

Impact Philanthropy Comes into its Own

Michelle Benson and Jenny North, Impetus – The Private Equity Foundation (www.impetus-pef.org.uk)

Impetus-PEF is a venture philanthropy fund which seeks to transform the lives of 11-24 year olds from disadvantaged backgrounds by ensuring they get the support they need to succeed in education, find and keep jobs, and achieve their potential. It establishes long term relationships with the portfolio of charities it supports; the support made up of expertise and funding.

For information on the venture philanthropy scene go to www.evpa.eu.com, www.avpn.asia, and www.impetus-pef.org.uk/how-we-work/venture-philanthropy-around-the-world

Philanthropy is at a crossroads. The traditional model of benevolent giving - for all of its huge heart and generosity of spirit – is under scrutiny. More and more large-scale donors are asking serious questions about what's being done with their money and what that activity is really delivering. They want to know what's working and what isn't. Today's philanthropists don't just want to feel good, they want to do good.

The mantle of giving is in the process of transition, being passed from one generation to the next - and this new generation think and act differently. Many of the great philanthropists of earlier generations were brilliant entrepreneurs who built a fortune on street smarts and gut instinct. Today's philanthropists have more often made their money in technology, finance or professional services and many have benefited from management training and a formal business education.

Philanthropy – literally, love of humanity – has always been, and will continue to be, driven by a passion to help others, either directly through personal foundations or indirectly through charities. But there has always been something of a disconnect between what a philanthropic individual expects from their business ventures and what they expect from the charities in which they involve themselves. The results-driven rigour of the company boardroom hasn't always carried over to the trustees' meeting. That is changing; today's philanthropists want to see similar practices and standards in their beneficiary organisations that they would apply to their own businesses.

From feel good to do good

During the 1990s, the penny started to drop that, while good intentions and integrity were necessary starting



Michelle Benson



Jenny North

points for charitable endeavours, they were not enough on their own. If donors truly respected the sector and the people who dedicate their lives to the sector, they would really hold them to account and, in so doing, enable them to deliver real and lasting solutions. Some started talking about running charities like businesses – a concept that still makes many in the non-profit sector uncomfortable. But philanthropists, foundations and intermediaries – and many of the more mission-orientated charities – saw there was a huge amount that the social sector could learn from commercial models. Such was the breeding ground for venture philanthropy.

.....

Today's philanthropists don't just want to feel good, they want to do good.

.....

Venture philanthropy takes an active approach to philanthropy, which involves providing skills as well as money to a charitable organisation. It uses the principles of venture capital, with the investee organisation receiving management support, specialist expertise and financial resources. The focus however is on achieving a social, rather than a financial, return.

Venture philanthropy was born in the US in the late 1990s where it has since gained significant traction. Impetus – The Private Equity Foundation (Impetus-PEF), our own organisation, imported the model and refined it for the UK market. It pioneered the concept of British venture philanthropy and, like all true pioneers, it has learned and iterated along the way.

With sights firmly locked on impact, Impetus-PEF focuses its energies on 11-24 year olds from disadvantaged backgrounds in the UK. It is committed to transforming the lives of these young people by ensuring they get the support they need to succeed in education, find (and keep) jobs and achieve their potential. It identifies the most promising youth charities and social enterprises and helps them – through a package of funding, management support and specialist expertise - become highly effective organisations that transform lives.

Impetus-PEF was established over ten years ago by senior individuals from the worlds of private equity and venture capital, many of whom also sat as trustees of charity boards. They had a particular interest in bringing with them all the best practices from the world of business, aiming to apply them to the social sector: due diligence to find best-in-class charities; rigorous

assessment and development of management teams to ensure they're capable of delivering; and financial discipline.

Today, as then, Impetus-PEF only invests in charities that meet a set of criteria and think are already making a difference. Once selected, Impetus-PEF allocates the charity an investment director – a dedicated business consultant – to hyper-engage with the charities to provide the vital strategic support that all developing organisations need. By working with portfolio charities in-depth and over a number of years, Impetus-PEF get to really understand their needs. The investment directors will work with charity leaders on everything from mission and strategy to business plans and talent sourcing. It helps them design and implement robust systems and processes so they are in the best possible position to make a transformative, and lasting, impact on the lives of the most vulnerable young people.

The key to success is the model - combining funding, strategic and operational expertise. For example, backing a charity's five year business plan, helping them achieve key milestones and supporting the management team through growth is far more effective than just giving them a lump sum of money and moving on to the next charity. This model not only delivers real impact but is also financially very efficient: for every £1 it invests, Impetus-PEF is able to deliver £3 of value to the organisations it supports.

A significant component of Impetus-PEF's support package is pro bono advice: professionals, many from global consultancies and institutions, who volunteer their valuable skills to help charities build their capacity. The investment team identifies the most critical needs of the charities and matches them with experts from this powerful network of volunteers. Professionals contributing their skills can help a charity with its business plan, strategic review, financial systems, management structure and much more, providing advice that the charity would never be able to access otherwise.

This type of strategic input is proven to dramatically accelerate the growth of charities and social enterprises. Sir Ronald Cohen, who co-founded Apax Partners, a leading private equity firm, is one of the UK's social investment leaders. He applied the models he learned from private equity in his more socially-oriented roles, such as co-founder of Bridges Ventures and founding chair of Big Society Capital. His view is that, "In philanthropy as well as business, money alone can only do so much; it is money combined with skills

and experience that achieve real impact. Impetus-PEF is leading the way in creating lasting change through this strategic combination.”

Merging for impact

Impetus-PEF is itself the result of a merger in July 2013 of two of the leading venture philanthropy charities in the UK. After taking a long hard look at themselves, they did exactly what they would advise portfolio charities in the same position to do: join forces. At the heart of the merger is the determination to have the greatest possible impact on the lives of disadvantaged children and young people.

Since the merger, Impetus-PEF has been through a process of self-examination and change. The driving force here was the conviction that, as a nation, we have spent billions of pounds on initiatives to alleviate child poverty and the associated social problems. But only a fraction of this money, has produced real and lasting outcomes for the young people who need it most.

Impetus-PEF is committed to the social sector and has no desire to denigrate the good work done to date. But young people are being let down and there must be another way. Impetus-PEF leads by example: it asks the difficult questions, it scrutinises the evidence – driving more of what’s working and discarding what isn’t with one key goal: to constantly strive to deliver the greatest impact on the lives of young people. It is about helping charities first to become better and only then, helping them to grow.

So what does this impact-led approach look like? For Impetus-PEF, it’s the meaningful and sustained change in a vulnerable young person’s life which can be attributed to a specific intervention. It’s about how you measure success. Traditionally, success has been measured by charity ‘reach’ or levels of interaction between the charity and its service users. But success should not be about number of touch points – it should be about whether the outcomes of interventions are real and lasting.

We believe that the question that all of us in the social sector need to ask ourselves is this: How do

we know our interventions work? If you run an employment skills workshop for 200 young people from disadvantaged backgrounds and the feedback is that everyone found it interesting and enlightening, that’s positive and encouraging – but it’s not a concrete outcome and it certainly doesn’t follow that you will have made a real and lasting difference to the participants’ lives. A much more meaningful measure of success in the case of young people is: have the young people found work because of our intervention and, crucially, are they still in work 18 months after the intervention ended?

Street League is a charity that delivers eight-week programmes involving football and classes to help young people into education, training and employment – and that Impetus-PEF has supported since 2008 – certainly subscribe to this view. Its CEO Matt Stevenson-Dodd observes that: “At Street League, we used to measure our impact by counting how many people played football with us. Impetus-PEF helped us to focus on what really matters: actually getting the young people into work, training or education. That’s the beauty of Impetus-PEF: helping to add value to us as a charity, so that we in turn can get more and more young people into the world of work.”

This new impact-led approach is still cutting edge and, in some eyes, controversial. In business, success is measured in terms of profit and shareholder return but, in charities, that’s not part of the equation. Many charities do not think in terms of impact and often there is little incentive for them to do so. What’s more, the prevailing funder culture is still traditional so the social sector is not especially attuned to the more business-like, analytic and impact-led way of working. So, not surprisingly, the focus has been on securing funds and all the accommodations that this activity requires. Impetus-PEF believes this has to change. Our goal is to work with all stakeholders – donors, trustees, charities, policy makers and beneficiaries – to help bring about the real and lasting impact that disadvantaged young people so desperately need.