

Social venture capital and venture philanthropy

Simon Tucker, Young Foundation
Lisbon, 29 May 2008



- *“The Role of Private Equity in Social and Sustainable Development”*, Report for Chairman of the British Venture Capital Association, May ‘08
- And other publications...



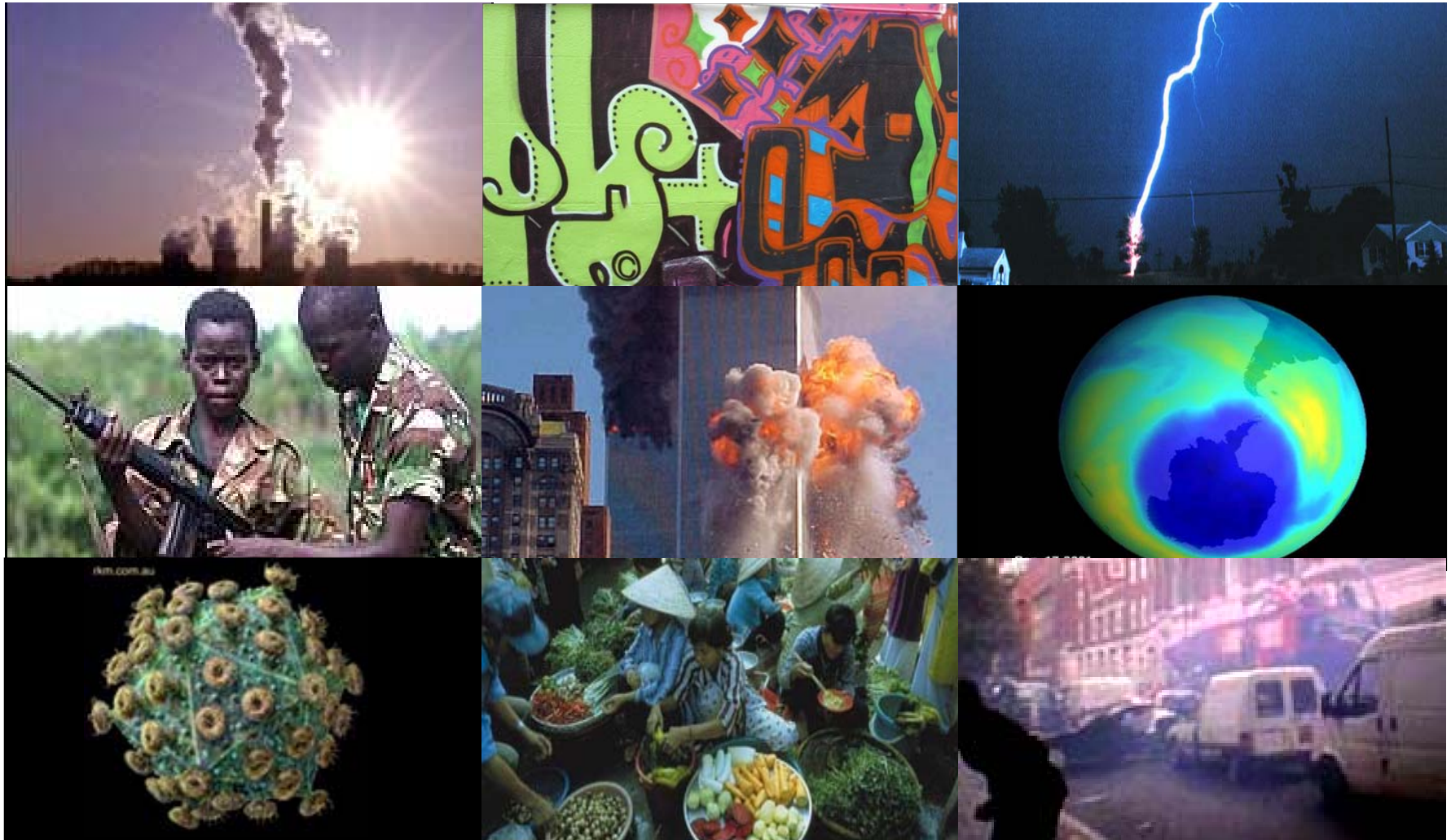
Legacy of Michael Young



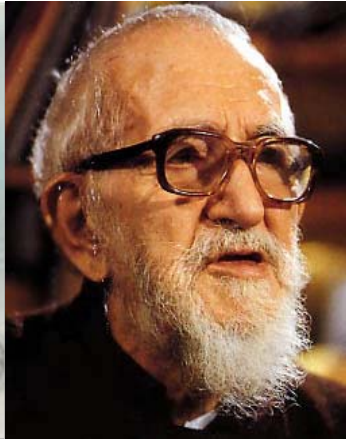
Lessons from current practice



Social innovation – the starting point



Social ventures for social innovation



The Open University

Teach First
LEARNING TO LEAD



OhmyNews INTERNATIONAL



Lãngüagê Liñè



Defining of social ventures

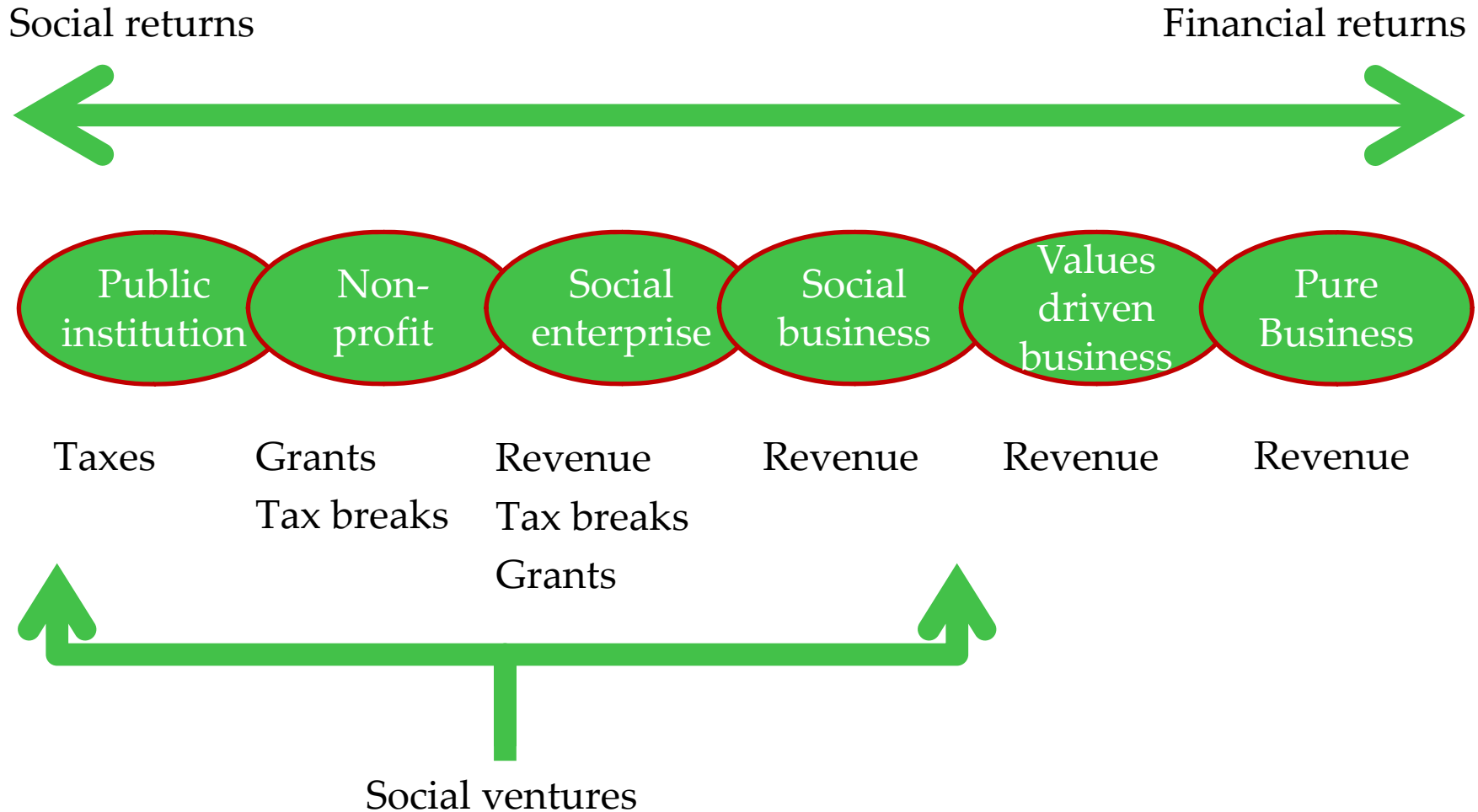
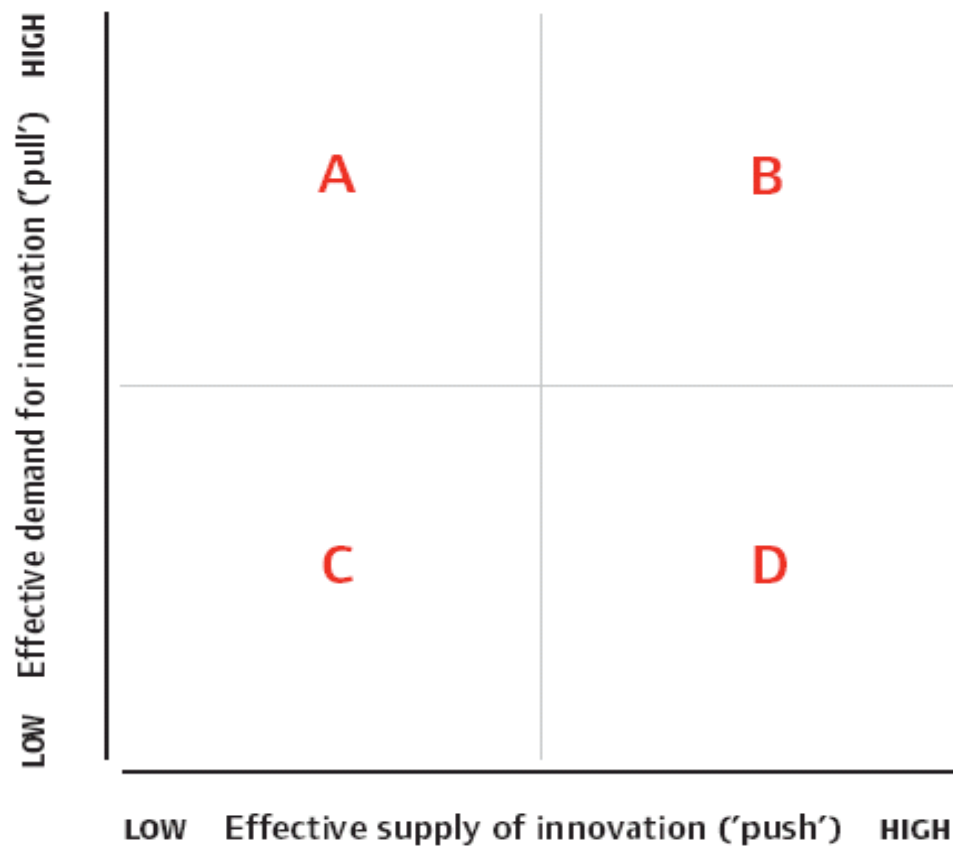


Figure 1: The Growth Map



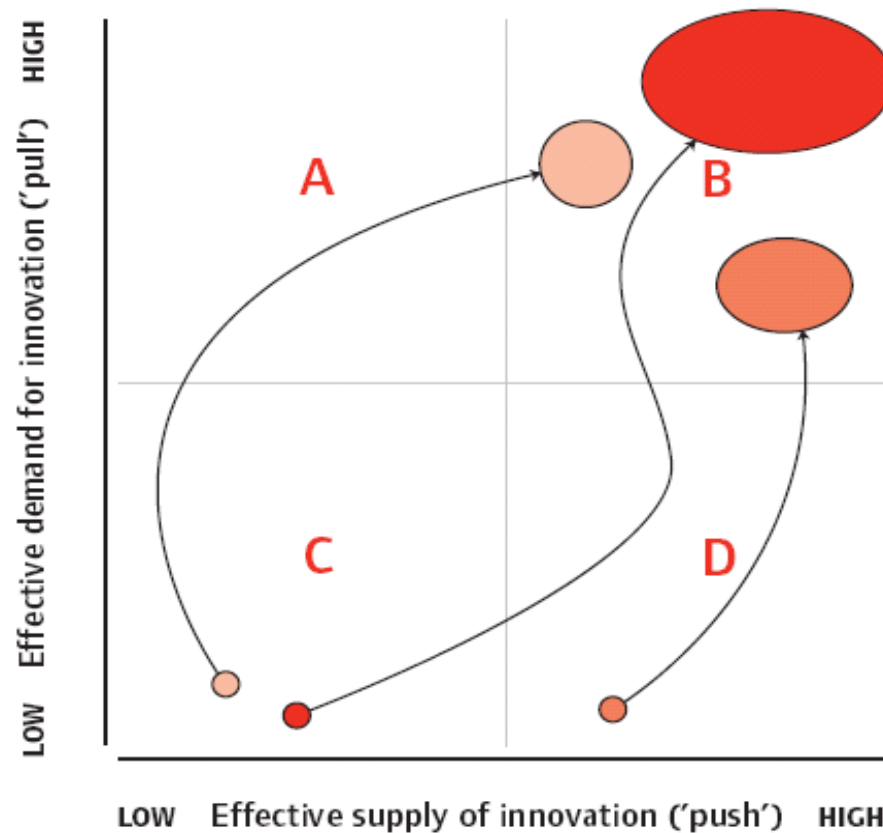
Push factors

- Management talent
- Organisational effectiveness
- Access to finance
- Simplicity, trialability and demonstrable benefits of offering
- Fit with mental models
- Competition

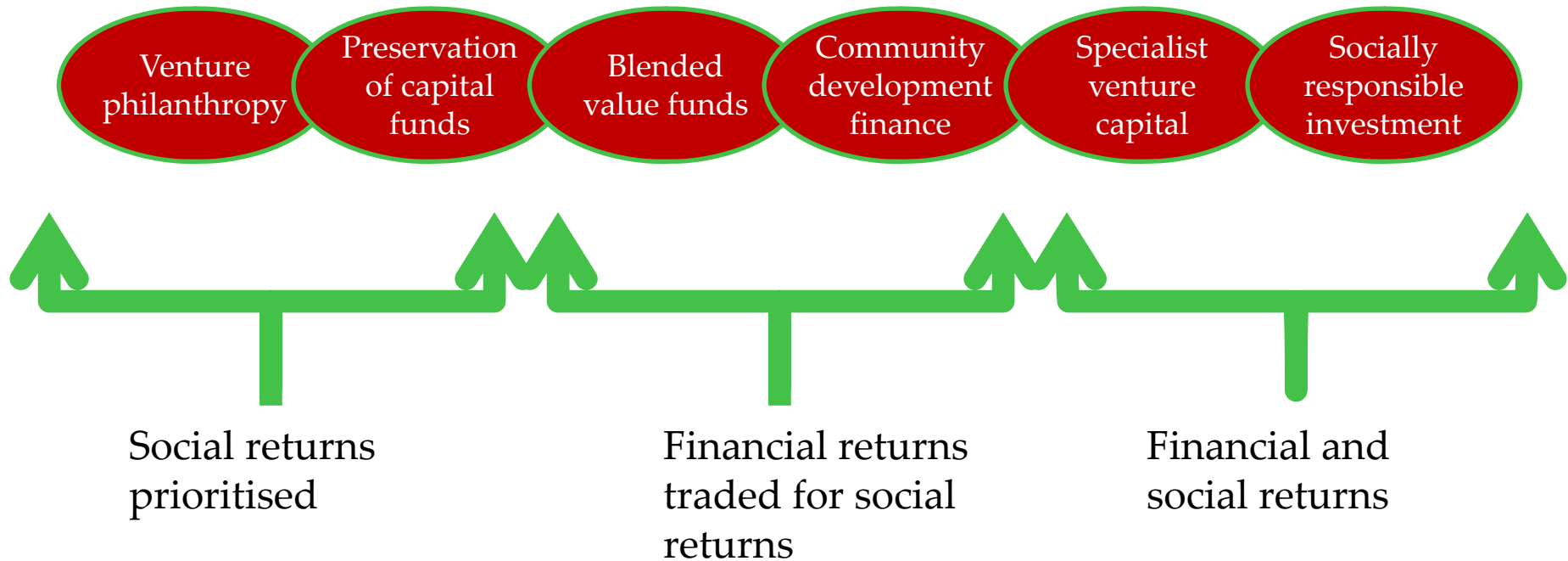
Pull factors

- Recognition of need
- Political impetus
- Procurement interest
- Weak opposition

Figure 2: Routes to growth and impact



Social investment spectrum



The 'private equity model'

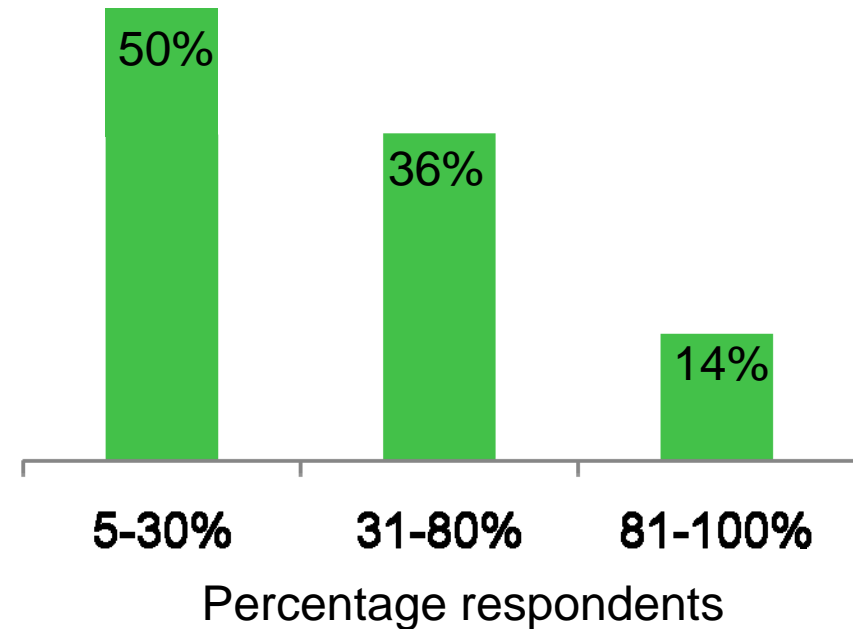


- High engagement investment
- Use of variety of financing techniques
- Focus on social return on investment

Non-financial services

- Strategy consulting
- Governance
- Access to networks
- Financial management and accounting
- Human resource management
- Change management
- Fundraising strategy
- Marketing and communications
- Information technology
- Legal advice
- Specialist advice
- Estate management

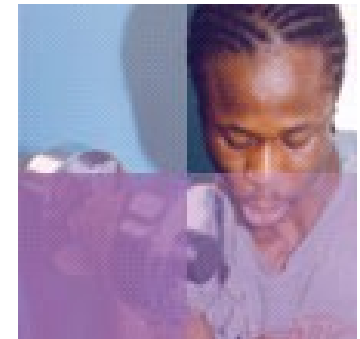
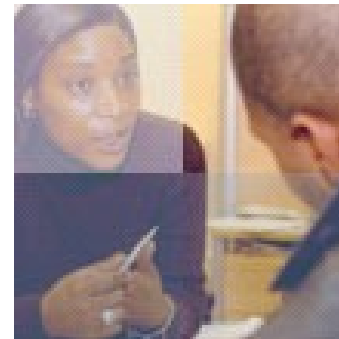
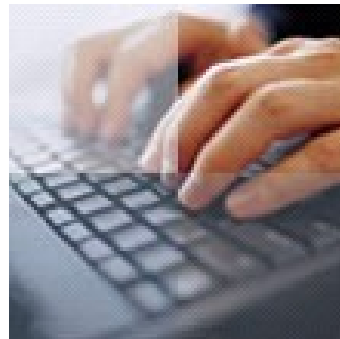
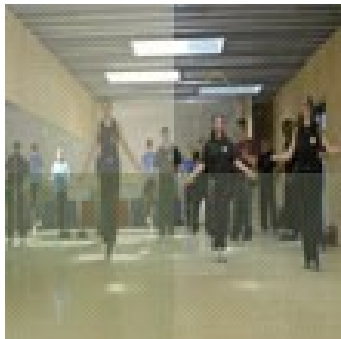
Non-financial support % of total support





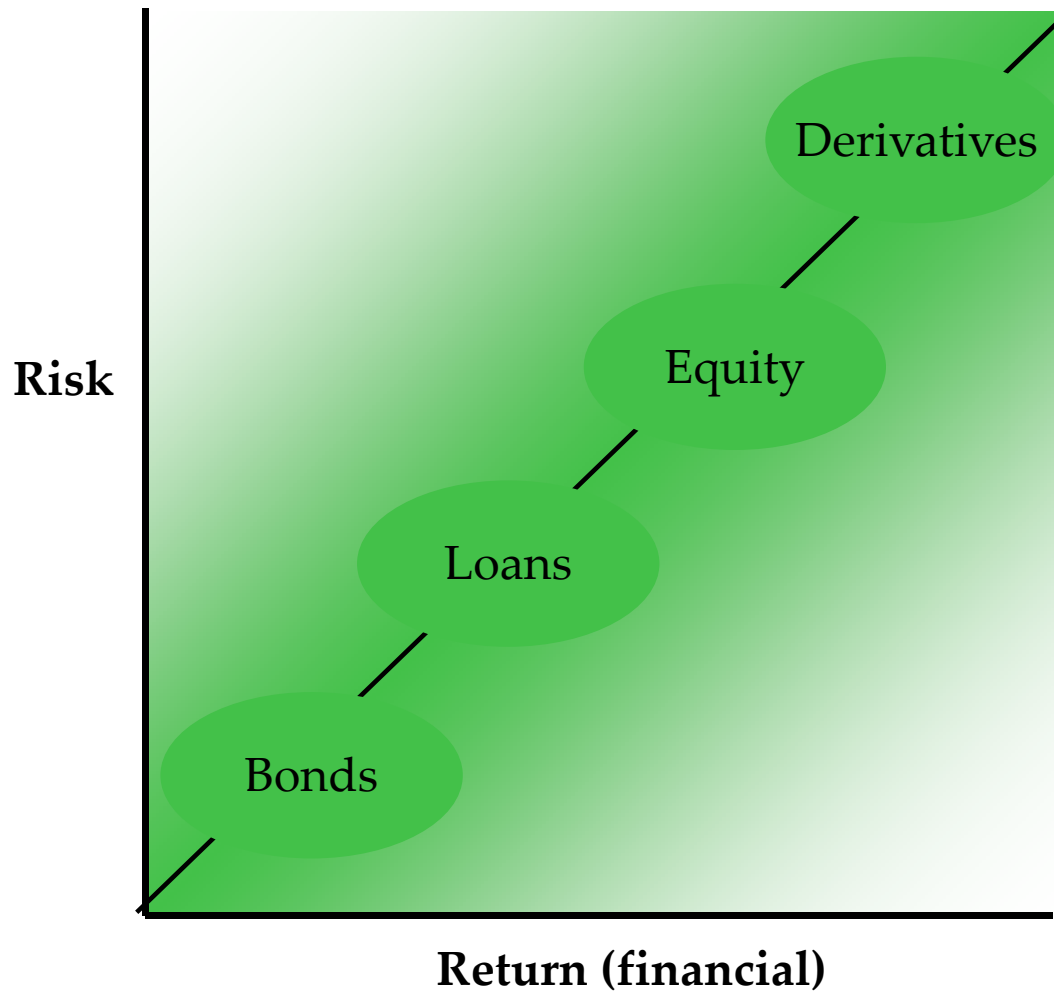
- Training for Life, established in 1995, supports long-term unemployed people to return to work.
- "Permira's contribution is incisive challenging but with a lightness of touch that makes that work very accessible."

Gordon D'Silva, Training for Life CEO



Variety of financing techniques

Commercial investment spectrum



Language Line: varied finance



Doctor



Patient



Lãngüagê Liñè



Call Centre
operator



Interpreter

Pioneer Stage

- Social need identified
- Awareness raising
- Social enterprise and Government backed initiatives

Market Making

- Early movers (socially motivated)
- Policy forums
- Impact measurements quantified

Market Proving

- Grant supported businesses and social enterprises
- Infrastructure – intermediation, information exchange, network creation

Commercial Stage

Push factors

- Management talent
- Organisational effectiveness
- Access to finance
- Simplicity, trialability and demonstrable benefits of offering
- Fit with mental models
- Competition

Pull factors

- Recognition of need
- **Political impetus**
- **Procurement interest**
- **Apathetic or neutralised opposition**

Lessons from current practice



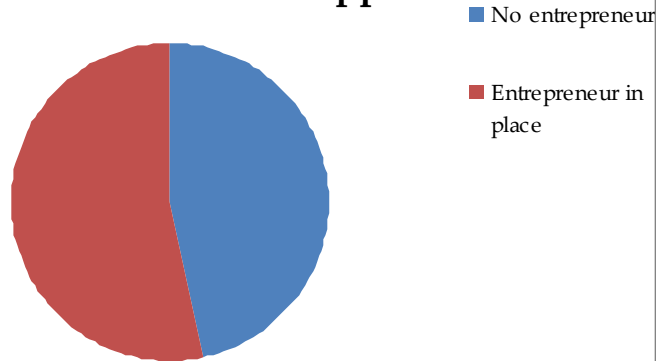


- Social Venture Funds / Venture philanthropy
- Seed and start-up stages
- Legacy of fifty-five years / 60 portfolio ventures
- Strong 'environment shaping' role

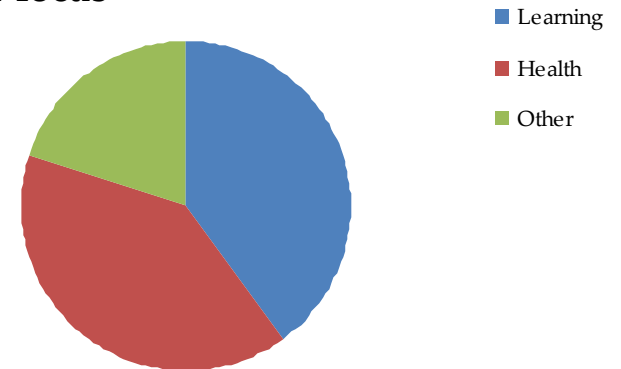


- 15 ventures in current portfolio, 5 post-launch, 10 pre-launch, 0 'exits'
- €5m total funds
- Leveraging third party funding: €2.3m(confirmed); €8-14m (expected)
- Subject of 5 year, €325k, evaluation

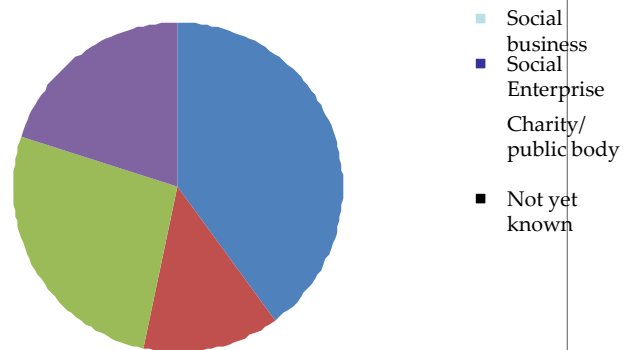
Venture creation & support



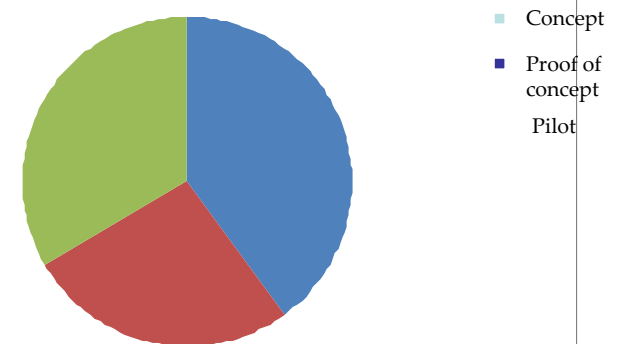
Sector focus



Business model



Stage





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