Beauty and the Beast

Can the Private Sector Really Partner with the Non-Profit Sector?
As I began my working life as a lawyer specialising in corporate finance and banking some 25 years ago, I found the appalling disparity of quality of life throughout the planet harder and harder to bear.

How could it be that I could be living such a lucky life, getting an amazing education, jetting around the world and doing huge and fascinating deals, while the vast majority of my fellow humans lived in abject poverty and died of curable diseases every minute?

It seems like a bad novel when you look at it dispassionately: the difference in per capita spend on health in low income countries versus high-income countries is as wide as US$ 16 to US$ 26721. With over 6.5 billion people in the world, governments are struggling to support their people. At the same time, with the advent of globalisation corporations have become extremely wealthy; some with GDP’s greater than small countries.

It has seemed clear to me since the time I was able to think for myself that unless we bridge this yawning and increasing divide, we will continue to live in a world where poverty is the driving force behind so much misery, war and suffering. That just isn’t OK. The more I worked in the private sector, the more respect I gained for the intellect and ability of the sector and the very high quality of the vast majority of people I dealt with. I thought, surely there must be a way to harness that talent for something other than personal wealth?

So after more than a decade of fantastic fun and learning as a lawyer and a banker in different parts of the globe, it was time to try to do something to bridge this gap, to reach across the divide and use my privilege and learning for those in need. The ISIS Group was born and at the end of this year will reach its 12th birthday.

ISIS is a weird beast in that we don’t fit anyone’s model of what an organisation should look like: we are a financial services firm that is set up to fund the costs of our own non-profit foundation, and the business and non-profit elements of what we do are completely intermeshed and embedded throughout the organisation.

The structure is a relatively unusual one in that we established the financial services firm with the principal objective of generating revenue to fund our own non-profit 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 business. 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.

ISIS was born after years of discussion and debate with my best friend, another lawyer who hated the arbitrary nature of the distribution of wealth, hope and security in the world. The underpinning philosophy of The ISIS Group is the belief that to truly affect social change, the world of business must hold hands with the world of development in a truly embedded way. As such, ISIS is one of the earlier examples of a model of social entrepreneurship, and miraculously, we are still afloat and now providing service to more than 10,000 people in poverty a year.

The ISIS Foundation is focused on the delivery of health and education services to mothers and kids in extreme poverty in Nepal and Uganda and has worked very closely with local communities and NGOs to provide solutions to problems highlighted by...
local people. Creativity, patience and listening skills have been the essential ingredients to keep moving forward over the years and we have been lucky enough to find an amazing team of people to work with us to realise our dreams. Over the years the Foundation has developed a speciality in a number of obscure areas: the three 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 community outcomes in high mountain areas in the Himalayas.

Over the last 12 years the ISIS Group has grown to approximately 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 now 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 two key problems that we perceived impacted more traditionally funded non-profits. The first was that, while non-profits spend a huge amount of time advocating “sustainability” to the poor, many are effectively non-sustainable as business entities themselves and thus spend much 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 the topic for another article! But we have managed to achieve the key objective with the structure as it is, in providing 12 years worth of administration 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 is astonishing 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 our view, vastly far more complex...
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 administration with anyone but our own team: we just pay it if it’s needed and we can afford it.

There is one final overarching philosophical point that that ISIS now embodies. My best friend and I came to this work with not only ideology, but to a large extent with the arrogance of an A-type business person, believing we had something to “give” to the non-profit world from my business experience. It took us at least 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 us and an understanding that to run an excellent non-profit doesn’t just require transportable business skills and approaches. Our 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 and so on, but in the end, what business really can bring to the table is simply the creation and deployment of capital into the places it’s 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!

It is becoming accepted wisdom that the corporate world benefits hugely when it turns its focus to help those in great need. Research shows that when businesses have a genuine commitment to social responsibility, their profitability, through consumer approval and staff retention and motivation is positively impacted. ISIS seeks to be a role model for creating a bridge between two such different worlds, with powerful outcomes. As we try to achieve this aim, we get up every day grateful for our amazing lives and driven to try to do just a wee bit more.

Author Biography

Audette Exel is one of the Co-Founders of the ISIS Group and Chief Executive Officer of its Australian company, ISIS (Asia Pacific) Pty Limited. She is a Co-Founder of The ISIS Foundation and its principal donor, working directly with the Foundation on a day-to-day basis.

Before establishing ISIS, Ms Exel was Managing Director of one of Bermuda’s three banks, Bermuda Commercial Bank. During her tenure, the Bank returned an average increase in profits of over 75% per annum, assets increased from US$170 million to US$450 million and assets under administration, custody and trust increased by over US$2 billion to $4.5 billion. During her first year of management, the Bank was the best performing stock listed on the Bermuda Stock Exchange. She is one of the youngest women in the world to have run a publicly-traded bank.

During 1995 and 1996, Ms Exel was also Chairman of the Bermuda Stock Exchange. Ms Exel was on the Board of Bermuda’s central financial services regulator from 1999 to 2005. Prior to joining Bermuda Commercial Bank, Ms Exel practised as a lawyer specialising in international finance. She began her career with Allen, Allen and Hemsley in Sydney, Australia before joining the English firm of Linklaters & Paines, in their Hong Kong office. She is called to the Bars of New South Wales, Australia, England and Wales and Bermuda. During 1995 and 1996, Ms Exel was also Chairman of the Bermuda Stock Exchange. In 1995, Ms Exel was elected a “Global Leader for Tomorrow” by The World Economic Forum. She has a B.A. in French and History, and an LLB (Hons) from Melbourne University, Australia.