

Branson, Google, and Clinton: Philanthropy's X-Men

by Rick Cohen

"I don't know what it is, But it is . . . Gonna be great!"

—the ill-fated Tony in *West Side Story*

IF THERE IS SUCH A THING AS A “new philanthropy,” the following recent hybrid efforts of a couple of massive corporate players might be getting a bit closer to the mark.

This past fall, former president Bill Clinton shared the stage with Virgin Atlantic founder and CEO Richard Branson to discuss their shared concepts of philanthropy and social investment—and Branson's announcement of an investment of \$3 billion in social ventures such as alternative fuels. Publicity about Branson's new philanthropy followed hard on the heels of the billion dollar investment by the founders of Google, both of which in a way pale in terms of hard numbers compared to Warren Buffett's \$3 billion a year commitment to the Bill and Melinda Gates Foundation.

In the Branson and Google cases, it's not just big money. It's qualitatively different than traditional philanthropy. It's even not quite the much-ballyhooed “dot com” bubble venture philanthropy that generated far more press ink than philanthropic output. Branson is the personification of a new brand of philanthropy, similar to the announcement of the philanthropic Google.org vehicle, concepts of philanthropy touted by the former president since the waning days of his administration. Back then, at the first and last White House Conference on Philanthropy, Clinton cajoled his

audience of philanthropic moguls to increase charitable giving as a percentage of income—their incomes—from 2 percent to 3 percent, noting that with the tripling of the stock market, that wouldn't be “pocket change . . . [but] real money.”

Now an ex-president, Clinton is an apostle of mobilizing large amounts of capital for the social good. Although he runs a foundation, albeit a public foundation that raises its resources through donations from other foundations, Clinton doesn't appear wedded to the notion of a philanthropic institution that sits on its billions and barely squeezes out 5 percent of its corpus for charitable activities. He wants to see big capital put into action and dispensed with the entrepreneurial creativity that isn't always the hallmark of many large foundations. For the last two years, he has been the cheerleader for this concept at what has developed into the Clinton Global Initiative, tolling mega-commitments from philanthropists and business leaders to tackle social problems around the world.

Enter Branson, enter Google, and experience what might be a tectonic shift in philanthropy. And it's not pocket change.

The Philanthropy of Richard Branson

The promotional e-mail for Richard Branson's speech at the Direct Market-

ing Association's 2006 conference described him as “entrepreneur, philanthropist, thrill-seeker, and one of the richest men in the world.” The pairing of Branson and Clinton is obvious, even more natural than their transatlantic down-home personal styles. The former president calls Branson “one of the most interesting, creative, genuinely committed people I have ever known.”

The public view of the bearded, jeans-wearing billionaire is of an adventurer, known for his unsuccessful effort to circumnavigate the globe in a balloon nearly a decade ago, but in business circles, he has inherited Freddy Laker's (of the 1970's Laker Airlines and Skytrain) mantle as a business visionary. His Virgin Atlantic airline has rewritten the rules for transatlantic flights, offering beds and manicures, among other perks. Branson's Virgin Group launched (and then sold) Virgin Mobile, which offers cheap, no-plan cell phones; is looking to acquire domestic routes for Virgin America; and is rumored to be eyeing Las Vegas gaming possibilities. His most recent neck-snapping venture has been the launch of Virgin Galactic, offering tourists a 30-minute space flight at a cost of \$200,000 per ticket (and a few weeks training at a “posh” New Mexico prep facility).

At Clinton's Global Initiative, the former president recruited 110 big name donors to commit funding for

social problems, including \$40 million from Loews Hotels' Jonathan Tisch and \$10 million from Siemens AG, but all dwarfed by Branson's pledge of up to \$3 billion to address global warming. Not all that long ago, Branson was a global warming skeptic, but lots of reading and conversation, including talks with former Vice President Al Gore, turned his head, he says. As the star of Clinton's "competitive festival of philanthropy," Branson pledged to invest all future profits of his travel businesses—five airlines and his train company—over the next 10 years to develop "energy sources that do not contribute to global warming."

In a way, some of the motivation is corporate philanthropy at its core, a corporation pledging dollars to undo some of the damage caused by its business history and model. In Branson's case, his pledge to Clinton is related to the role of airlines in global warming. According to Branson, airlines account for 2 percent of the world's carbon dioxide, and long-haul flights like Virgin's transatlantic routes account for half of that total. Like many of the world's top philanthropists, they made their money in "dirty businesses," but through their giving are attempting to correct or soften some of the damage they have caused. Focused on auto emissions and coal-burning energy plants, most people don't realize that airline travel itself constitutes a looming environmental disaster.

Branson's focus isn't philanthropy as we all know it, it is investment. Branson pledged to invest all of the dividends and profits from Virgin Atlantic and his other businesses into "tackling environmental issues." Despite the philanthropic trappings and praise in the press, the money is meant for investment, including paying for alternative fuels research inside Virgin itself. Branson skeptics asked whether he would maintain this \$3 billion commitment when his business fortunes faded (as Virgin's airline business did after 9/11), and whether Virgin's primary

business imperatives would supplant this social investment commitment. The philanthropic value may be more symbolic than tax exempt. Branson's investment endorsement of Al Gore's environmental alarms brings more publicity to the cause of global warming and further isolates the Bush Administration's stance (a week before the Clinton event, Branson joined British Prime Minister Tony Blair and California Governor Arnold Schwarzenegger for an agreement between California and the United Kingdom to reduce greenhouse gas emissions and promote alternative fuels).

Branson's alternative fuels commitment was well under way before he appeared next to Clinton in New York. His investment in trains is already looking for long haul, lower CO₂ alternatives to flights, a key to Virgin's commitment to look for "environmentally friendly business strategies." Coming out of the Clinton initiative, Branson's first deal, started some time before, was an investment of \$60 million in a U.S. firm, California-based Cilion (established only this past June), to make bioethanol from corn. Branson's Virgin Fuels subsidiary has investment objectives of \$400 million toward targets such as aircraft-suitable bio-fuels, wind power, hydro-electric, and small nuclear stations.

Googling Philanthropy

A careful reading of the Google IPO in 2005 would have revealed a major commitment to a Branson kind of philanthropy. Google had decided to commit "approximately 1 percent of its equity and profits" to philanthropy—what should amount to an infusion of \$1 billion. Google founders Larry Page and Sergey Brin, themselves among the wealthiest billionaires on the planet, announced the creation of an organization called Google.org as a philanthropy with the "mandate to tackle poverty, disease, and global warming."

A philanthropy, yes, but Google.org

won't be a nonprofit foundation, but a for-profit. Its initial project is to develop a new plug-in hybrid car that uses electricity, ethanol, and gasoline to reach gas mileage over 100 miles per gallon. The project is a for-profit venture, like Branson's Virgin Fuels.

The Google duo hired Dr. Larry Brilliant, a public health expert who has done stints as a Silicon Valley entrepreneur and as a student of a Hindu guru in the Himalayas, to run the new organization. While Google.org's overall strategy is still in formation, Brilliant has been giving media savvy comments about the for-profit significance of Google's philanthropy: "Dr. Brilliant likens the traditional structure of corporate foundations to a musician confined to playing only the high register on a piano. 'Google.org can play on the entire keyboard . . . It can start companies, build industries, pay consultants, lobby, give money to individuals, and make a profit.'"

Philanthropic experts such as onPhilanthropy's Susan Raymond and Peter Hero of the Silicon Valley Community Foundation have lauded the Google.org philanthropic model, suggesting that the measure is how much public good it does, not whether it is a nonprofit. Others such as Paul Light and Marcus Owens have raised concerns about the reliability of the Google commitment if and when Google's business economics take a downturn.

Google.org isn't all for-profit, however. Tucked away is a \$90 million charitable foundation, and Google itself has donated \$33 million in free advertising to 850 nonprofit groups (including the American Red Cross and Make-A-Wish Foundation, hardly struggling (c)(3)s). Google's grants have also gone to the Acumen Fund, which supports business solutions to poverty in Africa; TechnoServe, which is supporting entrepreneurship development in Africa; MIT's One Laptop Per Child program to make \$100 laptops for students; and PlanetRead, which adds sub-

titles to Bollywood videos to address illiteracy in India.

A foundation capitalized at \$90 million isn't news; Wal-Mart, Target, and a number of other corporations distribute more as annual grants than the Google Foundation's initial endowment contains, and other corporations beat Google's one percent pledge. But a social capital fund with \$1 billion aiming at chronic poverty is different. But it's not all at once. In addition to the Foundation endowment, Google will put in \$175 million toward Google.org by 2008 in the expectation that the total billion would be given to Google.org over a 20-year period. Nonetheless, with the Google announcement, everyone with hybrid car plans is thinking about how to tap the Google investment pool and attract the attention of Google's two 32-year-old visionaries and their epidemiologist/ascetic philanthropic director.

Plus ça Change

Google's Larry Brilliant and Virgin Atlantic's Richard Branson aren't your typical philanthropists. In his pre-Google days, Brilliant traveled with the incomparable Grateful Dead, and Branson promoted the Sex Pistols through his Virgin Records. Not too many foundation execs can compare, but how new is their philanthropy and what does it mean?

Capital Markets: To Clinton, Branson, and the Google founders, the challenge is aggregating and accessing capital. Unlike their skittish venture philanthropy predecessors, these players are offering big money, along the lines of Gates and Buffett. As Clinton described Branson's commitment, "no matter how cynical you are, that's serious money." That's been the purpose of the Clinton Global Initiative (CGI), garnering \$5.7 billion in commitments, more than doubling the previous year's CGI take.

But the fascination with science as a solution to societal problems comes at a

cost. These big-time philanthropic investments are bypassing support for the nonprofits and their policy advocacy, not to mention support for issues that do not lend themselves to scientific or technical treatments. Perhaps there is a ripple effect in which philanthropists wishing to emulate Branson and Google put their dollars into Greenpeace or Friends of the Earth. Nonetheless, the big philanthropists are banking on science and technology, not policy advocacy and democracy, to tackle the world's crucial problems. Some issues might simply fall by the wayside in the process. For-profits used to complain about nonprofit competition in the realm of business. Now nonprofits have to think long and hard about explaining their distinctive social change functions that cannot be performed by the for-profit sector without shortchanging critical issues and people in need.

Market-Driven: Despite its allegiance to technological solutions to complex social problems, the Bill and Melinda Gates Foundation supports an array of traditional nonprofits engaged in more than packaging scientific widgets, including much that the for-profit sector is unlikely to do. The Google and Branson models are market-driven. Their attraction to plug-in hybrids and green fuels may seem eleemosynary, but it is market-driven. Despite the obligatory warnings in corporate filings that losses in these new ventures might affect the corporate parents' bottom lines, these philanthropic ventures are not only meant to profit, they are calculated to do so. Toyota figured the emerging market for hybrids with the Prius; Branson knows that ethanol can compete in a market where oil is more than \$40 a barrel; in the U.S. and the U.K. there are emerging government incentives and targets for reducing both societies' oil dependency. These are calculated market investments, they might win or they might lose.

Branson has certainly had his share of investment successes and failures—witness Virgin Cola and Virgin Vodka.

But they are investments calculated for a market window, not purely selfless contributions. Alternative fuels have attracted a lot of market attention and business investment. As a result, Branson is not only interested in ethanol, but a variety of alternative fuels, which in his mind, includes nuclear. The \$60 million investment by Virgin Fuels in Cilion's bioethanol scheme also attracted an additional \$100 million from Khosla Ventures (founded by a founder of Sun Microsystems), Western Milling (a California grain milling company), and a private equity business named Yucaipa, whose board includes Bill Clinton. Branson is placing the head of his Virgin Fuels on the Cilion board, treating the investment as serious alternative fuels experimentation and profitable business.

Remember that the Google philanthropic commitment is to address poverty, disease, and global warming, but the investment strategy takes on hybrid cars—the market- and technology-oriented response—not poverty, which doesn't yield as many ready scientific solutions. There is a connection, of course; same for Branson's green investment strategies. But the choices are technical, scientific market solutions to social problems, as if poverty can be solved without social and political advocacy. They make the odd assumption that nonprofits cannot lobby politicians, thus the choice of for-profit models, making them more effective promoters of fundamental social change. But these are corporate lobbyists, even if socially motivated ones, and they are choosing interventions that make sense in terms best described as products of corporate R&D.

Corporate Philanthropic Branding: Like Xerox, Google has evolved from a corporate name into a verb, attributable in no small measure to the corporation's masterful marketing. Branson has done no less with the name Virgin, attaching it to everything from soft drinks to space travel. It would be hubris to declare this

as just so much branding, but there is no question that from their own words, these investors perceive the business value of their new kind of philanthropy. Any wonder that Wal-Mart has taken on food for the hungry in partnership with America's Second Harvest food bank network, low cost generic drugs, and, addressing its environmental constituency, reducing product packaging (ultimately reducing trash and CO₂ emissions)? It has long been a truism that corporate philanthropy pays off in the bottom line, as consumers will choose a corporation with a social benefit association over one that eschews corporate social responsibility. Branson certainly gets the connection: "I would . . . love to have Virgin recognized as the most respected brand in the world [and] . . . if it can be a leader in tackling global warming, and that enhances the brand, that's fine."

As others have noted, they are following a more intentional version of Adam Smith's theory that the hidden hand of business working in response to the profit motive can actually accomplish positive things for society. Like the libertarian business model of John Mackey (founder of Whole Foods), Google and Branson perhaps see these "philanthropic investments" as restoring the good name of capitalism. In Mackey's words, "corporations are lifting billions of people out of poverty . . . so why are they so hated?" describing the problem as one of corporate branding. Branson makes largely the same point: "If capitalism is to be given a good name, then essentially capitalists need to give back to society." As one of Branson's top staff describes his boss, "He is ruthlessly capitalistic in business but socially communist and always has been." Wrap your minds around that, Adam Smith and Karl Marx.

This isn't philanthropy as we used to know it, but a nontraditional philanthropy, in the words of Stacy Palmer of the *Chronicle of Philanthropy*, in which huge donations are given to

address huge causes à la the Gates and Buffett targets. According to reporters at the Clinton event, in response to the Branson announcement, "you could hear people go, 'Oh, my goodness.' It is a lot of money." But the distinction for Google and Branson is that it's not philanthropy, it's really smart business, and to think that these marketing geniuses don't anticipate solid returns, no matter how much charitable spin they release, is to misread some very savvy people. Venture philanthropy isn't new, venture capital isn't, but at the Google/Branson scale, particularly when the capital bundler is the nation's most effective salesman, former President Clinton, this is not the same old half-baked, over-hyped venture philanthropy that pooped out in the 1990s.

Challenging Nonprofits: At roughly the same time as the Clinton Global Initiative announcements, two University of Chicago Law School professors published an article arguing for the idea of "for-profit charities," suggesting that some business entities serving the public good should receive the same charitable tax breaks and be eligible for the same charitable donations as 501(c)(3) nonprofits. This is hardly an unknown idea, nor one without its skeptics, since hybrids between nonprofits and businesses have presented new and disturbing problems for charity regulation and enforcement. On the other hand, several major foundations (such as the Omidyar Network and the Kauffman Foundation) actively promote philanthropic support for for-profit businesses. Much of the commentary about the Branson and Google commitments contrasted their vision and celerity with hidebound and sluggish nonprofits and foundations, embroidered with legally erroneous notions that nonprofits were somehow prohibited from doing the policy lobbying that Branson and Google operations might. Unlike foundations, these players were going to spend their money over a decade or two rather than doling out

pecunious 5 percents like traditional foundations.

Whether or not the Branson and Google strategies pan out, they have laid yardstick competition markers for the big foundations and big philanthropists of this era. Can foundations and nonprofits demonstrate the vision, creativity, courage, and impact that they say that their philanthropic ventures will achieve to solve major societal problems?

Long ago, when asked what the first commandment would be if he were to rewrite the Ten Commandments, Branson offered, "Thou-thou-thou shalt have good fun." At the same time, Branson counts Nelson Mandela as one of his heroes, long aiming to recruit Mandela and others for a team of traveling international peacemakers. Google's Page and Brin, a fun-loving pair themselves, claim to want Google to be known for its philanthropy rather than its search engine, but hopefully with social change moving at Google search-like speed. These may be non-traditional philanthropy or perhaps not philanthropy at all, but Clinton, Branson, and Google have captured the public's imagination with a for-profit philanthropic model keyed to audacious ideas, big bucks, and business investment.

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