

Vicki Escarra

CEO, Opportunity International

Drucker Forum, Keynote speech

SPEAKER: Vicki Escarra, CEO, Opportunity International

TITLE: The best of both worlds: a hybrid approach to social enterprise

SYNOPSIS: Opportunity International CEO Vicki Escarra spent 30 years in the private sector before shifting gears to nonprofit management first at Feeding America, and now leading Opportunity International. Ms. Escarra will give an overview of how she applied her business acumen in transforming Feeding America into the U.S.'s largest hunger-fighting organization and what her plans are to plot a new growth trajectory for Opportunity International.

With Opportunity International as a case study, Ms. Escarra will examine a stacked capital approach to nonprofit management, where both earned and philanthropic income play integral roles in the organization's mission. What are the management challenges within, and how does Opportunity International overcome them? Ms. Escarra will detail Opportunity's unique hybrid approach to microfinance from the sources of its capital to its investment approach and its private-equity styled commitment to clients based in some of the world's most challenging locales.

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Thank you. It's an enormous honor to be here at the Global Drucker Forum, with so many innovators in business, management and the social enterprise field.

Peter Drucker said, "Management is doing things right, leadership is doing the right things." In managing a nonprofit, you need to do both. The organization itself, to be most effective, must be managed like a business, but your product must be game-changing and your team must be driven by a mission. So being a leader who can articulate and sell the idea to employees, individual and corporate donors and strategic partners is a must.

I spent 30 years at Delta Airlines before switching gears to the nonprofit sector. That's not as big of a stretch as one might think. (Joke about airlines being a "nonprofit" industry).

I began at Delta as a flight attendant, and went on to hold 20 different jobs across the organization. As the head of international operations, I had 52,000 employees under my watch... all the airports, all the flight attendants, all the call centers -- worldwide. I was then

promoted to Chief Marketing Officer, with responsibility for not only marketing, but also revenue generation – one week before 9/11.

I managed through the seismic shifts in the industry and our relationships with customers. And I learned a thing or two about creative revenue generation and stakeholder management.

I moved into the nonprofit sector fueled by the feeling that it was time to give back, and, specifically, that it was time to bring the skills I'd honed in business to a cause I cared about deeply.

From day one, I was guided by a firm belief in strategic planning and metrics. As Peter Drucker said, "Unless commitment is made there are only promises and hopes ... but no plans."

Strategic planning, then publicly sharing those plans with your board and with your key stakeholders, puts a flag at the top of the mountain that serves as a rallying cry. All the more important when leading a nonprofit movement.

I brought these same principles to Feeding America, then known as America's Second Harvest

- a. Outcomes-oriented strategic plan
- b. Measurable goals which we exceeded
- c. Re-branded and re-launched
- d. Tripled fundraising in six years
- e. 13 billion people reached by our PR campaign in 2012, up from 500 million in 2006
- f. Increased clients served from 25 million in 2006 to 37 million in 2008

We achieved our goals by casting a wider net, building public/private partnerships and finding common ground amongst unlikely bedfellows

- a. Won over a paralyzed-by-partisanship US congress, and passed two pieces of key hunger-fighting legislation
- b. Struck corporate partnerships with WalMart, Coca-Cola and many others
- c. Today Advertising Age calls Feeding America "a go-to organization for marketers."

At Opportunity International, I'm beginning much the same way.

- a. The organization has a 40-year track record of providing microfinance services to more than 4 million people worldwide. Client by client we are empowering the 3 billion people struggling to survive on less than \$2 a day.
- b. The foundation is there. And there's much to be proud of. But we can do more. We can do better.
- c. I'm engaging every resource at my disposal to build a more efficient and effective organization so we can scale to deliver even more of what we do best and serve more people.
- d. Opportunity International is one of the best-kept secrets in the nonprofit world. We have a model that works effectively to efficiently deliver against our mission.
- e. We are deconstructing the organization, examining it on every level
  - i. Listening
  - ii. Observing
  - iii. Planning
  - iv. Partnering
- f. Similar to Feeding America, the number one goal is to tap into largely unrealized marketing and fundraising potential, cast a wider net and create a mass movement.

I began my role as CEO at Opportunity less than three months ago and since then it's been both a marathon and a sprint to meet our 2012 goals while beginning to plan the seeds for 2013 and beyond.

Amid the hustle, I stay grounded and disciplined by calling upon skills from my corporate life each and every day:

- a. strategic planning
- b. metrics
- c. measurement
- d. marketing

Importantly, not being afraid to challenge and break the mold. Like Peter Drucker, I believe that there is no worse waste of time than doing things without a goal in mind. So while I question the basics, I'm not compelled to fix that which is not broken. And one thing that works, fundamentally, is Opportunity's model of empowering the world's poorest populations and leveraging and reinvesting our funds so that every \$1 will equal \$6 over five years.

This short video will illustrate for you Opportunity's impact on the developing world, one client, one loan at a time.

(VIDEO PLAYS HERE)

Today's best nonprofits are run like businesses -- with a sharp eye toward a clearly defined purpose, efficient operations, achievable goals and measurable results. Opportunity International's model does all of the above.

But we also have a slightly non-traditional financial model that I think you will find intriguing.

Opportunity International employs a stacked-capital structure to achieve our goal of reaching scale to support our social-change vision. We can't survive on just philanthropic dollars or just commercial capital. We need both. And as a global social enterprise, we believe grant funding is critical to fueling the engine of our mission and is necessary to leverage the other types of dollars. We raise and deploy different layers or types of capital throughout our microfinance banking and enterprise support network.

- a. We have nearly \$800MM at work:
  - i. 1/4 in equity, 1/4 in small-scale deposits (which we view as a key source of future growth), 1/4 in philanthropic capital; and 1/4 in commercial capital.
  - ii. As you can tell from the math we have about \$3.00 and leverage for every \$1.00 of philanthropic capital that we have invested as equity in our 50 microfinance institutions worldwide.
    - i. We provide microfinance services – loans, savings and insurance – through banks, many of which we actually own, across 20 countries.
    - ii. While the banks are capable of generating earned income, they need start-up and expansion funding. Philanthropic capital helps us to scale up our operations quicker and with greater efficiency.
    - iii. The three to one leveraging effect we talk about kick starts only after the microfinance institution has established its profitability.
    - iv. Savings mobilization accelerates the capital formation, which we envision will be a major source of growth capital in the future.

In microfinance we have learned that profit maximization on its own can undermine those we seek to serve. Opportunity International has been at the vanguard of demonstrating that commercial-oriented microfinance banks can, in fact, maintain their mission.

- a. As banks, we don't generate the returns that would leave capitalists happy with our ROI. But when you look at our ROI as an organization, leveraging the capital we have and recycling the philanthropic dollars, the return is extremely impressive. As I mentioned earlier, \$1 will equal \$6 over five years.
- b. We've accomplished this by taking on banks where the leaders are social maximizers, rather than profit maximizers.
- c. Our donors and staff are not focused on the financial returns for Opportunity, we are focused on the emotional return of better lives for our clients.
- d. We are not the only microfinance organization using equity capital and owned banks in this way. Those you read about in the paper who are trying to satisfy investors with steep interest rates on microloans are the minority by far.
  - i. our interest rates range from 2-4 percent per month. The interest helps to fund the services wrapped around our loans, such as leadership and financial training. It also helps us to finance microinsurance at such low premiums.
  - ii. It is a constant tightrope of balancing the banks' needs vs the clients' needs
  - iii. And our mission tells us that the clients come first
- e. However, we are unique because comparatively, we are a more diversified organization managing businesses in many different and challenging environments.

We consciously choose to invest in banks that are often the toughest countries to work in, believing that we are adding value to the industry by entering markets that might not otherwise be served.

- a. Because of this, we are more conservatively leveraged. And we have to be, because the loans we provide are riskier.

- a. This is due to macro-economic environment risks, such as unstable governments, civil unrest, lack of basic infrastructure and taking on the world's poorest clients who generally have no credit history, no collateral and little, if any, education.
- b. Take Southeast Europe, for example, where the environmental pressure has been extreme in the wake of the Euro crisis. We need to build that political and economic risk into our models. The stacked capital structure provides us with further insulation.

So we must know how to run a business with banks that operate in the black and fundraising that supports our ability to continuously provide loans and incremental services to those who need them and will turn them into success stories for not only for themselves, but their families and their communities.

- a. Despite all these apparent challenges, it's important to note that 95% of our loans are repaid.
- b. Our clients not only have access to financial services, but also leadership training, financial coaching, education on preventative health, communication skills and family management. We deliver, in essence, a private equity approach to microfinance that helps our clients grow into true entrepreneurs and community leaders who will ultimately pay it forward.

I want to close with this and then I will take your questions.

Peter Drucker once said, "Every single social and global issue of our day is a business opportunity in disguise."

Too often we celebrate the experts who speak at conferences like this one and forget that the most innovative social entrepreneurs will come out of the slums, the shanty towns and the rural villages.

Our clients are the entrepreneurs who are tackling extreme poverty, one of the biggest social issues of our time, head on.

There's Comfort Appiah, a social entrepreneur I had the pleasure to meet in Ghana, solving education problems in her very impoverished neighborhood. Today, with loans of \$3,000 and \$4,500, she's educating 800 children, employing over 40 of her neighbors, and sending all four of her own children to university.

There's Eugenie Nyirabagenzi of Rwanda, one of our many subsistence farmer clients, who, with the help of microloans averaging \$300 and our entire agricultural finance infrastructure, are producing more food to feed their families, their communities and their countries. Since working with Opportunity, Eugenie has hired three workers to bring in her crops and she has established an Opportunity savings account and crop insurance to keep her from slipping back into poverty if disaster strikes.

There are mothers like Beduith Beltran of Colombia, who are fighting to support their families and coming together through the Opportunity International Trust Group model in ways that would inspire us all. These trust groups work as teams to guarantee each other's loans, advise each other on business and life management and serve as leaders in their communities. Beduith began working with us with a \$31 loan to build her furniture repair business. Illustrating how our clients grow into leaders, Beduith recently rallied her Trust Group members to raise money to repave the main road in their community.

Together with our clients, Opportunity International is building businesses in some of the most challenging environments around the world to support the people who need economic innovation most.

This hybrid approach requires a commitment to everything Peter Drucker believed in: management by measured goals and results, an eye on the greater public good and a constant re-evaluation of what success looks like and the best route to get there.

Thank you.