charity professionals to improve performance, which requires a lighter touch compared to working with portfolio companies." Miller is confident that his venture capital peers are up to the challenge: "This isn't an untested concept: It's been proven in the US for the past ten years." And should Impetus' venture professionals ever lose sight of the need to play by non-for-profit rules, several of its trustees have enough direct experience with charity work to make them aware of that.

While Impetus is keen to spread the word among the UK private equity community, the venture philanthropy phenomenon is also gathering speed in continental Europe. Once up and running, this is another group that will be able to tap some deep pockets and a wealth of entrepreneurial energy to support the advancement of worthy causes.

It's early days for the venture philanthropy movement in Europe, and few venture capitalists are as cash-rich today as they may have been a couple of years ago.

However, at a time when governments are having to enforce increasingly leaner social welfare budgets, charitable foundations and grant makers have good reason to look to venture philanthropy to plug at least some of their funding gaps and to help ensure their money is used in the most effective way possible.



**Miller:
light touch
required**

European Venture Philanthropy Association launched

In June, five European private equity practitioners convened in Brussels to establish the European Venture Philanthropy Association (EVPA). The founding members are Michiel de Haan, founder of Atlas Venture; Luciano Balbo, founder of Italy's B&S Electra; Stephen Dawson of ECI Partners in London; Serge Raicher of Pantheon Ventures; and Doug Miller, the founder of International Private Equity Ltd.

EVPA's raison d'être is to promote the development of venture philanthropy throughout the European market. The network will be providing relevant training, support fundraising initiatives and foster co-operation with the venture philanthropy community in the US.

All EVPA founders are already actively involved in charity work. For instance, Dawson and Miller are busy promoting Impetus, the UK's first charitable venture philanthropy fund. In Italy, Balbo is developing a venture philanthropy initiative focusing on disadvantaged youth. Meanwhile de Haan, who left Atlas in 2000, sits on the advisory board of SOVEC, the Social Venture Capital Foundation recently set up in Holland. Sovec's aim is "to apply the proven hands-on working methods, transparency, focus on growth and sustainability of the venture capital industry to philanthropy, where social dividends have to come first before economical dividends", he says.

EVPA and its founder members are keen to support anyone interested in establishing venture philanthropy initiatives. For more information, please contact Doug Miller at IPELmiller@aol.com. ♦