

A hope for family philanthropy

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When asked to provide a keynote address at a high net worth investor conference, my friend Jay Hughes sometimes starts his discussion with an exercise. He asks the audience how many people remember their dreams from the previous evening. Many hands usually rise. Then he asks how many remember their dreams from two nights ago. A similar number of hands. How many remember their dreams from a week ago. A month? A year? Surprisingly, some hands remain raised.

Then he asks a distinctive question. How many of those dreams have led to the creation of something tangible? And, for those who have created something tangible, how many of those dreams have led to the creation of phenomenal wealth? A staggering thought. However, for many in the room, this is a reality. The dream of a person led to an idea which led to the creation of something of substantial value. For many of you reading this article, this bodes true as well, either directly or for those for whom you provide service.

The current field of philanthropy needs a few of these dreams and, more importantly, a few of these dreamers.

But before we get there, let's set the stage.

In 2014, the Foundation Center¹ estimated that there are 42,008 family foundations in the United States. In that year, these foundations provided \$26 billion of gifts and had an accumulated asset value of approximately \$401 billion.² For reference, total charitable giving in the United States reached an all-time high in 2014 of \$358.4 billion, most of which came from individuals.³

That is good, but only part of the story. As many readers of this Journal will know, there has been much written about the massive wealth transfer event about to be bestowed upon the rising generation of millennials. The Wealth-X and NFP "Family Wealth Transfers Report"⁴ estimates that, globally, \$16 trillion will be transferred to this generation within the next 30 years. Other sources cite this global transfer as high as \$30 trillion.⁵ Wealth-X goes on to estimate that these transfers could spur approximately \$300 billion in philanthropic giving.

The summer 2015 issue of Conscious Company magazine analysed this transfer further. They cited that an estimated \$7 trillion of wealth will be controlled by Millennials by 2020. Further, that 70% of this wealth will be inherited by women, continuing the growing trend of women controlling the majority

of estates whose value exceeds \$5 million. Why is this important? Conscious Company notes that millennials and women share a common philanthropic vision, estimating that between 45% and 50% of these inheritors are interested in helping others, either through philanthropic giving or socially responsible investing.⁶ Maybe the Wealth-X estimate of the potential charitable impact of this historic wealth transfer is low!

Let's take a step back. Being trained as an accountant, I will admit to being a data nerd. I love to read about anticipated changes coming to the world of high net worth families and the eagerly anticipated impact it will have on charitable giving. I will acknowledge that these statistics are very hard to develop, especially when trying to estimate the potential impact internationally. I will also admit that I rarely go back and verify whether these reports were accurate. From a family foundation perspective, I am not sure these statistics truly matter. Only time will tell what actually comes to pass.

What does matter is the fact that there is an abundance of financial capital dedicated to philanthropy and that many families will continue seek to donate in a smart and impactful way to causes that align with their values. The amount of financial capital available for giving is abundant.

The complexity of modern philanthropy

In 2009, Paul Hawken started a commencement speech at University of Portland with the following:

Let's begin with the startling part. Class of 2009: you are going to have to figure out what it means to be a human being on earth at a time when every living system is declining, and the rate of decline is accelerating. Kind of a mind-boggling situation ... but not one peer-reviewed paper published in the last thirty years can refute that statement. Basically, civilization needs a new operating system, you are the programmers, and we need it within a few decades.⁷

Hawken's statement is not surprising to most family philanthropies. Family philanthropy has been engaging with the world's problems since the beginning of records. It is said that in 347 BC Plato's will left his farm to a nephew with instructions that the proceeds be used to support students and faculty at the academy he founded.⁸

A critical piece of Hawken's statement is the acknowledgement of the speed at which things are happening throughout the world. The acceleration by which information is shared has expanded exponentially since Hawken's speech seven years ago. Social media has changed the speed, volume and accessibility of information derived from global events, many of which would have gone unreported in the past. As an example, many of you will recognise the city Aleppo, Syria, as the home of a stunned, injured boy sitting on the back of an ambulance. The picture was taken only moments after he was saved from the rubble of a destroyed building. It was published instantly and now has been shared thousands of times on social media, invoking massive feelings of sympathy for the plight of Syrian children.

But, it is not that simple. He represents a single child out of thousands that have been directly affected by war. There is also something very important about that picture. He is alive and being cared for by emergency workers. There have been many others affected by recent wars who have not been as fortunate, including other children that called Aleppo home. This picture shares important information, information we all should know. But it also invokes feelings of guilt and questions as to what can be done to help.

This is only one story. There are hundreds of these stories every day in every field. As Hawken suggests, "every living system is declining". That statement is overwhelming! The challenges to human flourishing are growing with an ever-changing medley of obstacles. Systems that work in poverty, education, the environment, human rights and emergency response (to name only a few) were developed decades ago and are serving more people than ever intended with increasing needs and complexity.

I agree with Hawken that a "new operating system" is needed. Maybe that system is simply new thinking about age-old problems. We have acknowledged an abundance of financial capital potentially available for these causes. But financial capital was not what was needed by the boy in Aleppo. He needed medical care. Financial capital is massively helpful, but human and intellectual capital is critical. This is where family charitable foundations can make a difference.

Especially if they work together.

The opportunity and challenge for family philanthropy

The field of philanthropy is a field of scarcity. Despite

the financial abundance we have noted in this article, grant seeking is a highly competitive business. Potential grantees will present theories of change, steeped in evidence-based research with proposals to scale what has been learned for the benefit of their identified target demographic.

Every family charitable foundation faces the same question every day.⁹ What challenges do we undertake? And, just as important, what challenges do we not take on? How do we learn? What do we fund, and how? Just as financial capital is abundant, so are the philanthropic challenges.

Stanford University, in its Collective Impact Papers noted that adaptive problems are complex, the answer is not known, and even if it were, no single entity has the resources or authority to bring about the necessary change. They describe the potential for 'isolated impact', defined as "an approach oriented towards finding and funding a solution embodied within a single organization, combined with the hope that most effective organizations will grow or seek to extend their impact more widely".¹⁰

Dreamers are needed. All of the challenges facing philanthropic organisations today are complex adaptive problems. No one organisation can solve poverty, early childhood development, education or healthcare. One organisation will not prevent the recurrence of natural disasters or reverse the effects of climate change. Vincent Van Gogh once said, "Great things are done by a series of small things brought together".¹¹ This is the opportunity presented to family charitable foundations. The power of impact that we all seek will be found when family foundations leverage each other's strength and experience within all of the philanthropic fields that they engage.

Different than the public charities, family foundations are not in competition with one another. Sounds logical, but consider what that really means. If we are not in competition, then what we have learned when working in philanthropy should not be a secret. I am not talking about who was funded and for how much. In the United States, this information is publicly available on any family foundation's tax return. Instead, I am talking about the insights you gained when determining what to give and where best to give it. What did you learn? Why was that important? What did your foundation do that really helped an organisation beyond providing financial support?

Two years ago, I was fortunate to be able to gather a group of 13 nationally focused family foundations which had a concentration in early childhood development, specifically children from prenatal to three years old. It was a tremendous gathering, with ideas and fears being shared, deep discussions regarding areas of focus, and a genuine request for further dialogue and help. Connections between these

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organisations has continued after the gathering, even though we have not yet found time to reconvene. When initially considering the event, I asked a fellow Executive Director why something like this had not been formally organised previously. She said simply “because no one asked”.

So, in that spirit, I ask for all family foundations to find ways to engage, work, support and encourage each other. To get us started on this mission, I have some thoughts to share.

Be bold

Take on the toughest challenges, the ones that stir anger as you learn more about them, frustrate you when airtight, research driven analyses do not work in specific communities and excite you when it does. It does not matter what philanthropic area piques the family’s interest, as long as it provides a challenging goal that allows the family to deeply engage in the work.

Seek to learn everything you can about that cause. Work towards becoming an expert. Most importantly, seek out other family foundations in that field. Engage and learn with them and share what you have learned with others. I promise you they will be eager to share what they have learned as well.

Take risks

What was not said in Jay’s opening exercise is that in order for that single dream to have a tangible, profitable result, immense risk needs to be taken. The dreamer, or dreamers, needs to make personal sacrifices and dedicate all of their efforts towards bringing that dream to life. They all have an immense tolerance for risk.

Modern day philanthropies are reluctant to take risks. One reason is that much of their funding is likely tied to pre-determined outcomes that if not produced, future funding is in jeopardy. This is especially the case if the charity relies on government grants or other forms of public funding.

As noted earlier, in 2014 family foundations accounted for 7.2% of total charitable giving in the United States. However, that capital should be the most important capital to philanthropic initiatives, as it should represent their risk funding. It should fund

the most challenging strategies an organisation can think up. Some of these initiatives will struggle. But, just like our dreams, every once in a while one will produce extraordinary outcomes.

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Think abundantly

Despite reports to the contrary, the world is an abundant place. Earth currently supports the lives of approximately 7.5 billion humans,¹² not to mention billions of other living creatures on land and sea. The resources are out there. How these resources are captured, distributed, used and recycled by those of us on the planet is where our best thinking is needed.

My favorite question to ask a potential grantee is “what would need to happen in order for your work to become unnecessary?” This question usually causes a shift in the conversation as, most of the time, the answer is not immediately financial capital. We typically hear things like changes in government policy, access to services, access to delivery systems, more informed people to help scale the work, better research, or better information.

This question invites the discussion of what is possible and gives permission for the grantee to share the dreams of its work. We have found that this is the sweet spot for engaged philanthropy, as in all cases, through this discussion, we can identify a key point that can help the organisation move closer to realising their dream or understand what help is needed.

Utilise all of your assets

My friends at the Einhorn Family Charitable Trust (EFCT) have a simple mission, “Helping People Get Along Better”.¹³ However, as their grantees and partners will tell you, their work is anything but simple. The August 2016 Stanford Social Innovation Review article describing EFCT’s engagement with Playworks demonstrates a perfect example of how to best leverage all of the assets of a family foundation. In the article, it states:

EFCT’s staff has dug in deeply with folks in the field to figure out what the core insights are behind large-scale

*change. They have personally connected with other grantmakers and consultants who have experience with large-scale change to gain insight, and made those relationships available to Playworks and other grantees so that we can all learn.*¹⁴

Just like the boy from Aleppo, EFCT has recognised that their network of other grantmakers, business consultants and subject-matter experts are just as important (and sometimes more important) than the financial capital it can provide. By making all of those relationships available to the challenge at hand, new ideas are discovered and needed resources identified. It also has the effect of re-energising everyone towards the collective goal, especially when they feel fully supported towards their mission.

Ask “how can I help?”

Much is discussed about the power dynamic between a grantee and a grantor, given that the grantee needs the financial capital the grantor can provide. The question of “how can I help?”, if asked authentically, can cut through that tension almost immediately and demonstrate a level of care for the organisation seeking help. For those with the courage to ask this question, they also must be prepared to deeply listen to the response, without judgment and without immediately suggesting a solution.

Example

A grantee of our Foundation is about to move into the ‘Ground and Grow’¹⁵ stage of its organisational life. This stage can be the less exciting part of an organisation’s life, as it is focused on what it needs to build in order to be sustainable in the long term. This organisation has remarkable results from a randomised control trial and is ready to broaden its reach within its field. When discussing the potential avenues for sustainability, the founder simply stated, “I really could use someone to run the business side of the organisation”. This was not part of a formal proposal or request, it was simply an observation. With the help of a family foundation partner, we devised a plan to provide funding and strategic support towards the hiring of a business manager and the construction of a long-term strategic plan. Although the grant is not a significant dollar amount, the capacity it creates for the organisation is tremendous and helps them on their path towards sustainability.

This question will lead to deeper engagement with grantees and expand the opportunities for learning. But do not limit this question to grantees. Ask other family foundations! When engaging in adaptive problem solving, help is always needed, even if it is as simple as a brain storming conversation over dinner.

Seek insight and help

My views of this work changed dramatically three

years ago. When working through the due diligence process with a potential grantee, I asked to see a list of its current and former grantors. Not only was the list provided, it was provided with the name, phone number and email of the primary contact person. It was an incredible offering from the grantee and I called each of those funders.

I called with the intention of discussing the grantee under consideration. But each of those calls led to so much more. I learned that some of our grantees were common to a few, but the reasons for funding were different. I learned that some funders only provided capital to organisations at a certain stage of development but were more than happy to engage in discussions about that organisation at earlier stages so as to be aware of potential opportunities in the future. I learned about the concerns of these funders and discussed ways to alleviate those concerns.

I learned about the dreams those organisations had for their work and how we could help, and they learned how they could help us. These conversations broke our organisation out of our ‘isolated impact’ model and moved us towards the collective model of philanthropy. It has been the most rewarding part of the work to date.

In short, don’t go it alone! Fight against the concept of isolated impact. It will be worth it!

Measurement

As we come to the end of this article, you will note that I have not yet discussed measurement. During my time managing a family foundation, the most common question I receive is “how do I measure impact?” I usually answer, “I am not sure”.

I can point to the number of children affected by programmes we supported. I can point to the number of fellowships we have offered and the positive, uplifting responses we have received. I can discuss the research completed or partnerships developed.

The mission of our organisation is to “support innovative organizations and initiatives that foster basic human goodness in individuals and society”. I think all of the grants that we have supported (financial and otherwise) that have accomplished this mission, even grants that did not fully meet expectations. I can support this assertion qualitatively, but not necessarily quantitatively.

Which is my point. I believe family foundations should be comfortable in the qualitative side of evaluation and worry less about quantitative, statistical outcomes. It is a natural outcome of working with dreamers. Quantitative impact analysis is valuable and will go a long way in helping the field. I believe that qualitative results are much more meaningful for family foundations and provide insight for deeper engagement in their fields of impact.

Conclusion

Writing this article was a result of my asking multiple people whether it was important to share our approach towards engaged philanthropy with a broader community. Barbara Hauser was the first to actually call me on it and ask me to write about it. I do truly believe that we are entering a golden age of philanthropy. But that will only be realised if family foundations are willing to engage with their grantee and each other and take dreamer type risks.

My children used to watch a show called 'The Magic Bus',¹⁶ and the main character, Ms Frizzle,

was a favourite of mine for what she shared with her students. In every episode, she shared the following:

Take chances, make mistakes, get messy!

For those reading this article and wondering where to direct their philanthropic work, I echo Ms Frizzle's advice but add, don't go it alone. Seek other family foundations, even those that are outside of your areas of focus. Peer support, guidance and advice is invaluable and makes the work fun as well as meaningful.

Good luck! And, please call or email me anytime!

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- 1 The Foundation Center (<http://www.foundationcenter.org>).
- 2 Foundation Center Data Statistics – 2014 (<http://data.foundationcenter.org/>).
- 3 Giving USA Report on Giving – (<http://givingusa.org/giving-usa-2015-press-release-giving-usa-americans-donated-an-estimated-35-8-38-billion-to-charity-in-2014-highest-total-in-reports-60-year-history/>).
- 4 Wealth X and NFP Family Wealth Transfers Report – 2014 (http://www.wealthx.com/wp-content/uploads/2015/01/WealthX_NFP_FamilyWealthTransfersReport-2014.pdf).
- 5 Morgan Stanley (<http://www.morganstanley.com/ideas/30-trillion-challenge>).
- 6 Conscious Company Magazine – Wealth Transfer infographic, page 27, Summer 2015 Issue.
- 7 Paul Hawken – 2009 Commencement Speech to the University of Portland (http://www.paulhawken.com/multimedia/UoP_Commencement.pdf).
- 8 "Issues and Opportunities in Endowment Fundraising", Philip M Purcell, Planned Giving Resource Center for the Central Indiana Community Foundation (<https://www.nptrust.org/history-of-giving/timeline/roots/>).
- 9 In the United States the term 'family foundation' refers to a wholly charitable entity – unlike in Europe where the term usually refers to private family structures.
- 10 Stanford Social Innovation Review – Collective Impact (http://ssir.org/articles/entry/collective_impact).
- 11 Quote from Vincent Van Gogh (<http://www.brainyquote.com/quotes/quotes/v/vincentvan120866.html>).
- 12 Worldometers.com (<http://www.worldometers.info/world-population/>).
- 13 Einhorn Family Charitable Trust Website (<http://www.efct.org/>).
- 14 Stanford Social Innovation Forum, "Walking a Different Kind of Grantmaker Walk", Elizabeth Cushing, August 11, 2016 (http://ssir.org/articles/entry/walking_a_different_kind_of_grantmaker_walk).
- 15 This is the third stage of five described in the book "Five Life Stages of Nonprofit Organizations", written by Judith Sharken Simon. I have used this book to write almost every grant proposal I have ever completed. It is required reading by my staff (and some grantees) as it uses simple, but effective, terms to describe the life stages of philanthropic organisations. Despite being written in 2001, it is as relevant to today's charitable organisations as it was when it was published.
- 16 Magic Bus – PBS Show (https://en.wikipedia.org/wiki/List_of_The_Magic_School_Bus_characters#Ms._Frizzle).

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