

Title: Real Deals

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ultimately led you to the world of venture philanthropy?

It goes back a very long way. I was brought up in India, I went to a Catholic school and I was going to be a nun – until I discovered boys that is. No really, I just grew up knowing that I wanted to change the world in some way.

Then I came to the UK to do my masters and began a career in housing. It was a great job, primarily working with government, but I was very conscious that I was operating in the world of bricks, mortar and high finance, when what really interested me was the people that live in those houses.

And so from there I went to work at Centrepoint and I eventually ended up at homeless charity Crisis. I worked at Crisis for ten years and loved every moment. But then I turned 50 and decided I would like to see what the private sector is like. And this amazing job came up, which has got one foot in the private sector, and one foot in the world of charity and social change.

What do you believe to be the strengths of the venture philanthropy model?

The first is engagement. Private equity professionals describe themselves as informed investors. At the Private Equity Foundation we describe ourselves as engaged philanthropists. It is that same mindset of bringing more than just money – we bring energy, skills and networks. Those are the things that really leverage your cash.

The second is a focus on results. In private equity there is an absolute bottom line. It is all about, what value am I creating? In the social sector, that means more young people are helped.

How badly has venture philanthropy been affected by the recession?

I think our support from the private equity industry has held up well. I am not saying the level of financial support is the same as when private equity was at its peak, but we have been pleased. Where we have lost out most is with the banks.

And the need for charitable giving is escalating just as the money being donated falls.

Absolutely, so we've been working hard on making sure the charities in our portfolio are more focused than ever on core business. Most of our charities have been okay so far, but I do wonder whether, as unemployment rises, next year is going to be difficult. There is also still a wall of money coming from government. A lot of our charities are very dependent on state funding and when the cuts begin, we may well see some of them shrinking.

What about the impact of recession on pro bono work – are you finding people are more inclined to roll their sleeves up?

Yes, it's amazing. Private investors help us in lots of ways. Every little bit makes a difference. Some help us with their suits on, some put on their running shoes. It's about elective giving and taking responsibility. The world has slowed down a bit in the last few years, giving people a chance to dwell on the fact that they are indeed their brother's keeper.

Could the increased visibility of private equity's philanthropy be related to the industry's current reputation among the public?

I can only comment on what I see, which is a hugely generous community – people who are looking for better ways of doing everything, including philanthropy, and who are prepared to put their money and time where their mouth is.

What the Foundation is about is a realisation that you can achieve more doing something collectively than you can in doing it alone. A lot of people in the industry have found that giving independently can be very frustrating. There are 250,000 charities in the UK. How do you know which is having a real impact and which is frittering away money on overheads?

Why has the Private Equity Foundation decided to focus on NEETs?

We started with a focus on children and young people. We felt that if you want to make a difference, the younger you start, the better chance you have. But I felt that remit was too broad.

So we decided to really focus on NEETs [young people not in employment, education or training], and we've spent the past three years learning to understand the sector. We challenge our charities to double in size over three years – to reach twice as many young people. The body of knowledge we have built up helps us to help them achieve that.

And while it may be more by accident than design, it would seem that as youth unemployment soars, our time has come. That said, the problem has always been there. Even when I started in the job in 2007, when the UK had full employment and we were importing labour from Central and Eastern Europe, we still had 1.2 million young people who did not have the skills to enter the world of work.

How do the charities themselves tend to react to the model – particularly the due diligence?

All the charities that we end up working with say that it was hard, rigorous and frightening. They say we washed right through them like a dose of salts. But they also say they came out stronger.

And what is it that you are looking for in that due diligence process?

If a charity fits our basic remit, we then look at whether they have the right intervention and capability. We're not looking for start-ups, but for organisations that already have a track record of success. Our role is to help them with scale. The final thing we are looking for is an organisation that is hungry for expansion. Has it got a leadership team that wants the challenge of working with private equity? Have they got the capability to double in size over three years? That's a big ask.

What is your relationship with the charities like after that? How hands-on are you?

When a charity first comes into the portfolio we create a dedicated team, which works with them over three to five years. That team normally includes a private equity investor, an accountant, a lawyer and perhaps a strategy consultant, and is managed by somebody who works for the Foundation. We do a 100-day plan in which targets are set, during which we are very hands-on. Then it is all about problem-solving and working with a charity's particular needs. Take School Home Support as an example. We appointed a COO because while there was a fabulous CEO, she was trying to do everything. We helped create a fundraising team. We helped with IT and then Blackstone, the firm working with the charity, realised there was a blockage in the organisation's growth and called in McKinsey to help. Some centres were closed down, others were opened and now it is a runaway success.

Where will the Private Equity Foundation be focusing its attentions in 2010?

Our big focus will be on those charities targeting unemployment, as youth unemployment is going to be the biggest social problem this country faces. National unemployment is currently running at eight per cent. Youth unemployment is running at almost 20 per cent. By Christmas there are going to be one million young people on the out of work register. The danger is that we will end up with a lost generation. We want to see what private equity can do to stop that from happening.