

Social Venture Partners Tokyo¹⁹

After completing his MBA in America in 2001, Ken Ito returned to a corporate finance position with GE Capital in Japan. 'At that time I was looking for a volunteer opportunity that would utilise my business skill set,' says Ken, who is today a research fellow at Tokyo's Keio University. 'I came across a group called Tokyo Social Ventures (TSV), and was excited by the motivation of a group of passionate and talented young professionals, who likewise wanted to find meaningful volunteering opportunities that leveraged their commercial skills.' Without hesitation Ken paid his 100,000 Yen (\$1,300) annual contribution and signed up. Ken and his fellow TSV members shared a belief that 'innovative non-profit and social enterprises could be a driving force to bring solutions to the Japan's social issues,' in a way that traditional charities, with their strong link to government, could not.

TSV was established in 2003 by a group of young professionals including Hideyuki (Hide) Inoue, a visiting associate professor at Keio University. After completing his Master's degree in Washington D.C., Hide worked for a consulting company before entering the field of non-profits, including helping out at a disaster relief project at Okushiri Island in Hokkaido in Japan. Hide became the recognised champion of social entrepreneurship in Japan, organising a series of social business plan competitions called 'Style' from 2003 to 2007 at ETIC, a Japanese non-profit intermediary in Tokyo. Hide's exposure to the social innovation culture of the U.S. inspired him to pioneer TSV as a venture philanthropy fund for Japan. He had been particularly inspired by the Social

Venture Partner International (since renamed SVP Network) model he had witnessed in the U.S. and saw this as the basis for developing an initiative in Japan. Under the auspices of the Japan Foundation, Hide spent six months at SVP Seattle as a visiting fellow, where he was involved in the daily operations of the organisation. This was exactly what he needed to do to bring the model into Japan.

Before becoming a formal affiliate of the SVP Network in 2005, and changing its name to SVP Tokyo, TSV did not begin active investment, but focused initially on awareness raising and education, through a regular event called Network Meeting. At these monthly events, start-up social entrepreneurs were invited to share their experiences and challenges, and they attracted up to 100 young professionals who were interested in knowing more about innovative non-profit and social enterprises in Japan.

Ken Ito joined as a member of SVP Tokyo just at the time when the group began active financial support to Japanese social enterprises. 'I was assigned as the primary contact for a potential investee organisation, and to conduct due diligence appraisal on them,' recalls Ken, 'It was a non-profit organisation that provided education for hearing impaired children using sign language as the teaching medium.' The experience was informative for Ken, who began to realise what a significant change in policy the organisation's new model represented. 'Sign language was not permitted to be used in state-funded schools for the deaf', says Ken, 'because the government believed spoken Japanese to be the first priority of our education.' Ken says he was 'so shocked to be exposed to the hidden reality of this social issue, yet at the same time, I was so thrilled with the potential help SVP Tokyo could offer them, particularly with our skills and knowledge.'

The non-profit organisation was finally granted permission to set up its own school, but they found the regulatory bureaucracy and fundraising hurdles daunting. Ken was joined by another SVP Tokyo volunteer-member to help the non-profit organisation through this critical stage in its development. Ken recalls, 'We helped them create a budget plan to be submitted to the local government; we worked with the organisation on its

¹⁹ This is an updated version of the profile published in John, Tan & Ito (2013).

ambitious fundraising plan; and through our networks, we introduced journalists to the new project.' Ken says, 'We spent an intensive 10-15 hours a week at meetings or creating documents and budget plans, but we enjoyed it very much. Personally I was able to utilise all my skills acquired from GE Capital — budget planning, financial forecasting and government reporting — to the project.' After six months, the school was successfully launched, its funding targets were exceeded and the initiative was given widespread publicity in major newspapers and television. SVP Tokyo remained engaged for another two years in the school project, while Ken and a colleague continued to support the organisation when invited to be board members. It was a hugely positive experience for Ken who says the involvement gave him 'strong confidence to know I can contribute to social change even as a part-time volunteer, utilising the skills from my day job.' Later on Ken was able to devote more time to helping SVP Tokyo develop, by assisting on strategy and operations for the fund itself, talking to potential donors and speaking at conferences around Asia.

The differences in philanthropy culture between the U.S. and Japan required SVP Tokyo to modify the core SVP Network model for the local context. Japan has a comparatively underdeveloped charity market, which is estimated at \$12 billion in annual donations. This is around only 3 to 4 percent of charitable giving in the U.S., estimated to be \$300 billion per year. This big difference reflects the major role government plays in spending on social welfare. SVP affiliates in the U.S. typically consist of successful business people and wealthy individuals close to retirement age. By contrast, SVP Tokyo attracted young professionals in the age range of 20 to 40. One key adaptation was to set annual membership contributions in Tokyo to \$1,300, compared to \$5,500 in the U.S.

Ken believes that a key factor in SVP's successful adaptation in Japan was the change in social attitudes by young professionals after the economic bubble burst in the 1990s. He says, 'The young generation in Japan realised they could no longer bask in the promise of economic growth and job security after the downturn — many shifted their life goals towards making contributions to the society.' In this regard, SVP partners

in the U.S. and Japan share a similar passion in contributing to social change — but at different stages of their life. In Japan, the relatively youthful membership did cause a high turnover of partners as individuals got married, started families or made a big career change, making it difficult to maintain high levels of involvement with SVP Tokyo. Typically, after several years of contribution, they left the organisation as 'graduated' partners.

Another key adaptation of SVP to the Japan market was its greater focus on support to trading-based social enterprises rather than non-profits with a grant-based revenue model. It appears that the small charity sector in Japan has forced non-profits to develop earned income as a strategy for growth in the relative absence of donations and grant making. After seven years of activity, SVP Tokyo has today approximately 100 members and has supported 27 social enterprise ventures, five of which have 'graduated' or exited from active support. Most of these investees remain in the portfolio for two years, during which they receive hands-on advice and grants that are typically 1 million Yen (\$13,000) per year. SVP Tokyo has made only one equity investment so far. There will be 'teams' of five to ten partners providing a range of general business advice, with each partner spending up to 10 hours of volunteer time each month, despite most having very demanding employment obligations. Decisions about new investments are very democratic, with every partner invited to a 'pitch' session of a half dozen prospects. Following presentations and discussions, a vote is taken and two or three new investees are chosen on merit and potential. From the first Network Meeting until today, the flow of potential social ventures to support continues to generate a healthy pipeline for SVP Tokyo. In 2009 the fund hired a full-time employee for the first time, to enhance its administrative capacity.

One of the earliest ventures supported by SVP Tokyo was Florence, a social enterprise providing nursery facilities for infants with fever or other mild illnesses, who would normally be excluded from regular day care because of infection risk. This has since grown to a well-known and popular service for Tokyo working parents with a multimillion-dollar turnover. Another successful investment was Multicultural Center Tokyo, a non-profit

organisation that provides services to newly arrived immigrants. SVP Tokyo's investment allowed the organisation to expand into tutoring immigrant children, plugging a gap in the public school system which had no capacity for teaching in foreign languages. The fee-based service quickly hit break-even.

From 2009, SVP Tokyo made a strategic decision to slow down its pace of growth, largely made because of a concern that rapid growth might be a risk to maintaining community ties among SVP partners. Newly joined partners are now required to have two recommendations from existing members who agree to mentor them. In its first four years, SVP Tokyo recorded very high renewal rates for its partners but after 2009, many, including founding members, started to leave. Ken interprets this as a consequence of local circumstances. 'In the U.S., SVP is thought of as a 'church' model', says Ken, 'where like-minded people who share similar beliefs and goals meet on weekends and evenings to create social change, utilising their time and money.' He believes that in Japan, with its younger membership, 'SVP transformed to a 'university' model which people join the organisation, learn from the projects how to do social investment and then 'graduate' after three or four years for a new journey of life with a feeling of accomplishment.' This turnover is not viewed as negative, despite the added pressures to recruit new members. A key aspect of SVP is to cultivate a generation of informed and engaged donors. Several of those who do leave SVP Tokyo do, in fact, switch to new careers in the social enterprise sector.

As a formal affiliate of SVP Network, the Tokyo group pays an annual fee to the U.S. organisation of \$5,000-\$6,000 (depending on the number of partners), and in return receives a licence for using SVP Network's logo and brand name, a package of operational manuals and guidelines, as well as strategic advice based on SVP Network's experience in the U.S. and Canada. Until recently, SVP Tokyo was the only affiliate outside of North America, and it has been a pioneering advocate for the venture philanthropy giving circle model in Japan and other Asian countries. Ken believes that SVP Tokyo's success 'has triggered several other followers to join in this movement of social innovation.'