

To complement our look into the challenges that business-owning families are facing with regard to their philanthropy, *Families in Business* conducted an online survey. You can read a selection of the survey results in the “Survey Notes” boxes and accompanying graphics.

SELECTING PHILANTHROPIC PROJECTS

It seems ironic that when it comes to charitable giving the rigour and research that make people successful in business often deserts them. “Many business people write cheques to causes close to their heart rather than thinking carefully about which philanthropic activities will give them the biggest social return on their investment,” says Caroline Underwood, director of philanthropy and partnerships at UK charity Save the Children.

While it makes sense to select causes that dovetail with their own personal or business interests, family businesses looking to give should go through the same due diligence process they use when selecting a new business partner or supplier, says Underwood. That would include a review of the charity’s financial probity, the effectiveness of its fundraising, and its success in benefiting the cause it was established to help. Potential donors should also ensure that they get a full report on the impact their donations are making, she adds.

“Save the Children publishes a very detailed impact and monitoring report – something the charity sector has not historically been very good at,” she says. “But charities should also be offering donors the opportunity to get involved so they can witness the impact of their giving first-hand.”

Some see it as a duty, some see it as essential to creating a legacy, some just love to do it. Whatever the motivation, philanthropy is as popular as ever. It doesn’t mean that it is simple, however. Here we look in-depth at the biggest challenges in philanthropy today ...

Philanthropy uncovered

SURVEY NOTES: PROJECT SELECTION

For many, the philanthropic journey begins by selecting projects with which they would like to become involved.

The *Families in Business* reader survey has revealed that the majority (43%) of philanthropists view their approach to project selection as strategic – ie, they select projects that fit into a wider philanthropic objective.

Up to 18% see their approach as specific (selecting a specific charity) while just 7% take a portfolio approach (selecting a range of charities that are given to on a regular basis). Nearly a third (32%) say they use a combination of approaches.

In order to get selected, projects must fit in with a family’s overall philanthropic objective, according to 64%. Good communication between donor and recipient before funding and the availability of feedback on how the money is being used were cited by 21% and 14% respectively.

When it comes to withdrawing support from a specific project, respondents said that a lack of communication between donor and recipient was the most likely reason, followed by a failure to deliver on its objectives and a defined exit-point arriving.

Just 4% said they would withdraw support if a project fails completely, suggesting that philanthropists do not expect that everything they touch will turn to proverbial gold. Despite this, project selection is a key stage on the philanthropic journey.



A scattergun approach to philanthropy is counter-productive too, warns Underwood. "Agreeing some sort of broad giving strategy not only helps focus your philanthropy and allows you to make a significant impact, but it also helps position the company as professional and strategic in its communications with customers and shareholders," she points out.

Melanie Schnoll Begun, a managing director of Citi Global Wealth Management and head of Citi Family Office Philanthropic Services in New York, believes that some of the most effective family philanthropic programmes focus on the local community or an aspect of society linked to the business's activities.

"One of my family business clients, for example, is a successful oncology practice. They have created an extensive database of research about the most effective combination of drugs to treat a range of different cancers, and made it available free of charge to hospitals, patients and their families across the US," she explains.

Having a focus for your philanthropy also helps guard against being inundated with requests for help. "There is a real danger in trying to support too many large projects, because it becomes difficult to monitor the effectiveness of your giving," says Oliver Hylton, senior advisor to Michael Hintze, founder of the UK-based Hintze Family Charitable Foundation.

Hintze has an impressive record on philanthropy. He is a trustee of both the Prince's Foundation for the Built Environment and the Institute of Economic Affairs, a member of the International Council of the Victoria and Albert Museum, chair of the finance committee of a local Roman Catholic church and he also runs the Wandsworth Museum in south London. He and his wife support Trinity Hospice and the Old Vic theatre and are patrons of the Arts of the Vatican

Museums. He endowed a €1.3 million chair of international security studies at his old university in Sydney, Australia, and is currently heading up a capital campaign for a big building project there.

The Hintze Family Charitable Foundation gives €13 million a year to 140 different charities, and receives around 40 requests every day. "A condition of our charitable foundation status is that we support religion, education and health, so we sift out requests that don't fall into those categories," explains Hylton.

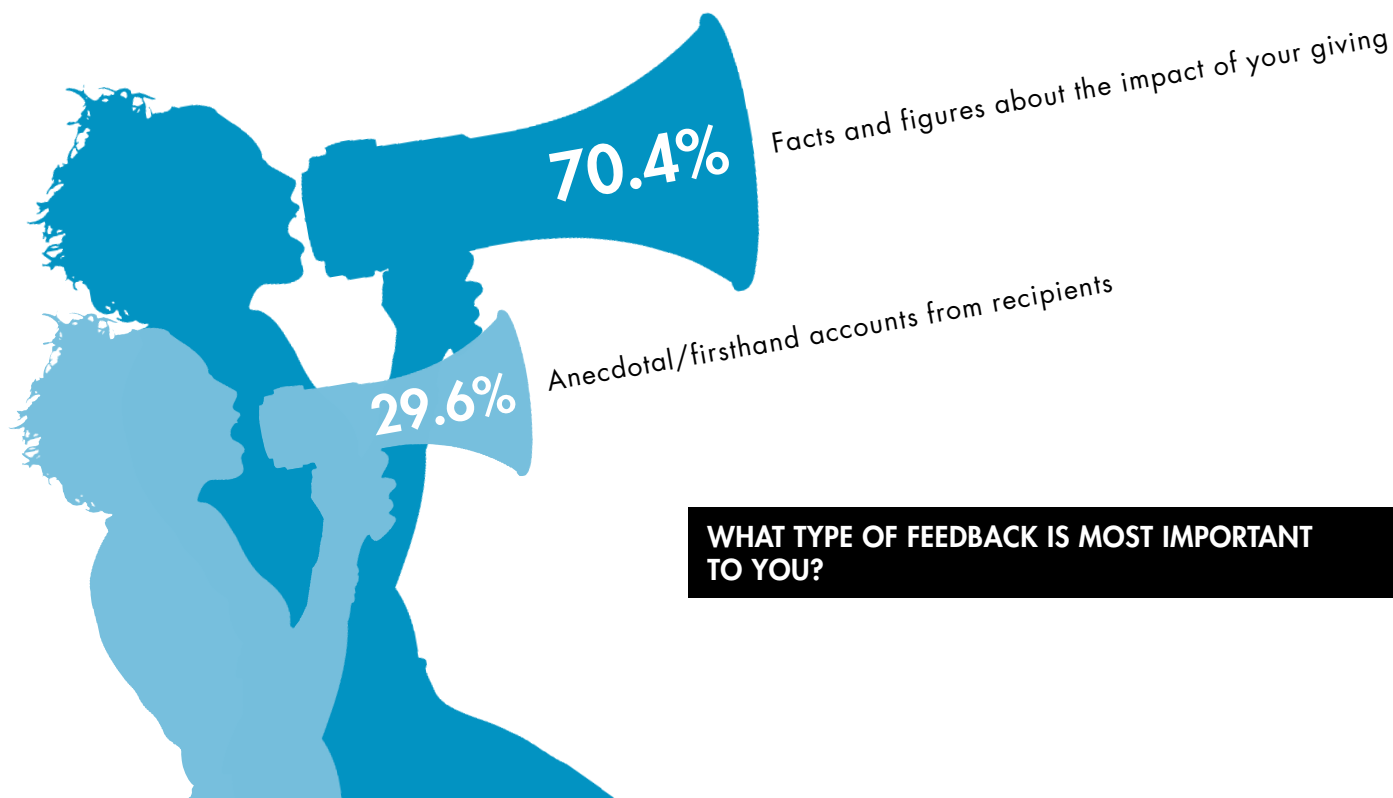
The foundation is, however, happy to support an array of smaller charities – provided they are professionally run – where, as Hylton says, "smaller donations can have a disproportionately large effect."

Indeed, the frequency and size of donation is less of a consideration when selecting charities to support than the length and flexibility of involvement those charities afford, says Hylton.

"We might want to increase, decrease or even withdraw funding completely," he says. "For example, there have been situations where charities we have supported have become quasi-government agencies, and we don't like that."

There is also the danger that charities may become dependent on your help, and their sustainability should figure in decisions whether or not to donate to them. "It might make sense, for example, to give in areas where your donation will trigger other donations or government money, or will encourage self-sufficiency," advises Underwood. In any case, she says, having a three- to five-year plan for your charitable giving makes sense, "though you should review it on an annual basis to ensure it is working for you."

However, managing philanthropic activity properly is time-



WHAT TYPE OF FEEDBACK IS MOST IMPORTANT TO YOU?

consuming, and growing numbers of family business are turning to specialist advisors for help with selecting projects. At Citi, Schnoll Begun creates portfolios of charitable activities for her clients, based on their values, vision and passions, along with their philanthropic style, attitude to risk and length of time they want to be involved. She tries to restrict a family's involvement to no more than five different charities, which she seeks to ensure reflect the particular interests of different family members and generations.

While growing numbers of family businesses are starting to channel their giving through charitable trusts or foundations, this approach is not suitable for everyone, she continues. The regulation associated with such structures can help "professionalise" a family's charitable giving, but may also restrict what, how and when you support, she points out. "There is nothing wrong with just making an ad hoc gift." But, whether ad hoc or structured, a family should select projects by using its head, not its heart.

ANALYSING FEEDBACK

It is a truism of the fundraising business that the best prospect for a new grant is an existing donor. Yet grant recipients consistently fail to provide feedback to their donors and, with that failure, they miss many a trick for it is inspiring feedback that engages a philanthropist's continuing support. Success breeds success. If the business case for grant seekers to provide feedback is clear, why should philanthropists want to receive it?

"Once you decide to back an organisation, it's hugely important to get good feedback from it. Otherwise, how can you judge whether your philanthropic investment has been successful and how can you learn to improve what you are doing in the future?" says Catherine Roe, who ran two foundations for many years and now consults on philanthropic giving.

"The point of philanthropy is not to be generous and well-intentioned, valuable as these qualities are," she continues.

"It is to achieve the change you are seeking to achieve. That means monitoring the results of the projects and organisations you fund and, most important of all, learning from this feedback so that you can refine and improve your strategy for achieving your philanthropic goals. Measuring the performance of the organisations you fund can also do wonders to help them understand how to work more effectively."

Yet feedback is a notoriously difficult issue in this sector. "Measuring performance is tricky, to put it mildly," says Roe. "A number of approaches have emerged but, not surprisingly, they are all flawed. It's so much more complex than measuring a financial bottom-line. What is the equivalent of profit if you are measuring increased well-being?"

One approach, borrowed by grant makers from the world of international development, is Logframes (Logical Frameworks), a strategic planning tool that helps align a project's activities with its "goals" (the change you are seeking to achieve) and sets out in advance the expected "outcomes" (the impact or results), the "outputs" to be used for achieving them (the means to the end) and the "indicators" to be employed to measure outputs and outcomes. Another approach, borrowed from the world of business, is the Balanced Scorecard which has proved to be transferable to the not-for-profit world because it does not focus wholly on financial outcomes but also measures other aspects of performance.

"Where performance measurement comes unstuck", Roe says, "is where you get to the Holy Grail itself – social impact. You may know, for instance, that 100 counsellors have been trained but how do you measure the increased well-being of the people they help and how much of that increased well-being should be attributed to their work?" To this end, a number of foundations have been developing methods of measuring the social value created by not-for-profits. But it is a complex task, beset by many problems including that of attributing impact among the often multiple forces and actors

involved in the change created.

Roe thinks it is important, all the same, to expect feedback and to measure as much as you can. "At a minimum, the organisations you work with must account to you for the money you have given them, certainly as a prerequisite for further funding. Beyond that, they can report against milestones you have agreed with them for the progress of projects or for their own institution-building. They can also report on the benefits they have delivered; for example, how many training courses have been taken by how many people? Then, if quantitative measurement of the impact on the ultimate beneficiaries is too difficult, some kind of qualitative reporting, perhaps in the form of case studies, can at least give you a flavour of what can be achieved from which you can learn."

How far you should go in trying to measure impact has to be a question of judgement. The bigger the problem you are tackling, the harder it is to measure the impact of your intervention. The more bespoke and sophisticated the feedback you require, the greater a burden it is on your partners to deliver in terms of time and money. The longer you give to allow outcomes to become apparent, the more profound the change measured may become. The harder you focus on finding indicators of impact that are usable, the more your intervention is skewed towards those indicators which may not necessarily reflect what matters most about the work you are backing.

Roe thinks that philanthropists have to get the best picture they can, without overburdening their partner organisations, and accept that the picture will be far from perfect. "It's important to bear in mind that some kinds of impact – from cultural activities, for example – are harder to assess than others. If philanthropists get overly fixated on performance measurement, they'll avoid these other areas and that would greatly impoverish the overall philanthropic effort. If you seek perfection in measuring results, you may find you become paralysed into inaction and help nobody. It's about balance. What matters is to engage with your partners in properly preparing a strategic plan which includes sensible and achievable performance metrics, and then use the feedback you get to learn how to improve what you are doing."

FINDING ADVISORS

For many wealthy individuals and families, the actual process of philanthropy can present as many obstacles as it ultimately offers rewards. Defining the motivation for giving, developing and implementing a strategy, and measuring the success or effectiveness of the funding activities all pose unique challenges.

"Giving away money was far more difficult than I thought it would be," says Diana Barrett, president of The Fledgling Fund, a New York-based family foundation. "There is a steep learning curve to this type of work, which I don't think most

"If you seek perfection in measuring results, you may become paralysed into inaction and help nobody"

people realise until they are well into the process."

Finding the right advisors to help them through the various phases of charitable giving can be one of the most difficult parts of the process for numerous donors. "Making the money and giving it away are two totally different things, and they require different advisors," says Heidi Steiger, former executive vice president of NeubergerBerman, consultant and senior advisor to Lowenhaupt Global Advisors. "It's important to get the right advice from the very beginning."

Barrett agrees, noting that finding the right advisors for the different phases of giving can save time and money, avert legal mistakes, and prevent ineffective giving. Barrett, who taught Strategic Philanthropy at Harvard, notes that her work "investing in communities and ideas" has been a journey that required many mid-course corrections, saying, "It's a mistake to think that you can get all your answers with one-stop shopping."

"People have very different reasons for engaging in philanthropy and the advice has to be aligned with your goal," says Steiger. In order to find the right advisor initially, Steiger maintains, one needs to understand if the philanthropy is a teaching tool to communicate the legacy of the family to future generations, a specific mission, or some other theme or impetus.

"These are personal issues," confirms Barrett, "Why are you doing this? Do you want to be anonymous or not? How much time to you want to spend on it?"

One's goals for philanthropy may evolve over time and may require input from advisors, therapists, or loved ones.

SURVEY NOTES: FEEDBACK

Whereas, once upon a time, philanthropists would have been happy to give their money away and forget about it, today they expect to be much more involved in how their money is being used.

It is unsurprising therefore that every single respondent to our survey regards receiving feedback about projects as being either "very important" or "important".

Although a majority (34%) do not set benchmarks for their feedback, those that do prefer to draw on past experiences. Nearly a quarter (23%) use benchmarks similar to those that they use for their business, while 11.5% are happy to rely on benchmarks set by other people.

Exactly half of respondents said that face-to-face dialogue with a charity/project was preferable when it came to deciding how they like to receive feedback.

For those who preferred a written report, 35% would rather have a report tailored specifically to them. A minority (15%) said they would be happy to receive general/annual reports.

Some commented that they required both written reports and face to face dialogue, while others said it depended on the type of charity, the amount given and the depth of the relationship.

One respondent noted that tailored reports "require extra attention and thus cost, so in some cases annual/general reports are enough for us."

After running her own family's foundation for 10 years after leaving Harvard, Barrett recently decided to increase her time commitment to the Fledgling Fund's initiatives. Family and friends were instrumental in helping her make what has been a very positive decision.

Deciding what you want to do is only the first step in the philanthropic journey. According to Steiger, "The strategy has to include not only who or what you're supporting but how you're going to do it ... if you're serious about making an impact."

Practical matters such as setting up the right legal structures or vehicles for an individual's or family's specific financial, tax, or multi-generational situation must be addressed, says Steiger. Significant planning is involved in deciding whether to set up a private foundation, to work in partnership with outside organisations, to establish administrative capabilities in-house or to outsource work.

Finding good estate or tax attorneys is one of the easier tasks, says Steiger. Most financial institutions may have internal capabilities or can refer high-quality counsel or advisors.

Steiger and Barrett advocate creating partnerships and tapping existing foundations or organisations for help, research or training. They mention the Rockefeller Foundation and Rockefeller Philanthropic Advisors as excellent resources for fledgling or veteran philanthropists.

"Why reinvent the wheel when so many organisations are already doing excellent work in the field?" asks Barrett, who in the mid-1990s attended a Rockefeller Foundation Strategic Philanthropic Workshop, a course which is now run out of The Philanthropy Initiative in London. The four-week workshop served as an invaluable learning experience and networking opportunity. A decade later, she looks to her fellow attendees for advice on everything from grant-making to research to finding consultants, as well as potential co-funding of projects.

Narrowing one's focus, researching organisations or mis-

sions, making gifts or grants, and managing the back-office functions can be challenging parts of the process, even for well-established philanthropists. Advisors may be harder to identify in these areas, but can be key in helping achieve goals efficiently and cost-effectively, says Barrett.

Networking with other families at asset management or family office conferences is one of the best ways to identify these niche or specialty consultants. "The big players are fairly easy to identify," says Steiger, "but the niche consultants tend to be harder to find and families generally learn of them through word of mouth or personal referrals."

Barrett suggests that philanthropists develop peer advisory groups or partners to advise on functional areas and recommends retaining consultants for content issues such as researching specific organisations or areas of interest. She found both a freelance consultant and a back-office and administrative provider through recommendations from her asset management firm.

GENERATIONAL CHANGE AND PHILANTHROPY

Part of the sea change that philanthropy is going through relates to a generational shift in the leadership of philanthropic foundations.

Through her work as executive vice president at Changing Our World, a US-based consulting firm that works with non-profit organisations, foundations, companies and individual philanthropists, Dr Susan Raymond is seeing a new generation of philanthropists emerge as the founders of many long-established family foundations are now handing over leadership to the next generation.

Raymond says that one family foundation her organisation works with, which is being taken over by the daughter, is emblematic. The daughter is a lawyer with an MBA and her approach is very business-oriented. "She is as empathetic a person as her father – as dedicated, as committed to the soci-



etal commons. In those ways, you wouldn't be able to distinguish them, but she looks through a different set of lenses," explains Raymond.

Her father thinks this is great, but not all foundation leaders would be so enthusiastic. Raymond says she has heard from investment bankers and those who work with families that founders of foundations are concerned about the loss of passion that comes with the transfer of philanthropy to the new generation. "There is a discomfort by the generation in front that a lot of the passion, the heart, the personal resolution that they have brought to their philanthropy is going to get compromised by this new way of looking at things."

This feeling was echoed from the other side of the generational divide by a 40-something US philanthropist who recently told Raymond that the difference between his generation and that of his parents was that the latter had come to maturity in the social movements of the 1960s and 1970s, and the passions those activities aroused carried over into their philanthropy.

He said that unlike his parents, he had not come out of a social movement, but rather had always been a businessman and this informed his approach to philanthropy. He asks non-profits about their management plans, their impact statements, how they are going to measure what they do. He does this not because he is being cross or hard-nosed, but because he has a different mindset than his parents.

Generational differences in approach to philanthropy can lead to conflict within families. "That's a generalisation that's more true than not," says David Horvitz, chairman of WLD Enterprises, a private investment firm and family office of the William D Horvitz family. "I'm hoping that in my experience with my children that doesn't happen."

He says conflicts often arise around the issue of looking critically at non-profit organisations. "In philanthropy today, whether you're an old guy like me or younger, it's almost a given that charitable organisations have to be able to show they're efficient and effective, that their mission is important. I'm trying to teach my kids to accept that as a given, but that to me is not the most important thing to measure. The most important thing to measure is whether this organisation is doing a good job at something that's very important."

Horvitz says he gives grants every day to organisations that aren't very efficient and aren't managed especially well. Why? "Because sometimes they do very important work. And I think especially with young organisations, some of the most entrepreneurial and creative organisations don't have their act together yet, and sometimes they waste some money, but mostly they do good work."

He freely admits this approach hasn't always

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SURVEY NOTES: ADVISORS

Respondents proved that they prefer to do their own thing when it comes to philanthropy. Fifty nine percent said that they did not actively seek advice to help them with their philanthropy.

For those who did, however, when it comes to analysing who has been the most worthy advisor there was a clear winner: 59% chose an independent philanthropy advisor/institution.

Peers and family office executives got 18% of the vote each but family members only got 4.5%.

Some respondents preferred a combination of family members, family business advisors and independent philanthropy advisors. One or two also mentioned the internet and specialist print publications.

When it came to deciding at what stage on the philanthropic journey advice was most necessary, respondents answered as follows:

Setting up a philanthropic vehicle	21%
Deciding your philanthropic mission/objectives	25%
Project selection	17%
Measuring impact	33%
Involving the next generation	4%

* To read the results from this survey in full, visit our website at www.familiesinbusiness.net. In addition, you will be able to read advice from other families on how to succeed in giving.

turned out well. He says he and a group of philanthropists in Fort Lauderdale once guaranteed loans to a local organisation that had been successfully providing a residential safe place for at-risk adolescents and now wanted to expand. Once the organisation received the loans, however, it was unable to manage the expansion process and eventually went out of business, leaving the children without a needed service. "That was a mistake we made in funding an expansion without doing sufficient due diligence and understanding enough to have said no, expand more slowly, get your infrastructure in place. That was a serious seven-figure lesson I learned."

Horvitz says that when conflicts do arise between founders and their children, these sometimes revolve around family dynamics, with the older generation using philanthropic money as a lever of control and the younger generation using their new-found powers to assert independence. Those issues are real and distracting, and need to be negotiated. He says the founders must teach their children as best they can and then turn over control, realising the younger generation is not going to conduct philanthropy in the same way as the founder. "You've got to suck up your ego and forget this idea that 'I'm older and smarter'; you just hand it off and let them learn partially by what you taught them but also partially by their own experiences."

Easy to say, but tough to put into practice, he admits. "The hardest thing for me to do in my family foundation where all my kids are involved is to keep my mouth shut." ●