

The Business/Charity Mix and The ISIS Group

The ISIS Group is 12 years old this year and as such is, I think, one of the earlier examples of a model of an embedded business/non profit structure. I founded it with my best friend, who like me is a corporate finance lawyer. After years of working in the international banking sector, our dream was to use our skills to save people lives, rather than simply continuing to make money for the already privileged groups in society.

The ISIS Foundation is focused on the delivery of health and education services to Mums and kids in extreme poverty in Nepal and Uganda. Over the years the Foundation has developed a speciality in a number of obscure areas: the 3 key ones being running neo-natal ICU's in rural Africa; residential care of trafficked children in Nepal, and the use of alternative technologies to impact health and education outcomes in high mountain areas in the Himalayas.

The structure is a relatively unusual one in that we established a financial services firm with the principal objective of generating revenue to fund our own charitable foundation, rather than to provide shareholder return. As a result, we carry all the administration and infrastructure costs of the Foundation, and some of the project costs, as a bottom line expense of the businesses. We see the businesses as the "engine" of revenue generation for the foundation. The Foundation is, if you like, our centrepiece, and the businesses are simply funding mechanisms. We have been lucky to attract some great partners from the business community, and funds they give us go 100% to project-related costs.

Over the last 12 years the ISIS Group has grown to have approx. 170 staff worldwide, about 150 of whom are foundation staff or staff of our partner organisations, and the remainder in the businesses. Business staff are, to different degrees, pretty actively involved in the work of the foundation, and in both Bermuda and Australia, business and foundation staff share office space and work as equal partners in the ISIS Group. The businesses now include a law firm, a fund administration business and a corporate finance business, and are based in Bermuda and Australia.

We have made an astonishing number of mistakes over the years in both the business and the foundation end of things, and ISIS continues to be a work in progress! The good news is

that we estimate that we touch the lives of about 10,000 people in poverty each year and that we have generated millions of dollars from our small businesses to support that work.

There are some interesting business issues involved in the ISIS structure. At the outset, we endeavoured to deal with 2 key problems that we perceived impacted more traditionally funded non-profits. The first was that, while non profits spend a huge amount of time preaching the “sustainability mantra” to the poor, they are effectively non-sustainable as business entities themselves, and thus spend huge amounts of time and resources focused on fund raising, rather than on service delivery on the ground (which is the area they specialise in). This is unless they have an endowment in place, and of course the paradoxical thing about endowments is while they do provide sustainability, their existence means that billions of dollars raised to assist the vulnerable is instead invested for profit, and only a tiny percentage of donor funds are used for projects on an ongoing basis. The recent market crisis shows how much can be wiped away in a short period of time. Finally, in a more traditional funding structure, non-profits are also often (by necessity) largely donor driven, rather than community driven.

Our hope was that by making a business the “engine” of the Foundation, we could avoid those problems. The raft of different and unanticipated issues and problems we created with the structure is too long for this synopsis! But we have managed to achieve the key objective with the structure as it is, in providing 12 years worth of admin infrastructure and project costs to the Foundation from our businesses.

A second consideration for us was that non-profits are roundly criticised for their administration costs by the corporate world, often quite unfairly. It amazes me that the corporate world fully understands that, unless central management and infrastructure is well resourced in their businesses, they can't deliver products or services. Yet they expect non-profits (who deal with in my view vastly far more complex product and service delivery issues) should operate on minimal central costs and live off the smell of an oily rag! The idea of ISIS was to remove this debate from any donors we have, and cover those costs as best we could ourselves. As a result, we never have to “hide” administration costs by (for example) including them in project costs, and we have very happy donors who know that their funds go directly to project costs. Our staff are as properly paid, as best we can make that happen. We don't debate admin with anyone but our own team: we just pay it if its needed and we can afford it.

I guess there is one final overarching philosophical point that I would make that ISIS now embodies. I admit I came to this work with the arrogance of an A-type business person, believing I had something to “give” to the non-profit world from my business experience. It took us 3 years to figure out that we had no idea how to do development work and to hire a senior member of the NGO community to sort it out for us. Until then, we were really just muddling along! 12 years of mistakes has (I hope) generated some level of humility for me and an understanding that to run an excellent non-profit doesn't require transportable business skills and approaches. My experience is that business people generally have more to learn than to teach from these kinds of partnerships. The corporate world can assist with new ways of looking at outcome measurement and transparency etc, but in the end, what business really can bring to the table is simply the creating and deployment of capital into the places its really needed. Truth be told, we have learnt more and been given more by the Foundation, its staff and the communities it works with, than we have given them. And we still have a huge amount to learn!

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