



Family Philanthropy Management – A European Perspective

“THE SECRET OF HAPPINESS DOES NOT LIE IN POSSESSING BUT IN GIVING. ONE, WHO MAKES OTHERS HAPPY, WILL BE HAPPY.” - FRENCH SAYING

Dr Ann-Veruschka Jurisch, Head of Philanthropy and Foundations at Spectrum Value Management, examines trends in European philanthropy, particularly the rise of philanthropy services within family wealth management practice, innovations such as creative and venture philanthropy, as well as emerging issues in philanthropy governance.

Family Wealth Management and Philanthropy Services

“Giving back” is as important as wealth preservation and value generation for most European business families. The expansion of philanthropy services within single family offices - non-bank wealth management service providers for business families - demonstrates this importance. A 2008 survey of European single family offices found that over 62 percent of the participating European family offices offered philanthropy services and that another 14 percent were planning to add these services within the next three years. Figure 1 illustrates this trend. Note that in most cases, family office philanthropy services have nothing to do with the business’s corporate social responsibility activities and are only involved with the private philanthropy of the business family.

The rationale for including philanthropy services in the service portfolio of a family office flows directly from the primary functions of the single family office. Single family offices are the most cost-effective and appropriate form of wealth management for families with assets of over at least USD 200 million. They offer holistic, tailor-made, comprehensive services for business families. The inclusion of philanthropy

services in the family office service portfolio only reflects the importance of philanthropy and its professional management for the client family. The framework of a family office ensures that philanthropy management occurs at the same high level of trust and confidentiality as asset management. Moreover, consistent information flow and consultation between the family and the family office professionals helps to harmonise the philanthropic and economic interests of the family.

Professionalisation of Philanthropy: Yes, but...

In order to bring individual philanthropic objectives

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into practice, more than one pair of hands is needed, and therefore there is definitely great scope for professional support. However, too much of the dose can make for poison. In his great 2006 account of intelligent philanthropy, Strategic Giving, the American researcher Peter Frumkin warns of

venture philanthropy. Another strong current in European philanthropy is the rise of philanthropy governance.

Creative Philanthropy
A heated debate in European philanthropy concerns

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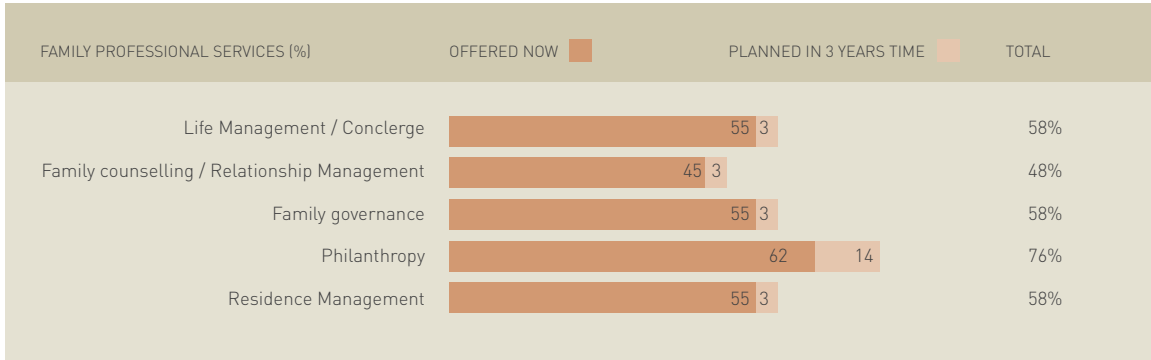
an over-professionalisation of philanthropy. For Frumkin, philanthropy is the transformation of private values into public purposes, and it thrives on freshness, authenticity, passion and sometimes also unpredictability. At the centre of philanthropy are people – both on the donor and the recipient side. These critical features of family philanthropy must be acknowledged and preserved in order to maintain philanthropy’s power to bring about change. Family offices – which are usually small and where a long-term working relationship between employer and employees is the norm - offer a very conducive environment in which the philanthropists’ ideas and values are understood, respected and furthered.

Philanthropy Trends in Europe
Like foundation-led philanthropy, family philanthropy has seen a number of interesting trends in recent years. Two such trends in ways of doing philanthropy are especially significant - creative philanthropy and

the balance of the new and the old in philanthropic activities. Foundations are free from most of the constraints that limit business and politics. This means they have the breathing space to test unorthodox solutions for existing problems. Indeed foundations’ potential for creativity can make up for the relative lack in the funds they command in comparison to the state. Should foundations use this unique strength to probe the new, or should they stay true to their traditional role of distributing money, i.e. do “more of the same”?

In Europe, unlike in the U.S., there is a strong tradition of so-called operating foundations, i.e. foundations which do not simply distribute money but implement their own programmes. Operating foundations are effective vehicles for testing new solutions for social or other problems since they can define issues and possible solutions themselves without having to wait for that elusive “good project” to appear at the horizon.

Figure: Family-related services within family offices:



In the case of the Thomas Schmidheiny philanthropy, the “business weeks” initiative for high-school students could be a good example for what creative philanthropy can achieve. The business-weeks are an unconventional, innovative and highly successful answer to the observed lack of basic economic knowledge among high school students. Over one percent of the Swiss population have participated in this one-week intensive training in basic economic and managerial know-how delivered by a “real” entrepreneur coming to the school.

Philanthropists can also facilitate the generation of new ideas by fostering research and think tanks – for example, in the case of Thomas Schmidheiny, the creation of the ISB Chair on Family Business and Wealth Management served this goal. The ‘creativity’ school of philanthropy definitely deserves further attention.

Venture Philanthropy

Another significant trend in European philanthropy is venture philanthropy. Venture philanthropy comes in two main forms. The first continues to focus on giving grants to charities but it does this in a “venture-like” way, i.e. it treats the grants as investments. This implies the application of a business-like due diligence of the grant-recipient, an active involvement in key management decisions and an intensive monitoring of outcomes. The second form of venture philanthropy invests in social enterprises as opposed to charities, i.e. for-profit companies which have set out to tackle a social issue by applying an entrepreneurial solution. Both forms have their great merits, especially the second form which attempts to make use of the forces of the market to achieve social change. The first form of venture philanthropy, – with its focus on figures and data, seems to only describe a *process*, instead of any genuinely new concept for change.

A pleasant side-effect of the venture philanthropy wave has been the rising importance of evaluation. Bigger foundations have set up systems to measure and evaluate the outcomes and impacts of their grants. Some foundations have recently also gone about evaluating themselves, i.e. the success of their own work. This is not always an easy or comfortable exercise.

Governance: Accountability, Transparency, Legitimacy

There is a strong parallel to the business world in the boost in efforts in philanthropy to apply and enhance good governance practices among foundations. In

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Switzerland, for example, the national association of foundations, Swissfoundations, has established a Code of Conduct in foundation governance which all members have to adhere to. The Code demands a high degree of transparency and accountability and sets up rules, for example, concerning board remuneration, grant-making activities and so on. Other European philanthropic associations are also working on similar codes of self-regulation.

An entirely under-researched issue is the question of the legitimacy of the foundation’s role. Going beyond legal compliance, the question is what legitimises foundations to come up with solutions for the public. While on the one hand, foundations are funded by private wealth and represent the values of the founder and nobody else’s, on the other, they aim at producing public benefits. How to solve this built-in tension needs further scrutiny and analysis.

The Case of Spectrum Value Management
Spectrum Value Management, the Schmidheiny family office, gives support to the private philanthropy of the Schmidheiny family. The vast activities under Holcim’s Corporate Social Responsibility wing are managed entirely separately within Holcim. With regard to the family’s philanthropy, Spectrum Value Management is responsible for the development and implementation of a philanthropy strategy for the family and the management of several foundations set up by the family. It also monitors the performance of those foundations which are otherwise managed outside the family office. Finally, it provides ongoing advice to the family on questions regarding donating and philanthropy.

Among many other activities, the Schmidheiny family co-sponsors the



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“business weeks” mentioned above at Swiss high-schools. Another example of Dr Schmidheiny’s philanthropy is that the family sponsors high-level fora for young leaders from business and politics in order to enhance mutual understanding between these two arenas and to come up with new solutions and ideas

on current social and political issues. The family also invites young Indian art graduates from the JJ School of Art in Mumbai for residencies in Switzerland that include a solo show in a local modern art gallery. All these examples can be labelled as cases of creative philanthropy.

The family office of Swiss industrialist Thomas Schmidheiny – Spectrum Value Management Ltd – is so called because Spectrum Value Management Ltd is not only concerned with the family’s assets and liabilities but also with the family’s values. Thomas Schmidheiny is the largest shareholder in the leading global cement and building materials company Holcim. He stems from a family with a very strong philanthropic tradition and is also personally highly engaged and interested in philanthropy. He runs a number of charitable foundations set up either by him or previous generations of his family and sponsors various philanthropic activities. Thomas Schmidheiny’s philanthropy is most deeply concerned with the topics of life-long learning, entrepreneurship, leadership (the “next generation”) and, last but not least, help for self-help.

At the Indian School of Business, his name is well-known. In 2006, he set up the Thomas Schmidheiny Chair Professor of Family Business and Wealth Management at the ISB – which is held by Professor K Ramachandran with the intention of building an academic platform for Indian business families and fostering research and exchange in this often neglected field.

