

The International Family Offices Journal

Editor: Nicola Saccardo

Editorial

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Barbara Ruth Hauser and Winnie Qian Peng

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Navigating the paradoxes of the single-family office – implications for leadership and holistic wealth creation

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Selection from STEP News Digests

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Welcome to the 29th issue of The International Family Offices Journal!

Nicola Saccardo

Welcome back from the summer break and to the 29th issue of *The International Family Offices Journal*. We have another excellent selection of articles in this issue for your consideration. The return after the summer months often has a back-to-school feel for both families and professionals in the family office space, as we look to the challenges and opportunities ahead.

This issue includes interesting insights on family enterprises. Jill Barber, Torsten M Pieper and Greg McCann examine dynamics affecting family enterprises and those who serve them, including the assumptions that can hurt the dynamics and distract from the fulfilment of a family's desires. In his article "Why does family governance fail?", Dominik v Eynern looks at the importance of family governance and why family systems are more prone to behavioural risks than non-family businesses.

Barbara Ruth Hauser and Winnie Qian Peng focus on how traditionally Western-facing family offices might be tailored to meet Eastern values. They explore research undertaken by the Bank DBS Singapore and set out a thought-provoking new family office model, drawing on Confucian values from the East.

On the other side of the world, we focus on Spain. While Spain has not traditionally been thought of as

an attractive jurisdiction for high and ultra-high-net-worth individuals, Florentino Carreño and Beatriz San Basilio of Cuatrecasas in Madrid, set out details of why it is a more favourable jurisdiction than people might initially assume. They focus on the 'impatriates regime', introduced for those moving to Spain for employment or investment purposes, and its interaction with other taxes.

How to engage with families on environmental, social and governance (ESG) factors is the focus of Shelly Meerovitch's article, where she draws on her experience in this space. She looks at how to integrate ESG factors when the outlook of family members to such matters can vary significantly, with a focus on the Investment Policy Statement as a key tool.

The use of private trust companies is something we see more and more in the family office sphere. A new Swiss alternative has entered the market, the dedicated trust company (DTC). Jessica Schaedler introduces this structure and provides a helpful comparison of PTCs and DTCs in the Swiss environment.

Litigation in and around wealthy families continues to be an important topic and provides lessons for those advising them. Marcus Parker and Judith Swinhoe-Standen look at recent litigation trends focusing on mental capacity and the restructuring of trusts in the UK context. They go on to examine conflicting global cases focusing on the use of trust powers for improper purposes.

As family offices grow and become more sophisticated so do their requirements for the families they serve. Christian Stewart explores the role of a chief learning officer (CLO) and how they can add to family offices and human capital of the families they serve. This article explains the purpose and function of a CLO.

Tsitsi M Mutendi then builds on earlier articles she has written for the Journal on diversity and the

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challenges raised by more global families. In her latest article, she looks at multigenerational family environments and how these result in constant flux for families and those who advise them. Her article includes an interesting case study for our consideration.

Lastly, Rebecca Eastmond and Peter Goddard draw on their vast experience of working in the philanthropic space to look at how to develop a successful philanthropic strategy. Including a

discussion by Peter of his responsibility for a new foundation focusing on mental health.

The Journal closes with the usual highlights from the recent STEP News Digest.

To conclude, I am pleased to report that the third edition of the book *Family Offices: The STEP Handbook for Advisers*, edited by Barbara H Hauser and myself, has just been published by Globe Law and Business. We would like to thank all the contributors.

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Creating a long-lasting effective philanthropy plan

Rebecca Eastmond and Peter Goddard

The perspective of a philanthropy adviser – Rebecca Eastmond

More than 25 years of working in and around the philanthropic sector – serving as a trustee of a small family foundation and as the CEO of a charity, and as an adviser to philanthropists, grant-making foundations and charities – has convinced me that philanthropy can achieve much more than it often does.

I have seen, over and over again, that a great deal of money is given by well-meaning people to hard-working charities every year without very much changing. And, despite the scale of global need and the complex and important challenges we see around us in the world now, we still often hear trustees and philanthropists say that they struggle to find good causes to support.

So how do we shift the paradigm?

My work every day is supporting those – trustees or individual philanthropists – who are seeking to make their charitable giving simple, inspiring and, crucially, impactful. To that end, my colleagues and I have developed a toolkit that we've used over and over again to help get our clients to become truly effective and impactful in their giving. And it works.

Starting with values

We start every conversation with a new foundation or individual philanthropist client by asking the same questions:

- What makes you angry or sad about the way the world is now? What would you like to change?
- What good things do you see in the world that you would like to encourage?
- If you could fast forward by five years and achieve just one thing with your philanthropy, what might that be?

These questions lead to a discussion that is centred not on what you have given to before, what is expected of you or what your friends are supporting, but in what deeply matters to you. When we ask

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people these questions, they talk to us of injustice, the destruction of nature, of the importance of dignity and of kindness. They bring their deepest values into the conversation.

Reflecting on these questions and their answers to them, grounds a philanthropic strategy in what truly matters to the donor as well as to the world and creates a sense of urgency that will make all the difference to the work that grows from the initial strategy.

I remember speaking to a family a few years ago. They were generous philanthropists – supporting schools and scholarships in their neighbourhood – but they weren't inspired by their giving. During our initial discussion, I learned that most of the family were doctors, they cared deeply about supporting those who were suffering and they were passionate about ensuring that the best quality, holistic, support for those managing pain was accessible to all. The one gift they made that caused their faces to light up was the installation of a sensory garden in their local hospice.

Reflecting on their values together enabled the family to refocus their giving exclusively on palliative care. What's more, the process of working through the values exercise together ultimately enabled the family to give more and to give more effectively.

Understanding the landscape

Philanthropy seeks to solve the hardest and most complicated problems that exist – the ones that neither business nor government have solved. Recognising this, one must understand that, although understanding one's values is a great beginning to the journey, it is far from the end of that journey. Giving does not happen in a vacuum.

Good giving often begins with focusing your efforts – whether you are working on community development, homelessness or mental health – and then by understanding the complexity of the problem you are trying to address. You will find that the types of solution that exist have lots of related complexity and interdependence, and the role that grants can play will vary. Good giving usually means starting any journey into making change by asking a lot of open questions.

For instance, we know that there is a lot of good quality mental health research and knowledge on the shelves of universities. But we also know this good quality work is not being translated quickly or widely

enough into good support for young people who need it. How do we close the gap?

We might start by asking what are the barriers to widespread support right now? Can the problem be solved purely by hiring additional clinicians and adding them into the system? If that isn't practical, who else is well placed to help young people? And what tools do those people need?

And once we understand the barriers and have a hypothesis for how we might help, we might also ask, who isn't being reached at the moment? We know that 80% of suicide cases are people who haven't sought help. How do we reach those individuals?

However, in any area of work, and despite how good your landscape analysis is, you will not enable anything to change for the better without trying things out. We would never expect a foundation or philanthropist to have all the answers on day one of a new strategy. Instead, we would aim to choose initial interventions that look promising based on what we know and to create check-in mechanisms that enable us to learn and adapt as we go. A good donor is an adaptive donor.

As we search for ideas and charity partners, a useful rule of thumb that we work with is to look for things that are important, timely and impactful. By 'important', we mean does the intervention have real potential to improve lives? Is the timing right – can it draw in wider support? Do we already know that the approach works well and can grow? Or are we well placed to test an idea that could be catalytic if it does work well?

Understanding the kinds of organisations that you might support

Understanding an organisation is not just about checking for an issue area fit or deciding that you will work only with small charities, or with big ones. Good giving isn't transactional – you are building a relationship that is supportive of positive change. When you look for charity partners, I'd suggest that you should be looking for organisations with aims and values that align with your own.

A good charity partner is an informed partner – one that uses lived as well as professional experience and that seeks to collaborate with and learn from others in its sector of expertise. You will also be looking for serious ambition – does the organisation have a clear

plan to improve outcomes for those they serve and a razor sharp focus on what works and what doesn't.

In terms of values, you will want to see that learning is central to their work – that they are open and honest about what doesn't work, that their programmes are relationship-based, respectful and not time-bound (it's a rare programme that can change an entrenched societal issue in a day-long project) and that the organisation's leadership is courageous and tenacious – so that they will be able to keep going when the work inevitably feels hard.

Choosing the right partners

Of course, it's fundamental to ensure that the process of grant-making is delivered exceptionally well – in our office, this is the stuff of everyday life. However, it's far more important to choose the right partners. We carry out a detailed analysis of any organisation that we hope to support. We want to ensure that we truly understand the problem that the organisation seeks to solve and that their solution and approach feel right for what needs to be done. We also want to get to know the team – do they have the right leadership, governance, financial acumen, measurements and energy. We look for ambition and a commitment to measuring and understanding impact.

We also look for evidence of collaboration. For a charity, making change happen means not just lining people up inside the organisation, but influencing a wide set of external stakeholders – local communities, government etc – to shift an entire system.

Lastly, we seek to assess whether the timing is right for the change that we hope will happen, and we think through the level of risk considering if this intervention may fail and what level of risk feels appropriate for us given the context.

Focusing on the problem – rather than an enticing solution

There is no silver bullet to social change but there are multiple pathways to impact it. We would always advise anyone at the beginning of their giving journey to stay open to learning about new approaches and ways of working – stay obsessed with the problem that you want to solve with your philanthropy and be ready to change course if a particular solution you've tried out doesn't seem to work.

A couple of years ago, we were approached by a

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family who wanted to work on homelessness in their home city. As they learned more about the problem, their understanding of the drivers – and the complexity – of homelessness grew. They have ended up supporting organisations that focus on young people leaving the care system, on refugee journeys, and on vulnerable families. They do all of this – as well as helping to provide emergency accommodation for young people who are in immediate need of a bed for a few nights – because they listened to homeless people and the charities that serve them and they have come to understand more about why people become homeless and how that can sometimes be prevented as well as how homelessness can be ended.

The role of the grant-maker

We'd always advise a new donor to start by listening to those they seek to serve, to understand who is already operating in the space and – fundamentally – to remain humble in the face of the problems they care about. The landscape analysis we mentioned above is key to this.

We sometimes see new donors beginning their work in the social sector by creating a new organisation that will deliver solutions on the ground. This is rarely a good idea. More often than not, an organisation already exists that is delivering the programme you have in mind. And where a new organisation or a new programme really does need to be created, we'd suggest that those closest to the solution will already be thinking about it and a partnership with them might be a great way to get started.

We'd suggest that a good approach – unless you have serious, deep, relevant expertise – is to choose charity partners and listen to what they want to do, rather than try to design their programmes for them. We feel that our role as grant-makers is to give our charity partners the confidence to plan for and to deliver impact. We focus first and foremost on building strong relationships with our partners – based on trust and transparency. We act as a critical friend, reflecting on the work that our partners are doing, asking questions, making connections and sharing learning from other, relevant projects.

Building strong relationships

Relationships are based on communication. As a donor, do make sure that you check in regularly (not so much that you cause a problem) with your charity partners. We'd suggest that you arrange a couple of formal conversations each year and try to visit once a year if geography allows. And then keep in touch via joining their list-serves, signing up to webinars and staying abreast of changes in the organisation.

At the organisation I run, we send out a short, annual (anonymous) survey to both our clients (philanthropists and foundations) and our charity partners each year. We would recommend this approach to anyone interested in improving their practice as an adviser in any industry – the insights we have gained through our survey have helped us to significantly improve our work.

The comments that our charity partners give often focus on the value-add we have provided to them beyond grant capital. For example, "Thank you so much for offering extensive support, advice and guidance over the years. And for connecting us to other charities who we collaborate with. Our relationship with you has become a long-term, multi-layered partnership and feels like an ongoing values-based conversation. A million miles from a transactional arrangement."

Our perspective on good giving

The giving we advocate to anyone seeking to have outsized impact with their philanthropy is longer and deeper than is standard across the grant-making industry. Building long-term relationships means that you can engage with charities as true partners, providing unrestricted funding means that you are invested in the success of the organisation – rather than one limited project – and a positive and long-term relationship supports the long-term capacity of your partner to deliver on impact.

As grant-makers, we are happy to take risks that we feel can lead to outsized social impact, where we see an opportunity and a strong management team. In my organisation, we have a strong track record in seeing success stories from our early-stage bets (we're proud to have provided early-stage support to charities that have gone on to win Earthshot Prizes, Audacious Prizes and a whole lot more).

We are proudest, however, of the relationships that we build with grantees – our grantees feel able to be open and honest with us about challenges and areas for improvement.

The CEO of one of the frontline delivery charities we work with called us recently to say that she would have to make two members of staff redundant. We knew – because we'd been close to the organisation throughout the year – that they had struggled to find and hire a good fundraising professional within their budget. We didn't have any concerns about the overall health of the organisation – particularly as they actually had the fundraiser in post by the time they called – but we were able to help think through how best to manage a short-term challenge, how to keep staff morale high at a difficult time and how to explain the financial situation to other funders.

The key elements of how we view good philanthropy are simple (even if they are not easy to put into practice):

- We provide unrestricted funding (not tied to a particular programme or project);
- We don't create our own measures of success. Instead, we seek to understand the impact that our partners are working towards and we hold them accountable to that;
- We stay with our partners for the long term – as long as they remain focused on impact and outcomes this seems to us to be the most rational thing to do; and
- We seek always to be collaborative, transparent and respectful of our partners' knowledge and time.

We find that people are often surprised by our focus on unrestricted funding. Why not tie your gift to a project so you can see exactly how it is working? However, we have seen over and over again how unrestricted funding (the kind of money that you have as a private company if someone invests in your business) allows an organisation the freedom to strengthen its core operations and to innovate in ways that the leadership team feel make most sense.


One charity recently told us that they valued the unrestricted gift we gave at around "10x our restricted funding" – our gift allowed the charity to try something new that transformed their entire organisation.

Our focus on relationships has a similar value – not only is that focus on relationships what our charity partners value most highly about their work with us, it helps us gain more insight into the details of our partners' work – what is working as well as what isn't.

Conclusion

Great donors – and these can be individuals or trustees – take the time to see social and environmental problems for the complex and messy systems that they always are. They understand that there is no silver bullet. They are keen to learn, to iterate and to build broad, positive partnerships, and they keep their eyes on the problem at all times. It is these donors who are leading the philanthropic revolution, enabling positive change that lasts.

This extract from the article 'Creating a long-lasting effective philanthropy plan', by Rebecca Eastmond and Peter Goddard, is taken from the 29th issue of *The International Family Offices Journal*, published by Globe Law and Business, www.globelawandbusiness.com/journals/the-international-family-offices-journal.



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