

The Power of Innovation and Entrepreneurship

An Interview with Sir Richard Branson, Founder, Virgin Group



EDITORS' NOTE Richard Branson founded Virgin in 1970 as a mail order record retailer, and shortly afterwards, opened a record shop in Oxford Street, London. In 1972, a recording studio was built in Oxfordshire, and in 1977, Branson signed the Sex Pistols and went on to sign many household names from Culture Club to the Rolling Stones, which helped to make Virgin Records one of the top six record companies in the world. In July of 2007, Branson along with other prominent names like Nelson Mandela and Desmond Tutu formed The Elders, a group of leaders coming together to tackle some of the world's toughest problems. Branson's first entrepreneurial venture was setting up Student magazine when he was 16 years old.



Sir Richard Branson (above) and with the choir from the Maharishi Invincibility School of Management (right)

COMPANY BRIEF Employing approximately 50,000 people in 29 countries and with around 200 companies in over 30 countries, the Virgin Group (www.virgin.com) has expanded into leisure, travel, tourism, mobile, broadband, TV, radio, music festivals, finance, and health. Through Virgin Green Fund, the company is investing in renewable energy and resource efficiency. In February 2007, they announced the Virgin Earth Challenge, which offers a \$25 million prize to encourage a viable technology that will result in the net removal of anthropogenic, atmospheric greenhouse gases. Virgin Unite is the company's not-for-profit entrepreneurial foundation focusing on social and environmental issues.

What would you highlight of importance related to corporate philanthropy and social responsibility in relation to the culture of Virgin?

At Virgin, our culture is built on the belief that individuals can make a difference. Virgin staff created our not-for-profit foundation, Virgin Unite, which is truly integrated into the core of our businesses. Virgin has a fantastic group of talented people who want to do good, as well as customers around the world that want to get involved.

Business leaders have a strong responsibility to reinvest the money they make into creating new jobs and tackling the tough problems facing society and our environment. By working together, learning from each other,

and combining our strengths, we can achieve a far greater impact.

There are so many areas in need today. How do you focus your philanthropic efforts and is it important that these causes align with your business strategy?

The Virgin Group is committed to using the power of innovation and entrepreneurship to tackle problems and create opportunities. This flows through anything we support and in our work with Virgin Unite. The scale and urgency of the issues facing humanity today range from the devastating depletion of natural assets to the millions of people around the world facing abject poverty, conflict, and a lack of basic resources and education. We try to identify the gaps and see where we can have the biggest impact, for example, through the creation of global leadership models such as The Elders, the Carbon War Room, and the Branson Centres of Entrepreneurship. We address challenging or difficult subjects like conflict and economic empowerment and the role of business in addressing carbon reduction to benefit the future of humanity. We work with our businesses and utilize our networks to bring together people that have relevant experience and expertise in these areas.

Many of the Virgin businesses have already built great programs leveraging their assets to drive change. Virgin Mobile USA and Virgin Mobile Canada have created the RE*Generation campaign, working with Virgin Unite, nonprofit organizations, staff, and customers, to help homeless youth campaign for real change.

Galactic Unite is a new community for social action through a partnership between Virgin Unite and Virgin Galactic. They aim to inspire students by working with the New Mexico Space Grant Consortium of New Mexico State University (NMSU) and Virgin Galactic's future astronaut customers to collaborate on projects with students from colleges, high schools, and middle schools throughout New Mexico in the areas of science, technology, engineering, and mathematics (STEM), as well as business entrepreneurship.

The idea to launch Virgin Money Giving came about as a result of Virgin Money's sponsorship of the London Marathon. Having taken a look at how runners raise money, it became

clear there was a better way of doing it, one that would help people involved in all sorts of fundraising activities to raise much more money for good causes and make everyone better off.

Giving money is only one approach to solving any problem. By harnessing the resources, skills, and energy from across the Virgin Group to address social issues, businesses can have a real impact. Virgin Unite brings groups of people together to tackle these tough social challenges by delivering "Hit Squads." For experts with branding and marketing, financial, strategic planning, and communications skills, the Hit Squads can help charities and nonprofit organizations alike increase their impact. Hit Squads also offer businesses an opportunity to develop their social and environmental initiatives so they can think about how to do business differently.

You have been a leader in addressing the concerns of global warming. Would you highlight these efforts and do you feel global warming concerns are being effectively addressed?

Natural systems have been 38 billion years in the making and are what sustains life on earth. These systems are rapidly depleting, and it is our responsibility to ensure that we rebalance the world and start to protect our natural assets and, in turn, our very existence on this planet.

Four years ago, at the Clinton Global Initiative, I pledged to invest 100 percent of Virgin Group's transportation dividends over the next 10 years towards investments in renewable energy and carbon reduction initiatives. The global financial crisis hit and the aviation industry has been buffeted by one of the worst recessions ever. It is difficult to predict what the next six years will bring, but Virgin remains passionately committed to our pledge.

We first invested more than \$150 million in corn ethanol businesses. In retrospect, and like many others, we were caught by our own enthusiasm. In response, we founded the Virgin Green Fund in 2007 to invest in a broader range of companies focused on renewable energy and resource efficiency. So far, we have invested \$100 million into its first fund and raised more than that from other investors to back proven "green" businesses. To date, we have made 10 investments ranging from next generation biofuel maker Gevo to solar, water, and software businesses. We have also partnered with many of the world's premier renewable technology investors

and combining our knowledge with theirs has made us much better at making an impact. These new businesses, with the right scale and investment, will play crucial roles in making a sustainable economy for the 21st Century.

We launched the \$25-million Virgin Earth Challenge to encourage the development of a commercially viable technology to remove carbon from the earth's atmosphere so that its temperature can be regulated at a sustainable level. If man made the problem, man can surely fix it. The challenge has captured the imagination of scientists and investors all over the world. So far, we have processed more than 2,500 entrants and are getting close to whittling this down to a short list we can work with to develop the ideas into prototypes.

Virgin Unite incubated the Carbon War Room (CWR), which harnesses the unique influence, resources, and spirit of entrepreneurs. The vision is to mobilize capital, innovation, expertise, and international collaboration to deliver sustainable new market models. The Carbon War Room will increase the effectiveness of climate change efforts already underway; it is not about duplicating existing efforts but will focus instead on filling gaps. Jigar Shah, the Founder of Sun Edison, is the CEO. He is joined by former Costa Rican President José María Figueres, who has taken up a role on the board. Together, they lead some of the best entrepreneurial minds to help speed and scale solutions that will deliver a low carbon economy.

One of the first areas CWR is addressing is the shipping industry. Despite being the most environmentally friendly way of transporting 90 percent of the world's goods, the worldwide fleet is still an emitter of 1 billion tons of CO² – equivalent to being the 6th largest country in the world – and has the capacity to make profitable efficiency savings of around 30 percent on currently available technology.

CWR has launched an operation to accelerate the efficiency improvements of the industry. Its first major step was to solve for the lack of information regarding identifying “clean” and “dirty” ships – launching www.shippingefficiency.org at the Cancun climate conference in December 2010. The new Web site rates the efficiency of nearly every large vessel in the world, aiming to help ship owners, operators, ports, and other stakeholders make more informed decisions. It represents a crucial step in green growth – boosting the economy and the health of the planet at the same time.

Harnessing and protecting our natural resources will be a new frontier for entrepreneurs and one of the biggest opportunities over the next generation. To ensure our children's futures, we must create a better world.

How did your interest in Africa develop and would you provide an overview of some of your efforts there?

I'm always amazed at the incredible entrepreneurial spirit of the people in Africa and their can-do attitude. Together with the Virgin businesses in South Africa, we launched The Branson Centre of Entrepreneurship in 2006, located in Johannesburg, which supports aspiring entrepreneurs. It isn't a profit-making venture; it is about providing a launch pad for spirited small businesses and entrepreneurs to help them power our economies: they create jobs, fuel growth, and ultimately transform communities. Virgin

businesses in South Africa and successful entrepreneurs are actively involved in the Branson Centre, offering practical business skills such as IT, finance, and HR, as well as mentoring.

I just returned from South Africa where I was joined by 14 successful entrepreneurs from around on the world on one of our “connection trips,” hosted by Virgin United. We went to see a number of community projects near our game reserve at Ulusaba. The Bhubezi Community Healthcare Centre (based in rural Mpumalanga) is a public/private partnership with the U.S. Government (PEPFAR/USAID), Anglo American Thermal Coal, Ndlovu Medical Centre, and Virgin Unite. It was set up to tackle HIV/AIDS and improve health care in one of the most impoverished areas in South Africa.

Pride 'n Purpose is the charitable arm of Ulusaba; it works with Virgin Limited Edition and Virgin Unite assisting disadvantaged communities living adjacent to the reserve. They assist with basic needs such as food, water, and health services, as well as education through a series of crèches that are providing preschool education. They also provide support for a number of small businesses, promoting economic empowerment.

We are still in the very early stages of working with the South African Government and partners to set up an innovative health resource. It would be a public/private partnership that assists in addressing the critical diseases in South Africa and, ultimately, the region by deploying a central nerve center for monitoring, coordination, and resource mobilization.

The aim of such a center would be to link it with existing health bodies and build capacity so we don't duplicate efforts. A disease control hub would help in coordinating data, map crises and best practice, track hot spots, and mobilize partnerships across government, business, and NGO's to have a greater impact.

In Nigeria, we have been working on the fight against fistula since February 2005. Virgin Unite co-sponsored the “Fistula Fortnight” in partnership with the Nigerian government and United Nations Population Fund (UNFPA). The Fistula Fortnight was a two-week treatment, training, and advocacy initiative that took place in four northern Nigerian states and provided treatment to 564 women suffering from obstetric fistula. Following its success, the UNFPA and Virgin Unite embarked on a six-month pilot “prevention, treatment, and rehabilitation” project.

In Kenya, thousands of people live in remote rural areas, hundreds of miles from the nearest health clinic. Malaria, HIV & AIDS, respiratory infections, diarrhea, and waterborne diseases are common. But the means to get to the clinic is not. Virgin Unite is working with partners, like Christian Aid, to bridge this divide through the Rural Transport Network, an innovative initiative that equips health workers with motorbikes, allowing them to deliver essential medicines and supplies. In addition to providing access to vital health services, health workers are also using their bikes to support their own small businesses.

How critical is it to have clear metrics in place to evaluate/measure the impact and success of your giving efforts?

We run Virgin Unite as we do our other businesses. We measure its effectiveness across

a wide range of impacts and also gauge how effectively it uses its resources by investment and initiative. We have a clear plan each year and measures of success for each of our initiatives upfront, both in terms of financial and in-kind support as well as direct front-line impact.

At the Branson Centre of Entrepreneurship, we track the number of jobs we can help small businesses create and maintain. From a social perspective, job creation is the most appropriate measure as it alleviates poverty.

The health care community workers and motorbike riders of the Rural Transport Network are measured on the number of people they are impacting through their health-care work, on the performance of their motorbikes – how many villages they are reaching – and on the additional income they are earning through the business the bike supports.

We also look at how we deploy our resources and how we focus them. Many of our initiatives are targeted at bringing the right people together to inspire and catalyze them to get behind a cause. Here we look at how effectively and efficiently we use our internal efforts to leverage more resources, be that in the form of additional financial support, someone giving their time and expertise, or providing in-kind donations.

How challenging is it to retain your philanthropy focus during challenging economic times?

The perfect storm caused by the economic, poverty, and environmental crises demands we build new models to solve the global issues we face. Today, billions of aid dollars go into emergency solutions focused on ending immediate suffering. There is often very little focus on lasting solutions and job creation that will permanently lift people out of poverty. As business leaders, we need to use our entrepreneurial energy to create jobs and businesses that will scale our response to issues and deliver true economic freedom.

The inequality is set to worsen as we continue to rapidly deplete our natural resources. As we debate weather patterns and the reality of climate change, we are missing the bigger picture that there is no scientific debate that every single one of our natural ecosystems is in decline. We need a new economic framework that values our natural assets and a new approach to consumption. If we don't move on this, Mother Nature will force us to.

Our focus on short-term fixes, an economic model based solely on profit, and a predilection for business, government, and NGOs to work in silos will cause us to continue down the path of extreme inequalities and depletion of our natural assets.

The good news is that there are the tools to build a better world, and consumers are demanding this change. Businesses will only survive if they evolve into a new model that puts people and planet at their core, rather than just focusing on their shareholders and pure profits.

Entrepreneurs tend to thrive on challenges, embracing them and creating solutions. We would like more entrepreneurs to come forward and contribute.

With high unemployment and budget deficits, philanthropists can improve the impact of their work by partnering to focus on trying to solve the biggest market failures that are preventing cost-effective efficiency measures from succeeding. ●