

Bill Young Discusses Social Enterprise in The National Post

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Say you helped out a cousin by investing \$25,000 in his crazy idea to sell software that is available for free on the Internet. Then, just a few years later, your cousin's company, Red Hat, goes public. It is 1999, the peak of a giddy stock market, and investors decide your cousin's idea isn't so crazy after all. So that little bit of assistance nets you tens of millions of dollars, after tax. What would you do?

Well, if you're Bill Young, you don't buy a single thing -- not a Porsche, not a bigger house, not a fabulous ski chalet in the Alps, nothing. Young is just not that kind of guy. He is actually a little squeamish about wild and easy money, as if it were a bit of an embarrassment, like a loud tie or a voice that booms off-key.

No, Young saw the multi-million-dollar windfall as an opportunity to change careers -- from making money out of hot young ideas to giving it away. But Young, a slight, sensible accountant with a Harvard MBA, didn't choose the traditional philanthropist route of giving a pile of money to a major institution that might etch his name on the entrance of an impressive new building. Instead, he aimed to be one of Canada's first venture philanthropists -- the guy who spots a breakthrough idea in the non-profit sector, injects some cash into it plus some smart business thinking, and then watches it grow and do some good.

At 48, Young has set aside \$10-million of his Red Hat bonanza to achieve his dream. And he's the first to say that success in his new venture is a lot harder than making money in the Internet craze. But Young doesn't mind. He's having way more fun giving away money than he ever did making it.

Young's Hamilton-based family has been in business since the 1880s, first in cotton, then textiles, then leasing medical, dental and office equipment, then leasing, selling and renting computers. The extended Young family owned a controlling interest in the company, Hamilton Computers, and as CEO Young loved the way everyone pulled together through thick and thin: "It was like the Three Musketeers," he says.

But in the early 1990s, with the business landscape changing, the Youngs sold their stake in the company. The sale gave Young, then 39, the financial freedom to travel the world with his new wife and hunt for a young company with prospects that might hit the big time.

He thought he found it in Optel, a small reseller of local telephone services. The gambit was simple: If the federal government ended Bell's monopoly over local telephone calls, Optel would be perfectly positioned to hit a home run. He took the job of CEO in 1997.

Pretty soon, little telecom companies were a hot property in the stock market craze. The investment bankers promised to shower Young with money if he'd just listen to their advice to establish "first mover advantage" and expand across the country. Young, a down-to-earth guy who wears sensible sweaters, started to feel a little edgy. It was a crazy time and people in the business were saying that profits were bad and revenues didn't really matter as long as you were spending other people's money to stake out new territory in the great new wired world. It didn't make any sense to Young: "I was feeling less and less like I belonged. I thought, the world has gone a bit mad. I don't know I belong, but what am I going to do?"

Fortunately for Young, as Optel was preparing to go public in 1999, the bankers said it would look much better if the CEO were someone with years of U.S. experience in the telecom sector. So Young stepped down as CEO in October, 1999. It turned out to be a lucky move. Optel went public and at one point the money-losing company was worth over \$1-billion on the stock market. Young's options would have been worth a fortune, if

he had been allowed to sell before the market crashed and the company filed for bankruptcy. But leaving his job gave Young something precious -- time to think. In the winter of 2000, he sold his Red Hat stake while the software company's stock was worth about US\$60. His timing was incredible. A year later the stock price had plunged to about US\$6. Young wasn't surprised: "The world seemed crazy to me. I didn't for a moment think it was going to last."

Of course he didn't buy anything. "Doesn't that sound bizarre? But money has never been a driving force for me," he says. "I felt this incredible sense that now I've got a chance to do something really interesting, to give back."

It runs in the family. Young's mother, Joyce, gave her \$40-million Red Hat winnings to the Hamilton Community Foundation. But Young wanted to give back in a different way: "I decided I'm going to make this my career."

So, being the studious type, he combed through the Internet to search for innovative ways to give back. He noticed a striking pattern: While most of the biggest companies were new, virtually all of the biggest charities were a century old. Somehow the charity industry had put up barriers to exciting new ideas, or effectively stopped new ideas from flourishing.

Young soon found out why. He looked across Canada for little innovative social service agencies, hoping to find some that could do more good with an injection of cash and know-how from himself and Monitor, a consulting company that agreed to crunch numbers and think strategy for free. But he couldn't find any projects to fund.

"It wasn't because we couldn't find breakthrough ideas or great leaders," he says. The problem was different: The organizations depended so heavily on government money they would do anything to get it -- even if that meant ignoring the needs of their clients. "We felt the sector was caught in a straitjacket, where, to get funding, they had to tailor their programs to fit the government's criteria," Young said. "But that wasn't necessarily the best way to achieve their social mission. They were stuck."

What's more, there was no way to determine whether a program actually worked or not -- whether it got kids off the street and into regular jobs. In fact, no one really knows which of the thousands of charities in Canada do a good job, and which ones waste money. As a new-style philanthropist, Young wants to measure his investment's social and economic return. Yet he knows that is a difficult and controversial task. You might be able to measure how many of your clients got off the dole, but how can you put a number on their self-esteem or family life?

So Young tried something different. Through his organization, Social Capital Partners, he narrowed the search to look for organizations that tried to generate revenues and employ people who can't find jobs elsewhere. These are "social enterprises" that give people real jobs instead of just training them for a job that might not exist. Young found one great example -- an extraordinary comeback story called Pivotal Services of London, which makes special packaging such as holiday displays in stores. It used to be a make-work project for a hospital's psychiatric patients in London, Ontario. Then, when the cash-strapped hospital cut funding, a former provincial politician from Manitoba called Gwen Charles decided to keep it alive as a business. She had sought psychiatric care after a post-divorce breakdown and thought the packaging business would help her recover. Four years later, Pivotal has over \$1-million in revenues and pays minimum wage to about 50 people who had been on social assistance.

It's a challenge. Some employees need to learn how to read a bus schedule. Others get repeatedly fired for causing trouble on the job, and then get hired back after seeking help. In spite of this, Pivotal is almost breaking even. "It is incredible," says Young. He has given Pivotal \$200,000 so far to hire a chief operating officer, give

people more training and increase working capital, along with advice about how to improve its human impact. Meanwhile, Monitor is slicing and dicing the numbers to spot the most profitable customers and suggest ways to increase profits.

Yet Young has confronted some serious roadblocks. "Here I am, dedicating the rest of my life to being a full-time volunteer," he says. "I'm setting aside a significant chunk of my net worth to do it." Yet he hasn't convinced the federal government that Social Capital Partners is a charity. In other words, he's not getting the tax break he would get if he were giving money to traditional charities.

"I never in 1,000 years would have guessed that what I'm doing wouldn't be deemed to be charitable," says Young. "We just don't fit the traditional definition of a charity. But how is social innovation supposed to happen in this country if the regulatory framework discourages new approaches?"

Nevertheless, Young, who has two young daughters, is a happy man. "The secret in life is to be engaged in what you're doing, really engaged," he says. "I never go home at night asking why am I doing this."