

Stanford SOCIAL INNOVATION REVIEW

Q&A

Chris West

Interviewed by Johanna Mair

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CHRIS WEST takes a businesslike approach to philanthropy, looking for ways to leverage the assets of the Shell Foundation and its corporate parent to improve the lives of low-income people in the developing world.

CHRIS WEST HAS been involved with the Shell Foundation since its beginning. He was active in the discussions about its creation, joining as deputy director soon after its 2000 launch. In 2008 he was named director of the London-based foundation.

The Shell Foundation gives away about \$16 million a year. Although it isn't one of the larger foundations, it plays an outsized role in philanthropy, in part because of its ties to the world's fifth largest corporation—Royal Dutch Shell—but also because of its innovative approach to grantmaking.

West and the Shell Foundation are unabashed about taking a businesslike approach to social change. West describes one of his roles as that of an angel philanthro-

pist—taking big risks to help unproven social ventures get on their feet—and another as providing growth capital to proven organizations to help them scale.

Instead of spreading its resources around to lots of organizations, the Shell Foundation has a small portfolio of for-profit and nonprofit social enterprises that it devotes the bulk of its time and money to. Like the foundation, these organizations all take a business approach to social change. They include GroFin, which provides advice and capital to small- and medium-size African businesses; and Envirofit, which helps develop and sell clean cooking stoves that reduce indoor air pollution.

In this interview with *Stanford Social*

Innovation Review Academic Editor Johanna Mair, West explains why a business approach to philanthropy is effective, how the foundation partners with its grantees, and why, despite its many successes, Shell Foundation has been so candid about its failures.

Johanna Mair: Tell us about the Shell Foundation's approach to philanthropy. You have described it as providing enterprise-based solutions to development challenges. What does that mean?

Chris West: Our view is that many development challenges are a result of a market failure in one way or other. And that as a result, we need an approach that tries to find solutions that can scale globally and be financially sustainable. It could include some degree of subsidy dependence, but our goal is to get the market to pay for the service or product where appropriate.

Overall, we try to adopt a business-based approach. We have clear targets to judge per-

formance and delivery, and we focus on only a few issues where we can provide more than money. We view the people we're ultimately trying to benefit as customers for a particular product or service rather than as victims or beneficiaries of a handout. As customers they have to value an offering and ultimately decide whether they want to pay to receive it. That customer focus is the key to our definition of an enterprise-based approach.

Have there been instances where you had to say, "We are not going to engage in this particular issue because this approach would not work"?

We haven't yet encountered a constraint to applying our approach. The challenge has been how deep into the market we can penetrate. For example, there are limits on the very poor's ability to pay for new products or services. Our response has not been that the approach is wrong; it just means that the target market that we are able to service is not necessarily the poorest of the poor.

Take cookstoves as an example. We have a partnership based on providing clean cookstoves to poor families who are affected by indoor air pollution because they cook food using wood or charcoal. Some of the earlier clean cookstoves were priced around \$25 and were not immediately affordable for the poorest families. But the early adopters, who earned maybe \$2 a day, are interested in buying these products. What you find is that once the early adopters buy this product or service, poorer people then start buying the product as well. So one doesn't necessarily start with the poorest, but over time we've found that we can reach many of the poorest people through an enterprise-based approach.

What is the limit of enterprise-based solutions? It's fair to say that without a conducive policy environment it is difficult to apply some of these approaches. There are some countries in Africa, for example, where the policy environment is not conducive to small businesses starting up and running. I've always taken the view that first I want to demonstrate potential solutions, and then I can join others in advocating for policy reform. That way I can present governments with proven, verifiable results.

Implicit in your approach is the idea that business thinking and business models

—call it business DNA—are beneficial. Why do you believe that?

You need two DNA sets to tackle some of these big development challenges. You need a development DNA—an understanding of the particular needs and characteristics of your customers, the poor people that you're trying to reach. And you need business DNA—how do we structure solutions that are fit for purpose, scale, and sustainability?

That doesn't mean that all solutions have to be for-profit or sustained only through profitable ventures. In our definition of financial viability, we would include solutions that can be sustained through continued support from the public or otherwise. Although we still think the biggest opportunity lies in getting customers to see the value of a particular product or service and then pay for it themselves.

Adopting a business-based approach is deploying all one's resources, nonfinancial as much as financial, and coming up with solutions that are viable, performance based, customer driven, and therefore scalable. One needs to think about how to help the partner come up with a solution that is relevant to an ever-changing market demand.

You mentioned the need for partnerships. Was partnering always on your agenda?

The word partner is very easy to use, but it's often misused. And I would apply that to our own thinking and practice. In the early days of our foundation, we, like lots of others, put out requests for proposals to other organizations that were interested in doing things that were relevant to our agenda. We then essentially gave them money and support to do those things.

What we learned was that the majority of these relationships did not realize any significant impact. That forced us to reflect on our own strategy of partnering. What we found was that we were giving what can best be described as short-term, project-based support. By drip-feeding our support we constrained their ability to act, and as a result the solution wasn't really viable. That led us to fundamentally rethink our strategy.

Now we have deep-rooted joint venture partnerships with organizations that we've carefully selected. We know absolutely everything about these organizations. One of my team members will work almost as part

of their organization in developing, testing, and scaling up their solutions. We keep performance indicators on our partner and on us to measure what's expected. It's much more of an open, long-term, patient relationship than we ever had before.

A lot of our early work that was branded as partnering was more of a contractual relationship. Those have a place, but our experience has been that that type of relationship is less likely to lead to the scale and sustainability of output that we're seeking.

You imply that partnering is based on trust. At the same time, you are clear with your partners about what you are trying to achieve in a project and that those things have to be measured. Do you see a discrepancy between the two, or are they complementary?

First of all, I've banned the word *project*. A project mentality is inevitably linked to a culture of short-term giving and relationship at a distance. There's a time and place for projects, but it isn't synonymous with partnerships for achieving long-term change and scale. Getting back to your question, trust is absolutely essential. But trust takes time to build and doesn't happen automatically.

Now when we look for partners it's essential that we find an organization or individuals who share our vision from the outset. That mindset is critical because it helps map out the journey. And it's not a journey for the fainthearted, project-mentality organizations because it does take a long time.

Our focus on disciplined implementation is a way to help our partners achieve their goals in the most viable and effective way. For example, getting people to do monthly or quarterly financial reporting is not something to satisfy our monitoring and evaluation requirements; it's essential to running any venture. If you don't understand cash flow management, you're not running an effective business.

I've always believed that the only things that people should monitor are ones that make sense to their venture. If I need information that exceeds their core reporting, I should pay for that.

Can you elaborate on what it means to be catalytic as a philanthropist and how it relates to your own endeavors?

Let me answer that by starting with an example. Back in 2002 we co-founded EMBARQ as our center for sustainable transport. (For a profile of EMBARQ, see “Networking for Sustainable Transport” on p. 59.) We took the view nearly 10 years ago that no amount of project support would ever have a significant impact on the problem. If we were to have a global impact, then we needed to operate in a different way. That led us to say: “Let’s catalyze. Let’s create a new center for sustainable transport that can offer advice to cities that will allow them to implement a range of sustainability mobility solutions.”

It moved quite radically from a project approach to a knowledge and independent advisory center approach. Ten years later, EMBARQ has achieved huge, huge benefits in improved mobility solutions in cities around the world, iconic cities like Mexico City and Istanbul.



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bul. We’ve invested large amounts of time and money over the last 10 years to get it to the point now where it is going to scale and is reaching multiple countries. But it’s taken a long time. It happened because we catalyzed something new with a partner.

In the foundation’s 10-year anniversary report you mention things that did not work. How transparent should organizations be? If someone else can achieve the scale of impact that we’re after in a far more cost-efficient way, then I should either be learning from them or giving them the money. But at the moment I have no ability to determine how other people are succeeding in their various efforts to achieve the same goals, because so few organizations are transparent about what worked and what didn’t work.

For me, transparency is fundamentally related to learning. And learning is not helped by a lot of the reports that are published—from foundations in particular—that are more like marketing materials. That is why I wanted to produce a report to mark our first

decade that was more introspective about what we’ve learned, both good and bad, in the hope that others can learn from it.

In our report we mention that 80 percent of what we did during our first three years failed our definition of achieving scale of impact. But through changing our strategy, we now find that 80 percent of our support meets these objectives. But I’ve still got no idea how our performance compares to others, because we cannot find many other organizations reporting in similar ways.

You share the brand with Shell corporation. You define that relationship as independent yet linked. Can you elaborate on that relationship?

During the conversations that led to the creation of the foundation we said that we wanted to do things a little bit differently. One of the ways we were going to be different was to approach

being able to leverage technical skills and support from our parent to the benefit of us and our partners at no cost. For example, some of the leading executives from Shell have advised us on setting up and managing distribution channels for products. That’s been hugely beneficial to our partners involved in distributing solar lanterns and cookstoves. More recently, experts in Shell, who have huge knowledge about health and safety issues, have helped our partners address some of the health and safety risks associated with their approach and reduce those to much more acceptable levels.

Overall, we haven’t been able to leverage as much from Shell as we thought we would when we set up the foundation. That’s for a number of reasons, but primarily because neither we nor the corporation had any experience doing this, so we had to learn. In the next decade I’m looking forward to being able to draw far more value from our links to Shell than we have done to date.

For the last question I want to ask you about impact investing. You are a charitable foundation, and yet you also label yourself as an angel philanthropist. Can you elaborate on what role you see the Shell Foundation playing in the emerging industry of impact investing?

Historically we’ve used grants to help organizations build up the capacity and the systems that would allow them to scale. For example, systems that allow you to operate across multiple geographies, which is quite complex, whether it’s IT or other operating systems. I’ve now come to the view that there is a real need for early-stage grant funding to new organizations to help them test and do new things.

There are a growing number of impact investors out there who are providing either debt or equity finance. But these are still relatively risk-averse investors who will not back a complete startup. What we’ve learned is that our comparative value in this landscape is to play a very early-stage, high-risk role as an angel investor, providing a grant-like investment into an organization to help them test a solution or product, and obviously test our relationship. When those partners do succeed and have a track record, then we can present them to others who can help finance them for growth. ■