

## **Making a business of doing good**

***Sheere Ng, Elaine Ng and Faith Chen***

***The Straits Times, 27 June 2009***

**The suits have moved in on charities and nothing will be the same again. Out goes the touchy-feely management style by well-meaning amateurs; in comes a results-oriented corporate culture with a laser-like focus on accountability and cost efficiency.**

TO THOSE in the old school of philanthropy, Mr Alfie Othman, 39, must look like their worst nightmare: a hard-driving, sharp-suited business warrior muscling in on their do-gooding territory.

But the philanthropic world is now being invaded by the likes of Mr Alfie. They bring hard-nosed corporate skills to fund raising, demanding measurable results, axing poor performing programmes and rewarding those that work.

This drive for corporate accountability stems from a growing number of wealthy people who pool money to invest, with the profits going to worthy causes.

Traditional foundations tend to take a step back after giving grants but today's affluent givers insist on joining board meetings of the bodies they give to, to ensure the 'investment' is well spent.

Call it venture philanthropy.

Spend some time with Mr Alfie, a former employee of a major global bank, and you catch a glimpse of it in operation. He nestles the phone on his shoulder, while shuffling the cards of bankers and top executives. The person on the other end picks up and Mr Alfie launches into his proposal, then holds his breath, hoping for a positive reply.

The next day, suited up, he makes a presentation to a room of movers and shakers at a European bank. He aims to raise at least \$60 million for the Asian Social Venture Fund (ASVF) he set up last year to invest in social enterprises.

'Social enterprises are capable of providing help in a sustainable way, without removing the dignity of the receivers,' says Mr Alfie, the director of social enterprise Ikhlas Catering, a firm hiring ex-offenders and single mothers.

Think of social enterprises as businesses intent on making a buck but with strong community aims. Their profits fund non-profit organisations, while also giving jobs to disadvantaged groups who find it hard to get work.

The Government supports social enterprises. In 2003, the Ministry of Community Development, Youth and Sports (MCYS) set up the ComCare Enterprise Fund, which has given start-up cash to 71 social enterprises. An example is Movie Therapy, founded by qualified counsellors, Mr John Philip Louis and Mrs Karen McDonald Louis, who use film to help people work out marital and other issues.

Observers say that despite the benefits such entities bring to the charity scene, many struggle to sustain themselves.

Mr Gerard Ee, who sits on the fund's evaluation panel, says: 'Many social entrepreneurs do not understand that social enterprises are for-profit. Some even feel guilty about it.'

According to an MCYS report last December, 26 social enterprises have gone belly up. Many could not provide the quality products or services expected by paying customers in the commercial world.

'They were hoping that people would buy their things because it is for charity. But it doesn't work that way,' he says.

Social enterprises also sometimes cost more to maintain than commercial business because some hire disabled employees and operate with less efficiency.

That is why the likes of Mr Alfie are keen to help. 'There is a lawyer in

ASVF who can help draw up legal papers. With my banking background, I can help them manage their accounts,' he says.

To ensure that the ASVF operates with efficiency and accountability like any private company, he invited a board of advisers, like former bankers Claire Ngo and Nancy Frothman, to oversee his fund.

Venture philanthropists like Mr Alfie also look at investing in other promising non-profit organisations.

Traditionally, charity foundations give grants to recipients to run proposals, assessing requests based on how the money is going to be used. But foundations often fail to consider the body's overall effectiveness, especially in running programmes, fund raising and finances.

That can mean money poorly spent. Enter Mr Tay Kok Chin, 51, a senior executive at a multinational here. He is a founding member of Social Venture Partners (SVP) Singapore, set up last December to tackle this problem. It is like Mr Alfie's fund, except it aims to invest in strengthening non-profits instead of putting money into social enterprises.

'We want to develop the core skills of a non-profit by making aspects like management practices more effective,' he says.

SVP investors are successful businessmen and corporate high-fliers who contribute business skills. In return, the non-profit organisations must share their reports with the venture philanthropists. An SVP representative sits on the non-profit's board.

Such close links with venture philanthropists help keep non-profit organisations on their toes.

In his latest book, *Doing Good Well*, Mr Willie Cheng, former chairman of Singapore's National Volunteer and Philanthropy Centre (NVPC), notes a general lack of recognition for the need to build up a non-profit organisation's capacity here. The average donor wants his money to go

directly to the beneficiaries, instead of beefing up the organisation's effectiveness in achieving its missions. 'But organisational capacity is fundamental to a charity,' he says.

Capacity building invests in infrastructure, such as its administrative systems and staff training, to make the organisation more efficient. It's all a bit mundane when one would rather be saving the world. But by building solid foundations, non-profit organisations will stand their ground and survive.

Businesses know this and are beginning to share their expertise and knowledge with the non-profit sector, including how to manage finances efficiently and relate this information to donors.

But try explaining to donors that their money will be used for training purposes.

'No one wants their heartfelt donations to go to salaries and training courses,' says Mr Laurence Lien, chief executive of the NVPC.

To address this problem, the Commissioner of Charities set aside \$45 million to set up the VWOs-Charities Capability Fund in 2007. It aims to alleviate the costs of capacity building and improve how non-profit organisations are governed.

But to solve the problem in the long term, it is crucial that donors recognise the need to beef up an organisation's operating systems.

'Donors need to understand that even the best programmes will fail if there are no funds for the non-profit organisation to sustain itself,' says Mr Lien.

A non-profit organisation running efficiently maximises every dollar and can provide more for beneficiaries, instead of continually asking for more money.

However, the key factor is in measuring success or efficiency in fund usage. Venture philanthropists are especially keen to assess how much their recipients have accomplished, just as venture capitalists measure financial returns.

But measuring social impact is not that easy. 'In the emerging scene of venture philanthropy here, the stumbling block is developing a system to measure impact,' says Dr Gillian Koh, a public policy expert at the Institute of Policy Studies. 'The challenge is to quantify that.'

She cautions against overemphasising the need to quantify results as it may be unfair to organisations dealing with more subjective issues. For instance, it is harder to measure the change in level of acceptance for ex-convicts than counting the number of people fed, she said.

Another source of tension is the different agendas of the non-profit sector and the venture philanthropists, a disconnect that can slow down decision-making.

Dr Michael Moody, associate professor at the University of Southern California, notes that venture philanthropy can backfire when too many people go storming into the boardroom, saying: 'We'll run this place like a business.'

Some non-profit organisations might find it hard to accept interference from outsiders, but a fresh perspective can bring positive change.

'Just like there's no one way of doing business, charities need to be open to improvements,' says Dr Koh.