

Investing in the Greater Good

Business Week
Nov. 29, 2004

Philip and Donna Berber, founders of A Glimmer of Hope, see their charity not as a nonprofit but as a "social profit enterprise."

In March, 2000, Philip Berber sold his electronic-brokerage group CyBerCorp to Charles Schwab (SCH) for \$488 million. That same year, he and his wife, Donna, created an endowment with \$100 million to form A Glimmer of Hope, an aid organization to help people in Ethiopia. The Berbers have expanded their efforts to inner-city areas in London and in their home city, Austin, Tex.

BusinessWeek's staff editor, **Jessi Hempel**, recently spoke to both Philip and Donna about their businesslike approach to charity, teaching their children to give, and their future plans for their philanthropy. Following are edited excerpts of their conversation:

Q: How did the idea for A Glimmer of Hope take seed?

Philip: It was Donna's idea.

Donna: In the mid-1980s, I was in my early 20s in London. I was inspired by Bob Geldof, who organized Band-Aid, and later in the United States, Live-Aid, to raise money for the relief of the famine in Ethiopia. [After] I had had my three children, life was comfortable. In my comfort, there was discomfort to know there was more out there I should be doing.

In 1999, I met a lady in Austin who had just adopted two Ethiopian children. I called up the Ethiopian embassy to set up a meeting. I had something like \$200,000 to spend. So I went up to Washington and met with Tameru Abasaba at the embassy. He said you have to go and see it for yourself. None of my research could have prepared me for the absolute despair and sadness. And nothing could have prepared me for the beauty, humility, and grace. When I got back from Ethiopia, I called Tameru. He left the embassy and came immediately to Austin, where he and I started A Glimmer of Hope.

Q: Philip, when did you get involved?

Philip: We sold CyBerCorp [to Charles Schwab] in March, 2000. I joined the effort on Feb. 28, 2001. It was really the combination of Donna's vision and passion and heart that caused me to join her.

Q: Many philanthropists wait until the last decades of their lives to give their fortunes, yet you both began giving your wealth when you were in your early 40s. Why did you decide to give your wealth away now?

Philip: We came into this wealth quite suddenly, quite overnight. It was really a choice whether I was going back into business and do it again. That had absolutely no appeal to me. Donna was the one with the heart and the vision to see that we could do something more.

Donna: I was doing this before Philip sold to Schwab. It just so happened when I got going, there arose a vehicle to help us do even more.

Q: You strongly advocate taking a business approach to running charities. What changes would you like to see in the nonprofit sector?

Philip: First, we need to erase the term nonprofit immediately. It's a negative term and it does not describe what the people in this industry are doing. We are all in the business of creating social profit. It makes more sense to say social-profit enterprise.

Nonprofits make up a \$2 trillion industry, yet at least \$100 billion is being wasted every year [according to a July, 2003 article in the Harvard Business Review]. Social entrepreneurs are prepared to take risks and turn the model upside down. The bottom line throughout is social profit, and we should be able to measure that in qualitative and quantitative terms.

It's time for donors to stop thinking in terms of giving anything away. Donors need to take the mindset of an investor and become social investors.

Q: Do you plan to give your fortune away during your lifetime?

Philip: We fully expect to spend down the endowment and top it up again with family wealth. We are probably spending down 7% to 8% annually. This year for the first time, we are accepting donations. Because we use our

endowment to cover all of the operating expenses for our work, 100% of our donor dollars reach the cause.

Q: You have three young children. How do you educate them about your philanthropic work?

Donna: Actively, and by example. I guess it is part of their life curriculum. They have been coming to Ethiopia with us every year -- four times now. It allows them as individuals to have a greater perspective and balance. My youngest turns off the faucet when brushing his teeth because he now sees the value of water. Our eldest son, who is now 18, is taking his own initiative and uses his philanthropy allowance. In addition to that, he is active in A Glimmer of Hope. He is taking a year off before college and spends four mornings a week at A Glimmer of Hope, learning how this world of social enterprise works. One morning a week, he's down at the Boys and Girls Club.

Q: You provide your children a philanthropy allowance?

Donna: When Ryan was either 15 or 16, we gave him a sum of money to invest in a charity -- none can come to A Glimmer of Hope. This is the third year, and he's gotten very interested. He is now working voluntarily at the Boys and Girls Club. I really do believe the Ethiopian visits have been instrumental. Something has moved in him for it to be self-motivated.

Q: What advice would you have for others who are interested in following your philanthropic lead?

Donna: It has to come from a place of true passion.

Philip: I would add that one must treat it as a business and all that goes with that. It's a balance between heart and head, and both have a role to play.