



In conversation with Johan H. Andresen:

Investing and giving – an entrepreneurial approach to philanthropy

You don't need to set up a foundation to be a strategic philanthropist. In fact, incorporating your philanthropy into your company might sometimes be a better solution – just ask Johan H. Andresen, owner of Ferd, one of the largest privately held investment companies in Norway.

I remember the first time I heard Andresen speak about his philanthropy – it was around a decade ago, at an event I was hosting for some 150 international philanthropists. His story was extremely moving and I was very touched by the fact that he spoke with his whole heart. His communication style is passionate, while also being very straight to the point and efficient. It is therefore not surprising that he is a very successful businessman – and that he applies his strong business acumen to his philanthropy.

After launching a microfinance fund aimed at supporting the financial inclusion of women in Sub-Saharan Africa and South-east Asia together with the Norwegian Government in 2007, Ferd turned their venture philanthropy and impact mandates into a separate Ferd business unit, Ferd Social Entrepreneurs, in 2009. Andresen's philanthropic activities are therefore not managed by a foundation, but by Ferd Social Entrepreneurs.

Funding vs. investing

Ferd invests in social entrepreneurs, primarily in Norway and the Nordic countries, that deliver strong social impact and have a model for value creation. "We are social first, but for some of our portfolio companies we also have an ambition of a financial return."

According to Andresen, many social entrepreneurs are funded by foundations, and not treated as investments. He wanted to measure the economic impact of social value creation: "Very often, these organizations are not getting paid enough for the immense social value they create. But I say: If you want societal change that has value, customers, be they public or private, should pay for such value."

The flexibility of investments

Andresen has observed that structuring his philanthropy within an investment group has some unique benefits. For a start, they are more *flexible* in the types of *financial tools they can use* – they give out everything from grants to loans, and invest in equity and social bonds. This year, they are also investing in social impact funds with a focus outside the Nordics. And they are able to draw on the *expertise* of a broader range of employees from all the branches of Andresen's company. Finally, they can make long-term commitments, for example, they can take on early initial venture investments and then scale them through market-based approaches, which enables them to be at the forefront of great change and even bigger impact: "We like to engage early in the life of social innovations," Andresen explains.

The organizations Ferd supports are dedicated to various causes – in the beginning, they focused on supporting disadvantaged youth, but now they help advance social inclusion in general. Their portfolio organizations include Auticon, an international IT service provider that employs people with autistic-spectrum diagnoses as IT consultants, or Medarbejderne, an organization

that offers people with a history of substance abuse paid and meaningful work.

Financial returns: Not the top priority

Some, but not all, of Ferd's portfolio organizations make a financial profit: "Some will never reach an investible stage," Andresen observes. "But we still like to engage with companies both with and without financial returns – you never know which ones might turn out investible in the future. Besides, since we know we can be truly additional, we think we have a responsibility to take risks that others are unwilling to take."

Ferd's due diligence takes one year. They start by giving a moderate one-year grant, and they check their organizations thoroughly. After that, they define a three-year contract, including the milestones to be reached, and then start investing. "We often do not invest equity from the start, as we don't want to go into our commitments with a pure return lens. We want to keep their mission alive, and we do not want them to take on too much capital too early." Ferd also asks for a certain number of their people to be on the boards of the organizations they invest in.

Supporting growth and innovation

Since its creation, Ferd has helped to scale 24 organizations. "Among these, we had three crash and burns," says Andresen – investing in young and innovative enterprises inevitably also entails risks. A successful investment company, however, is able to handle more complex challenges and opportunities and can therefore, to a certain degree, assume more risk and use more innovative financial instruments, such as debt, equities or loans.

Andresen's social entrepreneurs, however, not only have an impact on society at large, but also on his own company. "Our commitment has changed the attitudes of many people in the office and especially the younger ones. Achieving something positive for our society motivates them immensely." This helps Ferd bring in additional talent: "When competing with other companies for hotshot colleagues, our way of showing who we are through philanthropy has helped us attract the best sorts of people with great values." Andresen's perspective is refreshing, and I admire how he's putting into practice his vision of changing the world through giving and investing simultaneously.

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Photo: generously provided by Johan H. Andresen