

Working Together for Common Purpose - Study of Family Philanthropy through the Family Office

— National Center for Family Philanthropy

The National Center for Family Philanthropy in Washington D.C. (USA), recently conducted a research study across the USA to explore the relationship between family offices and family philanthropy. This report published by the center in October 2012, carries the findings of the study, which included personal interviews and surveys of family offices.

Family philanthropy is evolving in terms of the management structures that are required to make the charitable giving more effective and sustainable. One of the options followed by an increasing number of philanthropic families is creation of a single-family office. A single-family office is a private entity that manages the investments and trusts for a single wealthy family or its branches. The family office also provides a variety of other personal services that may also include philanthropic advising or housing of family foundation(s) or fund(s). The study sought to examine how family offices and philanthropy fared together.

Findings of the Study – The findings of the study were grouped in sub-categories as following –

- **Structure and Satisfaction** – Functioning of the family foundations within family offices:
 - High degree of integration and cooperation among the two entities was reported by the respondents.
 - Philanthropy was taken seriously by the families and the family offices. 84% organisations had paid staff for the foundation and 60% foundations had active board of directors.
 - Majority of family offices were found to be working with three or more generations actively involved in philanthropy.
- **Roles and Benefits** – of philanthropy functioning through family offices:
 - Family offices were found to be involved in assisting the foundation in finding a strategic focus, leveraging the impact of its giving and measure its effectiveness.
 - Though both the foundation and the family office gave high priority to engaging and developing the next generation of family leaders, neither was found to devote significant time for this.
- **Advantages of managing philanthropy through family office** – Respondents cited the following advantages of this approach:
 - Better integration of activities, functions and services.
 - Alignment of the family's shared values with respect to governance, investment strategies and leadership development.

- Enhanced investment advisory by family office that helped leverage support for foundation's activity.
 - Economies of scale achieved in cases where the family office housed multiple funds or foundations.
 - More efficient operations for both, the family members and external vendors.
 - Communication channels simplified with one point of contact for family members.
 - Enhanced grooming and mentoring of the next generation.
- **Challenges of managing philanthropy through family office** – The respondents and interviewees also cited the challenges they faced in this kind of setup:
 - Different measures of success and different perspectives between family office and family foundation can cause tensions, miscommunications and misunderstandings.
 - Competing interests and priorities can lead to conflicts, divisions on the lines of us v/s them and can lead to a lack of respect for philanthropic goals.
 - The foundation and the family office would compete for importance and attention of family members.
 - Emotional ties can conflict with best practices.

Best Practices for the family office and the family foundation – The report suggested the following best practices that would improve the arrangement of family offices and foundations:

- Role Clarity
- Effective Leveraging of Strengths
- Regular, Structured Communication
- Integration of family assets
- Clear Reporting Relationships and Governance *and*
- Managing the Shared Environment

Integration of family office and foundation can help the family in achieving its philanthropy objectives in a more effective and efficient way if these best practices are adopted. Training the family office staff also helps significantly in making philanthropic initiatives more effective both for the family, and for the foundation's beneficiaries.

Source: *'Working Together for Common Purpose - Study of Family Philanthropy through the Family Office'* – A research report published by National Center for Family Philanthropy (USA), Oct. 2012.