

## **Beyond charity? A new generation enters the business of doing good**

*Andrew Jack*

In the slick surroundings of the Saïd Business School in Oxford, where earnest academics last week mixed with West Coast US activists sipping environmentally friendly bottled water, Andrea and Barry Coleman looked a little out of place.

Over 15 years, the two British motorcycle enthusiasts have painstakingly built an organisation called Riders for Health, creating a logistics network to distribute medicines to remote parts of the developing world despite widespread indifference and suspicion from conventional donors and charities alike.

As guests at the 2007 Skoll World Forum on Social Entrepreneurship, they have found themselves drawn into a movement that mixes a younger generation's take on social justice with ideas drawn from the business world, challenging the grant-giving approach of traditional philanthropy.

"We didn't realise we were social entrepreneurs," jokes Mr Coleman, whose transport networks provide an unglamorous but essential practical service in Africa. "But the traditional 19th-century charity has long since had its day, and there is a great deal of focus here on a rational way of doing things."

The couple are recent recipients of Skoll awards, offered by the foundation established by Jeff Skoll, the first president of Ebay, the online auction service, to help achieve social objectives by business means. Mr Skoll, aged 42 and worth some \$4bn (£2bn), is one of a generation of younger philanthropists who, having made money in a relatively conventional but rapid way, is involved in a movement that is stirring interest in the corporate and political worlds.

Charles Oswald, a Minneapolis businessman, has supported a venture fund for Ashoka, an organisation that promotes social entrepreneurs. Many more individuals are working to break down traditional barriers between business, government and charity.

Not everyone is convinced. Richard Adams, a pioneer of the fair trade movement, says: "I don't think there's anything new in social enterprise, but a massive amount of money is being spent on promoting it. There is not any great vision of where the whole thing is going."

There are intense debates about definitions and how far it represents something original. Yet social enterprise is proving one of the most interesting, if disparate, ways of tackling disease, poverty and environmental damage.

Alex Nicholls, lecturer in social entrepreneurship at the Saïd Business School's Skoll Centre - underwritten by Mr Skoll's foundation - argues that there are three elements: innovation, market orientation and an objective to generate public benefit. "Social entrepreneurs are not hung up on a relationship to profit," he says. "Social innovation is not new but the scale and impact is. I genuinely believe we are seeing a change in the structure of society. The notion that business can operate in a vacuum has gone."

Long-established figures have been adopted by the movement, such as Muhammad Yunus, the Nobel prize-winning micro-finance pioneer and star turn at last week's conference. Mr Yunus's Grameen Bank in Bangladesh has been widely studied and imitated elsewhere. Many younger people straight from university or with limited work experience are also turning to such ideas in the "third sector" beyond government and private business.

"Traditional philanthropy is not working," says Mark Kramer, managing director of FSG Social Impact Advisors, a consultancy on philanthropy. "Lots of money, time and people have been devoted to subjects like welfare and the environment, but the problems are the same or worse. Now there's a flood of young talent, with students willing to earn less to work on social issues."

Blaise Judja-Sato is one example. A Cameroonian who graduated from top French and US universities, he left a good job in the telecommunications sector to found VillageReach, an organisation that delivers essential vaccines and medicines to rural communities in Mozambique.

There is some continuity with previous generations of idealists. Larry Brilliant is a case in point. A doctor who wandered the hippy trail in the 1960s before his guru packed him off to use his skills at the World Health Organisation, he has reinvented himself as the head of Google.org, the philanthropic arm of the eponymous search engine.

Just as important as the growth in young recruits, he stresses, is a revolution among funders. He highlights what he calls "the sudden wealth syndrome", with business people who made their money quickly via high technology and hedge funds now "using it in a way their grandfathers never did, by not waiting till they die".

These individuals do not simply want to hand money to others to spend philanthropically but bring their own philosophy and skills directly to managing it in a way that maximises "social returns".

In Google.org, Sergey Brin, 33, and Larry Page, 34 - each worth nearly \$17bn after setting up the search company - have created a foundation without the usual tax exempt status, so it can invest in and support for-profit as well as non-profit groups that focus on energy, poverty and the environment.

Sally Osberg, head of Mr Skoll's foundation, says his aim has been to "enlighten, inform and take past the tipping point" innovative ideas, harnessing the power of markets and helping the initiatives of those he supports to become sustainable.

Through his film company, Mr Skoll has also helped spread the word on issues directly, underwriting An Inconvenient Truth, former US Vice-President Al Gore's call to action on global warming, and supporting other unconventional and provocative films such as Fast Food Nation and Syriana.

Other key figures linked to social enterprise include Peter Wheeler, a former Goldman Sachs partner who with several like-minded businessmen formed New Philanthropy Capital, which advises donors on how to give away their money most effectively. "One can be quite cynical about some of the practitioners [of social enterprise] but I'm not at all cynical about the trends," he says. "There is a wall of money and nothing to do with it. There is way too much to give away inter-generationally and a limit to the amount of art and real estate you can buy."

Mr Kramer recently studied philanthropic giving by more than 20 wealthy individuals. His conclusion was that the most successful were those who "came across an issue of great personal significance", began spending considerable time on it and became more involved as they saw that they were having an impact. "They shifted from giving away money to asking how to solve a problem."

He argues that Bill Gates, the world's richest man, who also began giving away substantial sums in his 40s, fits into this new generation. "He immersed himself in understanding the issues and has used his personal leadership and ambassadorship to call attention to them."

Social enterprise is beginning to capture the imagination of politicians. Gordon Brown embraced the concept in a strategy document last year, while David Cameron took his shadow cabinet on a tour of social enterprises. Although the figures are contested, the government estimates that there are 55,000 social enterprises in Britain and more than 800 "community interest companies" - a new type of organisation with social objectives.

"Things have moved very considerably in the past three to four years," says Jonathan Bland, chief executive of the Social Enterprise Coalition, a UK-based clearing centre on the subject.

"Social enterprise has the potential to be a very significant business model for the 21st century. I'm optimistic it will grow enormously."

Not everyone is so bullish, however. A first debate concerns whether social enterprise remains too fuzzy as a concept and whether its practitioners really have created a coherent and useful model.

Some critics argue that conventional profit-maximising companies provide the most powerful social benefits through the efficient creation of wealth and jobs. Others contend that some businesses that have wrapped themselves in a social cloak - such as Body Shop, the cosmetics retailer, or the growing number of organisations offering carbon offsets for air travellers - simply salve the consciences of customers who would do more for the environment by reducing their overall consumption.

Belu, the official water supplier to the Skoll Forum, prides itself on its stylish biodegradable bottles and the fact that all of its profits fund clean water projects in the developing world. Arguably, it would be greener still if it simply encouraged British consumers to use tap water.

Richard Adams, who has long worked on poverty reduction in the developing world, says that often it is better simply to make a direct appeal for charitable support rather than attempting to lure consumers through an indirect link to products they buy.

A second challenge for social enterprise is sustainability. Many worthy projects will be unable to generate income from a wide variety of sources and will always be reliant on philanthropic support. To have wide-ranging impact, they will ultimately need to persuade governments to take on their work.

A smaller group of organisations may be able to tap investors and diversify their fund-raising. Mr Hunt calls for help through tax breaks, the creation of a social stock market and a social investment fund backed by unclaimed bank assets.

Mr Kramer argues that such mechanisms could help attract a significant number of individuals who are willing to invest for "blended returns", receiving some profit but also achieving broader social objectives with their money. "It's a very small segment but it clearly exists and is growing," he says.

That raises a final problem: the need for better ways to measure results. Mr Wheeler, whose New Philanthropy Capital advises donors and produces brokerage-style reports assessing social issues deserving attention, says that although the situation is improving, "we are groping in the dark. Models for analysing data are not agreed upon and data doesn't get collected."

A partner with one hedge fund who wants to channel his profits to green causes relates a recent meeting with an international environmental group to discuss its project to curb tropical rainforest destruction. He says the presentation contained such limited financial analysis on how it would operate or be sustainable that his colleagues' interest soon faded. "Within 20 minutes, they were fiddling with their BlackBerries and we had lost them."

Without greater rigour, social enterprise will face difficulties in moving from the margins to the mainstream.

**Fonte: Financial Times, USA, April. 5 2007. Comment & Analysis, p. 11.**