

**FAMILY PHILANTROPY: MAPPING GOVERNANCE BEST PRACTICES IN
EUROPEAN FAMILY FOUNDATIONS**

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Abstract

Family foundations offer particularly interesting grants, as they are long-term oriented, flexible, and less risk averse. However, compared to its American counterpart, the European family philanthropy field offers less research and plays a smaller role in public perception – leading to little information being available for potential philanthropists. By conducting interviews with different experts on the topic, this report will map best practices for family foundations in Europe, focusing on their incorporation and their governance. The aim is to develop path to explore and bring reflection to family foundations that want to work as efficiently as possible, hence maximizing their impact.

Keywords: Family Foundations – Philanthropy – Governance – Europe – Incorporation - Grant-making

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1. Introduction

Family foundations are a type of philanthropic organization that are often established by wealthy families to pursue charitable causes and make a positive impact on society. These foundations can play a significant role in addressing social and environmental issues, and as such, it is important to understand how they operate and what best practices they follow. In this master thesis, we set out to map the best practices of family foundations in Europe. As they often have a different set of goals and priorities compared to other types of foundations, they may be more focused on addressing issues that are specific to their local community, or on supporting causes that are close to the hearts of their founders. Additionally, family foundations often have a long-term perspective, with the goal of making a lasting impact on the causes they support.

To conduct this research, we used the Gioia method to conduct in-depth interviews with key stakeholders from the family foundation field in Europe. This qualitative research approach allowed us to gain a deep understanding of the best practices being used by these foundations and to identify any common themes or trends. Through our research, we hope to provide a comprehensive overview of the best practices being used by family foundations in Europe. We believe that this information will be of value to both practitioners in the field of philanthropy as well as academics interested in the role of family foundations in shaping social and environmental change. The results of this study will be useful for those who want to set up and run a successful family foundation or those who are already running one and want to improve their practices. In addition, we hope that our research will contribute to the broader understanding of the role of family foundations in addressing social and environmental issues and will provide valuable insights for those interested in the field of philanthropy.

1.1 Research analysis framework

The analysis framework relies on a precise definition of philanthropy, on family foundations characteristics, and identify the environment they evolve and the changes those institution are facing or will face in the near future.

1.2 Family foundation philanthropy

Appeared with the advent of the industrial era during the 19th century; philanthropy as we know it today accounts for every initiative launched by individuals and organizations to improve the lives of those impacted (as positively as possible) by said initiative. From globally planned impact investing to simply giving time to a local project, numerous actions can be part of philanthropy as it is important to be able to identify under a common name for « doing good ». This can be seen as imprecise, as it compares practices such as Venture Philanthropy with charity and Social Impact Bonds with time giving. Ultimately though, all these practices aim towards making their beneficiaries happy and it is important to find a common terminology to put all of them together (European Economic and Social Committee, 2019).

As there is not just one activity in philanthropy, neither there is one way of doing it. Funds, umbrella foundations, corporate foundations, individual grant-makers, and many other structures have developed in the past fifty years. This offers lots of flexibility to actors in the field to nurture their own vision of operating (Zunz, 2012).

For our research we decided to focus on one form of philanthropy: the Family Foundation. Usually created by one individual like a parent or a group of individuals from the same family and generation such as grandparents. Those individuals are contributing the wealth issued from their economic activity such as family business or industry. Even though it can be hard to define a family foundation, there are common characteristics (Moody, Knapp, & Corrado, 2011):

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- They tend to represent the name of a family through the name of the family foundation
- A founder establishes a vision, a mission, and some values that will guide the family foundation's purpose through generations.
- An endowment allows perpetuity of the foundation.
- The family is present on the board and acts as stewards.
- The foundation is usually grant-making.

It is relevant to study family foundations as they represent half of all private foundations present in the field today (Foundation Center, 2011). Only in Europe, they represent EUR 433 billion of assets for an expenditure established at EUR 54 billion in 2015 (Fondation de France, 2015). Nevertheless, the literature on the European field is less prevalent than on the American family philanthropy field. In a time of European partnership, it only makes sense to work towards understanding what makes family foundations successful, as this might encourage more people to engage in social giving. After all it is estimated that no individual can significantly improve their live with more than \$ 40 million, as they are perfectly able to live off the investment return (Davis, 2021).

The word “philanthropy” gets its origin from two Greek words, *philein*, mean “to love” and *Anthropos*, meaning humankind. And so, philanthropy means love of humanity. That word, appearing for the first time around 17th century will only start to be theorized two centuries later with the progress of capitalism in United State of America. The concept of philanthropy is to redistribute revenues from an economic activity to contribute to society development and encourage social progress (Holmes, 2012). It's at that moment that philanthropist as we know them today, start to appear. Some men, such as Andrew Carnegie, John D. Rockefeller or Henry Ford start to create foundations in which they inject their family wealth to carry out

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philanthropy and serve social progress (Zunz, 2012).

Philanthropy in its mission remains the same today, however the vessel philanthropist use for their activities have greatly evolved since inception of philanthropic activities. One form of philanthropy, the family foundation caught our attention for its wide range of diversity in sizes, missions and governance structure.

While taking a broad glance at the organizations currently classified as family foundations – over half of all independent foundations are usually classified in this way (Foundation center, 2011), we immediately encounter a variety of confounding variables, diverse features, and unusual examples that defy simple definitions. While these foundations are all driven by the presence of a founding family, they differ significantly in how the founders' passions and quirks influence foundation leadership, grantmaking, strategy development, and so on. Furthermore, while most family foundations function with few to no employees (Price & Buhl, 2009), some have dozens or even hundreds of employees. Most have some explicit organizational concern for involving the "next generation" of the family, whereas others have no written plan for accomplishing this and will likely soon discover themselves even without operational involvement by any living descendants of the founders. Some foundations with a strong family effect choose not to self-identify as family, whereas others confidently call themselves family foundations despite little ongoing family involvement.

Family foundations first appeared in the early 20th century, which accounts for the category's complexity and ambiguity (Fleishman, 2007). Close experts of the family foundation sector acknowledge that it is difficult to define these types of foundations. When systematic attempts to quantify the field began in 1999 as part of a research effort led by the National Center for

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Family Philanthropy and the Foundation Center, the researchers lamented, "because there is no formal definition of a family foundation, there is currently and may never be a precise way to identify these Grantmakers" (Lawrence, 2000). For a different reason, Paul Ylvisaker (Ylvisaker, 1991) made the same point: "With such diversity among family foundations, it is almost impossible to define them".

Everyone agrees on one point: there is no formal definition of a family foundation. Under different regulatory perspectives, there are clear legal guidelines for what constitutes a "private foundation," but these are characterized officially throughout the negative, in terms of charitable foundations that do not meet the criteria of "public charity" under that section (Hopkins, 2011). However, as we will see, it is conceivable for an institution to be considered a family "foundation" even though it is legally a public charity in rare circumstances. There are also some operating foundations controlled by families, as well as some complex interconnections between families and corporate foundations, though most foundations with strong family dimensions are classified as "independent" foundations, which exclude community, corporate, and operating foundations, as well as public charities. These and other variations indicate that family foundations are dispersed across various legal categories and subcategories, even though the majority of them are private, independent foundations. Regulators does not provide definitive guidance in this case. Also, there is no universal definition of family foundation that is approved by the major organizations involved in this field or by academics who study it (Ostrower, 2006).

1.3 Family foundations in Europe

Family foundations are not recognized as a specific legal form or entity. They are often perceived as a way for individuals to organize and manage their assets for charitable purposes.

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In Europe, foundations play an important role in the charitable sector, despite not having a specific legal form. In this section, we will provide an overview of the landscape of foundations in Europe, with a focus on their role and presence in the region. We will not be focusing on family foundations specifically, but rather providing a broad overview of foundations in general. This will help us to understand the extent to which foundations are present in Europe and the ways in which they operate.

Europe has a large diversity of forms of foundations. Grant-making foundations are usually seen as archetypes of modern foundations, which are built on the same model as US foundations and post-war philanthropic dominance (Toepler, 1999). However, most European foundations pursue their operations or goals by combining grant-making activities with the operation of their own institutions, programs, and projects. Historically, foundations have primarily sponsored institutions (hospitals, orphanages, schools, universities, etc.), but many have distributed money (handouts) or benefits in kind (food, wood). In contrast, the sharp distinction between grant-making and operating foundations arose much later in history and is largely a product of the 19th and early 20th centuries in both the United States and Europe (McCarthy, 1989). Looking closer at two different countries, in order to illustrate our argument, reveals the richness of European foundations. According to the Swedish Foundations Act 1220/1996, there are mainly two types of foundations in Sweden: the grant-making foundation (avkastningsstiftelse) and the operating foundation (verksamhetsstiftelse). There are also special forms: collective foundations (kollektivavtalsstiftelse) and pension foundations (tryggandestiftelse). This legal classification coexists with the more traditional forms such as church foundations, family foundations. The German foundations for instance can be divided into three basic areas. Legal categories – public law foundations, civil law foundations, canon law foundations – are further categorized by purpose – grant-making, operating, corporate,

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Limited Liability Company, etc. brings about a complex typology.

Although foundations in Europe can take on a variety of legal forms, they can be broadly categorized based on their type of activity and founder. The most common types of activities for foundations in Europe are grant-making foundations and program foundations. Grant-making foundations use their resources to provide grants for pre-defined purposes, while program foundations create and operate their own programs and projects. These categories provide a useful way to understand the diversity of foundations in Europe and their different approaches to achieving their charitable goals.

Their founders can be categorized into two main groups: family foundations and corporate foundations. Family foundations are established by an individual or group of individuals from the same family, and often involve the contribution of personal assets to the foundation. Corporate foundations, on the other hand, are organizations that receive income and assets from various sources, such as private, corporate, or public sources, for specific purposes. Finally, government-sponsored foundations are created by a public charter or with a high level of public sector support, and are intended to support foundation or business expenses. Understanding the different types of founders of foundations in Europe can provide insights into the ways in which foundations operate and the goals they seek to achieve.

1.4 Development in the family philanthropy field

Throughout the world, philanthropy is growing and gaining visibility. Charitable giving seems nearly universal across time, geographies, and cultures. It is often grounded in religious beliefs, cultural traditions, and a moral responsibility to help those less fortunate. Notably, in recent decades, an increasing amount of philanthropy is becoming more organized, with individuals,

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families, and corporations establishing formal institutions to structure and amplify their giving (Esposito, 2017). The Global Philanthropy Report found that in a sample of 80,000 global foundations in 19 countries in Europe, close to three-quarters were established in the last 25 years. Reasons for the growth in organized philanthropy vary from country to country, but prominent among them is an interest in greater philanthropic focus, professional operations, and the ability to measure impact (Johnson, 2018).

In recent years, the importance of philanthropy has increased. Between 2019 and 2020 there has been an 8,5 % increase in billionaires. The wealth of individuals that originally signed the ‘Giving Pledge’ (commitment initiated by Warren Buffett, Melinda French Gates, and Bill Gates to give the majority of their wealth to social causes) has even doubled since 2010 (Davis, 2021). This highlights the capacity for change that arises from private individuals, as well as their families. Besides its growing quantity, the grants provided by such philanthropists is also of great quality for grant-seekers. They are known to be flexible, long-term oriented, and focused on innovation. What truly sets these types of grants apart from other sources, nevertheless, is their openness to failure.

2. Methodology

The following part describes the methodological approach of this report. First of all, it had to be decided whether a quantitative or a qualitative approach is to be used. In the context of mapping best practices for family foundations a quantitative approach could consist of reaching out to as many experts as possible in the field, e.g. by conducting a survey which is afterwards analysed in order to understand similarities. Another approach would be to pursue a more qualitative approach.

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All things considered, the governance of an organization is deeply individual. This raises the question as to how effective the comparatively superficial approach of conducting a survey would be, when enquiring about governance. By having a smaller pool of experts, but engaging with them deeper in discussion about best practices, one is able to delve deeper into the subject.

2.1 Qualitative measurement

Historically researchers gave preference to modes of research that were inspired by scientific and quantitative methods. Therefore, conclusions were drawn by manipulating observable evidence and evaluating with the help of statistical and quantitative analysis (Walle, 2015). It is an inherent part of its nature that qualitative research lacks rules, which leads to scholars having troubles in understanding and assessing quality (Pratt, 2009). This openness of qualitative research leads to a lot of freedom (Jarzabkowski, Langley , & Nigam, 2021).

In this case, the aim is to conduct in-depth interviews in order to map best practices within family foundations. The other option would be a typical survey, which consists of standardized questions which are presented to a large sample of informants. In contrast, in-depth interviews are conducted with fewer subjects, but are much more intimate and can be tailored in accordance with the interviewee. However, their most important aspect is that they allow for much more detailed answers than a survey usually would. Interviewees have great freedom in their responses, as the interviewers ask open-ended questions, therefore allowing for multiple replies. As the sample of interviewees as usually selected more carefully, the quality of information collected from them tends to be very high (Walle, 2015).

2.2 Gioia method

The following step is to define a certain qualitative methodology by which to analyze the in-

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depth interviews. Within management research, one of the most influential and pervasive methodologies is the ‘Grounded Theory’ (Glaser & Strauss, 1967), which at its time was groundbreaking. Their approach was not to rely in an unreasonable manner on hypothesis testing and deductive reasoning, but rather encouraged researchers to ‘discover theory from data’.

Since then, qualitative research has been developed further by various researchers, which has now culminated in three methodologies that have become exemplary: First, the interpretive approach, which is linked to Denny Gioia and colleagues. Second, the deductive or positivistic approach, which is normally linked to Kathy Eisenhardt and colleagues. Third, the practice and process-based approach, which cannot be linked to a single scholar, but which was synthesized and articulated by Ann Langley (De Massis & Kammerlander, 2020). Moreover, researcher should try to be creative on their own in order to push the boundaries of qualitative research (Jarzabkowski, Langley , & Nigam, 2021).

For our own research we decided to work with the ‘Gioia method’, which forms part of the interpretive approach (see above). Based on grounded theory, a study conducted with the Gioia method is based on a well-specified, but rather general research question, that is extracted from a comprehensive review of the attainable literature and the identification of research potential within current knowledge about the topic at hand (De Massis & Kammerlander, 2020). The advantage of this method lies in its capacity of revealing the processes, by which organizations unfold, therefore enabling its users to understand the essence of the organizational experience. It is based on the assumption, that people that actually work in organizations, ‘knowledgeable agents’, are able to explain their thoughts, intentions and actions. This assumption ultimately puts the researcher in the position of a reporter, whose goal is to as adequate of an account as

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possible of an experts experience (Gioia, Corley, & Hamilton, 2013).

In practice, this leads the researcher to conduct semi-structured interviews, in order to gain retrospective and real-time accounts by those people experiencing the topic of interest. One has to be especially careful with interview protocols, reviewing them as the research progresses. Under certain circumstances this might even lead to the initial research question being modified. What makes the Gioia method special is the way of conducting the analysis of the collected information, as the data has to be organized into 1st- and 2nd- order categories, thereby facilitating their aggregation into a more structured form. 1st-order categories are the raw data and should adhere to the terms used by the interviewees. These are then grouped through open coding into first order groups, and later on into more abstract themes, 2nd-order codes. This is done through axial coding, in order to search for relationships between these 2nd-order categories, hence by seeking similarities and differences among them and giving these new categories labels or phrasal descriptions (De Massis & Kammerlander, 2020). Another way of describing the difference is by emphasizing the distinction of the commonsense view from the scientific. The first category can be labelled as ‘informant centric’, while the second on the other hand side as ‘researcher centric’ (Cassell, Cunliffe, & Grandy, 2018).

After building 1st-order terms and 2nd-order themes, one has fully arrived in the theoretical realm. At this point one should ask, whether the emerging themes suggest concepts that might help describe and explain phenomena one has observed. The result should be to bring together the elaborated 2nd-order themes and merging them into the so called ‘aggregate dimension’. This entire process can be constructed into a compelling data structure, simplifying the findings (Gioia, Corley, & Hamilton, 2013).

2.3 The sample

As stated above, we used a purposive sampling technique to select our participants. This means that we carefully chose individuals whom we believed would be able to provide valuable insights and perspectives on the topic we were studying. This approach allowed us to gather diverse and rich data, which is essential for the Gioia method. The process started with finding out who would be an expert for our purposes. As such, we were able to define researchers, consultants, lobby organizations, bankers, and of course family foundations and their umbrella foundations themselves. We kicked off the process by contacting experts we had a personal link to. This was the easiest way, and ultimately also the most efficient, as a majority of ‘cold calls’, that were conducted later on, did not answer.

At first, the most efficient method for contacting potential subjects seemed to be via email. We initially attempted to reach out to individuals through personal connections or by searching for contact information on the websites of relevant companies and organizations. We sought out experts whose published work had caught our attention during the preparatory phase of the study. However, these efforts were not always successful, so we also utilized LinkedIn as a means of contacting potential subjects. While we did not get many replies at the beginning, it became easier the more interviews we conducted, as most interviewees were able to refer us to further experts. This, in comparison more personal approach, ultimately led to the most interviews that were conducted during this research. At the end of the research process, we started being referred to experts that we had either already spoken with, or had unsuccessfully tried to contact, which signaled that it would be difficult to have a much bigger sample. In total, we wrote to 48 people, from which 19 answered and 12 eventually ended in an interview. The sample consists of experts from all the fields that we initially intended to speak with, although we did not manage to speak with consultants from any of the established international

consulting firms.

In order to conduct the interviews, we first contacted each participant to schedule a time that was convenient for them. We made sure to give them enough information about the study to ensure that they understood what it was about and what was expected of them. We made sure not to share any research questions ahead of the interview, even though some of the interviewees asked for them. During the interviews, we used a semi-structured interview guide to ensure that we covered all of the key topics and areas of interest. This allowed us to explore the participants' experiences and opinions in depth, while still allowing for flexibility and spontaneity. Overall, our use of the Gioia method allowed us to gather valuable and rich data that will be useful for our research. The in-depth interviews allowed us to gain insights and perspectives that would not have been possible with other research methods.

2.4 Results

In essence, the outcome of the Gioia analysis can be segregated into three different parts: Incorporation, Transversal and Governance.

2.4.1 Incorporation

First, we started realizing that our interview partners emphasized a lot the process of establishing a family foundation, as the involved synergies are quite different from other organisations. We sorted all the available 1st-order terms into different categories, from which we were able to derive at first the 'role of the family within society', 'core values of the family', and the 'alignment of family interests'. Hence, providing our 2nd-order themes, for which we found 'design of vision and mission' as the smallest common denominator. Further, we grouped the 'limitations of family knowledge' together with 'mediation between family members'. We

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called the aggregate dimension ‘external knowledge and unbiased opinions. Lastly, we defined ‘plan ahead of time’ and ‘structure of governance’ as other 2nd-order themes and aggregated them into the ‘importance of clear guidelines or bylaws’.



Figure 1: Gioia Analysis (Incorporation)

2.4.2 Transversal

The next two outcomes of our analysis were difficult to define as being part of either incorporation or governance, because they have elements of both. For this reason we decided

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to put them together and label them as transversal. This is the case for ‘board composition and multigenerational participation’, which was derived from the ‘responsibility of the new generation’, ‘board decisions’, ‘next-Gen is highly motivated’, ‘next-Gen needs guiding, and ‘next-Gen brings new perspectives’. But as well for the aggregate dimension ‘foster accountability through transparency’, consisting of ‘reporting’ and ‘public perception’.

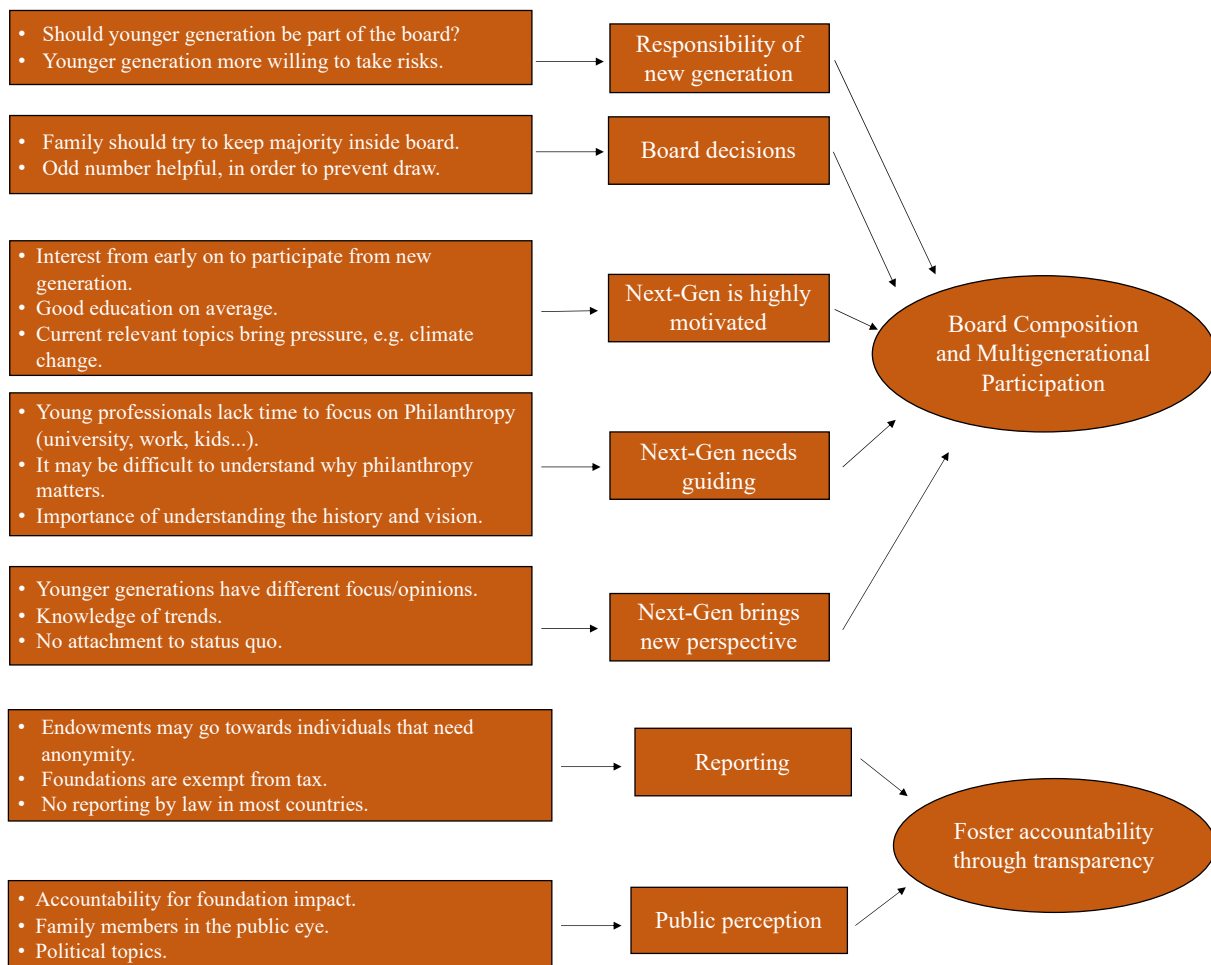


Figure 2: Gioia Analysis (Transversal)

2.4.3 Governance

All of our other results were labeled as being part of the governance. This is the case for the aggregate dimensions ‘trusteeship’, which we derived from ‘organization framework’ and ‘structure of governance’, but also ‘performance’, which was derived from ‘driving success’

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and ‘key performance indicators’. Further, we were able to identify ‘evolution of mission and objectives’, composed of ‘characteristics of mission drift’ and ‘risks and benefits of mission drift’, as well as ‘alignment with family interests’. The 2nd-order themes for this last dimension are ‘dialogue’, ‘emotional involvement’, and ‘professionalization process’.

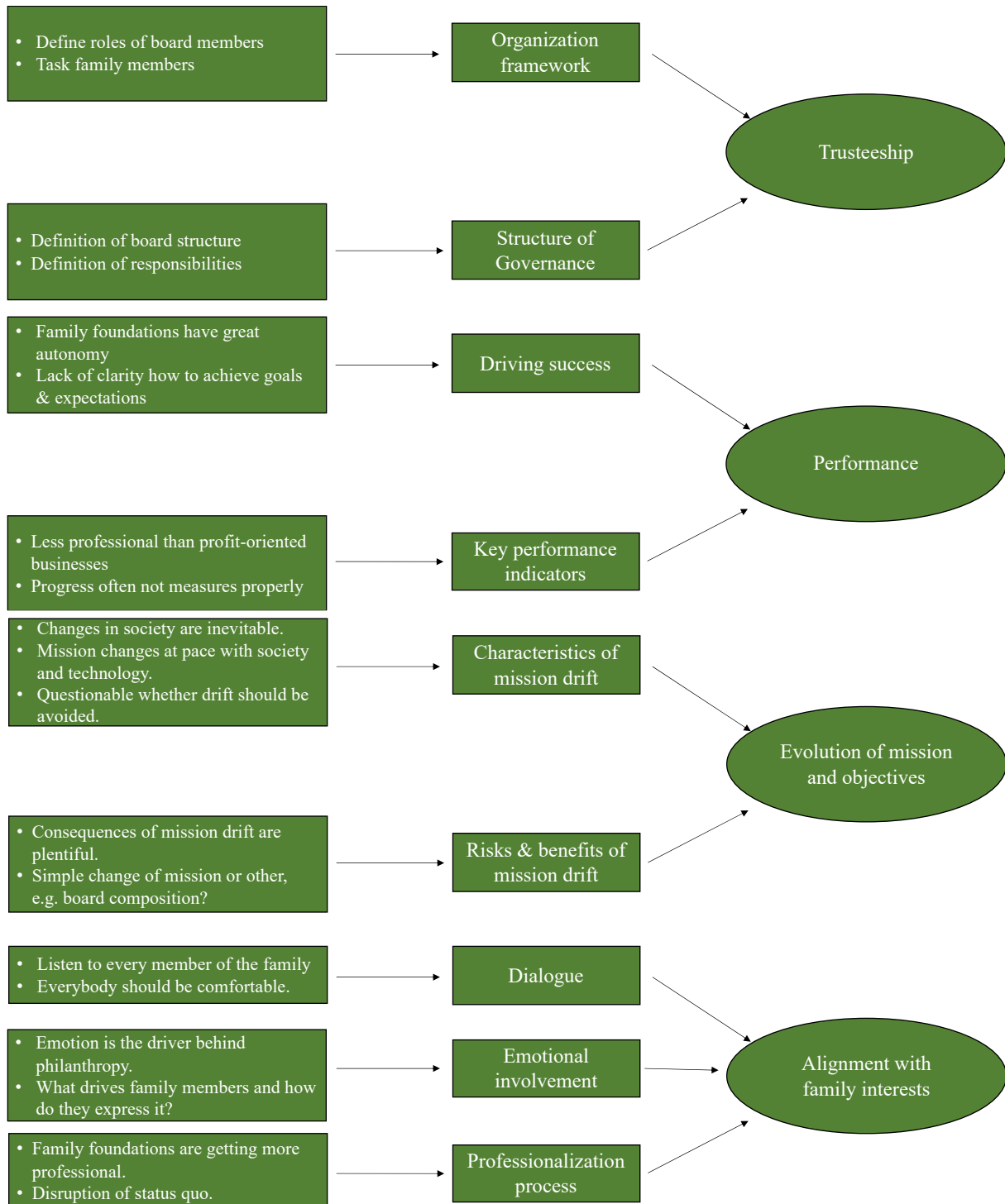


Figure 3: Gioia Analysis (Governance)

3. Best practices in family foundations

The following part highlights the main findings that were derived from our Gioia analysis. In a first step, these are going to be compared to the current literature in order to present best practices. Later, these are going to be explained using case examples. We are going to proceed chronologically, focusing first on the incorporation and later on the governance, while the two transversal topics are split in half between the two.

3.1 Mapping governance best practices in European Family Foundations

3.1.1 Trusteeship

Best Practice Nr. 5 : Defining clear rules of succession and ownership in case of evolution in board composition

A family foundation can be created by taking many legal form such as corporation or trust by Articles of incorporation for instance: Additional by-laws to clarify or amend the foundation's legal rules may also be drafted by the foundation.

Many of the experts we interviewed highlighted the importance for family foundations to make succession plans. May the family foundation establish itself through multi-generations, the institution will eventually face some events that can affect its governance. For instance, when a family member that is part of board unfortunately pass away or one of the board member decide to leave the foundation and no documented plans have been put in, the family put at risk its control over the family foundation. To avoid this, a family foundation's succession plan should be formally documented.

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Considering a private foundation whose board of directors consists of two siblings and their accountant. Each brother contributes EUR 20 million to the foundation, which is then invested in a stock portfolio. Every year, the siblings decide the grantmaking based on the investment income generated by their stock portfolio. As a board member, an individual outside of the family handles the bookkeeping to ensure the foundation is complying to its legal obligations such as filling tax returns properly.

For several decades, the foundation is working smoothly, and no one thinks about what will happen when one of the sibling dies. Family members are then facing the fact that no succession plans have been made, and the family foundation's bylaws have not been changed since its incorporation. Each of the siblings has children, who are now adults with their own children. The private foundation was always assumed to be the responsibility of the next generation.

When one of the sibling dies unexpectedly, the family is forced to scramble to appoint new family board members to their foundation's board and re-write by-laws to protect the family foundation from the fact that the family foundation is now not in majority led by family members.

There are simple steps a family can take to maintain control of their charitable foundation. They can appoint more family members to the board so that when a family member dies or resigns, family members have a way to stay in the majority on the board composition. To ensure that the family always retains control, the foundation can also adopt by-laws that detail the rules to apply for each scenarios the family foundation could face in the future when such as a board members passing away or resigning.

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The best practice that can be adopted is for the foundation to plan for succession in anticipation of such events as someone dies or resigns by developing a strategy to transition the next generation into their roles within the family foundation. This includes redacting a succession plan in the foundation's bylaws to protect the family's legal authority.

Many families find it difficult or unnatural to discuss money with their relatives. This is especially true as the wealth of the family expands to include cousins and their own children. However, in the case of large philanthropic endowment and where significant amount of wealth is at risk, the threat become too great to ignore succession issues. Making plans and formally documenting them is the best strategy to protect trusteeship of the family foundation.

3.1.2 Performances measurement

Best Practice Nr.6: Being able to clearly measure success and failure of programs an grantmakings

Considering their flexibility, family foundations appear as some the most libertarian entities in our contemporary societies. They are not constrained by market expectations or the democratic process. That plural freedom, in addition to a foundation's governance structure, represent a relative strength. However, foundations' unparalleled self-sufficiency and autonomy can expose them to repetitive indicators and lack of incentives. Based on Seibel's seminal diagnosis of a similar phenomenon among nonprofit organizations in general, we put our interest on those performance deficiencies. Why is it important to investigate family foundations' performance deficiencies? All things considered, as argued by some experts during our interviews, family foundations in their dedication to give and provide the world with actions dedicated to the public good can never go wrong. Are they do not voluntarily donate private funds to many

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charitable causes? So why should we be concerned about their performance?

For three reasons, such perspectives are increasingly at odds with reality. First, in most advanced countries, family foundations enjoy significant tax advantages, so the wealth they command includes, to some extent, public funds as tax savings (Simon, 2006). Second, family foundations acting in Europe have significantly increased by their number and wealth in the last 30 years and they represent a growing field with significant potential both nationally and internationally. Third, foundations are not solely for charitable purposes. They are much more than that: many tend to have positive impact on complex economic, social and cultural issues (hammack, 2013) and seek innovative solutions to what appear at first as intractable problems. However, when compared to business, government, and nonprofit organizations, they represent a group of institutions about which we know very little, in particular in term of their performance and contribution.

Furthermore, we see those performance deficiencies as not being limited to family foundations - though, given their governance structure, they are the clearest example of organizations vulnerable to weak signals and weak incentives. Many family foundation projects produce ambiguous results despite being well-intentioned, planned, executed, and assessed as per performance criteria predefined and agreed. By ambiguous outcomes, we mean projects or programs that have no clear record of success or failure. Instead, they end up in a gray area whereas both success and failure exist at some point without being able to define which is which. While these projects begin with well-defined goals, planning processes, and resources, they generally lack precise endings, identification, and sustainability. Given the significant financial resources available to many family foundations, the often-careful creation and execution of project activities, and the long-term investments in financial and human capital

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made, such inconclusive results appear as a threat for family foundations. To put it another way, the interviews we conducted revealed no serious miscalculations, mismanagement, or negligence, let alone malfeasance of any kind. It often appeared during those interviews that family foundations are genuinely well-intentioned and tend to try do the right things - yet their projects produced results that were hard to identify as clear successes or failures, but instead somewhere in the middle, with often ambiguous and occasionally indeterminate outcomes.

Obtaining ambiguous outcomes necessitates a significant number of what economists refer to as "satisficing," or the search for acceptable results when what is optimal is not only difficult to achieve but also difficult to define. Herbert Simon (1979) stated the dilemma clearly in his Nobel laureate speech:

“Decision-makers can seek satisfaction in two ways: either by finding optimum solutions for a simplified world view based on assumptions that may or may not be proven, or by finding satisfactory solutions for a more realistic world view in which expectations as to outcomes have been adjusted.”

Could the family foundations performance enigma be the result of a strong proclivity to engage in both modes of satisficing under conditions of uncertainty when results are not only difficult to achieve but also difficult to define and measure in the first place? Similarly, sociologists contend that when decision-makers and managers become aware of a gap between set and achieved goals, they exhibit a common response pattern: goal displacement. They substitute goals that appear difficult for ones that appear easier to achieve for the others, sometimes openly but often subtly. To maintain legitimacy, they use explanations that they believe will be acceptable to key stakeholders, rationalizing suboptimal outcomes. Such legitimizing accounts, over time, become an ongoing framing process of routinized myth-building justifying suboptimal outcomes and the organizational behaviors involved (Meyer, 1977). (DiMaggio,

1991) and Powell argue that such processes can influence entire groups of organizations to create an acceptable framework for suboptimal performance through collective acts of goal adjustment.

3.1.3 Evolution of mission and objectives

Best Practice Nr. 7: Developing policies and committees to identify, assess and monitor mission drift

A Family Foundation is a very adaptable organization. After establishing a family foundation, it is common to notice that its vision, mission, and program have significantly changed since its inception. Mission drift is defined as a gradual shift in a family foundation's activities away from its original purpose (Man, 2013). It does not refer to a deliberate and strategic change initiated and led by the family foundation. Mission drift refers to changes that occur off the radar, undetected, and mostly unaddressed by the board members of family foundations.

Mission drift can be caused by a variety of factors, including modifications in the organization's staff, changes within needs of the community, or beneficiaries served by the organization.

the charity, as well as a reaction to the organization's financial difficulties. Over time, an organization's personnel can lead it astray from its objectives in a variety of ways. Long-term members of the board, staff, and volunteers may lose sight of the charity's original purpose and fail to consult the organization's charitable objects as a result. It may also be induced by successors to the organization's management positions bringing a slightly different vision and failing to become acquainted with the corporate objects.

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Another reason for mission drift is that the people who benefit whom a charity was founded to serve have evolved over time. For instance, during our interviews, an interesting case was exposed to us: A family foundation had been created many years ago to help retired workhorse to find shelter after their work life. As the technologies evolved and the need for workhorses declined, the family foundation realized it needed to run other programs helping the community they had helped. Over time the family foundation recognized the necessity to run programs and allocate grantmaking to a broad scope in the village. While the family foundations' response has been in line with the needs of the community in which it operates, it has not been in line with its original charitable objectives.

Mission drift can have ramifications for the institution as a whole, as well as for the board of trustees in particular. Depending on whether the family foundations' new interests are charitable in nature, the implications for the organization could be severe. If the family foundations' new activities are charitable in nature (as in the example above, moving from a program oriented on workhorses to operating programs for the relief of the entire community), the family foundation will need to update its objects and ensure that the new objects are acceptable to the regulator. However, if the family foundation begins to engage in activities where for example, fundraising becoming a secondary purpose of the family foundation, sanctions may be imposed, or the family foundations' charitable status may be revoked.

Given these serious consequences, charities must implement mechanisms to prevent mission drift before it occurs. The selection of of specific mechanisms will differ from a family foundation to another, depending on the size of the foundation, its governance principles, and so on.

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Some simple process can be implemented to establish best practices for family foundations looking to avoid the threat of mission drift. The family foundation's programs should be reviewed on a regular basis by the board of directors to ensure that they are consistent with the family foundation's objectives. Such review can be led by board meeting members or during dedicated meetings such as annual board retreats. Senior staff from the family foundation if they exist, should also be able to review the family foundation's objects as they are able to deliver a broad picture of programs implementation. Furthermore, training should be provided to staff and volunteers in order to foster a general understanding of the fundamental principles with which the charity must comply. This is due to the fact that staff and volunteers are "on the ground" putting the charity's programs into action. Along with the board's careful review and planning of a specific program, care should be taken to ensure that the program's implementation is not flawed. For example, a charity that operates a soup kitchen to alleviate poverty may be in violation if its staff continues to invite at-risk youths to the soup kitchen for after-school activities.

A family foundation may also want to adopt a policy allowing to review programs and grantmaking to ensure that those are carefully and in line with the vision and mission of the foundation. In the same spirit, the family foundation may also implement a review of its funding policy to ensure that all funders' criteria are aligned with the family foundation mission and vision.

3.1.4 Foster accountability through transparency

Best Practice Nr. 7: Reporting and public perception play a key role in making sure that foundations are perceived as more democratic and less closed to the public.

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Recent economic downturns and high-profile corporate scandals have heightened calls for greater accountability and transparency on both the national and international levels. To some extent, this growing demand for more information reflects the zeitgeist of what Power (Power, 1997) coined the "audit society" a term describing societal expectations caused by a general loss of trust in institutions such as the law and the legal system, government and administrations, major corporations, professions, or the media. In response to such degradations of trust, the "audit society" refers to a trend in which central organizations are subjected to more extensive reporting requirements. This necessitates a wide range of legal and social mechanisms to regulate internal and external organizational relationships in other words, institutionalized suspicion. Giddens's (Giddens, 1990) concept of "blind trust" in a society's core institutions, perceived as a central feature in their functioning, has been replaced by calculation and control. The question is whether calls for greater accountability and transparency reach the family foundation field, and whether trust is eroding in this sector as well.

Recent accountability research, particularly Koppell's (2005) contributions, sees accountability as a variety of stakeholders concept (Carman, 2010). Accountability encompasses five distinct dimensions, each of which addresses distinct but sometimes interlocking stakeholders (Koppell, 2005):

1. Transparency: Has the organization disclosed the facts about its performance? Transparency is an important tool for addressing organizational performance, and it includes providing the press, public, and other stakeholders with access to audit results, internal reports, and other evaluation documents.

2. Liability: Was the organization held accountable for its performance? Dimension attaches consequences to an organization's performance in the form of setbacks, such as reduced budget authority or even previous convictions for illegal activities. Positive reinforcement, such as cash

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bonuses and other rewards, can also be referred to as consequences.

3. Controllability: Did the organization follow the wishes of its stakeholders? Many accountabilities' analyses center on the dynamic of controllability. How much influence do the various stakeholders have over the organizations or their principles, such as the belief that government bureaucracies, as representatives of the public, should carry out the will of the public, and charities the intent of their donors?

4. Accountability: Did the organization adhere to the rules? Being lawful, adhering to professional or industry standards, as well as behavioral norms, and being morally sound are all aspects of accountability.

5. Responsiveness: Did the organization meet the various stakeholders' substantive expectations, needs, and demands? Responsiveness operates horizontally and refers to the level of attention that organizations pay to the needs and demands of their members or clients, as well as stakeholders. It implies that accountability extends not only upwards but also outwards.

Koppell's accountability dimensions can be thought of as a web of relationships and expectations between and among stakeholders. The family foundation willingness to provide information access, and how much, if any, appears to be a function of stakeholder demands. "Accountability" is thus part of a "push and pull" among stakeholders and across the five dimensions listed above. Different actors push and pull organizations in different directions: upwards to donors and regulators, downwards to beneficiaries and clients, and externally to other contractors and organizations working in the same or related fields, the media, and society at large. Finally, there are internal relationships with staff and volunteers, as well as with boards in terms of goal attainment and mission control (Ebrahim, 2010).

4. Conclusion

The main aim of our master thesis was to explore and understand the landscape of European family foundations, their operations, and the trends that affect them, as well as to identify the current best practices in family foundations in Europe. Through the use of the Gioia method and in-depth interviews with 12 experts in the field, we were able to develop eight dimensions and eight best practices that provide insight into the operations of these organizations.

While we recognize that these best practices may not be universally applicable to all family foundations, they serve as a useful starting point for practitioners looking to improve the effectiveness of their operations. We believe that these findings will be of value to both practitioners in the field of philanthropy as well as academics interested in the role of family foundations in shaping social and environmental change. However, our research also faced certain limitations, including the challenge of obtaining information from non-publicly disclosing family foundations. In light of these limitations, we suggest that future research could focus on developing recommendations for best practices that can be adapted to a range of family foundations with different governance structures.

Overall, our research on the best practices of family foundations in Europe has provided valuable insights into the ways in which these organizations operate and the strategies they use to achieve their goals.

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Appendix

Group Part

1. Interview Protocol and Questions

Introductory protocol

Introduction

This interview has been designed to help us better understand the environment in which foundations and family foundations are evolving. This is a preliminary work to build an efficient mapping of best practices within family foundations in Europe. That is why the questions asked will be kept intentionally general.

We are a group of two students from the Nova School of Business and Economics, currently pursuing our Master's degree in Management.

Constantin Falcone Schlüter interned at PwC, working on ESG related topics and later at Montblanc working in the CSR department.

Jeremie de Valens has 2 previous internship experiences in Wealth Management at Pictet and Crédit Suisse and is planning to develop his professional journey in that field.

Interviewer: Constantin Falcone Schlüter (Nova Student) and/or Jeremie de Valens (Nova Student)

Interview structure: Interviewee background

Family foundation Landscape

Incorporation and Governance

Other topics

Length: 30-40 minutes

Disclaimer

With your permission, the interview will be audiotaped. The recording is to accurately record the information you provide, and will be used for transcription purposes only. For your information, only researchers on the project will be privy to the tapes which will be eventually destroyed after they are transcribed.

N	Questions
1	What is your professional background and what led you to the FF field?
2	What are the main differences between a normal foundation and a FF?
3	What are the current challenges in the family foundation field today ?
4	What are the current trends in the family foundation field today ?
5	What has to be taken in consideration when working in a family foundation?
6	Which are the main stages of life of a FF?
7	Could you explain to us a good structure of governance in which the board is as effective as possible?
8	How do FF define and allocate resources (people, budget, assets)?
9	What is the liability between board members?
10	How relevant are family dynamics (maybe even tensions) for the daily business?
11	How does the governance adapt to the natural development of a family (death, marriages etc.)?
12	What has to be taken in consideration in order to start a FF?
13	What are the main elements to avoid mission drift?
14	Are there any topics that you find important in the context of FF?
15	Can you name interesting cases that show how a FF should work?
16	Can you refer us to any further experts?

2. Transcripts

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Expert 1

Interviewer 1: OK, great. So we started by introducing ourselves on our project. So we'd like to hear a little bit about you. So if you would like this on your professional background and what led you into the Family Foundation field?

Expert 1: OK, I have many years experience so I'll try to make a summary of it. So I studied economics also, but I worked 1st 10 years of my professional life with Doctors Without Borders, different countries, different geographies. Decided after 10 years to come back to Belgium, took a sabbatical and during that sabbatical realized I was also involved in some nonprofits that I saw that basically a lot of money was given in a suboptimal way. It was more thrown away as I said than given away, um. And so I decided at that time to start getting into the philanthropy consultancy space. I myself, not from a wealthy family or I didn't have like very wealthy friends. So I had to send mails to the info at private banks here in Belgium, which surprisingly seemed to work because there was nobody else at the time, you know, offering advice on philanthropy. So that's where I started to advise some families in Belgium, but also in France and Holland. On their philanthropy, which was an interesting experience because I had read three books, you know, on philanthropy, and that made me at that time already an expert. And so then I moved on uh, more into the social entrepreneurship space. You know, after some time, I got to be tired of just being a consultant. And then I got the opportunity basically by one of my clients to start Ashoka in Belgium. I'm not sure if you're familiar with Ashoka, but it's the largest network of social entrepreneurs in the world. Um, and from there I saw. After some years, I saw. OK, still always the same issue. Also as a social entrepreneur, if you want to scale up, there's not enough funding available. So I moved again two more to the financial space, and I became the CEO of the European Venture Philanthropy Association, which is I think the largest European network of as well, impacting investors as venture philanthropists. From there, I moved on to be involved in the launch of what's now is the greatest, the largest philanthropic collaborative fund under the name called Impact. And since then, well I do the shorts short experience at the Asian Venture Philanthropy network because I'm really passionate about the Asian impact market and so you know I, I for one year I did some things for them. And now since the year and a half I'm the year of director of the Global Philanthropy Circle which is a global network of I would say very wealthy families who connect around their philanthropy. Philanthropy, and that's maybe question one of your answers, but you definitely see is that in the past that would only have been about grants, giving grants, but now philanthropy covers you know as well impact investing as of and also the family business and most of our Members have you know still owned family businesses. So they are brought into the conversations now, now also.

Interviewer 1: OK. Thank you. The second question is more about the difference between a classic foundation and a Family Foundation because you have a lot of experience in Family Foundation. So what would be the main characteristic of those Family Foundation compared to more classic family foundations?

Expert 1: I think my experience obviously you know the simplest answer would be the involvement of the family. But I think the family foundations are such a diverse group. You know you have family foundations you have budgets of like you know. 10s of 1,000,000 or hundreds of millions and but most family foundations. Definitely Europe have maybe budget of low a million or two million and obviously there's a very big difference between in between those. In between family foundations and family philanthropy there there are very big differences there, but in traditional, you know, in comparison with the foundation where which is not a Family Foundation, I think it's the, it's the involvement of the family and everything that comes with it, I think for families. And you know, I have to be careful not to generalize, and there will be exceptions on all. But in a sense the harmony within the family is almost as important as the impact they will create. And so that brings very different components in their governments and their decision making and their strategic choices. So the balance of, you know, keeping the family harmony intact and make sure that because you are examples of that also are basically the family. Brought a lot of friction within the within the family. And so and so that that's, that's really a deep concern that that informally philanthropy that that it doesn't lead to that and and that's an even extra component if you want to integrate you know next Gen. Sometimes with different interests with

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different approaches. So it's a very delicate, it's a very delicate exercise to build a kind of successful Family Foundation of family philanthropy approach.

Interviewer 1: OK. Well, we started to answer the next question which is oriented on understanding the current challenge in the Family Foundation fields today. Part of what she just said. Can you tell us more about that? Do you see other point that will represent a challenge for Family Foundation today?

Expert 1: Yeah, I think what you start to see is there are numbers on that age the transfer of wealth, intergenerational transfer of wealth which probably is the the largest transfer of wealth between generations in history that is going to happen and that has consequences on on philanthropy also and and and where you see that next Gen have you know different sensitivities. I think they also have a much more what I would call full portfolio approach. You know they're not only looking at what I mentioned already and before they're not only looking at the grant giving side or the. Sort of you know, your foundation side, they would look at, you know all the resources that the family at as they're disposed to and how to bring that completely into you know impact alignment. So which means like they're investments, but again what you see much more you know. Bringing the family business, you know, on the table in terms of how we are earning money is aligned with the world we want to create and how to how to make that more aligned. Now I have to say my spectrum is obviously, you know, very limited. I can imagine that for maybe for the large majority of the families of the wealthy families, that's not an issue. But the families I know, that's the families who are engaged in that. So within that spectrum of the families that I know and the families I know are families who are really thinking about their impact. That are, you know, the the reflections and the challenges they would have.

Interviewer 1: And in terms of trends or topic they wanna be oriented on or Investments, they wanna be oriented, do you see major trends probably going on in the market today?

Expert 1: I think of thematics, I see it less. I hear it sometimes people say yeah that used to be arts and education and now it's climate and but I see also the older generation moving very much into climate and or now like democracy and freedom of you know free societies and civil society. So in thematics I see that a bit less than what I sometimes here. I think there is definitely a difference is like the approaches in terms of you know how professional you want to do it, right? In terms of no due diligence, in terms of uh, you know, impact evaluations etcetera. So I think that the younger people bring a sense of different sense of professionalization which is not always easy for the older generation. And which is also always not. Uh, not always. That's useful either in the sense that you know if you're a Family Foundation with a budget of €500,000, you know. You can also be very much distracted by so much professionalization, you know, which doesn't necessarily make a lot of sense. So I think it's also something that younger people maybe come with degree of ambitions that are not necessarily adding a lot of value for the for the amount that is that is being given away. So I think there's a learning to be to be taking place also.

Interviewer 2: Coming a little bit towards the governance structure of a Family Foundation. Could you maybe tell us how those are usually structured and which factors include the decision of choosing a structure for Family Foundation?

Expert 1: What what do you, what are you interested? What type of information are you looking for here exactly.

Interviewer 2: It's like yeah, what's your definition of governance. So for example, talking about we normally have any Family Foundation, a board of which normally family members are part of and successively different departments.

Expert 1: Yeah, again I think that's, that's it's so different that you have a lot of small family foundations and very few very large ones and often a lot of attention goes to the few very large ones. But you know

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the majority are still relatively small with very high dominance obviously in the governance structure of the family, but often also in the execution where family members or you know or managing also the foundation, it's also again makes a lot of sense. Here is the amounts you give our you know don't allow to bring in your full-time professional staff. So I think for the large number of family foundations that I see, it's still, you know, it's very much a family thing. And you know, they use their personal networks and and then those who are like a bit larger and where it makes sense to become more professional. I just recently joined the Board of Family Foundation where I'm the only non family member. So I think, I think it's often composed of only family members and that's also balanced in our delicate balance. You know who and division between different branches of the family and different generations. And those often have like more limited stuff, but you know people who are like full time professionals managing it. I think one of the one of the advantages and complexities of philanthropies that's often so emotional and it starts with your personal values and your personal, you know. So I think for the professional people within family, definitely the smaller Family Foundation is not that easy because the families are based pretty heavily on strategy and on concrete choices and they will have met an interesting person somewhere and then they will go and say no can't refund them and. So I think, yeah, in terms of like pure professional governance, they're still quite some way to go. At the same time, what I mentioned already, a lot of family philanthropy is still relatively small, so you can also wonder, you know, how professional should you make.

Interviewer 2: This already answered part of the next question, which would be what has to be taken into consideration when working within a Family Foundation, but I think you just answered that perfectly. Thanks for that. Can you maybe tell us what the main stages of life are of a Family Foundation? So finding a purpose, getting to action maybe is a purpose at some point also.

Expert 1: Sorry, what was the question was on the what's the time?

Interviewer 2: The main stages of life of a Family Foundation. So how does it get started?

Expert 1: Yeah, it's a good question. I yeah. So I'm taking your families like let's say it's a multi generational efforts that you put, you see definitely in the US but also in Europe is like you know, entrepreneurs, first generation entrepreneurs who make a lot of money, make a lot of cash and then they create their own foundation, which is also like private philanthropy but not necessarily already family philanthropy. Yeah, I think so. If you take it as like family philanthropy, I think the examples I know it starts pretty late, you know when people are becoming a bit older and they, you know often they were leaving the family business and at a certain moment they say OK, we want to start. It's often, but I see is often, like the parents who see philanthropy as a tool also to bring the family and to keep the family together, so that's often again from what I saw. Important component of philanthropy next to doing good at keeping the family together. So that's a big step. I think often it starts driven by the interest of the of the founders. There are, you know directions being changed with bringing in, you know, next Gen. The uh, which sometimes lead to split up of the foundations that that they don't get, they don't come to an agreement and so that basically you know the different children can have their own pots of money in a sense and they they can manage it pretty, pretty independently. I see very little exits or spend down foundations. Bit of them, but I think most foundations are basically set up for eternity. And I think my personal opinion is that I think we could use much more spend down foundations you know as you were referring to who have like more clear mission and Put their money out 10/15/20/30 years on that and then you know, they closed down. I think that would mobilize, bring more focus and mobilize also more resources there because now with that search for eternity also. A lot of capital remains blocked in the endowment. Where you see a trend that obviously that endowment is more and more you know, put to work in terms of impact investing, but that's still you know early days. A lot of written in on that but I think in reality a lot of endowments are not yet, you know, very much aligned with impact objectives. So in that sense a lot of a lot of capital is still you know that could be used for impact is still blocked in endowments which need to guarantee kind of the perpetuity of the of the foundation.

Interviewer 2: OK. Thank you, Jeremy. I think the next question has been answered already, so I pass on to you.

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Interviewer 1: Yes, um, we're gonna more. We're gonna go into more governance topics right now. And with that, we'd like to know if you could explain as a good structure of governance in which the board is as effective as possible. It's very broad, it's very large and maybe it's not adapted to each and every Family Foundation, but we are looking into more general answers on that.

Expert 1: Yeah, it's a it's a good question. I think it all it all starts with what does the? What does the family want. And again, I think, I think there has been, there have been, I know stories of families where. At the same time, the you know, keeping the family together was important. While forcing like one specific team. On the foundation and that it broke down the family because different members of the family were not interested in that topic. And so I think it starts. And it starts with, you know, the good government starts on OK, what, what, what is the in terms of: Hey, you have your mission and your strategy in terms of impact and what do you want to do in the world. Which is like for a normal for a non Family Foundation. But the extra complexities is bringing in, you know, what do we want? What do we really want this to be for the family and, and that should be taken into account when you organize your governments in terms of we couldn't decide on what then. So yeah, so. So I think that's an important one to look at those two different components and to translate them in uh and it's often a difficult balance to be found and because what I mentioned already you know keeping the family dynamic syntax does not necessarily lead to. The best governance for the foundation as such, because you maybe need to make compromises there on like specific initiatives that you will support and that you that you end up with a compromise, which is like you know not. Not the best solution either.

Interviewer 1: So just to be sure, there is no good or bad answer, but the just the way that we'll ensure you don't have mission drift or things like that.

Expert 1: Yeah, but mission also looking at, you know what do you, what's the mission for the family? I think I think some foundations, some family foundations have been successful at keeping the family ambition intact while having a mission drift on the mission of the foundation. So it depends where you put where you put the priorities and so and not allowing mission drift on the foundation as sometimes leads to big tensions in the family. I think it's just hard work. Hard work, a lot of open conversations. I think if I see anything it's an underestimation on the on the complexity of launching yeah True Family Foundation eventually like multi generational different branches of the family bringing together. It's really a complex it's like for in terms of you know dynamics it's a very complex endeavor.

Interviewer 1: OK, but could defining a clear governance at first help to go through this objectives?

Expert 1: Yep. Yeah, because and I think what I see is that that it's often I would say how they organize the governance if they still have a family business. You know that there are like you know it's definitely it's like 3rd, 4th, 5th generation that you know the balances on how they you know are represented in the board of the of the family business. You will sometimes find them back in the Family Foundation also that you know that that branch of the family owns so much of the, you know of the world. That's what I see at least, that there are some kind of similarities between the power for instance. But again also there: You know what is a family? Your family is where again where this 4th generation and they want to still to bring all those people together and then you're talking about like 40/50/80 people or are you just talking about, you know, second generation, you're talking about 5-6 people, so. So also there are differences.

Interviewer 1: We are talking a little bit about family dynamics here and we had one question that was about like more relevant family dynamic, even. Maybe tension can be our fault. The daily business of the Family Foundation. Is it something that has a huge impact, especially if there is a lot of family dynamics, a lot of tensions or a lot of positive events or is it something that is really mitigated in in Family Foundation usually?

Expert 1: Again, from my from my personal experience, it's always complex or it's almost always complex. If I see now within the global philanthropy circle. And we're a global network of families and

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the majority of our Members if it's like it's like a constant you know, every year I think we think OK we had a team of governments and you know next year and then you know it's being brought up again and again by another family. So it's you know again from my limited perspective a complex thing. I remember that the CEO from the European Foundation Center mentioned: If you've seen one Family Foundation, you've seen one Family Foundation. They're all just different. They each need to find their own way and I think if there is a best practice to do it would be to understand and embrace the complexity of it. And not to think that you are you know our family is stronger and we're we get along so well. We don't need you know talking through the details. We don't need maybe some kind of expert facilitators to organize these conversations. So thinking that your family is stronger than I think that's the mistake you should try to prevent.

Interviewer 1: My next question is really related to what we just said. I'm just gonna ask it, but we can skip it. It was on all the governance will adapt to natural development of the families such as deaf marriages extra, extra. But I guess it's the same thing. It's a Family Foundation, have to find the right way to deal with those events and that's it.

Expert 1: Yeah, and it's really a tricky one. I'm close to foundations was again going through that. It's anecdotal but at the same time it's something I see often the foundation exists like 30 years driven by the parents. And now they want to let go, and they have two children, and those two children have different opinions and their parents, but there's also different opinions, you know, in between them. And I think it's for sure that the foundation who has been an active and really relevant player within its domain for 30 years will probably shift completely. It's mission and its thematics. Just to integrate a family. But you wouldn't do in a company. You wouldn't say, you know, we could do snacks and now just suddenly we're gonna do construction, you know, because my son is an engineer. But here in philanthropy, it could happen. See, those generational shifts can really lead to very, very big changes as well in the metrics as in as in how you do philanthropy.

Interviewer 2: Yeah, sure. When starting a Family Foundation, we've already been speaking, for example, about defining a clear mission within the family. So the family really getting together and deciding what they want to focus on, is there anything else that you would like to add which has to be taken into consideration when starting a foundation?

Interviewer 1: For instance, is a clear vision necessary to start a Family Foundation? Or you can start to build up time to time.

Expert 1: It's a good question, I think. I think again my experience is that yes, I think it's important to start with the... You have to do a lot of preparatory work so that you're aligned on vision that you speak and look at other family foundations. So I think that that would be a best practice. In reality, what I see, it's often not the case. I think it's still every a lot of families still try to invent it. Reinvent the hot water as we say in Flemish. Not sure if that's they say that in English, but they say that in English. Reinventing the hot water.

Interviewer 2: We have we have something similar in German, it makes sense.

Expert 1: So for like I think families still try to you know make their own mistakes for 2-3 years and then they understand, OK no yeah we need to work harder on vision and strategy and governance. So again I think it's often an you know also related to governance but overall it's an underestimation of the complexity of philanthropy as such. It's really a very complex business. You know it's more complex than a business because, as a simple example, you have much less data to make decisions on. You have much less, you know, market. So it's really a complex endeavor. Philanthropy on its own and even more so within a family because there are so many emotional and efficient for society that we need to bring together and so underestimating the complexity of the whole is something which I still see often there.

Interviewer 2: Correct. Are there any other topics we're already speaking before about mission drift? That would have been the next question, but I think we covered that. Are there any other topics in the

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context of Family Foundation that you would that we maybe have not covered with our questions that you find imperative to understand the whole landscape and that we should definitely take into consideration when building our best practices mind map?

Expert 1: Well, I feel that I definitely that I've been too critical or too negative or that I focus too much on the challenges. I think family Philanthropy offers great potential as well for the world. And you know there are really a lot of family foundations that are really making a big difference in, you know, in system change in the lives of you know, millions of people. So I'm a big supporter of family philanthropy. There are also a lot of families who did it well or who arrived at the situation where it's really where it strengthens the family through multi generations. So yeah, I think I think that. It was not what I, you know what I most of the time mentioned because I focused on the complexity of it all. But if you, if you, if you manage, if you manage those complexities and a lot of foundations can, but it's not like how do you say it. There's a song from the past: I never promised you a Rose Garden. It's not like you know it's not an easy win a Family Foundation and it or an easy and a quick win. But if you if you go you know beyond the the challenges and the complexities there's it's a great asset and for the family and for society. So I'm a big fan of family philanthropy.

Interviewer 2: You, you were just talking about challenges and complexities. Can you maybe give us a few cases that you deem especially positive of family foundations, they would say, because we're also going to look into specific family foundations and see how they operated, which we're going to use in our thesis. Do you say, OK, can you tell us about like a few cases that you would really deem very important to do that?

Expert 1: In terms of success stories or?

Interviewer 2: Exactly.

Expert 1: It's difficult for me to mention names because I know I often need to be. You know, I I promise confidentiality for the families I work with, but there's definitely a a family which is like I think four generation and the family still owns a very large, very large company. And where there were doubts on the, you know, it's a, it's a family history, basically. Where basically there were doubts about how committed will this 4th generation still be to the family businesses and so they started to build the Family Foundation with that generation in order to create the 4th generation. So they were all like in their 20s. They started you know, their approach to build more alignment in between that generation was to start with the Family Foundation and you see that that strengthened the commitment to the family and to the family business, which was like a which is a success from the family perspective. But through those conversations, I think it took them like 2 years of of deep conversations and it takes 2 steps forward and you retreat one. You know, it was a difficult process. They really came to something. An innovative approach of philanthropy. Where I think the whole, you know, all the, you know, all those young people or a lot of young people got aligned on, which is really, you know, an innovative space player, within its space trying to and I know that's very general but I feel not comfortable giving a lot of details on that. So yeah, so you have a number of examples of foundations who, or quite a few of families who combine as well the family dynamic as deep impact on the world, I think. What you also see is that that yet through engagement because you know and obviously I'm into family philanthropy but my main interest is impact is creating a better world. And that true activities in the in the philanthropy people, families also start to understand better the challenges that we face in society and become much more creative in leveraging their other resources. Like you see and what is really impressive is how some family businesses are moving in terms of becoming much more impact centric and that's regularly also starting as a starting point building a more awareness and affinity what's happening in society through the working foundation.

Maybe I can find some, but you, I guess you have literature also or found already literature on that. But in terms of my own experience, I feel, yeah, I always feel a bit uncomfortable giving a lot of details of course.

Interviewer 1: We it was the first interview we had today with you. You're the first expert. We are we

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were meeting but of course we are looking for meeting further experts. So if you have any contact people you could refer, if you have any ideas on people you would Orient it to, it would be great. And I bounce back on what we were saying about the cases we were talking if you want to have the discussion under an NDA or if you want to present this to a different family foundations and they are ready to talk with us, something that you know is that in the context of phases we can sign an NDA with the people to anonymize the data. We will record them and not type the name of the business plans or whatsoever. They're not comfortable to who they forget about. This is something possible.

Expert 1: OK. Yeah. I'll give it some thought. Uh, what are your deadlines there? You're you're on really strict deadlines or do you have a bit of time?

Interviewer 1: Uh, we have uh, quite of short deadline. Yes, like the final report is due for end of November, I believe. With the defense of the thesis around January.

Expert 1: OK, because one of our members of the Global philanthropy circle, he's finalizing the research on family philanthropy. But focusing is very much focusing on the family dynamics. And I'll check with him, maybe he wants to talk with you, maybe would be interested. And he could bring his own experience. But they also because he has been involved and he didn't he funded the study, but I guess he's pretty well informed it. It hasn't been published yet, but I guess it's pretty much informed about, you know some of the main conclusions already. So. So I'll check with him maybe, maybe he could be interest.

Interviewer 1: OK. So we stay in touch. Yeah. Well, like I said, it was our first interview. We are done with all the question now. If you have any feedback on the way we presented the project to which we asked the question, the dynamic of the interview, please feel free to to speak. It's interesting for us for the next interview with us.

Expert 2

Interviewer 1: So what we're basically going to do now is simply ask you a couple of questions shouldn't take much more than half an hour, 40 minutes and exactly and try to understand the environment a little bit better.

Expert 2: OK. So maybe just to give you a sense of what you, I can ask me to which extent and so I I have been advising families for 10 years now mainly in Belgium, France, Luxembourg, sometimes a bit further, but mainly that this type of countries that's for really the advisory services and then. On the other side, I'm also sitting on the board of my Family Foundation. I'm 4th generation in this foundation. So I have kind of two, yeah, two hats that you can consider.

Interviewer 1: OK. Umm, so we presented ourselves, uh, we'd like you already started to present yourself, but can you give a little bit more on your professional background and what led you to the Family Foundation field?

Expert 2: Yeah. So basically I'm a historian by training. So I wasn't supposed to work in the financial world before joining philanthropy. So because I started more in corporate patronage for the cultural sector. So I was working in classical music and jazz. That's where our discovered really everything related to patronage and grants for the purpose of you know, society. So that really got me into this world and then soon after I joined this private bank in Belgium. Degroof Petercam is Belgium's first private bank. So it's 150 years old and it's since the start very much involved with philanthropy. So it's embedded in the culture of the organization and So what I was doing is basically all advising families that wanted to start philanthropic projects, may be foundations or investments or any type but that's my role. And on the other side I started running the corporate foundation which is another topic but it's what I'm still doing today and so that's And a year ago and joined my Family Foundation to as a board member. We are concentrated on handicap and financing research and autism mainly. So yeah, that's in a nutshell what's keeping me busy professionally.

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Interviewer 1: OK, so you have the two aspect, classical and Family Foundation type of view. What would be the main difference between the two of them?

Expert 2: So the corporate foundation is very autodynamic, you need to find the balance between corporate and foundations. They both have very different goals, one for profit, the other is nonprofits, one is big and very much processed, the other one is more creative and a bit crazier. And you have to you know always manage the two and the expectations of both because of course you do philanthropy as a corporate because you want to be a philanthropist, but you mean you also do it for other. Reasons, you know, for image, for reputation, for stakeholders, management. Many other types of expectations are different. And on the other side, family foundations, I think what's very two drivers is mainly family keeping the family together. I mean we are the 4th generation and the people around the board, well, if we had no foundation, we probably wouldn't know each other. I mean you know it's 4 generations as far so and we did it. It's, yeah, it's quite interesting because we just had a work that's done by consultants within the foundation to understand what were the drivers of the family. And the first driver, a motivation is really keeping the family together and the cause is a second, second objective. It's not that we are specifically more concerned about handicapped or climate or anything, it's just the traditional way that we are active in handicap and we want to pursue the family tradition and that's I think what keeps the people around the table. Um, and then of course they're interested in handicapping. Of course they believe in philanthropy, but that's not, I mean, in terms of topics. That's not the first main point. OK. So, yeah, so the dynamics are very different of course if you are in environments as banking which is very professional, very organized, well of course the foundation could be is in a way you know the the structure and processes of the of the bank. So we are very organized, very structured, we have you know strategies very clear and then our Family Foundation is a bit more I would say agile we have, we have very likely staff to report. We prefer to give them to staff. Uh, which is in a way also a negative point because you cannot provide all the support that project could expect. And so we are all volunteers around the table and that also has limits, of course. So yeah, it's, it's, it's different dynamics, it's more family cultic organization, but it's which is still efficient but in its own way. And then you have the corporate foundation that is staffed, organized, well structured, whether it's plus and negative points too.

Interviewer 1: OK, on the topic now, what would be the current trend in the family foundations today? Is there something common to all family foundations or not at all?

Expert 2: Umm, well, I wouldn't say there is a common thread because they're all very different because they're all related to specific histories. And but I would say a general thing is that the young generation really gets in, is interested to see what the foundation is doing. And they take on more leadership positions than when I compare to my parents. For instance, they joined the foundation like when they retired or when they had more time after their children. Now it's reversed. They start very young to be interested in sitting on the board and visiting projects. So that's I think something that I see in many foundations that the young generation is really active. And that's great. I also see kind of tension between being more organized, more strategic. Yeah, I would say more professional and also keeping it a family project where the people can be involved even if they're not professionals. So I think that's a kind of tension because they realize that if you want to be good in philanthropy, you need to be trained and you need to be, you know, it's a specific field like any other and it's a sector which is a bit very complex in a way and so they also feel the limits of this. You know, volunteering models. So I think that's something that is probably going to change. Foundation are going to get more mature and more equipped and even Family Foundation will in a way adapt.

Interviewer 1: OK, uh, we're gonna go into another topic now. It's more about incorporation and governance, and Constantino is gonna go for the next questions.

Interviewer 2: Yes, thank you for that. We have been talking about quite a lot and like to get a bit more to the point. Would you say or could you tell us what has to be taken into consideration or is this something that has to be taken specifically into consideration when working inside of a Family

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Foundation? In comparison now, for example to a normal foundation.

Expert 2: Yeah. Um, yes, there is. Well, of course, there's a lot. Something that's very specific to the philanthropic sector is emotion, you know, and with the family you add an extra dimension of emotions. So you have to, I think, upfront, very clearly define what you want to do, spend a lot of time in listening to the people that want to be involved in the family, that everyone finds its position and feels OK with it because it cannot be if you want to have a Family Foundation. There's no point. It's like you're that's foundation or your mother's foundation, your grandparents foundation. No, it's a Family Foundation. So everyone has to be involved. And that as and somewhat I see that some family rush into a project or they rush into a topic and because they see it's urgent, they see there's something to do. But they they don't think, they don't take the time to think of really what are we going to do together. And I think that's something that's really important is to do take the time up front. And it will save so much time and so much energy afterwards, um, because that's really I think very important. And the work we've been doing now since the 4th generation is on board is again we asked externals to come and see, OK, what's the level of I would say agreements in the foundation? Does everyone has the same expectations? Do we feel that we are going to be able to work together? Because if you have a Family Foundation as the main purpose is keeping the family together, but there's no point fighting on the topic. So I think that's something that's very important if you want to have a strong Family Foundation strategy, you have this all these discussions before and often we see that there's a little bit and sufficient. Yeah.

Interviewer 2: Would you say that's also a strong suit? Are they Family Foundation to have this emotional component?

Expert 2: A strong what, sorry?

Interviewer 2: Do you think it is also a a good factor or a beneficiary factor of having this emotional component?

Expert 2: Yes. Yeah, I always say it. I mean, emotion is the driver of philanthropy. If you take all the emotion out of, you take it, you make it very processed and you make it very heavy in terms of processes and everything, then you keep all the emotions away and that's very bad. So it's really finding this balance between keeping the people warm and with the big heartfelt for the topic and very involved and emotionally involved because that's the driver. I mean, if you don't have emotion, you don't give. So that's really the very important point and that's why you always have to struggle that everyone has the same level of, you know, energy for the project. And yeah, and it's sometimes hard to to figure out because everyone is reacting differently. So what we see is when we start discussion, it's very good to have one neutral person coming from the outside that has very high personal skills. I can understand and translate and and keep the level of of yeah, of frustration down. That's very valuable because that's the starting point.

Interviewer 2: Thank you. Go in a bit more into how family foundations are structured. Are there main stages in life of a foundation?

Expert 2: Like of course it has to be founded, but yeah. Yes. Well, I just speak of my experience. I don't know if that's a general trend in Europe it's what we see we see we the hardest thing for philanthropy is just to start. I mean you cannot put the bar too high. I say you're going to be philanthropists like Bill Gates and you're going to give millions and you're going to create this foundation worldwide. No that's very, that's very high. So we prefer to tell them well take small steps step by step, first step just dedicate. This portion of a fraction of your assets to philanthropy. So I just had a call this morning with clients, they isolated 1,000,000 from their assets, and everything that's above depending on the market, they just give away and even now the market is lower. They say I'm still giving away because now I know how important it is. So it's a very easy way to get in. And after that, some, some families decide to create more structured funds. It could be a fund that is located into a bigger foundation like we have in Belgium, the King Baudouin Foundation. You have the Fondation de France in France. So. So they're embedded in a bigger one that takes all the admin and all the organizations. So they just have to decide on a

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project. And when they start to be much more mature, more funds, more family involvement, they usually get out of this umbrella and they start the life as a independent foundation. So that I would say the typical evolution that we, I mean we, we, we would prefer to opt for instead of telling them, yeah, just create your foundation, you can need governance, you need processes like no way, just it's too heavy.

Interviewer 2: Would you say it's possible also for a Family Foundation to reach their target? For example, this morning I was reading on the Bill and Melinda Gates Foundation wanting to wipe out polio. So that's obviously something. Now the target you were talking about keeping the family together. Obviously something that goes on wanting to wipe out polio has a certain end. Do family foundations also come to an end depending on the target?

Expert 2: It's a good question because it really depends how you are, how you position yourself in the markets. You added position yourself as a Bill Gates would do. I have an ends to my project. I mean when polio is ended, my foundation can scale down and do something else that's really like amance project. And then you have what I call the Melinda model, which is more helping the sector. You know, woman's rights cannot tell that one day woman's rights will be OK. I mean it's something that's consistently on the on a topic that is evolving and it's and so you have these two type of models which are very different you are either a builder sector builder or strengthener or you are the solution over and it's really different. I mean the way you operate is different. What we see more as a trend but this is mainly for foundation that are much further in their strategy is to work on systems change you and probably I'm sure you heard of this word. It's really instead of looking at the problems and building solutions is to look at the problem and find the root causes and tackle the root causes. So it's a very different approach so yeah it's a I think that's more like the evolution of this very would say professional philanthropists and family foundations too because they realize that you know there are much more long term and system changes long term while the corporate foundation didn't immediate results because they like to show off and tell it what they do to their employees and everything, while Family Foundation have much more long, long term. For instance, my Family Foundation, we work on financing research to find the causes of autism. So it's very long term. I mean it's the causes. Why are the people that have autism and other not and that's really working on the causes. And then some will say, yes, we just, we work on Special Olympics because we want autistic people to do sports. That's a very different philanthropy. It's not the same. So we work on the courses and I'd say the market is organized in a way that some are long term, some are short term, some are very professional, others just, yeah, it's different. Yeah, that's why you need to position. Serve in the market where you are the most relevant.

Interviewer 1: OK. Thank you. We already getting a little bit into the topic of the strategy. For example, could you explain to us a good structure of governance and so as to how a Family Foundation works as efficiently as possible?

Expert 2: Well, first of all I would say keep it simple because if you want a family to be involved, try to have it as lean as possible. Also, we also always speak about diversity. It's a bit different in Family Foundation because you would try to have as many people from the family involved, but at least one external, I think that's a good thing, is to have at least one external. So for instance, in my Family Foundation, we're all from the family, but there's always one external there, always. That's very important. And he is an external, but on top of that, he's a very high expert on the topic. So he can say, guys, you're just going the wrong direction and we believe him, OK, that's not that we are going to fight internally to say you're right, I'm wrong or you know, you know, and that's very good. Because we don't start to have assumptions and that's very good. Now what we also see is family foundations. They are not professionals in a way, because I mean, we as a family, for instance, we are not professionals around handicap or health or research, no. So we have a scientific committee aside and they work aside. And we have someone from the strategic Scientific Committee sitting on the board who makes the link. That's very useful too, because you cannot ask your family to be experts on environment or climate. That's impossible. I mean, we all have jobs and it's very specific. So having this other governance body is very interesting to make sure you make the right choices. The right choices is key. So that's I think very good governance principle. He can also. I see families that have like the young board, it's like the board but for the young people and they get like a specific grant for testing new things in financially and just

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helping them to get on board. It's like, you know, a starter package, I would say, yeah, that's quite nice. Yeah.

Interviewer 2: Something that was super interesting, very insightful, thank you. I hand over to Jeremie.

Interviewer 1: Yes, we're going to go into more governance typical questions. For instance, how do Family Foundations defining allocation processes inside the foundation such as people, budget, assets? Because you said you were mostly family members in your foundation for instance, but for King Boudoir, it would be different. They have a lot of people working in the foundation. Would it be the same?

Expert 2: So what's the beginning of the question? I mean, how do you define and allocate resources inside Family Foundation?

Interviewer 1: Yeah.

Expert 2: The question is on resources, right? If you compare Family Foundation to the King Baudouin Foundation, it's like 2 worlds. Part One is I institutional and Family Foundation and much more lean and chaotic like a family could be. To I said the resources, I would say I would, I'm going to say positive and negative points. So the positive points about resources in the family is that's the highest level. I mean it's the highest level of use of funds to the projects. I mean I think it's over 80%. Percent of the funds go to the projects, which is good. I mean there's no costs or at whatever are very light because everyone is volunteer at least of the large proportion and they usually don't have like buildings or they're often like located in the families member halls or I mean it's very lean in terms of organization while you have these big foundations like the Kimball Foundation, very heavy on processes. Very, you know, high costs of operational costs. So that's and the resource of the foundation I think the negative point is that they don't always do stuff properly. So it's often someone from the family doing this a bit on the side or you know someone retired that takes a little bit. And so depending on the level of involvements you have very different degrees of professional approach. So I think in the Family Foundation that's a bit of the shortage is that they don't really want and they don't really see how to staff. Properly. And so they have lack of learnings, lack of sharing because sharing what you do and sharing your good practices is very valuable in philanthropy. And so that's a bit, you know, they tend to work in a closed environment, which is a bit sad because they have a lot to share and and of course philanthropy at one level when you reach a start level, you have to speak to institutionals, to, I mean to your country, to your region, to Europe to make your project, you know, evolve. And we see that in my Family Foundation with sometimes we're just, you know, working in a closed environment just because we don't have someone that is going to open doors and speak and write and and you know, being using his voice and using a voice in the foundation is very important. So that's I think the limits of family foundations that don't use their voice as much as they could.

Interviewer 2: What would be a good practice? What would be a good solution to address these issues for instance? From your point of view, but in really in terms of governance level, meaning the process we can put in the Family Foundation to avoid these issues or at least to address them.

Expert 2: Yeah, it's a good question because you either decide in terms of governance to have an operational team I mean could be one person, but that's often not the case to have someone dedicated you could also have a government decide and level of governance to be much more open so you know to assist to conferences on the topic or to use your learning and I mean that means you have to hire someone to do that. You can also have externals. I give you an example we with the foundation I'm in I think this example we want to fund a pilot projects for inclusion in the school of people with autism. But we can obviously not fund every school of Belgium with every child that has. That's impossible. So we're just going to select 100 children in different schools and see if the method works. But what it's if the method works, how are we going to bring this further? Which means you're going to have to talk to politics, you have to go to schools, to, you know, groups of parents. So it's a lot of back work, you see. And if you're not equipped or if your governance doesn't understand that. You will do your pilot with 100 people, which is nice and good, but what? Yeah, that's not enough. So I think that's the limits of

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foundation that are very lightly staffed or that don't invest in resources for that. So now that we decided we don't want to have a larger team because there's no one who wants to manage people. I mean, no one in the family wants to manage people. So what we're going to do is just going to hire external consultants to follow this. This pilot to document it and make sure they're going to knock on the doors of the different ministers and chambers and everything. And so we know when we finance this project, we need at least 20% more to finance all the externalities we want with this project. So that's another way of deciding.

Interviewer 2: You talked a lot about, how the foundation helped bringing people from your family together and I want to know how do you manage family dynamics and all relevant ideas, even when it's some tension for the daily business of the Family Foundation?

Expert 2 I'm just going to answer on how do you select the people of the family are going to make the work happen. Because again, my example of what I see now the families is that you cannot have all the family on around the table. It's not efficient. So you these you either have representatives of the whole family stakeholders sometimes is because you have several families members or sometimes the young generation, the old generation sometimes goes that live in France with that live words. I mean you can have a mix of goods balance between the family members and then you what we also see that they have to commit and have to apply to be on the ward. That's very important because motivation is very key and they have to bring an expertise and so they're not just, you know, designed because they're nice or because they, you know they that's how you come and no, it's just you have to apply. Right. And be relevant in your what you bring around the table. So that's very important. So it gives kind of neutral neutrality and dynamics in the world. Everyone is coming for a reason and not just because he's appointed. Tell me if this ask you if I answer your question correctly. Yeah, yeah, I think so. And I'll just the covenant or even the board adapt to natural developments in the family such as. Death, marriage, etcetera. Good question. But what I see from families, um, there is a big the biggest debate is marriage. Do we onboard the people? I mean the plus ones or not. It's a very good question because I see both, uh, strategies. Some say we just keep it family first because you know priority to those that are really linked to the family's traits. And others say, well, it's a perfect occasion to bring in the plus ones, especially what I see when you have Family Foundation besides a family group or for family corporation. Usually, in a family corporation they don't let anyone in which is not blood from the family, you know, the plus ones are totally out of the project and so they compensate by bringing them in in the foundation. So I see that quite a lot and usually the plus ones take much more responsibility than the family. That's also very interesting. So in my family it's open, but there is priority to people from the family. For that, that's how it works. But we are very bad example because it came from my grandmother and my grandfather was like the most involved person of the whole family. So it depends it's but I see that the dynamics are very interesting with this question because you see that sometimes it's to compensate something from the corporates or from the family. So it really depends on how the family works, but we see that it's valuable to have the plus ones. And and of course also if you speak about you know people dying or newcomers and well it's you have to embed that in the family rules of the foundation. So you always, we as a corporate foundation, we have internal rules. As a Family Foundation you need even more internal rules because it's so sensitive. What happened that's and also what we decide is from age, uh, try to cap age in terms of responsibility. You can still be honoris, but you have to leave room for Youngers. And to encourage that, it's, you know, only the grandparents project and nobody else cares.

Interviewer 2: Our next question would be what has to be taken into consideration when starting a Family Foundation. I think though you answered pretty well in the beginning by taking a first step, the example you gave was allocating that first million, taking it from there. So is there anything you would want to add to that?

Expert 2: I think you need to understand the driver. Why do you do this? Is it to solve something very specific or is this to, you know, keep the family together? What's the purpose? Because that's the starting point. What? Why do you do it? This this why question? We can ask 1000 times. It's very important that everyone knows. I just give the example why? Because then strategy is going to be very interesting

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because usually when you start a Family Foundation, it's for long term. When my Family Foundation started, it was right after the war, we were many orphans. I mean it was this foundation was dedicated to child's childhood and orphans from the war. Obviously a couple of years later it wasn't relevant anymore. I mean they were luckily less orphans and the state had organized itself to manage that. So we decided to go where there was another need. It was for people with handicap. And then the state again organized itself and we decided to go to people with mental handicap because there was nothing existing. And now we move to autism because there there's nothing existing. So if we knew why we did it, because my great grandparents, they saw that something was missing. And that was the reason why they started it. So always when you take a decision, where is something missing, where is something missing. And every time we try to evolve because otherwise if we're just written, we do this because we want to save orphans. We've probably been Africa. You see, so that's very important to start with the why you do it and how can this be long-term very important. And then you start allocating your resources step by step. Speaking about the importance of the mission which you just stressed can also be negatively speaking about the mission drift. For example, now you give a lot of examples about how well how good it is to adapt the mission of a foundation. How would you prevent from unintentional mission drift? We can give an example that a family we have been advising is a family with three brothers and the father dies. So the three brothers have to decide to start this foundation and they all the three of them have different point of views. And they all have businesses on every side. And they wanted to allude to align their businesses with their foundation. But there are three different businesses, one in sports management, one in education and one in food, very different. And so they try to find a mission that was kind of linking everyone, which ended being poverty because that's very, very, very wide. And then four years after they did a massive shift because they realized it was impossible to to make decisions. Because everyone has his own agenda. And so that was the risk is that everyone would you know fight for its agenda instead of looking what is really needed. And so that's they did a huge strategic shift. They said OK, we are going to work on health because health is good for food, is good for sports, but we are going to take off all decision power. We are going to put there management team, they are going to decide on what is needed and we're just there for the vision and so they're going to have this. World Vision of health through sports, food, uh, and what's education on health? And then that's going. That's their rule. They will stop fighting for choosing this project or that project. We put it a management team there.

Interviewer 2: OK, we're nearly drawing to the to the end of the interview. Coming to that other any other topics that you deem important or interesting in the context of family foundations that we maybe have left out. Anything you would like to add?

Expert 2: I would say that it's on a European level. I think that's the big strength of European philanthropy. It's all these family foundations. There are many, all type of sizes. Some are very far in terms of strategy and experience. Some are very starters. So it's very diverse and that makes the richness of European philanthropy. We don't have to look too much at what's happening in the States because that's usually what people do. That's happening in the state that's in Europe. No, I think start from what's happening in Europe. And adapt, what I also find very interesting, and that's a trend that's coming from the northern countries, is the fact that you, you saw what happens to Patagonia in the states. But that's something that's very usual in Europe. Like I mean it wasn't all over because it's very, I mean, mediatic, but in Europe it's happening. I mean, foundations that are created with shares of businesses that's very common in the northern countries, in Germany is very common and that's also a very interesting model for family foundations. It's when you are family shareholder to give part of your shares to have the family continue to live or bring it together around the company and the values of the company and make sure this company is going to fund the long term with the values of the family. So that's the model I really find very interesting and it's just been an article written in Harvard Business Review I think is written by actual Gucci from the share from the SEC. On on explaining why this model actually exists in Europe and why it's so interesting. And I think that's a very good it's not innovation because existence a long time, but it's a very good way of involving families in philanthropy through their businesses, and sometimes they don't have an idea that it's possible. So that's a very good one.

Interviewer 2: Thank yo! Can you name any other interesting cases? Because at the end of our thesis we would like to present present a couple of cases to basically show how a good governance should be

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organized. Could you give us any case examples?

Expert 2: I'm sure you heard of the C&A Foundation. Laudes foundation. Yeah, that's a very good one. I know them since long and they had to change their name. They had to change their positioning when they moved from being corporate foundation, which is family owned to a very focused philanthropic model, while because they wanted to work on sustainability of fashion. And actually, if you're the only you have, if you have the label C&A, it's very hard to convince other players. And so they had to change their governance, they had to change their name, they had to change the strategy, had to change offices, everything to make the mission possible. That was not possible while they were linked to the family and the culprits. That's a very good case and evolution of governance. What could I describe as another one? I don't know. Do you like big cases or small cases? Sorry, do you like big cases or small cases? Anonymous or very well known?

Interviewer 2: Well, it doesn't really matter. I think we are OK with both of it. It's actually to have two point of view.

Expert 2: So you have this big case well known in Europe, quite famous foundation and then you'll have, you have what can I take as another example of family foundations. Well I can take a note, not a very small one. Family Foundation. The main purpose the why is to bring the values of a mother that was sadly passed away. To bring the values of the mother in this foundation and make sure the children would continue to pursue her values by just making sure the people around them and 60 kilometres around their home, people were in need of something. So I don't know, old person needs some care, a young person needs some help, help. So they would use the funds just for this mission. And the governance is very different because you need people that knew the mother instead of strategy. I mean it's all linked to the family. That's a very different model. The other one is very to make it efficient, we work on social problems. The other one is totally, totally family aligned. And so the governance is very different. So yeah, this I would say two very extreme examples. Well, there are many more. And tell me if you need another type.

Interviewer 2: If it's OK, we might come back to you about that. Yeah, thank you for the moment. We are still interviewing experts to know better about the Family Foundation field. And by the way if you have any experts, you know you could refer to us. So we could have the same discussion as we already we just had with you would be thrilled.

Expert 2: Yeah, there's one researcher in Belgium and it's really focused on Belgian Family Foundation sports, small, but it's interesting it's I can give you her name. There's another foundation in France that is working with philanthropists that are from corporates, I mean XUS or usually family businesses. So they also have this very strong relation with family philanthropists. So that's it. Plus I can write you an e-mail. So, yeah, it's in. That's for France and Belgium. Yes, I'm sure you have you, you should look at the northern countries where you have in Scandinavia and so on. You have a, so a couple of very good family initiatives too.

Interviewer 1: OK. OK. Thank you. Would you be interested in receiving the final report we are working on?

Expert 2: Yeah. OK.

Interviewer 1: When we were finished with it. We will send it to you. It's great. No, thank you. Thank you very much for the time you gave us. Do you see any other points you would like to talk with us or anything we may be missed or something?

Expert 2: No, I mean you do very valuable work. We miss a lot of data in philanthropy. So if you can contribute, it really helps. You have researchers in European Foundation Center, which is called PHILEA. Now. I'm sure you heard about them. EFC is more like corporate more corporate foundations than family foundations. So it's very scattered. I would say their federations per country, but depending

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on the country, you're active or not so well.

Interviewer 1: Do you have any feedback for us, maybe anything because it was only our second interview. Anything we could change in the future?

Expert 2: No, I think it's very interesting to have this type of questions. So nothing to mention.

Interviewer 2: OK. Thank you. Thank you very much.

Expert 2: OK. Yes, thank you very much. And then, yeah, let's keep in touch if you need extra.

Interviewer 2: OK. Thank you so much.

Expert 2: OK. Good luck. Bye, bye.

Expert 3

Interviewer 1: We'd like to understand a little bit more about you now. What is your professional background and what led you into the field you are today?

Expert 3: So my background is in management. I studied like you guys just back then when I studied it, it was in Portugal, it was a 5 year course. So they didn't have the bachelor and then the masters. We did a 5 year thing and undergrad studies were in in management, so. And I studied that Catolica, so the competition, right? And then I was a consultant for a couple of years. I joined McKinsey right out of Catolica. So I did that for all in all four years. But I broke it in half because uh, halfway through I went and ended my MBA at INSEAD. OK. So that was 30 years ago? And then I joined McKinsey again. But I figured out that I wasn't uh, you know? The right profile to be uh like a career consultant. So I did what most people do is I had my four years. I learned a lot. And then I was looking for something else, so I ended up joining a big supermarket operation. So, I mean, you're from, are you from Belgium, I'm guessing. Is that right?

Interviewer 1: Wrong. Yeah. I'm French. I'm French.

Expert 3: OK. So you get better. So you're familiar with Auchan, right? So I joined the company that would later become the Portuguese branch of Auchan. But it when I joined, it was a a Brazilian family business. So there was this Brazilian family that had had set up this big supermarket chain in Brazil and then eventually had started operations in Portugal. It was called Grupo Asuka. It still exists in Brazil. Uh, the reason I joined them? Well, two reasons. One is I was in bad need of having a very operational job. I had like spent too much of my brain four years doing strategy consulting, so I was really looking forward to having a very operational job. And on the other hand, my own family that has a family business had just acquired a stake in this Brazilian company, right? So it made sense to me. That was my first step towards joining my own family business. OK, so I did that. When uh, the Brazilian family sold to the Millier family, which was in 96/97 it coincided with the time where my own family asked me to because they sold with the Brazilian family to the French family. If I'm being too fast, interrupt me, or if I'm getting off track, interrupt me also. Anyway, I joined my own family business at a time that it was not easy. The family itself was very united, but we were having trouble with some partners, uh and I was asked to join to help try to solve that. So for the next 20 something years I ended up joining my own family. I've been working in many different instances. We have sold many of the businesses that we were in, but I still work with my family nowadays and I do it mostly non executive now because ten years ago: Nova. Well, now when I got together and they apparently had trouble finding some of the real professors who would be interested in the topic of family business. Apparently none of the real professors thought that family business was sexy enough. So, and it coincided with the time where I had decided that I wanted to stay working with my family. So this is a Fast forward, right? We're talking like 20 years later. But I wanted to have something which would be something more for me specifically. So

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I grabbed this opportunity and I started working with Nova, developing everything that was related to family business, the courses helping students that were doing their thesis, you know, kicking off some research. I don't do research myself. I'm not equipped for it. I didn't do a PhD, so you know, any anything more specific to research methods, etc. That's not me, but I have been involved with many research topics, either kicking them off or as a, you know, somebody who would be on the side helping and etc. And then even more recently, like six years ago, I went full circle back to consulting. I worked with an American company that does, I wouldn't call it really consulting. It's more advisory. It's very different from my McKinsey days. But basically we help families in business to organize their governance, to organize their succession planning, to organize their family office, etcetera, etcetera. So as to make sure that being a family and business turns out to be a good thing instead of a bad thing, right? The, you know, the way I explain it in very short words is it's different, right? Being a family, being a business that is owned by a family is very different from being a business that is owned by hundreds of small shareholders or whatever, right? So, and it can be good or bad, right? It depends on how the family organizes itself. And if that happens in a good way, it can really be a source of competitive advantage. If it happens in a bad way, it can be the source of a lot of problems. OK, that's in a nutshell. So nowadays, what do I do? I teach at Nova. I am the family business person at Nova for anything, you know, anything related to family business really. So that's one. I work with Cambridge advisors. That's my advisory work. Three, I still work with my family. I'm a non executive board member in our main company these days. Which is a company operating in Mozambique, which many years ago was a Portuguese colony where my grandfather actually started his family business, so that's where I'm still involved, also play a role in a little family office that my family has. And I am also that's the more recent thing, a non Executive Board member for Portuguese, uh niche bag that is owned by a Portuguese family.

Interviewer 1: OK. So your background and is more about family business, it's we really gonna reorient the questions into the family business more than Family Foundation if you're OK with it. The very interesting part is that you know a lot about dynamics in families and we have a lot of questions about that. So very good, we're happy to try to. You anticipated a little bit the last, the next question which would be what would be the difference, the main difference between a normal business? Owned by shareholders Extra and the family business, according to you.

Expert 3: Good, good and I want to add a little factor that to your question, which makes it a little bit more complex if you if you look at the official definitions of family business. Either academics, you know, love definitions because that's the first you know. If you want to do studies, you have to measure, and if you want to measure you need to define and defining what a family business is. As you know, also academics love to discuss everything, so there's a lot of many different definitions out there of what a family business is. And there's even, as I said, an official definition which the European Union that came up with it some years ago. Many of these definitions for me include something which is not yet a family business. It might one day become a family business if you know any guy that comes up with an idea is successful with a startup. According to most definitions, that's already a family business. And for me, that's not yet a family business. But coming to your question, it's it's an important stage that comes before you know if I'm successful as an entrepreneur. Sometime in my life I will have to decide what I want to do with this. You know, I'm, you know, if I'm, if I'm a person that likes to introspect and think ahead. I figure out, yeah, one day I'm not gonna be around anymore, so I have to make sure. I help this, my little baby that I created to be successful in the future. And that's where the question comes up. You know, what do I do? Either I sell it to a big corporation, maybe a strategic buyer, and I'm very happy. I get a lot of money and then I decide what to do with that. Or I take it public, I stay involved and I can buy some time in order to figure out, you know, what happens once I get old and die. Or I say no, I want to hand this over to who is in my family and comes next to me. And that's when actually the family business ties in, right? It's when I start thinking about my own family and. If I want to leave it to my children who can then pass it on to their children, etcetera, etcetera, right. If that kicks in, that's when we're starting to think about that. Well, there's other circumstances. If I'm working with, you know, maybe my brother because that's who I started the business with, then you get the family dynamics playing it. OK. So coming back to your question. Why is the family business different from a non family business? It's about this concept called you can look it up. It's called social emotional wealth. There's a lot of. Research that has gone into it. But it's about all of these things that we care about in the business

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that go beyond just the financials or the growth, you know, or. In a market share or whatever, it is creating value for shareholders, whatever the measures are you want to use for business, normally the more financial indicators. When it's a family business, all these other things play in which we call social emotional wealth. It's about there's this neat little model called the fiber model. You can look it up if fiber, that's an acronym, it's stats for all the things that family. All the benefits that families derive from their business which are non financial. It can be about how the family. Exerts power in the business, you know by having leadership, by being on the Board of Directors, by being in the management team, et cetera. That's the if right? It goes on. It's about B is about the binding social ties, it's about how we as a family connect to the other stakeholders of the business. Suppliers, clients, banks, whatever. And again, it gives us some kind of benefit or pleasure, whatever you wanna do, utility if you wanna use a more economic term. The E stands for the emotional attachment between family members and how owning a business together enhances that emotional attachment between family members and this is a very important dimension for me, the E dimension, because it connects to another thing I like to talk about when it comes to family business, which is, and I'll send you some material if you like, it's called, I call it the flower model. It's about what distinguishes a family business from a family enterprise. You know, it's, it's just a word. You can use other words, but we call it family enterprise. So a family enterprise is the collection of meaningful activities. That define who for a family who are we, right? Why are we in this together? And if you jump from the more narrow view of family business to this much broader view of family enterprise. That's where things like philanthropy start coming in, right? It's helping the family. Finding common purpose and why we are in this together when they start thinking about doing philanthropy together. Because then the question arises, you know, what is it? What do we care about, you know, do we care about education? Do we care about the community where our grandparents grew up? Do we care about what is it that we want to help with? Right. And asking yourself that question as a family can be hard. But that's the other general message about family businesses. It's like in order to be able to take the full advantage that I've been speaking about of being a family in business you need to have difficult conversations. You need to align ideas and interests. And that's about, first of all, it's never easy because it's often about more emotional stuff, right? And maybe I'm talking with my cousin and, you know, your dad was mean to my dad, or you were mean to me when I was a kid. And all that stuff that we know about which families are about. Which can make these conversations more difficult, but also more powerful if you're able to have them right. No, I'm, I'm. I'm getting off track here a little bit. But this is why you need family governance. This is why you need to have structures, processes that help you have these difficult conversations. OK, I go back on track. So I talked to you about why family businesses are different from non family businesses. I spoke about social, emotional wealth and in that context I spoke about this very broad net concept which is family enterprise and we're philanthropy. Then comes in, I'll, I'll stop here for a second and maybe let you guide the conversation to the questions back.

Interviewer 1: Yes, no problem. No, the answer is really interesting and covers a lot of topics indeed. The next question would be more about the current challenges that would be in family businesses field today. Are they facing challenges today?

Expert 3: I guess so, so. Any business these days faces a lot of challenges, right? We talk about how, you know, we live in an era of disruption. How about, you know, you've heard this about how the world is? Vuca, is this a term you've heard vuca, it's volatile, it's uncertain, it's complex, and it's ambiguous, right? So any business faces these challenges, but family businesses are in there. So they face these challenges too. The pandemic, all the things you know, the war, the supply chain disruptions that, uh, you know, the challenges posed by Digitalization etcetera, etcetera, right so. For families the additional complexity comes from generational change. In any family, at certain points you will find this challenge of how do we bring the new generation in. And I'm not necessarily talking about how do we make sure that they become the next CEO or that they work in the business at A at a top management level. Yes, that's a question. But my question is broader than that, how do we make sure because we talk about the ownership role, right, and you can find very successful family businesses where the next generation is not involved in management. But they take their role as future already, you know now owners very

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seriously. And that's about how the owners influence the business, be it on the board of Directors, be it in what we call an organ that is an owners council where the family as owners sets direction, which then gets passed on to the board of directors or even before that. That influences the choice of who do we want to have on our Board of Directors, who do we want to have as the next CEO, right? And also choices about I go back to the flower model. The other neat thing about the flower model is that it tells you that you need many more leadership roles in the family enterprise. It's not just about who gets to be the next CEO in the business. It's also about things like who gets to be the leader of whatever it is we do in philanthropy, who gets to be the leader of our family Council? Who gets to be the leader of our family office. All of these things need leadership. And that's coming back to bringing in the next generation. It opens up opportunities. It opens up opportunities for people who maybe are not normal students or in SAT students that really want to make a career management, but who can still add a lot. In these other roles like philanthropy for instance, and you see that in in many new generation, next generation, you know, talk about my own child. I have a daughter, who has studied liberal arts, political science and is not really interested in business, at least for the time being. She's a bit younger than you guys, but she's in this phase where she says, you know, I see business and I see a lot of bad things that business does to the world, right. And I realize that we have Nova or even Catolica, we very much push for this idea that business can be a force for good. And I personally believe in that and I have conversations with my daughter about that. But you know how it is. You know a father can only say so much. You know it's always, I'm always the father who has a hidden agenda, right? So. Having this idea of, for instance, helping with philanthropy right it suddenly opens up new opportunities and it makes these conversations easier. And it helps. This challenge that any family business has, which is bridging the two, uh, having, you know, making sure that the next generation comes in and sees opportunity instead of just yeah, OK, it's a boring job. I feel the pressure. You know of leading the business, because my grandparents did that. And maybe it's also pride and in the good sense, yeah, that's good, right. But if you can open up these new ideas and opportunities, it helps these conversations again and maybe off track, I'll let you guys response the conversation.

Interviewer 1: No, you're not off track because we already talked with other experts and this is something that comes quite often here. So you know, we talked about challenges now I'd like to talk about trends and ask you if there is some trends coming in the current field today: Are family businesses more interested into some topics or completely not about others?

Expert 3: Are you now specifically asking about philanthropy and social responsibility, or in general?

Interviewer 1: Let's say in general, and then we can go into philanthropy after.

Expert 3: I think in that respect, family businesses are not different from any other business. You know, you're in the industry. You have the challenges you have. You have to innovate, you have to watch out for disruptions. You have to make sure that you know, you keep aware of all the trends, again, you know, what is AI doing to my business? What is all those things that are happening out there? What are the supply chain disruptions? What is the, you know the Deglobalization, bringing the just one example, I'm working with a a family in Pakistan. They're in the textile business, right? Their main market is the United States. Right. And they've been incredibly successful for 20 years just producing in Pakistan and then shipping to the US, right? Now they realize that their clients in the US, all the big brands. They're saying this is a risk for us having you guys all across the world and also with the instability that is happening anyway politically in in Pakistan. How can you help us solve that problem? Right? So one thing they're looking at is nearshoring: How can we be closer to our main market, which is the United States? Is there opportunities for us in Central America to invest, to do the things we know how to do? You know, what are we good at? We're, we're good at cotton buying, we're good at cotton spinning. You know we're good at garment manufacturing. Can we take those skills and our know how and bring it closer to our terminal clients. That's a challenge that any in that respect. That's my point. They're not different from any other business you will find now one thing they might be different in is. And this is often referred to as a potential competitive advantage for family businesses, which is agility and decision making. You know, if we're talking about a big corporation, a decision like this goes through 5 layers,

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PowerPoints, 50 meetings before it happens. This family, they're three. It's a father and two sons. You know, they might take the decision over a Friday lunch and they have the resources to do it, one of the sons says. OK, I'm planning to go to the US anyway next week. I'll take one more week to go visit a network that we have in in Central America and and see if there's an opportunity and they do it. OK, this might be good or bad, right? If it's the wrong it won't help if you take a bad decision if you make a bad investment. Yeah, but families are typically quicker and more agile, and that helps. Plus, it's their own money, right? It's not some manager who's thinking, I'll do this investment and then if it goes bad, maybe five years from now, I've moved on my career. I'm not here anymore. These guys know the money that they will put in in this new factory in in Central America is my money, right? So automatically that makes you more careful.

Interviewer 2: OK. Thank you. We're gonna go over the the next question. We were already talking quite a lot about family dynamics, for example. What are, maybe also that, but also apart from that, topics that have to be taken into consideration, especially when working in a family business, some things that are different from a from a conventional business.

Expert 3: So is your question about? Uh, what do the non family managers have to be careful with? Or is it more general? I'll start with the more general part. OK, so there's this very helpful, very simple little model. Which is we call it the three circle model. So I'll you know this is not the flower thing I was talking about earlier. This is if you focus on the family business itself, right, take this Pakistani family, I just, they have other things but I was talking about their main textile business. In this main textile business you can apply the threecircle model which tells you that there are three subsystems which you have to be careful about. It's the family, it's the business and it's the ownership, right? Now, family and ownership might be very much overlapping, but maybe not, right? You may have family members who are not owners. You may have owners who are not family members, and you certainly have managers in the business who are neither family nor owners right? Now, these three subsystems, they overlap. In a family business, meaning that there are people who wear different hats, you know, so if I'm in the very central part, I wear the three cent hats at the same time. I'm both an owner, a family member and the manager or in the business? Now if I'm in that position and I'm talking to somebody else who is also in that position. It becomes complex because I might be the father talking to my son, but I'm also the CEO talking to the head of exports, and I'm also the main shareholder talking to a minority shareholder. This makes it confusing. To have conversations, you know, in the sense that a. What hat am I wearing when I'm talking to you? Are we having a father son conversation or having a CEO CFO conversation? That can make conversations very difficult because we don't know really what problem we're talking, trying to solve. Is it like the problem that you never listen to me anyway because you know, you don't respect my opinions? Or is it that you really have a CEO reason to question my CFO decision, right? Plus, these tensions always can happen within our own minds, you know? If I'm wearing, you know, is it? So it what I'm trying to say is in a family business, you need to be very, very clear about boundaries. And about which room we're sitting in right now when we're having this conversation. And about what rules apply to one circle as opposed to what rules apply in the other circle. So in the business circle, we should always strive for more rational, more merit based thinking. Right, because that's how businesses thrive, right? But it's sometimes difficult to keep the boundaries from being blurred and from letting the other circles influence how we take decisions in the business circle. Constantino, does that help?

Interviewer 2: Definitely.

Expert 3: For not family managers some of the things that you know, we see and which are difficult is not letting yourself be involved in that kind of disputes, which are more family disputes, right? And that can be hard because you can be, they can try to use you and instrumentalize you. To help them with their fights, which are not really about the business, they are about the family or about the ownership, right? So as if as a non family manager, you have to really make sure that your constituency is always the business. You're there to try to create value and to be a good manager and to be aligned with the CEO. And not get sidetracked by that by that kind of... At the same time being in a family business is different because it's good to be close to the family, it's good for both sides, you know, it's often pointed

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out as being a positive thing of working for a family business is: I'm close to the family. I get, you know, to be involved in in some of the more family circle kind of things and I appreciate that. But I have to be careful then to separate when it comes to work to the work decisions. But you can have a role even for instance in mentoring next generation members, which is nice and good. But at the same time, it always have to always, you know, be careful not to compromise the professional status that's come some of the things we talk about and see in family businesses.

Interviewer 2: Yeah. So to close the circle a little bit, that basically means that I, I need certain structures to ensure that I'm able to have conversations in the family where it's clear, OK, this is strictly familiar, this is strictly business, right. And that's where governance basically comes into the topic. So next question is regard regarding governance. Could you maybe explain to us what from your perspective? You said also that you have advised family businesses on governance topics. What would the governance look like for such a business?

Interviewer 1: And if I may add, on top of governance, what processes and best practices they can add to the governance.

Expert 3: So, next a couple of things: First of all, governance, very broadly defined, is about helping organizations understand three things. Which are: Identity again, who are we? Direction would be very, very, you know, far and long term. Where do we want to be? You know, where do we want to go? And then the third is having the discipline to ensure that. This identity and this direction is that you keep on track. So that's the very broad definition of governance, but then as Jeremy was saying: You do need uh structures. You do need processes. You do need certain activities which are part of governance too. Third aspects, and I'm still in the introduction to the question. Governance is dynamic. So a very small young family business should not thrive, you know, for a full-fledged governance structure which they will eventually need 20 years down the road. You should start always simple and then make it more complex, OK? That that's my introduction to your question now. Family businesses need two sets of governance. They need the, what I call the classic governance, which you need in any business, which is, you know, having a proper board of directors. That helps supervise and helps, uh, you know, it's about the CEO, it's about making sure that the CEO has this group of people that support him and supervise him. That's the board of directors. And then that's classic governance. And on top of that, you need to make sure that there's a good relationship between the Board of Directors and the more General shareholders Assembly who has to make sure that they have a good board, right. So family businesses need that too. And and for families it can be a bit more complex. Maybe if you have outside shareholders at the level of the shareholder assembly, you need to make sure that you also, as a family, have your own forum. When you prepare for those shareholder assemblies, because you don't want as a family to go to a shareholder assembly with outsiders and start fighting and discussing, no, you want to present as a united front. Also, classic governance is a little bit more complex than a family business. Because there's this question of do you want to have family representation on the board of directors? Who do we elect from within the family to be on the board of directors? And that's not about, you know, it's not about being prepared to be a manager, it's about understanding the role. That's sometimes difficult for families to understand. What is the role of being a non executive director on a classic board. Yes, there's advantage to having family members because it helps. Making sure that the family identity, the family values, the family vision, there's always somebody there who really knows it and will make sure that it's respected. And that's only the classic layer of governance. You also need the family. What's, what's the, what's the family governance layer? Typically it starts very informally with Sunday lunches, right? It's you get together on Sunday because it's a family tradition and that's where you discuss stuff, right? But as the family grows, gets more complex, the business grows, gets more complex. Often it's also a matter of bringing in the spouses. The next generation has partners that always a difficult question, but you know the solution of saying: Ohh partners always have to be outside. It's not the perfect solution because you have to think about who comes next, right? Those partners will have an important role in educating the third generation and the 4th. So just shutting them out because they're not blood, not the best solution. So what do you do? You need to have structures, you need to have processes. And that's where typically something comes up, which we call a family council. OK, so a family council is like a parallel organ to the board of directors, but it's an agent for the family. It's about making sure the family has a

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space and has a group of people that think about things like conflict resolution, that think about talent development for the next generation. And I'm not talking about specifically sending the kids to north and to make sure that they become good managers. It's also about: So we have a kid that is a good lawyer. That's a good talent, right? Let's, let's help this kid develop that. Is it an artist? Is it somebody who is interested in political science? All of those things, even, you know, education for ownership, all of these things need to be nurtured. So Family Council is for making sure we have conflict resolution, making sure we have talent development and making sure we have development of policies for the family. What our policy? There's this whole array of policies. But I'll just give you 2 examples. One is employment policy. What are the rules? Our next generation members. For them to know, you know, what do I have to do if I want to be a manager, if I want to be the next CEO of our family business? If you have rules in place that everybody knows from the start. Then people can know, what is the path I need to follow? Is it about, you know, some families say you need to have an MBA from one of the five top business schools as defined by the financial time ranking, otherwise you don't get a job with us. I'm not saying it's good or bad. The thing about policies is: The good policy is the one that the family agrees upon. You know what's in it? I don't care. Is it an INSEAD MBA, maybe not. Maybe it's, you know, is it about outside experience, having had a job? What kind of job, right? Is it just any job or is it a job with PNL responsibility? Some families say no, you have to speak four languages. Why? I don't know, right? They just came up with this rule and they're all happy with it. Then it's a good rule. Employment policies can be much more complex. It's also about you know because it doesn't end in the minute and I realize we're getting close to our time. I'll just stay with this one thing it's it doesn't you know families say OK, now you work for us, now you're good, now we can forget about you. It's even more you know it's not really comfortable to make sure that you have feedback that you get performance appraisals because your family so you know even if we have such a policy for all our other employees. Who's gonna do it for you, right? You're a family member, so family members have an even more difficult when it should be the opposite, because you want to make sure that these people succeed in the family business, no matter if they're gonna be the next CEO or not. Some families say no, we can have middle managers, family members can be middle managers, but still that's good. But you need to be the best manager you can be with your potential, right? Family members need to be trained in something which is emotional intelligence. Right, because that's what will allow family members to have those difficult conversations that I was referring to earlier If I understand my own feelings and I can deal with them better. If I am more trained to understand other people's feelings. If I'm more trained in consensus building crucial aspect in the family, right? The probability of me and you having the same idea exactly about what it is we want to do together is very small. So we have to be trained and opening up the discussion often. And this is just my own experience with my own brother, right? It's like what we have learned in terms of our conversations together is: If we have those hard conversations, we'll probably end up finding a third or fourth solution which is not yours nor mine, but we both agree it's the best solution. It's just we need to talk about it, right? Sorry guys, I get enthusiastic about this stuff.

Interviewer 2: No, thank you very much. Thank you very much. Really helping us a lot to dive into topics we haven't talked before and I don't know if it's fine for you to extend the interview for 10 more minutes.

Expert 3: Yes, let's say let's try 5, but yes, OK, OK. And that case because I talked too much anyway. So yes, let's go for 10. OK.

Interviewer 1: What I propose is to go a little bit more into incorporation because The thing is you're already covered a lot of the question we want to ask you during the interview, like the answers you get. So if it's OK with you, Constantino, I'd like to ask you, one has to be taken into consideration when you want to start a family business and if there are some very big mainstage in the life of a family business.

Expert 3: Yeah, this comes back to something I referred to before most family businesses. You don't start a business saying I want to create a family business. People start a business because they have a good business idea or because they just find themselves in this situation where suddenly, you know, take Russian oligarchs. Sorry, right, these guys. You know, they were just in a position that and I'm not saying they're good or bad, I'm saying they were in a position in the in the phase of the economy and the political system the country went through and they suddenly had an opportunity to create a business

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and that's it. No, I haven't seen one family saying: Ohh, we want to start a Family business. No, you start a business and then one day it becomes a family business. Remember my definition, the EU definition, etcetera, right. So your question, Jeremy, is what there's one critical stage, which is when that person. Thinks about or does not think about what comes next. It's like this evidence of I'm not going to be around you forever, right? I'm gonna die one day. Nobody likes to think that, right? So what this does is many people, just because it's so unpleasant to think about your own death. You don't prepare the business you created for some kind of solution into the future. But in most cases a natural thing happens then, you know, because even your kids see you working so hard and you know, eventually the next generation joins without thinking a lot about it. And then you have a family business, right? Because suddenly you go from what we call a controlling owner phase to a sibling partnership phase. And there you need to start taking decisions like you know, are we all gonna work in the business? If yes, are we all gonna have the same kind of responsibility or is one of us going to be more important than the other? How is that going to reflect on our salaries? That's when the hard conversation starts. Or are we going to in the controlling owner phase? Dividends is not an option, is often not a topic because that guy was the controlling owner. He or she takes money out of the business. It's often more like even a fiscal question. What's the fiscally more efficient way of getting the money? I need to, you know, for my personal stuff, is it a salary or is it a dividend or is it I just take cash and put it back in whatever. Now in the sibling partnership phase, dividends become a topic because often some of the siblings don't work in the business, right, and their owners just like the others, right? So suddenly there comes this question of "do we have a dividend policy or not? And what is the policy gonna be?" Because you know, just spending all the money on dividends, as we all know will compromise the future of the business. And this is bouncing back to what we were saying before, which is about governance and defying things prior to the life, finding the spaces to have these conversations right and forcing yourself to have the conversations, which is another thing. Most family businesses understand the concept of investing time and money in the business. We all understand that, right? But spending time and money and organizing your family, that's like a bit counterintuitive. Families are supposed to function organically. Which they might, but they might as well also not right. So you need to put effort in there and money.

Interviewer 2: OK. We're talking earlier also about how important the mission is of the family now, also from a philanthropic point of view, but of course also from family business point of view. We've been reading quite a lot about mission drift. So basically drifting away from the mission that the family imposed upon itself over the generations, especially if you know something about it. What would be a possibility to avoid something like that?

Expert 3: Well, it's the first time I hear the concept of mission drift, but I think just from my experience: It goes back to what I just said about how families are supposed to function organically, which they don't. So if you have family governance, one of the things that the Family Council should be involved with, remember the Family Council is not like the boss of the family. The Family Council is an agent of the family. They serve the family. So one of the things they need to do is making sure that the mission, the values, all of those things that are more like Subtle more, you know, think about them every day. But making sure that every once in a while, you go back to them and you revisit them. You make sure that they're still meaningful to you as a family, and it's very important in generational transitions. Again, it goes back to making sure that the new generation still identifies. And yes, you know these things are not immutable. Right, like in my in my family business, our main activity our core family business. Nowadays we transport fossil, we transport fossil fuels. We're a logistical company. Now the younger generation looks at this and says. Is this going to be the future? Right. So having that conversation and maybe redefining the mission. It's important and that's where you know it's not only about attracting the new generation. It's also about their voice will actually force you to adapt in a good way, because the younger generation, you know they're more educated very often, right? Not always more educated, more aware of where the world is going. And and also more risk uh taking so that those are good things and of course you need to balance it. It's not just like throwing everything away, but finding this evolution through these conversations. Does that in any way help answer your question, Constantin?

Interviewer 2: Yeas. So with that, we're pretty much at the end of the interview. There's only two small things we'd like to know #1 is: Could you refer us to any experts, you know, anyone that could be

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interesting for us to talk to the top of your mind? I can also shoot you an e-mail afterwards and you can think about it.

Expert 3: Yeah, no, of course there's. I think there's one guy at IMD Lausanne Business School. His name is Peter Vogel. He's an Austrian American. You've heard of him. Yeah. OK. So Peter would be a good guy to talk to, I'm sure. Do you have any contacts to him?

Interviewer 2: I have. I've tried, but I couldn't get his mail, unfortunately.

Expert 3: OK, you can send me an e-mail. I'll forward it to him. We know each other, but I haven't spoken to him in years. But it's worth a shot.

Interviewer 2: OK. Thank you so much.

Expert 3: Sure. There was another question, right?

Interviewer 1: Yes. Is there any topic that you find important in the context of family business we didn't talk about today?

Expert 3: I don't think so, but I'll send you. I'll send you one. Uh, Cambridge, the company I work for. They just published a very recent White Paper. Which I think you might want to look at because it could, you know, it talks about some of the stuff we've been talking about here and it might be helpful for you.

Expert 4

Interviewer 1: So we introduced. We would like to have a little bit more insight on you. So if you could explain what's your professional background and what brought you into the Family Foundation field today?

Expert 4: OK, so I have a bachelor in economics and then I started working in a family business where I worked for 15 years. I was the head of the HR department. Then I worked in a investment bank for three years as a financial advisor and then I started my PhD where I focused on family businesses and I studied the Founders shadow in the next generations and how it influences behaviors and strategic management decision making and all of that. So now I have been working with Sandi in the Family Business course at Nova for the last six years, I think. And for the last two years I've been teaching to the bachelor's level at Catolica, also in family business. But besides that, I have been teaching the whole different Courses on human behavior and decision making and stuff like that. So always in this area.

Interviewer 1: OK. So your background is more into uh, family businesses, right? Um, I'm gonna add up some few questions just to be aligned with that. Uh, what would be the main difference between a classic business and the family business from your point of view?

Expert 4: The main difference is the focus on leaving a business for the next generation. So in a non-family business you want to create value for your shareholders. And you need to do it now. So you think on a more short term basis: You need to make sure that the investments that you are going to do are traceable, are successful and that you are still in charge to collect the profits from those investments. Otherwise other people will take the credits in a family business. So you are willing to take more risk because you have the time to wait for the return. In that sense, uh, you can think in a lifespan of 20-30 years. You have the time to do new investments and to try different things. You also have the capacity, capacity to think in a macro level for the business as an enterprise instead of your own area, because you have this long term perspective.

Interviewer 1: OK. Um, what would be the current challenge family business can face today? Or the challenges that are in the field of family business.

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Expert 4: I think that may be the main challenge is Sustainability in the sense that it's quite paradoxical because if you think about this perspective of leaving a business for the next generation, it would make sense to adopt sustainable practices because you want to leave the business. But research shows that family businesses are not there yet. They are not the ones adopting more green investments or more sustainable practices or less polluting practices. So I think that um, they understand quite well the need for innovation and they are more innovative than non-family businesses because of that, because they need to, to make the business available for the next generation. But they didn't understand quite well yet that in order to have a business, to live, they also need a planet and because of that they need to change the way they do their businesses. It's no longer possible to think that the business is not connected to the planet.

Interviewer 1: If it's okay for you Constantin, I just want to take a few more minutes on this. Why? Why do you think there are a little bit behind on that trend? Is it because they are too closed on themselves and they don't really look at what's happening outside of their company or is it something else?

Expert 4: Well, I think it's a combination of several things. On one hand, yes, they are a very closed club, but they are always very aware of what is happening, what is happening around them and that's why they are able to capture so many business opportunities. But I think that the problem is this dependence on the past, or this mentality of: "It has been going so well. Why change?" But I do think that we still need a lot more research on this area to understand the different layers of why are they behaving in such a paradoxical way.

Interviewer 1: OK, OK, so the previous question was more about challenges and this one is similar, but it's more about trends: What would a current trend in the family business industry today?

Expert 4: The trend? Well, the trend is on one hand the use of tradition to innovate. So they understand quite well that being authentic is a competitive advantage and they can use that authenticity to leverage their traditions and innovate. That's why you have so many brands like Patek... How is it called the one from the watches?

Interviewer 2: Patek Philippe

Expert 4: Yeah, Patek Philippe, where you say you don't own one, you just borrow it for the next generation and stuff like that. They are able to innovate and leverage their traditions to innovate and that's a big trend where you see how they are all going back to their roots and try to get inspiration and try to reshape their processes and their decision making processes in order to innovate. But still, the sustainability part is still ahead and there is a long way to go.

Interviewer 1: OK, uh, Constantino is gonna take over for the next part of the questions.

Interviewer 2: Yes, I'd like to move over a little bit more to the foundation part of things. What we're talking about before and from your perspective, what has to be taken into consideration or what is like a main difference when working for a normal foundation or a normal business field or what just like special about working in a Family Foundation.

Expert 4: When you mean Family Foundation, you mean that it's a business that is managed by the family? Is that what you mean by foundation or it's just that it was founded in the family and still is owned by the family, or both?

Interviewer 2: A foundation, where there is normally on one hand side the family business which ultimately decides to engage in philanthropic behavior or have some sort of societal/environmental

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positive impact which is at the end of the day managed by the family mostly over different generations.

Expert 4: Well, there is this bond between the family and the community of employees there. When it happens, it starts in the founding generation by the founder. But when it happens, it can be very powerful and it can last for hundreds of years. I interviewed a few companies with more than 100 years. Where the community of employees don't let the founders shadow die or be left out because they believe that their identity. And when you have your identity very present and very well defined, it's a lot easy to start new businesses and go into different directions. Because you have this threat of continuity. So for instance, there is this case in Portugal, a family that has 150 years old. They used to be chemical, chemical industry, but then in the 70s with the revolution they were nationalized and in the 90s they brought back the business. And now they are hospitals, there are hospitals, schools. I don't know if you know them. It's private. And there was no resistance to the new business because the founders motto was whatever Portugal needs, CUF creates. So if Portugal needs chemical industry, we will do it, we will provide it. If it's hospitals, it's also fine and people are aware of this and so he was able to create uh this bond with the community of employees and although nowadays nobody knew him, he died many more than 100 years ago. But The thing is when um, when this the mayor, the city mayor tried to get his statue out of the main square in the city. The community didn't let them. And nobody knew the guy. But they are they continue to acknowledge the effort that he did throughout the community and all the things he created to benefit the community of employees that were all living there. And so they don't let this bond to die, and they are faithful not only um, they are very faithful to the family. Because of that. And I think this is priceless. You cannot pretend something like this.

Interviewer 2: Yeah, it's great because further down the road of the interview we wanted to ask you about cases. So thank you very much for that already. Very good example. So if I, if I can summarize it a little bit, it's basically about the family defining a certain mission. Coming together with the with the community that surrounds them, to work together on that mission and define it so clearly that it goes basically through certain through different generations. To have longevity.

Expert 4: Yeah, the community of employees are part of the family extended family and it's not only they believe that they are, but it's also the founder that believes that not only the companies are extension of the person who found it. But the community of employees are part of their family.

Interviewer 2: So moving on: Have family foundations at certain stages in life, we're talking a little bit about incorporation, which is for example what we were just talking about. We have a certain mission, we tried to fulfill it, maybe we even fulfill it at some point and afterwards slows down, for example.

Expert 4: No, because the mission never ends in the sense that part of their mission is to serve the community where they are. And when it's like this, there's no way it's finished. At some point the mission can change in the sense that the new generation may think otherwise, but think that it doesn't make sense to continue to focus on the community. And in this case it happened also. So the 1st and the 2nd generation were very focused on creating houses for the employees, hospitals, supermarkets, schools for the kids. They were all very focused on that. the third generation had a different mentality and mindset. They saw that this was not sustainable to have this kind of focus and so they stopped many of the initiatives. But still, 150 years later, there are no more hospitals or houses for the employees. But those who are descendants from those who work there at that time, they acknowledge the effort and they still remain loyal there. There is another case which is called Vista Alegre. They were a family business for seven generations, but in the 7th generation they were sold to a different family business which is visible.

And the founder died 15 years after founding the company. So most of the employees never knew him. And this company has more than 200 years old. So at this point nobody knew him. But when the company was facing a very hard time, which occurred like 88 zero years after the foundation, the family asked employees to work for free to conclude the projects, something like that would help them to overcome that crisis. And because the founder was so, so committed to the employee, to the community, he built houses, a theater, uh schools, all of that, people would not until this day. People say I live, I am from Vista Alegre. They don't say I am from Albufeira, which is the town where the company is. But they still

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live there. Many of them the descendants from those who started living there, they still live there. And they all worked for free. And they said when we needed the founder was there for us. Now it's our turn to give back. When the families are able to transmit the family values from the founding generation, this can last forever. What happens is that as the families grows, new branches are coming up, new family members are entering and joining the family, so new values are added and this all changes over time, so at some point it doesn't for this family. Also at in the 7th generation it made no sense to continue the business so they sold it. But The funny thing about this case is that the family who bought the business, they recognized that the identity was a value, was a an asset. So they did not try to impose their own identity to this company. They respected the identity already there. And this happens in many cases if you if you go to the LVMH website, they bought several houses right? Like Dior and many others. But in their website they say that they want to keep the houses identity as it is. They want to respect that and there was this movie on in 2014 I think. Which was a documentary about them, the Haute Couture for Maison Dior. And the ladies that were sewing the dresses, they said I still work for Dior. The management can change, the families not there anymore. The designer can change, but I still work for Dior and that's it.

This was in 2014 and your died in 1957. So this is quite powerful.

Interviewer 2: Thank you. Coming towards a bit more towards the governance part of things. To instill such an identity, what would be within those structures, a good structure of governance, for example, for a board to be as efficient as possible.

Expert 4: Governance is a necessity, otherwise the founding family, the family and the business won't survive. At the second and third generation, there are so many family members with so many different interests, opinions and viewpoints that the only way to have a structure and to keep things in place. What's family, is family. What's business is business. If you have a governance system in place. So I always teach, I always say to my Students that If you want to have the business to last, you need governance. It's not an option, it's a necessity. Otherwise it's impossible when you have a family with more than 100 members. How can you make everyone of them feel like they have a voice? And respect their wishes if you don't have a structure. It's impossible.

Interviewer 2: What would a structure, an example for such a structure be, in which the opinions of so many people can be somehow incorporated?

Expert 4: So first you need a family constitution. You need to be aware of what are the family values. This is the one thing that define us and this will set the path for the rest of the things. So that's the main thing. This is like it's the Constitution. This is who we are as a family and who we want to be as a family. And then the rest is processes, and so you need to have a family council to take care of all the wealth. And managing the, the assets, the houses all of that so to make sure that You, as a family, are stronger than any branch of the family. And then a board of directors who sets the path for for the company and the and who decides on the CEO who will put in place the strategy necessary to follow that path. So this is, I think, the essential.

Interviewer 2: Thank you! Jeremy, all yours,

Interviewer 1: Yes, yes, those family business are there a certain way to define and allocate resources such as people, budget and assets that would be different from a conventional businesses.

Expert 4: If family businesses are different in those areas?

Interviewer 1: Yes, in in the way of defining and allocate resources in general.

Expert 4: Yeah, non-family businesses. They don't need to deal with family houses that have so many memories and traditions they don't have to deal with uh, artwork and other assets that are passed from generation to generation. Um, so there are a lot of things that are different if you think of. If you are a non family business, you probably may buy an artwork because it's a good investment. But the

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temptation to sell it and realize and Have to return of that on that investment is quite high. While if you are not a family and non family business, if you are a family business you can live it for 50/60 years. Why not? Where's the rush?

Interviewer 1: See what you what you mean on this one. How relevant or their family dynamics, even maybe tension on the daily business of a family business.

Expert 4: Yeah, of course it's. That's what we see on the news. There are a lot of tensions. There are a lot of conflicts. And it's normal because The thing is the reason why we have conflict is because of uncertainty. Human being don't doesn't like uncertainty. So if you are in a business, any business.

And you don't know if, um, you are going to be promoted. This is uncertainty, right? So you. You have the tendency to compete to with the others that are in the same position as you and are as qualified to the next promotion as you write. So imagine this. With all the emotional baggage of a family. So we do a lot of

team building activities in companies, but we expect brothers and siblings to work together without any training. This is quite difficult. They are not only competing for the position, they are dealing with the lack of attention from their parents that were dedicated to the business while they were growing, growing up.

And they have no training for that. And in many cases we have a senior generation that does not want to raise conflict. So they don't reduce uncertainty and the effect is the opposite. They don't say: I want A to be the successor, and I'm going to train him or her to be the successor. If they do this, everything's clear.

And me as the B, I can decide if I want to stay in the business or do my path in another organization. But

because they don't do that, they don't reduce the uncertainty. But happens is that we have people with the lot of emotional baggage competing for a position that they don't know if they're going to get it because there's always the option of having a non family CEO or someone that is not family. It's already in the company, so we do hear a lot about conflicts. But the reason why we have it is because there is no um. Clarity.

Interviewer 1: And do they try to put in place processes or methodologies or best practices to mitigate the risk in the company? Is it something you have seen?

Expert 4: There are many companies that have a succession plan. There is also many companies with succession plan where we have a founder or a senior. Usually it's more in the funding generation because the second and third generation, they can see that the business is not an extension of them. So it's quite different. But for instance, in the family, in the founding generation, there is one important aspect that is: Is the founder ready to let go of the business? And sometimes what's happened, what happens is that he thinks he is. So he designs the plan of succession, he starts the plan and then in the last year he realizes that the time passed too fast and he is not ready to let go and he starts to undermine all the work

he did in the last few years. And I know a few cases where the successor, when he or she realized that succession was not going to happen. They left the company because it's quite difficult. Again, uncertainty.

If things don't happen as expected, what am I doing here? And that leads to conflict.

Interviewer 1: The next question is, is really linked to what we just said because it's to understand how the governance adapt to the natural development of the family. So after death, newcomers as well plus one like weddings extra. Do you see something in this?

Expert 4: I I see a necessity and there is many companies that already do it so. Sometimes we have the the senior generation suggesting prenups and stuff like that. To avoid uncertainty, to avoid conflicts.

But again, if this is defined in the governance and in the governance policies of the company and the family, it's fine. Everybody can understand that. Every new member in the family will pass through this process as well, but if not. This if this is not clear, it can be taken personally and it can create resentment.

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But again, everything that's really related to governance, my understanding is that it's a necessity. You don't have conflicts because you imagine too many scenarios and you define strategies to each one of them. But you do raise conflict if you are in a position or a situation that you could not anticipate. And again, you don't know how to deal with it.

Interviewer 1: OK, we're done with governance. We're gonna go into more into incorporation. Yes, with the with Constantino.

Interviewer 2: We were talking earlier about the importance of having a mission for the business and I wanted to ask because we before designing the interview, we read a bit about the difficulties of mission drift. Is there anything, a strategy that can be implemented, maybe even the structure of governance that prevents the family from diluting from the mission or for drifting apart from it completely?

Expert 4: Well, the problem is that in the first generation, um, the management team or the founder is so focused on managing the business and developing the business. That meant in many cases he doesn't have the time to or he doesn't think that it's a necessity to define the mission. The second generation understands this and tries to implement it, but thinking about the long term, the next generation is forcing the founder to confront his or her own mortality. And this can be very difficult and challenging because you have a first generation that is not ready to let go. And you have a second generation that is trying to help, but by doing that it can be misinterpreted. It can be badly interpreted by the founding generation. And sometimes they say things like you want to take me the business or you want to Take Me Out of my own business and stuff like that and so. It the easiest way is when we have a founder that sets governance, sets the mission and sets all the policies and paths. That's the easiest and cleanest way. In many cases this is not what happens, and especially because of the company, because the company are small, is small, or because it's a very informal organization. So this second best case would be to have throughout the process of professionalization of the business, try to implement governance and set all of these aspects like mission and all of that. But it can be very tricky and it depends a lot on how ready is the founder to have these kind of conversations.

Interviewer 2: OK. When starting a business, is there anything else we should take into consideration as important besides having a mission? What are like the first steps one would take?

Expert 4: Well, your mission and your vision allows you to define all the strategy and then the rest is policies, which is guidelines. How do you want things to be done? And has many policies, you can create the lower will be level of uncertainty. But of course you cannot predict everything. You could not predict COVID. And it's interesting because COVID was used as an excuse for many founders that were already retired to come back to the business. So one of the exit strategies for a founder is like to remain as a remain as a kind of an advisor so They are willing to let go of the business, they give it to the next generation and they, um, they have this hope deep down that they will be able to return because they are so difficult to replace. They are so unique, so special, that nobody can replace them. And so sometimes, someday, they will be back. And many of them used COVID to come back. This is something that can be devastating for the new generation. How can you build your trust as a leader? If your father or mother he's there to help you every day, how can you set the way for your employees and convince them to follow you if you have your dad every day in the office again, just because some external event that you had no control of or no influence happened. But it happened to all the companies in the world. But you have your dad back in the office. So this can be very difficult to um. To resolve as internal process of the leader. And has your external self to as your public figure to the community of employees. But again, this is a lot of research that still needs to be done, so I don't have answers, just questions.

Interviewer 2: Thank you very much for those though. Um, yeah, we're also reaching the end of the interview slowly but surely. Lilitiana, maybe any other topic you deem interesting or worthwhile to dive into that you would like to share with us?

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Expert 4: Well, besides the innovation through tradition, there is a line of research that I really like. There is also this, um, the way how family firms, uh, are more focused on the core business in their innovation processes. They spend a lot less in the innovation than non family firms. Why? Because they are more focused on the innovation process that they are going to do. So they have a lot of knowledge. Um, there is transmitted by the previous generation, and that allows them to focus their innovation in something. There is very. Particular, very concrete and. In many cases very successful. So it's like they are not aiming to all the all directions, they are aiming to One Direction and so the probability of success is higher with a lot a lot less resources. And I I really I am. I like that also. So it's not only how they innovate, but also it's how they innovate and not only leveraging on their tradition and their history, but also how they innovate thinking about the future.

Interviewer 2: OK, great. Thank you. It was very interesting. Do you, do you maybe have any cases for that? Because at the end of our report we also want to present a few cases, any cases that you find interesting, we're talking about Vista Alegre before. Anything else you have on top of your mind?

Expert 4: Well, you have CUF. I'm gonna write down in the chat. You have, you have your um. What else? You have gelpeixe. But cases of um. Of what? What kind of cases were you looking for? About innovation? About what?

Interviewer 2: Rather broad. So for example, good governance structures, examples of good functioning, good functioning, transition from one generation to the other. Simply examples cases that give examples for good best practices in whichever way.

Expert 4: I know that you said Saude would have a very good uh governance structure and policies implemented. There is this other one. How is it called? It's, uh, Logoplaste. You can ask Sandy about Logoplaste. He's a good friend of the. He's not to CEO. He was the CEO for many years, but he's not anymore, and Sandy wrote a case study about them. So this is also a good option. And then you have Sogrape. Which is I think it's 4th generation. Regarding a philanthropy and um. Giving back to the community. There is this Museu Caramulo. I wrote an article about them in the Portuguese newspaper, but it's in Portuguese. But they they are a museum. They started as a medical facility to those who had tuberculosis in the north of the country. But then in the 60s, tuberculosis was over in Portugal. They send Italy, their business was out of business. So they shift the entire community to be focused on tourism. And they have. This Museum of Caramulo Carmel is the north of the country, the city. And I think they are the only, um, the only cars museum in the country. They are the oldest one for sure and I think they are the only one. But this is a very involved family. I think they are first generation and they are still very involved in the community. And it's all about philanthropy, so people give them their artworks and their cars, classic cars, so they can show it in the museum. It's a very interesting case about resilience.

Interviewer 2: Great. Thank you. We definitely have a lot to look into with that.

Interviewer 1: Yeah, clearly. Do you have in mind any further experts you can you could refer to us for for research purposes?

Expert 4: In Portugal?

Interviewer 1: We are studying in Europe, so it can't deposit that there can be another country. We would be very happy if it's in Portugal, to be honest.

Expert 4: In Portugal, I don't know anybody else. But there is a medium. She's Spanish and she works, uh, in English, Spanish in English. I don't know if she's Leonard Fernandez or Fernandez Leonard the other way around, but she works a lot with Miguel Pinicuna. Um, and she's focused on family businesses and in governance. I think she studies governance. You can also try Miguel Pinicuna, but he

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has this crazy schedule and sometimes it takes months to be able to talk to him. It's easier to meet him in the corridor of the university.

Interviewer 1: We will try it. We should try it. It's very nice. Thank you. Thank you for this names. We'll clearly contact them and try to get an interview with them or at least exchange by e-mail. It's always interesting.

Expert 5

Interviewer 1: We'd like to hear more little bit about you as well. Where is your professional background and what led you to study this field in general?

Expert 5: So where I started studying this field. So it was actually I came to Switzerland eight years ago. At that time I was a director of a nonprofit organization. So I worked with a lot not of Foundations and I became a member of the governmental party of the Council for nonprofit Organizations in the Czech Republic. And then I moved to Switzerland and got the job at the Center for Philanthropy Studies, where the core business is to do research about foundations and management and foundations. So that that was my way to the field of foundations.

Interviewer 1: OK, would you be able to tell us if there are main differences between a normal, classic foundation and a Family Foundation today?

Expert 5: So you mean in Switzerland?

Interviewer 1: Yes, in Switzerland, but our research is in Europe in general, so we are not only focused on Switzerland.

Expert 5: So I would say that in the Czech Republic this type of foundation it's not so common. And I would say even in Switzerland, so then there are mainly so when we speak about Family Foundation. So it's a foundation supporting the family members. In the Czech Republic, I would say there are not many, and actually I cannot remind me any. And in Switzerland, I would say they are because of some taxes purposes mainly set up in Liechtenstein.

Interviewer 1: Would you be able to see current challenges that the foundations field has to face today.

Expert 5: So you mean generally? So first is: What they should do with the endowment? So invest or not to invest and for example, in Switzerland I would say the transparency is quite low. Because it register and that's it. If you don't publish new reports so that it's OK, so that's these are the rules. In Switzerland and the Czech Republic you are obliged to publish annual report, but if you don't do that so then there is no punishment for that. But usually the Czech foundations also apply for some public funding to boost their programs. So in that case they publish it.

Interviewer 1: All those issues impacting the foundations today. Let's say we have a Family Foundation that does one don't want to publish any report. What would be the main negative outcomes out of this.

Expert 5: Yeah. So then you know that the first point is that some people see the family foundations as if they support the family members. So is it public good or not? Because it's limited to their family. People probably support the family even without a foundation. I will stop at this point. So the family foundations, if so, are they doing the public good or not. So that's sometimes tricky. So that's also the reason why I don't remember about such foundations in the Czech Republic. There are some in in in Switzerland and for example I can send to you an article. It's from IMD in Lausanne. One pretty good mind, called Malgorzata Kurak, you can try to contact her. To interview her, because she knows more about the family foundations. Could you repeat it once again the last question?

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Interviewer 1: I was I was asking, uh, what would be the negative impact for Family Foundation not to be not to report and not to publish annual reports.

Expert 5: Always if you are not obliged to publish reports, so it's less work for you. And it's on decision of the CEO or of the management to publish to be transparent and if they are not, if it is not an obligation, then the question is to do that or not.

Interviewer 1: Across your work, would you have you ever crossed any current trend in the family or in the foundation field today?

Expert 5: Generally about foundation, the digitalization issue is growing. It's understandable and concerning family foundations, I don't know if it's trend of the last years or if it's from the beginning. So then it's a comparison between Liechtenstein and Switzerland. A lot of the swiss foundations are in Liechtenstein.

Interviewer 2: Yeah, thank you. We would like to try to differentiate a little bit more between the Family Foundation field and the classic foundation field and could you maybe tell us what has to be taken into consideration, what does the differences in working in a Family Foundation or an A normal foundation?

Expert 5: So yeah, the first point is that I'm not expert on Family Foundation, so then and so I just like guesses here. So it's the target group because the general foundations they are oriented toward wide spectrum of target groups, while family foundations are oriented towards limited size of target group. So it makes the biggest difference. What else? But otherwise I think they can behave similar what they do with the endowment they invest or not, or if they do. Organize so if they are operational or grantmaking foundations of them, it's I think very similar.

Interviewer 2: As for their structure, how would a foundation usually be structured? Like if you have a comparison to a family, foundation would be great. If not, not, it's not the point. But a foundation, how would it be structured normally?

Expert 5: So that there are some structures given by the law, so they have to have the to management structures and then if they are big enough so they have also some departments depending on what kind of activities they do. But I don't know how it is exactly in in family foundations. But in normal foundations, you have some programs. You manage the programs you report to the board, and the board decided about funding the programs or setting up new programs.

Interviewer 2: So that would be basically the structure in terms of governance. OK. And in terms of because for example in family foundations now we sometimes have like main stages of life, which also can mean that the mission behind a Family Foundation or the main target of the foundation can be reached like for example fighting polio at some point polio hopefully it's like an exist anymore. Can that be also said about classical foundations? Do they, do they have main stages of life?

Expert 5: Yes. For example, Mava foundation is now in its final phase. They are spending the rest of the endowment and they will close it so. It's uh, I think it's similar to the objective. The mission was achieved. And or the decision made at the beginning was achieved and they close it. OK, these phrases can be very, very similar.

Interviewer 1: We're going to go a little bit deeper in the governance and one of the questions we have is all due foundations in general, maybe Family Foundation if you have the knowledge on this defining resources such as people, budget, assets, extra.

Expert 5: Sorry, what was the second part of the question?

Interviewer 1: The question was how all those foundations defined and allocate resources such as people or assets or budgets?

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Expert 5: So what mechanisms they allocate them? So it depends. So for example in Grant making foundation so then you have the revenue or side, so you decide about the endowment, how to invest in real estate or some bonds or where to invest to produce revenues. And on the side of expenditures. So they can be if they are productive foundations, so then they organize the projects by themselves, but if they are ground making ground making foundations, they simply organize some programs call for proposals that they evaluate the proposals and decide about funding the projects. So that's the standard mechanism how to increase the assets on one side and uh use the money according to the mission on the other side.

Interviewer 1: OK. The next couple questions are really focused on Family Foundation, but if you like the challenge, we can try and ask. One of the question we had is all relevant. The family dynamics can be on the daily basis in the inside the board members.

Expert 5: So I'm sorry, I don't know. So, so that's about the family conditions and I'm sorry.

Interviewer 1: No problem, no problem. Another one is all those covenants can adapt to the natural development of the family, such as death or marriages. For instance, all the plus ones included in the family foundations and extras.

Expert 5: So it's about the person who decides about the endowment. And he or she has some reasons why to set up a Family Foundation. So for example to be sure that children has sufficient support but provided based on some conditions. So yeah, so maybe this might be the answer.

Interviewer 2: To follow up a little bit, we wanted to ask a few questions about basically finding a mission for a foundation. I think something that's quite similar as well. What has to be taken into consideration when starting a foundation? Like what? How is it decided? What is the process to decide, for example, how a mission is picked for the foundation?

Expert 5: So it's the core business of the person who provides the endowment. So it might be a testament or administrative decision to select what to do. And it's about the personal values and opinions. So some people like environment and they see problems in the environment, so they support environment. Some other people see the problems in families. So they want to be sure that people, members of the family will get sufficient support. So that's the moment when it's decided. So that's the decision about the endowment. t might be a testament or simply official decision.

Interviewer 2: Is it possible for that for that mission to shift during the course of time?

Expert 5: Usually not much. There are some possibilities, but it's not like turning 180 degrees.

Interviewer 2: OK. Yeah. With that we have basically come to the end of the whole foundation related topics of the questionnaire. One further question would like to ask is, do you think there are any topics relevant that in the foundation field that we might have a look at? That we might have left out now in the in the interview.

Expert 5: We touched it somehow, but what is what I see a difference in behaviour of foundations in Switzerland and in Czech Republic is how they behave in the asset management. What they do with the assets? Do they invest or they simply just use it and decrease the long-term size of assets? Because for the foundation is important that the assets, the long term assets are not decreasing. Because the overall assets can decrease. If you have some money in bank and you use them to support a program it's OK. But the long term assets should be increasing. Otherwise if they are decreasing so then it might be a problem and. How relevant is it for you? But the asset management is important part of the foundation work? But people usually see the other side of the budget, how they spend the money. Both of our of them are relevant. I don't know we touched this this issue. But I I'm not sure if it was like quite incident

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or if you had it there.

Interviewer 1: It's true that so far it's not something we really anticipated, but it's good to have the insights and see if it's a point out with all those interviews we have and we could even maybe follow up on that subject if we feel it can be relevant for research for sure.

Expert 5: So your experienced in banks, so it might be topic close to you.

Interviewer 1: I had one other question and I just thought about it right now. What do you see the philanthropic industry involving in like the mid term, three to five years?

Expert 5: So it's not about family foundations, or it might be, but generally with the SDGS. Sustainable development goals and with corporate social responsibility you see many corporate foundations. But actually then the companies decide to invest in in the foundations and for example: In Austrian bank, Esther. So they have the huge foundation as the owner of the shares. So there what the foundation does depends on the business success of the bank? So it's yeah, this is another field of research in in foundations for the corporate foundations and corporate social responsibility.

Interviewer 1: Costantino, we we are done with the questions, right? He's frozen, yes, I think we lost him.

Interviewer 2: Sorry, the WIFI.

Interviewer 1: I think we are pretty much done with the question we wanted to ask you today. But first of all, is there any further experts you could refer to us? Because we are always looking for people to talking to. It's always very interesting. You already gave u some information, but if you see some more, do not hesitate.

Expert 5: So try this this link and then have a look at the website of Swiss Foundations. Yes, this roof organization. So they might have also some knowledge about the foundations in Switzerland. And you write your thesis, so send it to me. So then it would be my pleasure to read it. OK, it is in English or in German or. What language? English? In English, great, yes.

Expert 6

Interviewer 1: We'd like to hear a little bit more about your background. What led you into the Family Foundation field? Just present yourself a little bit more in detail.

Expert 6: Working at the King Baudouin Foundation Public Utility Foundation based in Belgium, created in 1976 for the 25th anniversary of the coronation of the King present from the Belgian state. King gave it back to the population by getting it independent. And we received a capital and an annual donation of the National Lottery to do things. And then people watched to the King Baudouin Foundation and they came to the door and they knocked on the door of the King Baudouin Foundation and they said: Here, we also have means, individuals, families, corporate donors, and so I joined 23 years ago. Doing exactly that. Receiving those persons and seeing together what they can do and how to do more and better philanthropy together. The King Baudouin Foundation became an umbrella foundation. Became an umbrella foundation, where individuals, families and corporates could create funds under the umbrella of the King Baudouin Foundation and could start very easily the philanthropic endeavors they had in mind. The King Baudouin Foundation is obviously active in Belgium, but also in Europe and even wider, and my job is to coordinate the Center for philanthropy and to. Do that at Belgium, but also at the international level. The King Baudouin Foundation is more an institutional foundation, right? It's a private fund. It has been created by the Belgian Government, but it is completely independent. And even from the royal palace, we have only one person on the board representing the Royal Palace, the adviser to the king.

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Interviewer 1: What would be the main differences between conventional foundation and a Family Foundation from your point of view?

Expert 6: Well, it's the same for us, for the funds you have funds created by individuals, by organizations, by families, or by corporates. For the rest, there is no difference because they are managed in the same way. When you look to different legislations all over Europe, you have legislation for a foundation. You don't have specific legislation for a Family Foundation, at least not to my knowledge. All the different European countries do have legislation for foundations, but not well, apart from France, a little bit that have some, sorry, I will have to drink a little bit. So that's that, that's one on the legal point of view. Then you have of course the way how it functions, um. And then there you could say that you have as many Family Foundation as you have different families because all the families are doing it. They have to follow the same rules. But who is taking the decisions? One example I have is the XXXXX family which is under the umbrella of the King Foundation. That's the family I advised. So they contacted me and they said look, it's one of the, it's public information so I can share it. It's one of the beer factory in Belgium and one of the family one of the branches of the I family said look we want to do things together with all the family so it's not father mother and kids here. It was all the family and so asked to all the members what should we do blah blah blah blah. And water came as a natural thing because of the use of water in their industry to produce beer. So um. I was invited to a family gathering with 25 persons and so I told them, look, you can create a foundation, you can create a foundation under the umbrella of the King Baudouin Foundation. My advice is to create first a fond under the umbrella and then start and then change it into a foundation once you will be ready. They still are at King Baudouin Foundation because they are happy. But this was a family that wanted to incubate really things. So now they are sending representatives of the family to the board, whatever. If it is a foundation, a separate foundation, it will be the on board. Here it's the management committee, but they are discussing everything together before and then they are sending two or three representatives to the board.

Interviewer 1: Are there any challenges that you are facing today?

Expert 6: One of the current challenges is the Family Foundation I'm facing today. The next Gen would be maybe the because again the changes that family foundations are facing are the same for corporate, for families and for individual foundations created by individuals. So, so there is there is nothing too specific when I say NexGen it's an obvious thing because indeed the everyone will say NexGen. Because it's also hype to say next Gen but but it's not untrue that younger people are coming with new visions. But not only younger people. You have your visionary persons. It's not an opposition between young and old it's an evolution of minds where Family Foundation is not anymore Ohh green washing of the family's fortune, it's really an investment. It is like for corporates that it's a similar evolution to corporate foundations. And at the beginning it was OK, 5 minutes we give that and that and that because we have to act charitably. Now it's part of the strategy and I think that's an evolution for family offices as well that it is really part of the strategy that they want to do it as professionally as they can. And so it doesn't stick anymore to redistributing. 1,500,000 whatever it's it, it goes much further than that. Next Gen driven by next Gen but also by others, the investments are more and more important, but what is done within the Family Foundation is not enough anymore. For wealthier families they want their companies to be green or they want more ESG in their company. They want the capital to be better invest more sustainably invest and so on and so on. And then the second thing is that of course one of the reasons I still love to be in the philanthropy sector after 23 years, it is because of the evolutions of all of all the methodologies to tackle societal projects. And I think that also a little bit driven by young persons. But again not only; the methodologies are changing. It's not making a simple grant. It is also, by investing in social bonds, impact investing, venture philanthropy. And I don't say that anything is better than the other one because, uh, because it's completely untrue and those that pretend that are not right. It's it is a combination of those methodologies that will really achieve societal results. So but I think that family foundations are also undergoing these evolutions.

Interviewer 1: So we saw the question of challenges and I'd like to talk about the trends. Do you see different trends emerging in the foundation fields today?

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Expert 6: Internationalization, I hope because that's one of one of the things I try to promote. But um, collaboration also. More collaborations not only between foundations but also with public actors, with, other private actors, with companies. You know this graphic where you have finance 1st and where you have impact 1st. And so we see those two worlds. So here you have traditional grantmaking here only money and then ESG and here venture philanthropy and so on and so on. So my vision on this image is that the two are going are going to the center and so here it starts to be a little bit compressed because sometimes you cannot make gonna make draw the line anymore between a private company and a foundation, a social enterprise and a for profit enterprise. And so there is a little bit of compression here and this compression creates in front you see the Zeta cell. But did he. I don't know if it has said in English but so some small fireworks and here is located the innovation because people don't find the right place anymore here because they want to earn money by doing good. Which is which is perfectly fine and also a very hot topic. You probably saw the social economic action plan of the European Commission. So, it's a very hot topic at the European Commission level. So what is a social economy, what is philanthropy, what is impact investing, what is a social enterprise, social entrepreneur, and so on and so on. So there are many, many, many things happening for the moment. But we always have to remain very humble. Also when you look at the figures of family foundations and other foundations. I don't remember the exact figures. Anyway, 60 billion a year, that is given by foundations, that's a lot of money, but it's not a lot of money. It's when you do that at the European level, it's not that much so. So humility is also important.

Interviewer 2: So going a bit from the macro perspective, a little bit more into the context of the Single Family Foundation. Is there anything that has to be taken into consideration when working as an employee inside of a Family Foundation?

Expert 6: You must be in good terms with the family and with the leaders of the family. That's what I heard from the exchange with people that are engaged. Trust. Sincerity. Of course competence. That's for sure. Diplomacy, um. Empathy. Those are, those are really the points that are important. This being said, that can lead you in two ways. Either you can just be executional because you don't dare to say something to the family. Or you can be in a very unstable position because you depend on the goodwill of some members of the family. And if they don't like you anymore you're quite quickly ejected.

Interviewer 2: So what I got from your answer is basically as an outsider to cope with those family dynamics.

Expert 6: Not now anymore, but a few years ago when we talked to families, we also related the importance of a philanthropic discussion within the family, because normally. Normally there you cannot uh, you it's kind of glue for the family, because when you are, you're talking about doing good, everyone agrees and that that was a moment where all the family was gathering and was looking into the same direction, um, which was not always, which is not always the case when you talk about investment or business. Our human relationships. So that was Wealth Advisors family offices will tell you that philanthropy was sacred for them because that was a way of getting the family together. Now it's a little bit outdated even though in some families it's still the case but. So that's that. That's also why diplomacy. Why empathy? Because you have to run that.

Interviewer 2: In terms of governance, now what would be a structure from your perspective in which a Family Foundation works as efficiently or effectively as possible?

Expert 6: That's a very good question and there it's a matter of testing the maturity of the family. So it's a question of testing the maturity of the family because the more outsiders they will accept, the more professional and the more chances that they will have to achieve real societal results. I'm not saying that Family members don't know anything, On the contrary, but to have an openness for collective intelligence is something very important at King Baudouin Foundation, and I will take my reference. We have all our funds under our umbrella do have management committees and so this family from XXXXX, they are representing one side. You have someone from the King Baudouin Foundation and then you have independent experts on the topic. Because having this combination between the three

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parts is the best way of being able to move on. Yes, making calls for external external help but most families are mature enough to do it and most Family Foundation are already applying these methodologies. And go faster.

Interviewer 1: How do Family Foundation define and allocate resources such as people, budget, assets in general?

Expert 6: I think it's a family discussion to know this. These are the means. So again, at our Foundation, uh, not really Family Foundation, but family funds. Um. Another case we had was the fact that Father and mother Father did have an enormous successfully company and they discussed with the kids saying look. This is something that we would like to give to the general interest. And the kids are agreed with that. And so it's quite clear I'm now following another succession of one person I advised that died and the kids are telling me now: With the heritage our father pledged, pledged 20 million, he gave 15 million alive. So on the succession we will add five million because this was the wish of our father. So, it's quite clear that it is always a discussion within the family and the final decision, that's family governance. And after that? That's for the resources. After that they will decide, it's the journey of philanthropy. Then we are entering into the journey of philanthropy, which is what I do, advising people. But what others can do the same. Because you have to decide resources, you have to decide legal entity. You have to decide governance, you have to decide what are the methodologies that you will apply. You have to decide on the topic of course. So a lot of decisions are food for thought. It's starting at the nucleus of the family at one stage and then it is going broader and broader when you move forward because you need help from a notary to write down the status from advice for the topic from banks for the investments and so on and so on. So then you open it to others. But I'm sure that many things are remaining in the family and many decisions are remaining in the family. Do you know the book of Etienne Eichenberger, family navigator or something like that? I'm checking if I have it here because that is absolutely something that you have to read. I was last week at the family Office thing in Abu Dhabi and someone talked to me about the book and he knew the other writer and Etienne is a good friend and he's working at the Swiss Philanthropy Foundation. I will give you the right title because there you will have you will have a lot of family navigator. Family Philanthropy Navigator the inspirational guide for philanthropic families on their giving journey. Look at that. You will maybe do better to read the book than interview me, but at least you should have a contact with Etienne. Yes, so if you want, You send me an e-mail after this and I will forward it to Etienne saying, do you agree that blah, blah, blah. And then we'll make the connection.

Interviewer 2: That is very helpful. Thank you very much. I'd like to talk about the dynamics in the family now. From your experience, what you observed or do you think the dynamics are relevant for the daily business of the Family Foundation?

Expert 6: Even though if the dynamic is positive or negative, by the way, absolutely, absolutely so. In fact the success, the more independent the management of the foundation will be from family dynamics. The more chances the Family Foundation has to succeed. It's not good to put too much emotion into management. So if you have to fly with the good or the negative wins, you risk to not achieve as much impact as you could. That doesn't mean that you will have no impact, but you could so. So again, in French, you see it's primordial, of course the family dynamics. But as I said earlier, uh, normally philanthropy doing good should facilitate those dynamics because it's hard to disagree on doing good. Well, that's why we here at King Baudouin Foundation give a possibility to the management committees. We give them all the freedom. But if there is a disagreement, you know, the triangle founder, King Baudouin Foundation expert, if there's there is a disagreement, the King Baudouin Foundation is a veto right to say stop. We don't do it. But nothing happens without the consent of the donor of the founder. So everyone has security. And if something happens – veto, right or the founder, then it goes to the board of the King Baudouin Foundation. But it never happened in 40 years. I had only one meeting where it was mentioned. So disagreeing on doing good should not be possible, but it is. If there is a complete explosion of the family, of course, the Family Foundation will be quickly out.

Interviewer 1: How does the governance adopt the natural development of families such as death

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weddings plus ones coming in - the family extra.

Expert 6: Now we are talking about very big families. It depends. Family foundations can be Father, mother and kids for their death, new person. It's important. The new person will have to adapt to the things in place. If someone dies, then of course and especially if it is the founder, the partner will have a huge impact. I think that the strongest family foundations will be the ones that have foreseen those cases and that openly have foreseen those cases. That everything is clear for the short term and also for the midterm. I'm facing now a situation where they don't have kids, they have a nephew or a niece or whatever. For the two things are clear. They know exactly what will happen once they once they die they know exactly how long they want to be active with the huge amount of money they will legate. So things are clear, and they discuss everything. With the four of them. It gets more interesting the more you are. That's why I also say to families, especially in Belgium. The two come, I say. Look. You, you have, they have the choice between a fund, a public utility foundation, and a private foundation. And I say. If you don't go for the fond, go for a public utility foundation, because there you are in the ground, you got public utility, and if you want to change something, you must go before the Minister of Justice, the bylaws and so on. It is very, um, it's quite clear that they will follow what you have decided - your next generation, the chances are very high that they will follow as well the generation after that. We see and then maybe the 4th generation will decide to move the seeds to syntropy and to have long reflections in syntropy on what to do with the activities. And so that must be avoided, not blocked. But at least those that kinds of things must be avoided and you can do by being a strong foundation in the ground and having strong values that can be adapted. Not dependent on one man or one woman thinking that that where the values are strong enough to resist to person that to have maybe less positive intentions.

Interviewer 2: Is there anything that you deem important when starting a Family Foundation?

Expert 6: Vision and heart. Vision and heart, which is the characteristic of every philanthropist. Don't go for medals as well. Philanthropy, philanthropy is agile. Innovative and complementary. Those after 23 years, those are the three words that are coming to my mind when I discuss philanthropy. Also this humility. We touched it earlier. But it's very important to keep that in mind. So the Family Foundation should act, should take decisions with vision and heart. I had the pleasure to write the opinion of the European economic and Social Committee in 2019 on philanthropy, and on purpose I included: Everything. Together with the rapporteur I, we, included everything in the definition of philanthropy, impact investing, venture philanthropy, traditional giving, charity, time giving, everything was under the common name of philanthropy. Because it was important to have a common name for doing good. When a family wants well yes and that was the reason why I say that because you had some people that said: Wow you idiot, you are comparing venture philanthropy with charity social bonds with time giving. That's not true and blah blah blah blah. I don't care. I want that people are happy. A happy donor will make happy beneficiaries. Different methodologies allow you to try things. If you succeed, don't go to the media, but go to someone with more money. That can scale and then give it away. That's the dream of the King Baudouin Foundation. We try something, we succeed and we give it away. We have here the best failure award. Why? Because we, the management, wants that. We take risks. And if you take risk, you may fail. And in philanthropy, you don't fail you don't learn. Because by failing you can explain well that that is why we have the best failure award. Here you explain why you failed to. Colleagues, collaborations, networks and so on. So they won't make the make the same mistake and that will save a lot of money your failure will save a lot of money of course if you fail every day you're fired but that's not the case. So that's really important to have an open mind and not to follow all the predictors that they say there is only one methodology now impact, impact, impact. Sometimes being generous is already very good and be a little bit generous, go for a specific impact. Do it in a humble way. Collaborate. Learn from others. Get in touch with your beneficiaries on top of the relationship that you have, but in a way of: I want to learn from you. So tell me what I can do better to help you. We are organizing "be philanthropy" which is a big event on philanthropy and in fact, what we say is that if at that event you only have organizations that do come to see what should not be done, we have missed our objective be philanthropy is for wealth advisors, for families, for philanthropists, for corporates that want to do good, that want to engage in philanthropy. So we ask to the organization to trust us and to not come. Because the seats must be reserved for those that have money and that they will give the

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money later. But it's not easy to explain. But a happy donor makes happy beneficiaries.

Interviewer 2: You were talking at the beginning about a vision, which can also be translated to the mission, that a family adheres to. And we are reading a bit about the case that a mission drift may be happening so that over the generations the mission that a Family Foundation initially starts with gets diluted a little bit. What would from your perspective be something you can do to prevent that?

Expert 6: Why? Why should we prevent? There was an evolution. No there can be an evolution. We have to take that also into account when we face individual donors or families because if they want to tackle, I don't know this, this, this health issue... I'm meeting someone today that wants to tackle lung cancer. OK, fine. That person is, 50/55 years old and he will do it by request. Who knows where in 30 years from now where we will stand with lung cancer? Maybe. Fingers crossed there will be a solution already for lung cancer. What will we do when we receive the request? We will have an evolution to something else. So I'm not afraid of having potential evolutions in a mission of a foundation. I just want to make sure that this is a strategic decision. That's important for me. How can that take place? So the reason behind the evolution is for me very important to avoid any mistakes or to avoid that less good things could happen. But I'm not against evolution. On the contrary.

Interviewer 2: OK, great. Thank you. So we're basically at the end of our interview. One last question from my side is, do you have any other topics that you deem important that we maybe have missed out on in the interview?

Expert 6: One topic that you will have to deal with is the international side of things. This border is giving principle. Because families are that's also a trend. Families are living in all parts of the world, especially bigger ones. So what will they do? Will they have one central place, one central Foundation where they will collect money from all over the world and give it away from there? Or will they have other ways of acting. But that is something that you have to take into mind when you when you are talking about family offices. So sorry family foundations. How to make that happen. Because I think this can be a barrier as well for some families saying and as you might know this is part of what we are doing here enabling cross-border philanthropy make borderless giving. So this is how I know because we are collaborating on that so.

Interviewer 1: I have also one last question and it's related to what we were saying at the beginning mostly. Do you think that Family Foundation are gonna exist in a few years or not? Because at the beginning you were saying that they're willing to make money and the will make good are getting closer and closer and closer. And wouldn't family go more into family businesses instead but with a huge impact policy for instance?

Expert 6: Prospective question. My first thought would be suggest, yes. I'm sure that there will be family offices that, and I'm sure that there will still be family offices because they are already that are have an endowment for perpetuity. But will new family foundations be created? Good question. But, I think yes. Because I don't see yet the replacement. Indeed, things are squeezing here, but social enterprise is not already the same as a foundation, so it will take a few more years before that will put family foundations into question or into danger. But you don't know with technology. You don't know what can happen and not foreseeing this. Because I'm in a position where I should ask this question. I always remember someone that told me, taxi drivers in New York when you talked to them about Uber, they were unable to imagine what that could be. So they didn't foresee any changes, and in a few years, boom. So I take your question with me, but I don't have a clear answer.

Interviewer 1: Basically we are done with our questions. But would be very happy if you could refer us to the author of the book.

Expert 6: Send me an e-mail for that. When will your teeth be finished?

Expert 1: Yeah, mid-december and we have the defense to do in January.

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Expert 6: OK. So keep me up, keep me updated.

Interviewer 1: If I may ask, we could have some follow up questions as well in the future. So we keep in touch.

Expert 6: I will be interested to obtain the answer to your last question. So tell me what will replace family foundations according to you? So that we can already start to build the future.

Interviewer 1: OK, OK for sure. We will keep you updated with all work when we are done with it. We love to have feedbacks on the interview. Was it too long, too fast? If you have any comment to say about the interview, we are always taking it.

Expert 6: It's not too long. The questions are maybe a little bit in the same framework. So maybe you can add some like your last question. Be more provocative and surprising? I would say so. So it's not a criticism, it's a constructive feedback. Don't hesitate, be a little bit less mainstream. Don't hesitate to ask experts and to push them a little bit more in surprise and in questions. So thank you for not having done that with me. So that's my conclusion.

Interviewer 2: Thank you so much for taking the time.

Expert 6: OK. You're welcome. Keep me updated and if you want an introduction to Etienne, I'm waiting for your e-mail.

Expert 7

Interviewer 1: We briefly present ourselves and we'd like to read a little bit more about you right now. So we're gonna go with the first question what is your professional background and what led you into the field working right now?

Expert 7: OK, so my name is XXXXXXX. I work at XXXX Business School. I'm currently an assistant professor in the public and private policy department, and I'm also the director of the XXXXX. This is a, I would say, a Research Center and knowledge production center that we created 11 years ago in 2011. At the time, this was the first and only Center in a higher education institution to do work on philanthropy, broadly speaking, So we define philanthropy as all forms of voluntary donations of private resources for public purposes. So that includes foundations, and corporate giving individual donations as well. We're also very interested in that Hybrid practices that are blending. Donations giving with the practices that are more associated with the market, so for instance, impact investments. Less interested in crowdfunding in this platform, sometimes you have a blend of Philanthropic and more market oriented motivations and practices.

Interviewer 1: We are interested in organized forms of philanthropy more, you know more chiefly so our research. He's usually published in the management organization theory journals, but also in other social sciences. So I would say that we are a bit at the crossroads of management and social sciences more broadly in our team, we also have some disciplinary backgrounds but I would say that the core of my work at ESSEC, is about social innovation, including philanthropy, obviously, both in my teaching and research, but I also teach other topics such as the social economy sector, the sharing economy. I'm also doing a taking a new a new taking over the course on impact investing and next year as well, so I would say that my expertise lies in in these areas, mostly in organized forms of philanthropy and private initiatives for the public interest that would be a. good summary.

Interviewer 1: And OK, so your background includes philanthropy, not necessarily foundations and Family Foundation, if I understood well.

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Expert 7: I wrote a book on family foundations in France in 2014 with my colleague. And so family foundations I would say are included in the scope of my work and the work of the chair, but it's not a specific focus. They're like, it's not exclusive focus.

Interviewer 1: Yes, OK. But for instance, would you be able to send me the main differences that we have between classic foundation and the Family Foundation?

Expert 7: That's a very good question in our book eight years ago in the introduction, which I reread before talking to you. We expose that there is a difficulty in defining family foundations. In many countries, in particular in France. The first difficulty is that there is no specific legal status that is attached to family foundations, at least in France and in other countries that are done some quick, you know, fact checking and information checking. So for instance in France families so private individuals and their extended families can choose among three main legal forms, but this same legal forms can also be chosen by corporations or you know more institutionalized actors. For instance, you can have like a group of nonprofits creating a foundation and they can use this these same 3 generalist legal forms So you know, basically you have a phone that is called the Shelter Foundation for that. So this is basically like an umbrella foundation hosting smaller foundations that can be created by individuals, families, or small companies. So I would say this is the first, you know, legal form that they can choose. They can also create. Endowment fund which is a new center more easy to create legal form and they can also go for the most traditional and legitimate form in France which is called the Public utility foundation. So foundation that is approved by the state and that has a lot of. And that means to have a lot of money on the table to be created. So these legal forms not defined as Family Foundation. So now you can go and look at studies that's. I'm trying to record who is creating foundations in France. So then you have the Fondation de France. We can send you, I don't know if you, if you, if you have it. It's called foundations and endowment funds in France from 2001 to 2018. But this is the most up-to-date and rigorous study, you know, based on real data. So not only declarative, but it's data. They register in a huge database on French foundations and you see here that I think it's 54 like more than 50% of active foundations in France were created by either one person or several members of the same family. So the problem here is that you cannot distinguish between foundations created by one person alone. And foundation created by the same person and family members, so they are all lumped together in this category of foundations created by households or private individuals, so you cannot even distinguish them. This data set, the only thing you can do is try to approximate and say okay. among. So I would say that in France right now we have about 5000 foundations regrouping all the different legal statuses, legal forms. I would say that a bit more than half were created by individuals and families. But you can only say, OK, among these 2500 foundation, how many of them are really including like active discussions among family members or how many of them have family members in the boards. So this is not something that has been, you know, counted statistically, but we can do some approximation of that. So I guess this is the most difficult thing that we have in defining. Family foundations and trying to disentangling them from other foundations. I would say that you know the main difference is to get to your point. So family foundations, as I understand them; They need to involve members of the same family, so you know, parents and children or different siblings. The question is, are friends part of the family or you know, do you keep like the boundary of the blood relations between people to say that it's Family Foundation, but anyway a Family Foundation I think can be distinguished from a corporate foundation or from a more like institutional foundation in the fact that they tend to have fewer permanent staff, like the majority of them in France are sheltered foundations and they have like 0 staff. Like all the administrative work is transferred to the Umbrella Foundation and the family focuses on selecting Guarantees and defining. You know, what they want to fund. Um, you have exceptions. Obviously you have some very wealthy families like the Bentancur family or the Rothschild family that have like a really large foundation with the permanent staff of more than 10 people. But I would say that 90% of family foundations in France. have no permanent staff so they are managed by family member and these family members they transfer the administrative work to other people outside of the family. So either the Umbrella foundation and if it's another legal form, they can hire an executive director, for instance. So someone that is not part of their family, usually who will manage the operations and the family members will be on the board, for instance. So few little permanent staff, I would say that my observations also

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is that family foundations. Usually struggled a little bit to have a clear like strategy. So we also wrote a book two years ago about strategic philanthropy in France. So we Co-wrote this book with XXXXX from the University of Pennsylvania who's a, you know, used to family foundations in the US and in this group and our observation is that the notion of having a strategy so defining, you know, key mission and objectives of the foundation and then the path that they can take to reach this objective is a bit absent in most of these small, you know, non staffed family foundations. Of course the large ones like the rostein, the Betancourt, they have these strategic orientations and they have a theory of change and all these things, but smaller family foundations which are, you know, 90% of the population do not and they sometimes you know. They tend to take the decisions based on effect on the good care we say in front in French like they tend to support projects that they really have a crush on. I mean they met the leader and they really fell in love with what they do. So you know this is not a problem in in in a sense because you know people. These people are free to use their money as they wish as long as they obey the law and they respect some basic. You know principles, but it could be a problem in the sense that a lot of these decisions are made on emotions and also expression of values not important to them, you know, and this is a bit different from corporate foundations that usually have like some sort of a strategic objective which is usually linked to the to the firms overall strategy. And also from these institutional foundations, like foundations created by big nonprofits or networks of actors where usually they have a clear objective of what they want to do. So I would say that you know affect and emotions and display of values is very important for these families.

Interviewer 1: And what would be the current challenge that in the Family Foundation field today?

Expert 7: Umm. Do you mean challenges for established family foundations or for people that are considering creating a foundation with their families?

Interviewer 1: More for already established family foundations, but it can be interesting to pursue the second option as well.

Expert 7: So, for already established foundations, I think. One challenge, one challenge is to open up to non family members in their governance and try to find the right balance between you know, keeping it as a family. Tool to also maintain Family relations to do something that is a passion for family members together. So that is one aspect of family foundations, but the other is also trying not to, you know reinvent the wheel or to be focused on predefined hypotheses or preferences. And uh, you know it could be great to include non family members, so for instance experts in the field that the other causes that the family is supporting through the foundation. So I think finding the right balance between insiders and outsiders in the governance is a challenge. And. I think that many families want to start very discreetly in a very under the radar manner with their family members, they don't want to screw up. And they don't. They want to learn by doing, and they don't necessarily want to have outsiders looking in. And because maybe some of them are afraid that they will be doing something wrong. Not wrong legally, but wrong in terms of, you know, strategic mistakes and you know, errors and so on. So I would say that. Only the more you know. Established or advanced family foundations are integrating outside members in their governance and nothing else is. This is interesting and this remains a challenge for new established ones or the ones that are also used to work like as a really as a family nucleus that is a bit closed. So that's a challenge. There's also the challenge of. You know, having an impact while staying like a relatively small funding, like a small funder, usually family foundations. Except these very wealthy families do not have. Millions to spend every year, so I don't know how it is in Portugal, but I guess it's a bit the same you have. Maybe. This is like a rough count, but in France you have maybe. 10 or 15 family foundations that have a budget that is over for a few million EUR spent every year. So it's only like a small circle of very wealthy and you know. Large actors that have the capacity to to fund multiple projects over several years and to have like some sort of a portfolio strategy to have an impact. I would say for the other one sometimes they can feel like, you know, they're only like a drop of water in the ocean, and a challenge for them is to. Find a way in which they can make a difference. But sometimes this means like supporting very small nonprofits, like very small organizations, because. For these

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families, they want to have an impact, and having an impact in their eyes usually means. Being like a significant funders for the specific nonprofits that they support. So they would tend to support very small local or early stage. Nonprofit organizations, sometimes very small and old ones as well. Not necessarily startups, but they would. They would tend to favor this. Rather than funding like an already established nonprofit, organizations that received already a lot of funding from individual donors like the Red Cross or Doctors Without Borders. And they would also not necessarily fund the ambitious like social entrepreneurs. Because they prefer means a lot of them prefer to have this. Personal impact on local community or small scale nonprofit organization rather than, you know, spending very limited amounts on bigger players or players with the bigger. You know, the prospect for achieving a bigger scale in a few years. So I would say that's also a challenge how to have a meaningful. Role to play without just limiting yourself to funding. You know, a few local nonprofits who by the way, that may do great work. But how can you do something that does not become frustrating? You know because to fund these projects you either need to have an endowment from which you use the revenues. Or you need to provide an ongoing stream of funding. And in any case, you know it's difficult to do that. So I would say the third challenge is mostly. Related to the current economic and financial environment, it's very difficult to. To protect the value of endowments and to have these, you know. 4 or 5%? Very easy, yeah. You know, financial products that can allow you to. To have enough money to spend. So yeah, I would say economic and financial conditions are another challenge for them, but there are probably many more. But this is on top of my head the ones that I'm. We talked about change. I'd like to talk about trends now. Is there big trends in the current Family Foundation field today? Well, again, I think I will speak to the context that I know most, which is France, but I'm sure it's interesting what I see with other colleagues. I think this is also happening in other European countries. Um, these families are regrouping, so they are creating like clubs or coalitions: And the used to work alone like to be very isolated I would say. 10 or 15 years from now, I mean this, you know, would be like. Foundations working with no other foundations, basically and. I would say about. 10 or 8 years ago, I mean, I've seen the momentum change a little bit with the creation of Formal or informal clubs. So for instance, in France you have a. A club called and it's pret And now I think today there are about 100 members. So it's a group of families, usually families in which there was like a an entrepreneurial success. So people who created the venture or inherited the venture. You know, so. Most of so this family is basically made the fortune through entrepreneurship and business and they want to share best practices. They want to. Exchange ideas to support projects or programs. They also want their voices to be heard. And so this specific club, for instance, was born outside of the large. Foundation network in France. Where in Portugal you probably have like this professional group or association of foundations, they usually exist in every country in which you have foundations. So this circle was born outside of this formal organization, because I think families do not see themselves as Professional philanthropists. They do not compare what they do to corporate foundations or to this large like for this sort of horse is large institutional players. So they also want to keep this. You know this family dimensions alive and distinct from more professional, rational, institutional actors in the philanthropic sector, I would say. So yeah, doing more things together, trying to know each other. Creating networks site circles. I think this is a good trend that is still growing. I would say that's the main train. It's also true that something that is also changing in family foundations is the demographics. So Umm. She told me about family foundations in France 20 years ago. First of all, I was not studying financially 20 years ago, but I I think I was. I would. I would. Think of, you know, old. Wealthy people from a very like privileged background is, you know. Families with multiple generations of wealth and, you know, maybe wealth created in the 19th century or something. And I think today the demographics has changed because you've obviously had these. You know, new types of wealth being created very quickly in the entrepreneurship in tech, entrepreneurship, in the financial services, in real estate. So. You have this new wealth. So people. That were born in, you know, ordinary families, middle class and, you know, overnight when they sell their company they become millionaires or billionaires sometimes And these people? I would say a. You have new profiles of people creating foundations among them and usually they create their foundations when they are in their 40s or in their 50s and they have usually young kids. And they want to. They don't want to wait until they're retired and very old to do philanthropy. And they sometimes have. Interesting. Projects that they want to associate their kids with, maybe later on when they're older. So yeah, I would say that. Family foundations. Are not and are no longer only this like old wealth, large you know, bourgeois families from the past. They still they are still here. I mean they are part of this community now, but they

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have been joined by newer players people. Also doing a family thing, but with the younger kids and starting at their prime, I would say the prime of their careers in their 40s or 50s. So that would be a second train I think.

Interviewer 2: Yeah, this is clearly something that went out with all the interviews that we had said the new generations are getting more and more aware and they want to participate more to the financial PIC field and. Now trying to leave a little bit of the macro perspective of things and digging in a little bit deeper. What has to be taken into consideration when working in a Family Foundation? How does it differ from working for a normal foundation for example?

Expert 7: So do you mean from the perspective of? Staff or board members or yeah, exactly. OK. So this is a very precise question. Uh, for? Can you say it again like the beginning of the question, please?

Interviewer 2: What has to be taken into consideration or how does it differ from working in a Family Foundation or a normal foundation? We, for example, answers refer to that question as something that's very common as family dynamics that have to be taken into consideration.

Expert 7: OK. I'll try to answer a bit. Out-of-the-box I think. One important aspect. That you have in Family Foundation, I mean from I'm talking here about the. Not about the 90% of very small ones, but more like the 10% of large ones with a, you know, an endowment and stuff. I think these foundations are able to live off the families wealth which is invested, so these foundations will basically do not have to raise funds from other donors. And we're not associated with the corporation. So usually these foundations have a lot of liberty of freedom to do whatever they want and to be more innovative, to take more risks. I'm just going to tell you why: So, Corporate foundations have a brand in their name, right? So they are usually associated with the reputation of the company and they cannot do whatever they want like the director of the corporate foundation is usually under the supervision of either the CEO or the head of communication or the head of sustainability. So the corporate foundation is constrained in the repertoire of things it can do. So it cannot, for instance, fund. I mean it can but there is a risk of backlash if they found like causes or organizations that are not consensual. For instance working on issues that are divisive in society. So in France at least corporate foundations tend to be very conservative and not politically, but they tend to be risk adverse. So they won't go on certain issues like you know migrants or. You know, issues like. You know, prisoner reoffending, you know, ex prisoners. So they would tend to go on, you know, very like consensual things like. Protecting the environment, uh, you know, helping the children and so on Or, you know, working for education and. So they cannot go on very, you know, risky or edgy causes and family foundations can. If they do not have like a corporate, you know, leadership to please, they can you know they can do something more risky. Also they don't have to work for only short term results. So corporate foundations, they have to enforce at least they have usually five year plans. And the company decided to renew this plan and usually they do some yearly reporting. You know, they publish this glossy reports, but the foundation has done over the past year, so it's usually very short term, yearly or quarterly indicators. So for instance, they are really driven by these short-term indicators. We were as a Family Foundation that has an endowment forever. Uh, usually doesn't. Doesn't have to publish reports. They can. Of course it's great if they do, but legally, at least in France, they don't have to. So in France, if you raise funds from individual donors, you have to publish reports. But if you don't, you can do whatever you want. So I think this family foundations with an endowment, they are really free to do some long term, you know, innovative work. They can focus on systems change, for instance, and not only on. You know, short term you know effects which are you good, but you know they may not change the rules of the game. So. I think I think this is a great opportunity for these large family foundations and also the fact that they do not raise funds from the public. Because the public you know, also does not necessarily wish to have like these, you know, edgy causes to be supported or is, you know, long term. Uncertain effects. So yeah, I think these foundations in particular are the most. They have the most capacities to do that work, but they don't always do that. It's just that they have this capacity. So I think this is a great thing that they can leverage and some of them do. Umm. And you have a lot of good examples in Europe. So family foundations or maybe the family is no longer like super active in the governance, but the family wealth that was endowed at the

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beginning still serves a, you know the original purpose and they can still do these. Innovative or risky or stuff that's more like. Corporate foundations cannot do, or foundations that are obliged to raise funds from different funders cannot do.

Interviewer 2: Awesome, thank you. I'm going to skip the next question because you're going to we're starting to be a little tight on time, but the next question I have is regarding governance. And could you explain to us what a good structure of governance would look like in a family foundation in which it can operate as effective as possible?

Expert 7: That's a tough question. There are some publications about, you know, good practices. I don't know if you're familiar with the Swiss Foundation code, for instance. This is a good document that you can look at. It's not only for family foundations, but it has a lot of interesting ideas and practices inside. So I don't want to be too specific on this because you know, there are debates about, you know whether you should have a different, you know, governance structures like a big board, maybe also have like a grant making committee, a financial committee. So these are governance discussions that are you know going on in the foundation sector but I really think that's. The family should not be the only people on board, so this goes back to my point about having outsiders. So I think from what I see: A good balance is to have several family members of several generations, at least on the board. So the board that usually takes the higher order decisions so that the board that validates funding or projects or programs that have been prepared and organized and vetted by a professional team and maybe advisors from different committees. So I think several family members should be in the board, and especially several generations, not only, you know, the older generations for instance. But I think what works really well is to have like a leadership in the family as a chairman or chairwoman and. If you board members and an executive director who's an outsider of the family and was usually like. A great professional with a nice, you know, track record of working in the specific themes or causes that the family is supporting and also someone who has experience. In foundations, either having led the foundation before or having worked. With foundation partners before, so I have a few examples in mind, but I think the family foundations. That I know who work the best usually have these. I would say this dyadic leadership with. One or two key family members who are really involved were not just passively writing checks or were involved in executive board meetings and we take the leadership for the foundation. And they share this leadership with the an executive director who is not a family member. And when it matches well, in terms of values and you know. You know, just when there's a match and when the family lets empowers this executive director and his or her staff to do the work. I think this is when it works the best. And the. And to the contrary, when the family is like. Not trusting the director enough or just making the director as the CEO and not giving him or her like strategic clout. It doesn't work that well, I would say. And sometimes you have family members who are also in the executive director role. And I think it could be a problem because then the family is both, you know. On the. If the family is in the decision making roles, I don't think it worked quite well because. You know, you could also say: Ohh, the director is paid because it's a paid director and it's also part of the family, so it's a bit of a conflict of interest. So I don't know if my answer is what you expected, but I think this is the top of my head, though the first advice that I would give.

Interviewer 2: It was a very, very good and in-depth answer. Thank you. Now let me let me take another question that actually was for later, because you already spoke about it, certain cases or examples for a structure of a good governance. Like feel free to name them, if you have them at the top of your head.

Expert 7: Well, in France I would say the poster child for a very good Family Foundation that was very well is actually, it's also. One of our partners, so this is the Carasso foundation so, they have one branch in Paris and another in Madrid in Spain. And they are very open source, so you can check a lot of what they do online. So this is really like, I think, a great. Great example the community. Take all the boxes. And yeah, I think it's pretty inspiring. You also have another example that is really interesting is the loudest foundation. I don't know if you're familiar with it, it's LAUDES. I think it's the family that founded the C&A like a clothing store. So bringing to Mayor family. And they really changed this foundation. So I think I think at the beginning it was a corporate foundation rather traditional and they really change it into this independent foundation and has an expertise on the whole. Systemic change in the in the.

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Government and clothing industry and they are more you know funding more like radical and. Changemakers and it's not like just corporate nice you know greenwashing stuff anymore and so I think this is really interesting example as well how they open up to outsiders and change the governance and reassess their strategy and what they want to do. So these are two good examples. There are many more. Then obviously you have these interesting hybrid vehicles in which a family business is transferred to a foundation. So this is more like these, you know. Hope you know foundation old companies that are usually transferred by an entrepreneur to his or her family. To a foundation vehicle in order to keep the companies mission and values intact and not being, you know, bought by pension funds or whatever. And usually the dividends that the foundation receives are used for financial purposes. So you have examples all over Europe of these foundations. Sometimes the family is still involved. So you have the case for instance of the I think the Robert Bosch Foundation in Germany. But sometimes the family is no longer here, but the will of the founder still lives. And usually it's an interesting way to connect the discussion on family foundations with the discussion on family business more broadly. How to transfer ownership of family businesses over time? Because research you know and evidence shows that it's difficult. After three generations, usually the family business is crash and If they don't. It's interesting to understand why, and I think one of the avenues that they can take is. Think about this hybrid-like ownership structure in which a foundation can take over and become the soul or major owner of the company and family members can still be included in the governance in these systems. See the example of Patagonia very recently with the Shriner family. So let's you know dig into that and see what they will do in the future.

Interviewer 2: Do you have a few more minutes?

Expert 7: I will have to leave in like 5 minutes because I have a a meeting after. OK, OK alright, I have 10.

Interviewer 1: Is there any topic that you find important in the context of Family Foundation? We didn't talk in this interview right today.

Expert 7: I think one important topic is ,I would say, the legitimacy or the license to operate. In the sense so in many countries. There are social tensions related to Wealth and incoming inequality. I think that's a lot of people who are, you know, part of the 0.1% have a Family Foundation or other philanthropic activity. I think there are more sensitive or aware of these tensions than they may have been in the past. In France, for instance, it's always been like taboo to talk about, you know, wealth and money. So family philanthropy until recently has evolved under the radar and we're very lucky that they changed. It changed a little bit for the past 10 years. I mean, they have, you have more. Vocal examples you have also more media attention towards these wealthy people and what they do with their money. Philanthropists are being criticized a lot in the media, by a part of the population, by NGO's, and sometimes excessive wealth is associated with philanthropy because many of these very wealthy billionaires are also philanthropists. For most of them, much less rich than these billionaires there would be a popular backlash against wealthy people and philanthropy could be seen as a hypocrisy or as a way to delay some social reforms. So I think this is a risk factor that is important to take into account for. For family foundations you know what is the extent of social tensions regarding inequalities in the in their country and how are they going to tackle these challenges or are they going to be silent or are they going to speak up or to you know because defend their status or just speak in favor of some social reforms that. Would lower inequality. So I think this is an interesting topic that also something more is more questioning the philanthropy itself or questioning the topics field the philanthropists are engaging in. I think this is a conversation and broadly speaking about wealth inequality, usually the topic of philanthropy is attached to that, especially in the media. But it's not necessarily a philanthropy problem. It's just the fact that most of the very wealthy people do have a philanthropic activity and some people regard that as the problem. Because you know, these people should pay more taxes instead of having enough money to do philanthropy. So this is where the connection lies in terms of what they support. Yeah, I think it's a there are some interesting things going on, especially in North America, but in other places as well. You know, very different choices made by different families in terms of how they are their money spent. I mean there is a movement in the US and in Canada like rebel or people who

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are inheriting a lot of money and from their parents and also I feel a foundation for instance. You know, they're this young generation, very, very politically active. They want to promote social justice and ideas like that and they sometimes feel like their wealth is not legitimate, and that they should like give everything away, or at least change completely the style of philanthropy that their parents used to do. So this is an important subcategory of family foundations that we see. So again, it's a small circle and movement of people in their 20s or 30s that are you know heirs of family businesses or family foundations and I want to turn things around or at least do something very differently and that also often feel bad about how their wealth was created and the fact that it's not legitimate. And so yeah, this is an interesting subplot going on, I would say.

Interviewer 2: Thank you for your time. We learned a lot actually. It was very interesting to talk to you. Would you be interested in receiving your work when we are done with it?

Expert 7: Ohh yeah, please, please do.

Interviewer 1: OK. OK. We'll forward it to you then. It will be around end of January, I think.

Expert 7: Yes, that would be interesting in reading that, obviously.

Interviewer 1: In the meantime, we may be going to follow up with an e-mail because we are always trying to get in touch with other experts and if you have any contact that would be interesting in the context of our research it would be very nice to have some names. So yeah, we are just going to send you an e-mail with more details and that's it.

Expert 7: OK, OK, no problem. OK.

Interviewer 2: And we're going to leave you for today. Thank you again for joining us today!

Expert 7: And thank you, your questions were good so. OK, great, thank you very much. Good luck for writing your paper and send it to me

Expert 8

Interviewer 2: My first question would be to know a little bit more about you, like what's your professional background, where do you come from? How did you start at Philea?

Expert 8: So at the moment I work as head of research and knowledge development. We have a research unit here, so I'm leading that one. Before Philea it was EFC, European Foundation Center and DAPHNE. So I started working with EFC almost four years ago as semantic networks coordinator, which means coordinating different affinity groups within the organization and before that I worked with different organizations. I have been in all the all the corners of philanthropy ecosystem, let's say from consultancy to grant making, from NGO's to academia. So I have a PhD in philanthropic studies. And also a Master's degree in philanthropic studies. So this perfectly fits into my academic background and what I studied, what I did. Yeah, I have been working in and around philanthropy for 19 years now. In different capacities and different roles, yeah.

Interviewer 2: OK. Thanks. Getting a little bit into the topic of family foundations, could you tell us what the difference is? But one of the main differences between a normal foundation and the Family Foundation from your perspective.

Expert 8: So since you are conducting this study in Europe, I guess you are interested in European context. When we say family foundations in fact, there is no such a legal description of family

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foundations. So it's really depends on how foundations are kind of defining themselves and then there's no agreed upon definition. So we looked at some of the characteristics that uh that are common across these organizations and one of them is having a trustee on the board. So there is a family member who has the decision making authority, it may be one or more but at least one person is trustee and and the decision making not just you know the professional working for the organization but also has a decision making power. So it doesn't necessarily have the name of the family. You know, the foundation doesn't have to have the name of the foundation. At least there's this kind of organic tie between the family and the administration of the foundation. And then generally what we see: The values of the original founder still generally they are still there. They're foundation. Even though let's say modernize, more contemporary, maybe change it's focus areas, but still it tried to live up to this intention created by the founder, by the family itself.

Interviewer 2: So, if I may express it in other words, basically a mission that is imposed onto the foundation by the founder.

Expert 8: It's generally it's the mission because it's really hard to change, uh, the mission. It's generally in the you know, the bylaws, by their statutes. It's of course possible to change those statutes, but generally it's not the case. Legally it's different or also making the case for changing it. So the mission, but also the founding values generally remain the same even though it's application may be different. They remain the mission and the values of the family remain as a compass let's say.

Interviewer 2: We've had in in like reading and literature, we had a bit of a bit of trouble kind of defining Family Foundation. Where would for you personally start the Family Foundation? Because obviously we have for example a businessman that has this normally business going on and decides to start with the foundation, does that for you, the foundation for example start the moment where he brings in the next generation?

Expert 8: Yeah, I think, yeah, I think they arrived to some point that they would like to give back to their community. It's not just about business success, but they would like to kind of share their assets, their capital and create a difference within their community. But also they would like to you know to leave it to other generations so they can kind of hold the flag and continue doing this. Uh, embarking on this impact journey. So it's also way to still uh, this values to to the next generation so they can, you know, they can continue doing this. And it's also something that brings together different generations around the purpose. So there's another reason to have the foundations.

Interviewer 2: OK. My next question involves a little bit around challenges that family foundations face nowadays. Is there like anything specific but Family Foundation found themselves exposed to?

Expert 8: Yes, there are several challenges. First of all, this generational thing, even though that's the kind of the purpose, you know, to instill these values, to transfer this values, bring together different generations. Now the new generation may not be so interested in the foundation model. Maybe they would like to have an impact social impact, but they would like to do it in different ways. They maybe they would like to act as an activist or they would like to use, I don't know more like venture philanthropy approaches and more like impact funds or they would like don't want to you know strict themselves limit themselves with just one organization. They just would like to support various organizations without having, you know, a well defined or very rigid structure. So they would like to be more flexible, engaged with causes rather than you know they have less attachment to institutions. They are more passionate, more enthusiastic about the causes, about the impact they can they can create. So there is this kind of differences in approaches. We see between different generations. So the existing let's say leadership and family foundations have hard time getting them on board, getting them interested in foundation models. So they are trying to you know find common grounds, more interesting things to engage new generations. So this is what we see as the biggest challenge and then other thing as I said in the beginning, so they have this mission, the values as a compass, but they also see that, you know, the time is changing, there are new needs. I don't know, climate change, other things they would like to kind of renew themselves. Or make themselves more relevant, but at the same time maybe there is some expectation from the

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certain stakeholders, so or from some family members. Especially the primary generations, you know the previous generations. So it's really hard to, first of all, convince the previous generations that it's time to make some changes, to adopt those changes and then also to find the initial maybe because generally family foundations, generally speaking not all of them are created for, you know, giving back to their community. It's very broad, their mission is pretty broad and that now that they would like to adopt themselves to contemporary conditions and then they may have hard time to find this uh niche area, let's say. Now we see a lack of alignment between the trustees and the professionals. Because the professionals are like seeing the changing needs changing conditions. Let's say regarding, you know, renewing themselves. And the other thing is the relationship between the trustees and the professional staff. We see this kind of tensions and then the other thing, this diversity, equality, inclusion topic. You know, there have been many important developments in the world, starting with me too, and then COVID and then other things that you know. There is a growing awareness about the importance of racism or racial equality or equality in different senses in gender, age... In a way from the foundations are also hearing about this, all the stuff that are going around them and trying to interact. But in a way, if you have a Family Foundation, probably you would like to keep the control, right? You would like to make the decisions yourself. You don't, you don't want to include many people into your decision making. But because it's a family thing, you don't want to change the dynamic. But if you don't have different elements, let's say. If you are not really representative of the committee that you are serving, then you are excluding all these elements or all the opportunities for diversity, equity or inclusion. So and then also, if you are not also engaging the new generations, there's also a problem with the engagement of young people So in a way, family foundations are trying to figure out how to address this these things of representation, diversity, equality. So having some people you know with that different backgrounds as consultants is not the same thing because they would just give you some suggestions, they would not have a real voice, they would not have a say on the decisions. But some foundations are doing great job around this that there are some good practices but all the foundations from the foundations are still trying to figure out and some of them are not even aware that this is a problem.

Interviewer 2: But once foundations engage in these type of topics would they, if I understood you correctly, engage in it rather by hiring people into the foundation from different backgrounds, right, for example, now because I mean it's obviously a little bit difficult to change the ethnic diversity of the family, for example.

Expert 8: Yeah, but, uh, but in some cases, they could have a board half composed of family members and then the half composed of community members. Not necessarily coming from the same family. So it's kind of a solution. It could be a solution. Or you could have like you could create these committees, again composed of people with different backgrounds who make the grant making decisions. So they make the grants, so they're not necessarily sitting on the board. They are not part of the governance structure, but they have somewhat authority. They can make some decisions on where the grants are going, which the areas to fund, the strategies... So you could also have alternative strategies to include people.

Interviewer 2: My next question is a little bit towards trends but I think you kind of answered in relation to challenges and trends. Would you have anything to add to that are there any trends in the Family Foundation field you would like to add?

Expert 8: No, I I think I covered all. Yeah the trends these are the kind of challenges and trends I see more like next generation thing comes over and over again. They are trying to you know create this retreats or consultancies to bring together different generations develop strategies together and also some interest for exploring new areas like let's say climate change and. For example, there in Europe there are not so many events for family foundations, so it's either just trustees are coming together, you know, in some close circles, or it's just professional stuff. To meet and learn from one another. But there are not so many instances, let's say, that brings together trustees and professionals and let them talk one another. Because there's, as I said, there's so much tension going on between the trustees and the professionals, especially the executive. So I wonder if this will become a trend at some point and they will see that there is a need and that needs to be, you know, addressed. There's a lot of talk about this

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kind of tension, but not so many actions to resolve it.

Interviewer 2: Very interesting. We said also about the next generation, but that's something we have been hearing pretty much from every expert we've been talking to that the next generation, that there are some tensions, they want to make things differently, but also how engaged they are, how interested the next generations are in having an impact. But yeah, from within the families, the interest in in changing things is apparently pretty big. When speaking about I'm speaking about professionals in inside the foundation. One of our questions would be what has to be taken into consideration or what are the difficulties or challenges for people working inside a foundation.

Expert 8: A lot for example of decision is what we are hearing from professionals is that a lot of decisions are made around dinner table or I don't know in you know in family context because they're family. So they spend time together, they come together maybe they don't even intend to make a decision on that day, but then they spent this this time together and then they make decisions and then the executive feels like. OK, I'm not part of the family. I'm not, you know, invited into this social gatherings. So I don't know what's going on. I don't know how you made this decision. Um, so they don't have kind of access to those moments because it's really private. So in a way executives are cut off from this conversations and then they cannot really have an impact otherwise. You know in the more corporate kind of boards you have a certain agenda, the executive is invited to those meetings, they can present you know the their inputs, their suggestions and then the things is discussed and there's some kind of an opportunity. But in family foundations there's this kind of dynamic that this year. Executive feels, um, themselves, like kind of excluded from important kind of conversations. And then since it's a family, you know, every family has their own dynamics, things may get really emotional. The relational level. So this kind of the situations also executives um, don't want to maybe be part of or cannot be part of you know, it's hard to deal with when it's about emotions or relationships and the other third kind of difficulty in defining the relationship between the executive and the trustees is so the executive of course has a professional background. They have to kind of update themselves on the top of, you know, developments and everything, uh and possibly maybe family members are not really, they are not really updated about social developments, what's going on in the foundations, maybe they would like to govern the foundation as they are governing their company. They don't have the same level of information about the sector, about approaches that also kind of creates, I think, imbalance and the executives find themselves in a situation that they always have to kind of convince, you know, this time to change. We need to do things differently.

Interviewer 2: You were talking already a little bit about the structure within the Family Foundation. What would be, from your perspective, a good structure of governance in which the foundation can be as efficient as possible?

Expert 8: Yeah, I think I already told you my ideas about this. So Family Foundation governance could be a little bit mixed. So of course there is no like filler kind of, you know problem solution every that, that fits into every case. So for every organization the governance would look different. But yeah, I'm not, I am. But the literature says that, you know, if you have a foundation you have kind of accountability towards the committees you're serving. And if you are not really representative of the committees, you serve you in a way. Lack the legitimacy you need. Lacked the capacity you know to to understand the needs of community to come up with the right strategies. So in a way, yeah, Family Foundation family members can be on the board, but I think it also needs to include other non family members. But it shouldn't be in a tokenistic way. There should be a good facilitation to ensure that these people who are not part of the family do also have a say, they are included in the conversation on equal footing. And at the end, it's not just, OK, let's hear your opinion and then we will make the decisions because we have the resources. So this I think an important element and then more like participatory kind of grant making. If it is a grant making foundation that would be really helpful to be, you know, to be more inclusive. And also something that maybe family foundations don't do but corporate foundations do more is like measuring their performance. Like since it's a family and it will be always family, maybe people take it granted. Like this is our foundation why we need a, you know, to measure how we are doing. We already know it, so maybe they don't feel like it's it's necessary. But I think it's important to understand. If things are working well, which is not working, what needs an adjustment so? Yeah, kind

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of looking at the performance, how it functions, how different people within the board perform. But also board as an overall, you know, unit, how it functions. That needs to be in a way assessed regularly. And also as in the other foundations, board members could have different kind of roles and functions. So there should be a reason. So not because of their surname is the same or they have a family tie they have a seat, but they are there because you know they can do fundraising or they can you know be the spokesperson or they can be very good convening other important actors. So I think everyone within the board should know that they, they have a function they and do it very well. Yeah, probably people come to a point they like, OK, I have the resource, I created this organization and I don't need to, you know, assess myself, change myself, train myself. But the conditions outside are changing all the time. So in a way they need to adopt themselves. For this, I think board training Board, measurement is really important, even though they don't have the same kind of external pressures. But the other foundations would feel it's just also for them, as part of their accountability to do it better.

Interviewer 2: Something we came across I would like to ask you other stages in life of a foundation now we came across the example for example. Having written down the bylaws of the mission to wanting to tackle polio, polio obviously can be rotted out. Are there stages in life have foundation like for example, I don't know, incorporation working and the mission is accomplished and afterwards shutting down. Does that happen?

Expert 8: Yeah, yeah, that happened. For example, you may have heard that there is Mava Foundation, which is a Family Foundation and they made this decision that is some, you know, spending down. They became a spending down foundation. So they decided that, you know, after this time period we will just try to spend down all of our funding and try to achieve this goal. And then they really focus all of their energy on strengthening, empowering their grantees in a way that their grantees become self sustainable, you know, resilient organizations that they can find resources from other sources. So in their remaining time they planned it for. I cannot remember if it was it was planned like 15 years ago or something or 10 years ago, but then they also created all these documents. You know, all these reports, the guidelines and everything reporting what they learned from the process, so transferred their knowledge, so they are closing, you know, winding down. But in a way they're also transferring all the assets that they have, financial resources, but also their knowledge, everything to their grantees or to other their partners. So nothing is really lost, but it's kind of it has taken another shape. Just transferred. Yeah. So, yeah, they may be different reasons for doing this. Yeah. As you said, it maybe because they, they see a different kind of problem within the Community and they you know, they made this change or they said, OK, this foundation model, you know, it's based on the idea of perpetuity and it exists forever. And then they may say, no, not really as in the foundation we need to really resolve. Something concrete and then we get closer to it. We will just spend it, we will just spend it and then close it. And then maybe the maybe the previous generations are not alive anymore and then the next ones they're not interested in the foundation model and then there may be another change.

Interviewer 2: And when speaking about assets: How do family foundations define and allocate their resources now? For example people, budget, assets? How does that work exactly?

Expert 8: How did they do what?

Interviewer 2: How they allocate their resources, so speaking about people, budget, assets.

Expert 8: So, family foundations can be operational. So they can, just run their own programs. They may be grant making foundations, so they may give grants to charities, to NGOs. So there could be kind of an unstructured application process. So these NGOs apply for funding and they get funding for a certain period. It may be on project basis or it may be more like an unrestricted funding so they get support for certain years to strengthen their organizations. Or it can be more like the foundation. They don't have an open call for proposals or system, but the foundations themselves identify. You know I would like to support this and this organization, this and this areas and they just invite this organizations to ask for support. That's also a possibility. And the third model is you do both: You run your own programs and then you also do grant making. Together, so it's kind of more mixed or hybrid model.

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Interviewer 2: And I wanted to ask a couple of questions about the family part of things because something we came across quite often is basically how, how? Family, family topics, when you were also speaking about like family tensions for example, how those can have an impact on the working of the foundation. So how important would you say are those family dynamics, maybe the tensions in the daily business?

Expert 8: Yeah, I didn't work with family foundations on one to one basis. So I talk more with let's say professionals. So I wouldn't know what it would look like on day-to-day basis. Yeah, they may be kind of create bottlenecks you know. But in a way it can be also something that holds together, you know, the trustees towards the common goal they have. Yeah, I imagine that when, yeah, in a meeting, let's say in a board meeting where the things may get messy is yeah. As I mentioned, I think if it goes to emotional level, family history, people's relationships. So the focus of discussion may shift from the issues in the agenda to more personal kind of stuff. Whereas you wouldn't see these kind of things maybe in other type of foundations, uh, for that reason I would say facilitation or maybe you know, having a coach, having an external having the executive or you know in a way may be helpful in fact so that people don't get lost in this conversations.

Interviewer 2: How would the governance of the foundation react to these, to these family developments. So speaking about, I don't know, death, marriages, taking, taking spouses maybe into the foundation? For example, if I don't know um, I mean over the generations the family keeps growing, people keep marrying. Do they, for example, take in the spouses? Into the foundation, is that a thing or should it like be kept within blood.

Expert 8: I think there is in the other foundations. I think there should be certain criteria for accepting people on the boards because so if you if you have a roles for you know everyone on the board and then you evaluate their kind of performance this would already help you. You know is this person is just disposed and not coming there doing nothing just creates. I don't know. Kind of chaos doesn't help anything then you may say you know you're not really performing you're not really doing anything that is expected in this job description board role description and the it's not what we are saying we have this results from the performance review. So either you get you know a training we help you to get on board you know to catch up with the rest of the team. Otherwise you have to leave, you know you have to deliver something. Um. So I don't think that they need to be really rigid like if you if you are underperforming your out because training is part of it, orientation is part of it. People learn on the job, but if they have kind of this kind of processes when people need to be out, when, under what conditions, I think it brings more clarity. And people would know that they are not there just because they are spoused, but they have a purpose that they have a function there. And it would help everyone.

Interviewer 2: You were talking in the beginning about the importance of having a mission. And something we came across in literature and something we also came across the different interviews is how important it is for the foundation to keep that mission going. So from basically the incorporation of the of the foundation to the end and how also having this mission helps to keep from certain families, that was like a very important thing to keep basically the. The spirit of the founder alive to say, and that they basically defined themselves a lot by that mission. But one of the problems is something called mission drift and over the passing of the generations, this mission gets diluted a little bit. Would you say that's the problem?

Expert 8: In some cases, yeah. In the literature mission drifts sounds like a problem. Generally it happens when you are, you know, if you're an NGOs, you are a charity. Let's say you are just going after funding and then you are drifted. In a way, you are not really doing what you were created for. So it's like always there is a reminder about the mission alignment mission. And go back to your mission do. But in foundations we are talking about a very long time span, right? So and the founder possibly is not is not alive anymore and maybe it was created in the early 20th century and the conditions are really different, so I don't think that sticking with the mission that was created 100 years ago really helped. Maybe from family members can go back to the mission and review it. You know, if it is still relevant, if

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it is still up to date, uh, if this still makes sense, which part of it can remain? Which part of it can you know, can still create the bases, still give you the inspiration, still serve as a compass, but then which elements of it requires an upgrade or a revision or? Uh, reshaping so um. So I don't think that Foundations mission should remain the same for centuries. This is a big problem not only for family oundations, but foundation will in general because of this idea of perpetuity.

Interviewer 2: And when starting a Family Foundation, I'm getting really back to the beginning of things. Is there anything you deem especially important?

Expert 8: Yeah, very important, I think, thinking about: What you would like to what kind of impact you would like to do? Uh, because you are giving back to your community? What changes you would like to make? What are the family values you would like to kind of trust transcend to next generations and to your community? That may change later on that may take different forms. But at the beginning, at the very beginning, I think these are the things that you consider like, yeah, the impact you would like to create the changes what you would like to give back. What kind of values? Uh, should be, you know, in the center of everything you do?

Constantio Falcone: So I've seen this mission like it's quite imperative when starting like the defining where do we want to go and. What the what the main driver is here right?

Expert 8: Yeah, mission, but also kind of the vision, because mission is what you do, vision is what kind of change you would like to see. You may be operating, let's say at Community level, at national level. Whatever level you are operating, you would like to see a change, you would like to make an impact. So you have kind of a vision of a different future. So that's kind of your driver and then your mission is how you are going to get there, what you will be doing to arrive to this desired feature. So I would say everything starts with a strong vision and then you define what is unique about you, about your family, about your foundation, that you can get closer to that vision.

Interviewer 2: I find it very interesting that you differentiate between vision and mission because that's something I haven't heard personally, but it makes a lot of sense now that you explained it like that. It's not a differentiation. I've heard it was basically always used synonymous, but it makes a lot of sense. Thank you for that. So with that we're basically at the end of the of the of the big part of the interview. I have a couple of quick questions left. Are there any topics that I maybe missed out on that you find important in the context of family foundations? Anything you would like to add?

Expert 8: Yeah, so there is this topic of social risks. So some because when we think of family foundations we generally consider them more like conservative right. Because you know there is this generational thing, the Founders intention, so the values and everything. So and then they don't really revise their strategy very often, but then some form of foundations see themselves as really. Uh, good at taking social risks. Um, they see that this is their advantage because it's not a company foundation, so they're not really carrying the. So there. There is more like an issue of reputation of the company, so they can go and test different methods. Going to do more maybe sensitive areas, use different tools and come back and see. So they see that they they feel less pressure to go for this experimental models and take risks. Uh, this is somewhat some foundations see themselves right. They say that we have this competitive advantage of taking risk. And then the others who work with the professionals work with saying, in fact this is not true because we are working if we would like to, let's say, support a very, let's say, a controversial area. And it would be the, you know, the public or the journalists would immediately pay attention to that. And the reputation of the family or family members would be under the spotlight. So it's just something that, uh, we started to discuss, but we couldn't really understand or really have a deep dive into but why some foundations see themselves more, you know, open to take risks and they do. And the others are see themselves more like conservative more like. Pro status quo and there's the reputation of the risk. So I think it's, uh kind of an interesting topic that can be further explored. So just wanted to mention that one.

Interviewer 2: Yeah, it's something like I think it goes kind of in the same direction. We read quite a lot

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about it, about family foundations or family of philanthropy overall in the US How they really engaged in highly difficult topics like gun laws, I don't know abortion, all these specially in the US highly difficult topics that are very hard, very discussed in the public and that you have basically philanthropists highly. Engaging in favor of certain topic and when the US is very left and their right not so much in between and how this also shape shifts the understanding within the society, would you say that's also a bit of a problem that could arise from the power foundations have shifting or shaping through the money ultimately the public opinion about topics.

Expert 8: Yeah, yeah this this is also a good question because so some foundations just refrain from, you know, using their power to influence some debates because they don't want to seem political. But then in another cases you have foundations, as you say, working in sensitive areas. Or maybe they do some, they support some groups that they do advocacy post work, or in a way what they do has an influence on, say in education policy and this policy. So do we really want them to have an influence or we don't want to have them have an influence because foundations are not democratic institutions. In some cases the decisions are made by three, seven people and they, you know. They are not. They are accountable in a voluntary way that they report about their activities. Maybe there is a national authority which asks them to report, but other than that they are the ones who decide where to employ their resources, where to have an influence. And they are not like elected politicians, let's say. So that's why I'm saying that they are not democratic institutions. So some people question the influence they may have on the policies or on the communities because they are not, you know, democratic actors. And no one really. They are not accountable, uh to anyone like we are used to in a democratic society. But in a way, one way or another, they may define themselves as a political, not say policy related foundation or not. Or they may say, oh, we don't do it at all, they have an influence on life. So I think it's better to make sure that they do it in an accountable way, in an inclusive way. They contribute to social change, they have a positive impact and we create this kind of you know trust based relationship this we create this kind of accountability spaces for them so that they put their influence in the right place, in the right way because anyways they have an influence.

Interviewer 2: Thank you so much. Um, two last really short questions. And number one is would you have any experts you could refer us to that we can that we could still talk to?

Expert 8: Um, well, I don't know whom you're talking to already. Did you talk to family foundations themselves or? Yeah, Mava Foundation is really open to share their knowledge. So I would say, I would definitely say Mava foundation. Um, and I can ask people there if they are, you know, uh, open to do. But you have a very strict timeline, right?

Interviewer 2: Yeah. But ultimately we talked to a professor and like we were starting to write our report now and we just if it would because actually a Family Foundation is something we've not been able to get. So if we could get a Family Foundation that would be really amazing to have also like this perspective of things. We've talked to consultants that were like quite into things, but not a Family Foundation directly.

Expert 8: Yeah, yeah, yeah. Let me ask them, uh, because they're, since they are, you know, closing down, they're pretty busy. But also I know that they are really open to share. They know how, so they may accept. So, yeah, let me ask and get back to you.

Expert 9

Interviewer 2: I would like to ask about your background. Who are you? What did you do? How did you come to work at Philea and also at your own Family Foundation?

Expert 9: I started working at Philea around three years ago. At the time it was not called Philea. Maybe I'll explain that a little bit. Philea is the result of the merger of two organizations. That that used to work for in the philanthropy ecosystem. So Philea was born around one year ago, but when I arrived at Philea, I arrived as an intern. I did many different things: I worked on a on a group of foundations that

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fund activities related to children and education. And then I worked quite a lot on the on the mapping of environmental funding by European foundations. It's a mapping of grants that we do every two years. Then I joined the the Knowledge Department. And so now I'm my title is knowledge and Information Officer so. I work with also two other two other people and my main task is to answer information requests from our members. So you that's one of the services that we offer to Members, they can they can send us a request. It be regarding for example other foundation working in in a specific field that they would like to. We're interested in so it can be like, for example, education. It can be in a specific location around the world. And sometimes they ask us about uh, about practices, about how can they work, and they find the salaries, the average salary of the CEO, for example, of a foundation or a project manager. So there are many different questions. We don't have all the all the answers. We have to do some desk research. So that's one of my tasks. We have a virtual library, which is one of the ways we try to promote open knowledge. We add a lot of reports and different kinds of reports there that we have, some of them we we've written them, but most of them they are from other organizations. I also assist my colleagues with various tasks related to knowledge. And also I'm trying to map all the academic centers that in Europe that work on philanthropy and so. Actually when you reached out to Philea, I was wondering if your school had some kind of training related to philanthropy or an academic center. But actually I looked on the website and they don't have, if I remember well, they don't at the Nova school. Anything related to philanthropy.

Interviewer 2: Actually no, we don't. We don't have a purely focused on philanthropy center, but we our school is really focused on environment and basically sustainable business is a huge topic. So it kind of goes hand in hand, I guess very a lot impact investment. All those kind of topics. So yeah kind of goes hand in hand with also philanthropy and similar topics. So I was told you also work at your family as part of a foundation?

Expert 9: Yes. That is also kind of how I arrived at Philea. It's because my Family Foundation is part of Philea and has been for a very long time. So actually the foundation is not very active as a member but anyway. So basically my family, my grandparents, created the foundation around 1990. Then uh, my mother, she really started the foundation around uh 1997. She really started building the programs and creating like an identity for the for the foundation and formulating an idea of the kind of work you would like to. So the mission of the foundation for a long time has been living harmoniously in Europe. And so the foundation was supporting work related to democracy, critical thinking, media literacy. Which means helping children and young people to better understand the images that they see and and also what they read in the media. There has also been a lot of work on journalism and also art. One of the uh main activity of the foundation is awarding prizes. And so over the years there were prizes that were created, some were then replaced. So there is a prize for science, there is a prize for art. There are two prizes related to the journalism. And so now, so during the pandemic it was extremey difficult and now we are, I'm a bit more involved in the foundation. I joined the board almost one year ago and now we have to change the strategy or actually we have to create a new strategy and yeah, we faced a lot of challenges but it's also an interesting process. That's also why I was interested in in the fact that you are doing this research because first of all, I was wondering why you were doing this research. Why did you choose this topic? Maybe it might not interest a lot of people. I'm interested in the in the topic because we are facing a lot of challenges.

Expert 9: So first of all, it's super interesting for us to be talking to you because we've really had trouble getting in touch with foundations. We have of course tried contacting them, but let's say that the answers were a little scarce. To be honest, it was way more easy to come into contact with consultants, with bankers, with people that work in the philanthropy field but less with foundations. Our experience was that they are a bit of a closed circle. So I guess also part of our research is opening that up a little bit, making it a little bit more accessible. Sevda also gave us the contact of someone that used to work at Mava, who I'm going to talk to later. But yeah, exactly, that's why it's so interesting for us to be speaking to you because you could maybe give us a little bit of insight how it is more from a family perspective. So digging a little bit into that, are there any trends or challenges that, from your perspective, family foundations have at the moment?

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Expert 9: The obvious one is including the next generation of the family. Which can be seen as a as an opportunity and also a big challenge. There are some generational gaps in terms of interest and also values, even if it's not always a well expressed. And also in terms of means of communicating. The generation of the baby boomers like my parents, they lived during a time where the economy was doing well. Where also there was no phone, there was no Internet. The way they were communicating was very different. Today at my age, I'm 27, I feel more like a sense of urgency of crisis. I want to be more hands on. I think it's a challenge and also I've heard it in meetings of family foundations. I've heard it from I don't remember their name but I had listened to a podcast of two researchers who wrote a book on the next generation of philanthropists. And they were saying that the generations tends to have a different way of engaging with the with the causes that are interested. They want to see the impact more quickly, or they want to, for example, in the United States, they tend to fund more in their community. They want to see the impact. So that's maybe one thing including the next generation. I think that governance is for example the challenge we are facing now because in the board of the of our foundation which is quite small, people are maybe like fifty years old. So it's a bit old... I mean from my perspective and also in my brother's perspective. You can't address challenges of tomorrow if you have people who are more than 50 in your board. So it's not possible you have to have other perspectives. You need to have a mix of ages and generations. We want people to take on more responsibility, the staff to have more voice. The staff of the foundation should not be considered as just the people tell them what to do and they just have to do it. They also need to have a say because they are the experts in some of the topics.

Interviewer 2: From the main structure real quick, what would be a possibility to include the younger generation into the foundation, because from what we've heard from most people we've talked to is that there is a very, very big interest, just like you said: Our generation, I'm not much younger than you, our generation has the sense of urge that things are rapidly changing and the generations above us maybe feel a little bit different about that. There is really a huge interest in joining Family Foundation. So what from your perspective can be done to really include the younger generation into the Family Foundation?

Expert 9: And when you say younger generations, you mean the young, the like the next generation of the family? So first of all, including them in the board is a first step. I mean it's also to show they are part of the family and that you're also a member of the board. I think that you have a bit more responsibility than the other members of the board in the sense that you because it's your Family Foundation, you also need to be engaged and think about the strategy and about what you want. But I think including them in the board is a is a way. And then including them in the thinking about the strategy. So what are the topics they are interested in? How do they see the world in in like 10 or 15 years or what do they want to see in the world 10 or 15 years. Like including them in imagining how they want the world to be and how with the foundation they can contribute to that as well. I think an interesting way also is to include them in the programs. For example, one project manager or the director of the foundation could take the younger generation to see the projects that the foundation is doing or is funding. So that this younger generation can understand in practice, what does it mean to do philanthropy. Sometimes there is a gap the next generation doesn't always realize who are those people that are receiving the donation. So maybe these are three answers to your question.

Interviewer 2: We've heard about a concept where the idea behind it was to take a certain part of the grants that the foundation is giving away, let's say 10% for example, take and to give this to one person of the younger generation or the next generation as a whole. For them to be kind of get involved into the foundation and for them to spend that on a project that they see fit or they deem interesting. Is that something from your perspective that would help incorporating the next generation into the foundation?

Expert 9: Yeah, I didn't hear you for 30 seconds so I if I repeat, you said that you, you heard that that there is a practice of giving the next generation like one 1/3 of the of the budget or something like this and giving them the opportunity to fund the project. Is that of their choice is that what you ask exactly probably even less than 1/3 normally?

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Interviewer 2: We heard like around 10% or something like that exactly and spend it as they think that it helps best.

Expert 9: Yeah, if you can afford that. Our foundation is too small for that, but we have a practice where we give away, I think it's 5 or 10% every year. It's like a little pot that we reserve for projects that are not part of the programs. So it's not for the not, it's not part of the strategy but it's in case we want to fund. I think it's a good idea, because the next generation can test things. They can test things. So I think it's a good way of entry, but I think they need to be like accompanied. There needs to be someone who knows about grantmaking and can advise them.

Interviewer 2: I want to get a little bit more into the governance, the structure of the foundation. Is there anything that you would say it's very important when working in a Family Foundation, maybe from the perspective of someone who's an expert who's non family.

Expert 9: So your question is: Is there something that is important to know for non family member working in the foundation?

Interviewer 2: Yeah, something that they have to take into consideration. I don't know, family dynamics, for example.

Interviewer 2: Yeah, I I think it's depending on the the position that this person has. Yeah, I think it's important to try to understand the history of the of the foundation and of the family. To understand why the family was created, how the mission is related to the history of the founders. Because it seems that even after 20/25 years, the vision of the founder still permeates in the in the way the foundation is operating. So I think it's important to know the history and the and the vision of the founder. Again, I don't know what kind of person you are talking about, if it's like an advisor, or if it's a board member or person in the staff. But I think also like understanding that the interest of the family is important. So for example that's something I realized very recently but that's in the board. If we have more people that are non family members than family members then at one point if there are some problems: We might risk losing the power over the foundation. You know if there are three family members and like 5 non family members. And that actually at one point we realized that we can't trust the other five people then it's it can be it can be very frustrating because then they have the majority. They have power over the situation. this is something that it's something to take in consideration in the Family Foundation that the interest of the of the family often something important. And then what can I what else can I say? I think for a non-family member it is fortune to actually understand if there is a next generation and if the next generation wants to be involved or not. Because that's important for the future of the foundation. A foundation that was created by family, but the next generation is not interested, so then it will become like a foundation that is no longer family.

Interviewer 2: You were talking to a little bit already about vision or mission of the foundation and something that we are interested in is: We understood the importance of defining a clear vision and afterwards also a mission for the foundation. What can be done when starting a foundation or what are the processes you should go through? You said also that your mother in the 90s worked on defining a clear mission. What can be done? What are the discussions that have to be held?

Expert 9: That's a that's a very big question. Yeah, I'm not an expert, but that's a very big question because there are lots of ways you can do that. Right now in in in my case, so we are, as I said, we are changing the strategy...

Interviewer 2: Sorry to interrupt you, but in changing the strategy, do you also mean changing the mission?

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Expert 9: No, I think we've realized that, uh, no, we are not going to change the mission. But uh, the mission has to be more specific. So in our case we are we are too broad. It's not clear what the foundation is doing and wants to achieve and what's the impact it has. Basically, have to narrow down what the foundation wants to achieve. We went through like a theory of change process. The operational director of the foundation found people who are actually researchers at Coventry University and in the UK they are experts in theory of change. They do workshops on theory of change for organizations - nonprofits. That can be an interesting starting point for a family that wants to start a foundation like to do a theory of change because it really helps to pinpoint: What is your vision? How do you want to contribute to that vision? And also very, very specifically how you are going to achieve your mission. So and then what's interesting in the theory of change or maybe you know that, but it's a very logical process. If you do that then it will help you to achieve this. Then it will help you to achieve this this other thing. So there is like a logical process to achieve your objective and maybe in reality it doesn't always happen like this but actually it helps you to think about what you want. So I think your theory of change can help and there are some professionals that spend the day with you and they ask you questions and they ask you to write things and then it helps you to create this framework and also simply to have a conversation. When you start making foundation, actually it's can ask yourself what are your passions. Each family member, that's what we are doing now actually, even though the foundation is already almost 30 years old. But we are doing that because it helps us to start a bit fresh, even if we are not going to let go everything we did but so you can ask yourself, each family can ask themselves what is your passion and this can actually go back to childhood. What were your passion and which passions might actually drive you right now in in what you are doing in your daily life or might actually be related to what you believe in and kind of change once you see in the world. With that you can actually arrive at an understanding of what the family wants, even if there are some differences within the family. I don't know if I answered your question.

Interviewer 2: No, you answered pretty well, very helpful. For wealthy families and things like this, there are lots of places now where you can do workshops and for example. In Switzerland there is a place called the Family Business Center. It's part of IMD and the family business center. And they do research family. I mean the enterprises and the philanthropy navigator, which is a big book. They create like tailor made programs for families and so and there are more and more organizations who do things like that which can be very helpful.

Interviewer 2: So you would say it would make sense from the beginning, from the starting point of the foundation, to get people from the outside, to help you define a clear to define your values, define your mission, define your vision.

Expert 9: Yeah, it can be helpful. Yeah, I think it can be helpful. Yeah, yeah. Especially if you have no experience in philanthropy. To ask help from someone from the outside who has a birds view of what's happening and also has like a very strategic mindset and can help you bring together many ideas in the family. And also often in families you have arguments, you can have fights. So it's very difficult to define strategy if you have fights within family members and family members, so you need people who can.

Interviewer 2: How do you mediate exactly Family conflict inside a foundation? Isn't that hard with an outsider? I mean to me it sounds a little bit like getting a therapist, to be honest.

Expert 9: Well, it really helps to have someone external because in my experience, if the family gets into a kind of argument then the external will bring us back actually the point we are supposed to discuss and also to the object, to our objective and to what we want to achieve. So if we if we get lost in the argument, then we are not going to achieve anything. So I think that's maybe one of the roles. And also then ideally you have someone who knows how to mediate, then the person will also say, OK, so you, you, you said that you, you said that you said that, but I think that actually this is a solution that could fit all of you. For me it's really important to have someone external, but some families might not like it. What you can do also is have an external who can help you, like identify the profile. Some

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challenges in the family you can maybe have discussions just between yourselves and then you address the challenges.

Interviewer 2: How does the governance adapt to natural developments of the family, to death, to marriages, for example, in terms of marriages of plus ones taken into the foundation?

Expert 9: You know you have to prepare, you have to anticipate. So if we take the example of the death like, you have to anticipate that. For example in our case, like my mother, she manages the whole financial portfolio, so she manages everything that is related to the financing of the foundation. Actually, when I think about it, it's not really good because if something happens to her, we are going to have a very difficult situation because she's holding all the knowledge and power on the on all this financing. So I think that it's good maybe to anticipate what is going to happen, when one of the family members cannot be there anymore. In our case at a global level, my brother and I know what we have to do, if our mother is not there anymore. So I think it's important to anticipate and also I think including the next generation is good because then you have to have more people of the family. For the governance it is also good if one person can take over and maintain the power within the family. And then there was the last part of the new question? I don't remember it.

Interviewer 2: If you take in plus one like marriage after marriage for example, do you take in spouses?

Expert 9: Well, the answer really depends on the on the family. I don't really have any knowledge on that, but I think some families are very closed. And so the patriarch or the, you know, the founder will not want to include anyone else. And so actually they will want the plus one to sign some kind of agreement that if the spouse, that's connected to the foundation dies, then they will not want to take any power. So it's really dependent on family dynamics. Some families are very conservative. I don't have any data on this, but it's a very interesting question.

Interviewer 2: That's basically the problem of our research, because there's literally no data on all of these questions. We're nearly drawing to the to the end of the interview. Do you have 5 to 10 more minutes? Is that fine? Awesome. So I think basically drawing the bottom line of what you said: The most important part is to anticipate everything that could happen. So it would make sense at the beginning of the starting point of the foundation, to sit down and think through these processes? What happens if the Patriarch dies? What happens if someone is drawn into the foundation as a plus one? The next generation etc... Should all of that be written down in bylaws, for example?

Expert 9: From a legal point of view I don't know if it can be done or if it's something that has been done already by some foundations. But I think it's a good idea to write it in the bylaws. It shouldn't prevent you from being flexible. But it can help the family to envision how they see the future governance and how they see the future of the foundation. So I think writing it in the bylaws can be good.

Interviewer 2: Now we're drawing definitely to the end of the interview and I have a bit of a mean question for you. We've heard a bit about or read also about that foundations can also be misused. So for example, in the US this is quite a bit quite a big topic, especially foundations being used because they're exempt from taxes. So it's a way of saving taxes. You can use foundations to pursue a certain ideology. In the US they have done quite a lot. You have foundations that are quite far, far right or left. So they tackle gun laws, abortion, all of these quite difficult topics, especially in the US. So foundations can definitely be misused. What's your take on that? What can be done? So my question has different layers. Should foundations be more open in what they do? Should they be more transparent? This is my first question.

Expert 9: Yeah, yeah, definitely. I mean, this is something that for Philea is very important. There is even going to be a new community of practice that is going to look at that topic. At transparency, also evaluation. So I think yes. The foundation should, uh, the should you use all the tools they have the as transparent as possible. And you know the basic thing is to publish your annual report on your website, it might seem obvious but actually there are some foundations in Europe that just started doing this

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recently. So I think it's very important for some foundations. It's a challenge because they are supporting, for example human rights activists or they are supporting journalists that are at risk in certain countries. So they actually don't want to put their grantees in danger. Which I think is a legitimate challenge. But I think it's definitely important to be more open and transparent also because if foundations were more open and transparent then we would have more data on philanthropy, which could help us to be better map the philanthropy sector better, and then this would help foundations to make decisions on what they are funding to avoid funding the same things. And for example in the UK you have this 360 giving. Maybe you know this. 360 giving is a platform on which nonprofits, trusts and foundations publish all their financial data. It's a really a model of uh of transparency for nonprofits in in Europe. So it's really quite incredible. So it would be great if in other countries that could also happen.

Interviewer 2: I haven't heard of it. Thank you very much. It's very interesting. I'm going to look into it. So in terms of reporting, how much reporting do foundations actually have to do? Because reporting is one of the topics which we thought about but pretty much no one speaks about reporting.

Expert 9: I mean, it takes a lot of time obviously, but it's very important to understand the impact that you're having. So maybe one of the challenges for foundations is that they're not really accountable, for example to European institutions. They are not asking for funds from the European institutions or if they are not receiving grants from other foundations. That's an interesting question, because if you're not asked to provide a report to anyone, what's the reason for doing the report and publishing it on your website. So I think it's an interesting question. It's also important to show what you've been doing, because there is a lot of criticism. There is a lot of criticism regarding philanthropy. And the fact that philanthropy and foundations are not democratic and that actually instead of paying more taxes they are putting their money in foundations, as you said. So if you have reports and financial reports, then I think it's also a way of showing the value of philanthropy. And also it's very important for the foundation. So just to finish in 30 seconds: In our foundation we have commissioned like an evaluation report. To look at the last five years at what is the impact of the foundation, what did the foundation do? And one of the things that the researchers said is that there was not enough data to evaluate the impact. And also that we didn't have impact metrics and impact indicators. So apparently the reporting of the programs was not comprehensive enough. That made it very difficult, you know prospectively like five years after to actually do an evaluation. Which means that reporting is very important to look back at what the foundation. I don't know if I answered your question:

Interviewer 2: You answered the question amazingly. Well actually I just wanted to ask you if it would be possible for us to write that in our report if we, I don't know, we can mention the name of the foundation. We could also just, I don't know, do it anonymously would it be is that OK for you? I would write to your mail afterwards because we're, always looking for cases. You said, we basically need these kind of metrics. So we need some sort of performance management in order to be able to do this kind of reporting. So that's something from my perspective, if I think in terms of best practices, what we're trying to map here. It would be something that could be very interesting for foundations to define these kind of metrics and try to map their performance to be able to also report. I mean if you don't map you cannot report. So we're looking for cases to give examples of how it could work. So could we give that as an example, would that be OK?

Expert 9: Yes, do you need more information or is it what I said that you would use as an example?

Interviewer 2: If you have more information, I would be very happy to read it. If you like have something on the process it would be amazing.

Expert 9: You mean some kind of metrics or more the evaluation report uh in which this was said?

Interviewer 2: Both.

Expert 9: I would have to ask inside the foundation if we can share this because it's obviously very

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sensible data, of course. I mean it's very important to provide the researchers with as much data as possible. But I would have to ask. I can ask. We have started developing metrics now, we have a new executive director and he's going to develop them but I don't know exactly how. But maybe the report would be interesting to share. And I will ask.

Interviewer 2: That would be super helpful, thank you so much! And do you want me to write you mail afterwards for that or?

Expert 9: If you can, that would be great too.

Interviewer 2: Sure, will do so!

Expert 10

Interviewer 1: We presented ourselves, so we'd like to hear a little bit more about you as well. What is your professional background, and what led you into the Family Foundation field today?

Expert 10: Yeah, sure, happy to. So I'm English/German and my background is I've been here at the bank for the past two years and before that I worked at UBS in LA in the US and in Zurich before that in a philanthropy, philanthropy advisor. So similar role to what I'm doing now and then before that I worked in the nonprofit world for around 12 or so years in East Africa, the Middle East, the Caribbean, the UK for like UNICEF and the Princess Charities and a few others. So I came from that side first to the front line of philanthropy if you like from the charitable world and then went to the other side which is a step I didn't know. I didn't think I would ever take working for a Swiss bank. But yeah it's a funny world, and that transition was brought about simply because when I worked in the field, I then transitioned to become a major gift fundraiser working with high net worth individuals. And one of those was a client of UBS and he said I should join their philanthropy advisory team. So that's how that link happened. And I wasn't too sure about wanting to do that, but when during the interview stage they said to me look we manage X amount of trillion and if you help just 1% of our clients to give 1% of their wealth away more strategically, more impactfully the value you can bring to the world is greater than what you're doing currently at UNICEF. So that kind of made sense to me. And that's what I do. So my role here is uh, so I when I joined two years ago set up the Philanthropy services team and essentially we are a complementary resource for our greatest clients to help them be as strategic, as structural as structured as possible with their philanthropy. So maybe they are I don't know they've just had a liquidity event or a life-changing experience or an inheritance and they want to do something, but they perhaps don't know, you know, how do I begin, what's the real need, what's how do I engage my family. You know what's what resources can I bring to bear, what do I, you know, need to expect in return or their much further down the line than they have. You know, they already have a foundation for many generations but have other questions like how do I scale my work? Or how do I collaborate? Or how do I fundraise? Or how do I measure impact, or how do I exit uh that we're not doing, you know, and so the way we held them. It's advisory, it's like a business consultant but on the philanthropy side. So helping them to ask the right questions and then find the right answers that work for them but also work for the cause they're trying to tackle. So we do that through workshops, advisory sessions. We also act as a bridge between them and the non-profit world, because quite often there is a disconnect, like they're speaking completely different languages and they can't sort of connect. So we quite often play that role of being a bridge. Yeah, in a nutshell that's me and what I do here, a big thing.

Interviewer 1: Great! I feel like we're gonna have a great discussion together then because it's exactly the kind of profile we're looking for. What would be the main differences between a classic foundation and corporate foundation and a Family Foundation according to you?

Expert 10: So that's something that you see a lot in, um so that there are big differences and I see a lot in Germany for example or in the US where you have a lot of family owned. In Germany, multi generational family owned businesses or in the US second or third generation owned family business

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that are you know growing up in small town or village even and full family ownership. And the foundation, the philanthropic activity is completely tied to the business and quite often very localized, very focused on their employees and the communities in which they work. But corporate philanthropy and private philanthropy are very different beasts. They have very different objectives. On the surface, they're objective is to do good in the world or in whatever causes they championed. But that's just on the surface. Underneath there's a whole load of other things. So corporate philanthropies, think it needs to align with the expertise of the company. For the purpose of the company or the activities of the company in terms of geography, in terms of what they do, what products they build or what services they offer in terms of, you know, that side of things. Family philanthropy doesn't have to have that. It can be much more flexible. So as long as when it's a business and family philanthropy, that can become a bit cloudy, a bit muddy. And second thing is with corporate philanthropy, it should, in the best case, engage staff. It should sort of create opportunities for staff to be involved, to be engaged, to understand why they're doing it, to feel motivated and empowered by it and have a stake in it. Family philanthropy. And if it's family corporate again, that can become a bit cloudy, a bit muddy. Sometimes. They're sort of like, well, that's what the family does. That's got nothing to do with us. Yes, linked to the business. But yeah, it's nothing to do. It's just, yeah. And then they're not bought in. So juggling the two can be tricky with family owned businesses for sure.

Interviewer 1: What are the current challenges in the Family Foundation fields today?

Expert 10: In, in family foundations, or specifically in corporate foundations?

Interviewer 1: Our thesis is focused all on family Foundation and the questions tend to limit to those players.

Expert 10: OK. Well, one obvious one is, is that I always come across, I'm speaking to the clients you know if, the patriarch/matriarch who made the wealth set up a foundation and they care about specific topics the kids may not care about that topic at all, so suddenly it becomes, you know, well, that's mom and dad's thing, but their mom and dad quite often want to get them engaged with it. But they don't care about saving donkeys in Botswana. They care about, you know, something else so that can become a challenge. And, you know, I've seen it quite a few times where grandparents have set something up and it's gone down to the, you know... Their children take it on out of love for their parents, the grandchildren have less of a connection. Perhaps their grandparents may not have known them, and they don't, they don't care. And it's become a bit of a burden or a challenge for them. And I've seen that so, so many times or a Family Foundation that like we were just talking about set up in a small community small town where the wealth was made, where the family is from. But then the younger generations move away. They don't have any connections to that place anymore, but all the philanthropy goes to that. But they're expected to join the board. So, so that's a challenging thing to be able to do. So how can they sort of mitigate that is you know making sure that they're having a variety of different ways, but this isn't part of your question, but basically gives space for flexibility over the generations. It gives space for different family members to explore their own passions, their own, their own causes that they care about. Yes, you have the core amount going towards the mission of the foundation that the founder set up, but allowing a certain percentage to go to the other family members or board members to give away as they choose. It's just one option, but yeah, so engaging different members of the family on, you know, whenever you have more stakeholders, things become more complex and in families that can become even more complex. So that's one. The second one is, is that often going off in there, but it happens occasionally where family will tell the parents they might be conflict within a family and they may feel that OK if we bring everyone together around a common cause, a common topic. You know we can get more. We can bring ourselves together more as a family unit, but, which sometimes can work, but sometimes, you know if there are challenges and conflicts within a family, any forum, however well meaning that brings them together could just make things even more complex. So that's a challenge. Yeah, that's all I can think of at the moment.

Interviewer 1: What would be the current trends in the Family Foundation field today? We saw the challenge part and is there big trends come onto family foundations in Europe?

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Expert 10: OK, one definitely is around the way they operate. So in the past, uh, you know, family foundations were traditionally very much about grant giving or running programs, but majority are making grants to other organizations. With little regard for where the wealth was made or how the wealth is invested. Today as sort of younger generation are taking, taking over and you know first of all things that were coming isn't much more, much more pressure or demand or willingness or desire to become much more professionalized and operate more as a business in a sense. And you know I see that quite often and more and more where it is seen as just as important as the family business if there's a family business, the Family Foundation and they run the same business mindset or professionalism. Then the second part of that is how the assets are invested in terms of mission aligned investing, responsible investing, ESG, um, making sure that what's happening with this pot of money is aligned with what they're doing on the grants giving side. It's logical, it makes perfect sense. You know, if you're fighting climate change, but investments are in you know extractives or heavy carbon industries, then whatever small percentage you're doing with the grant giving doesn't, you know it doesn't make sense. So you see that a lot more. There's also things like, um, yes, perhaps a very recent one, but the relationship between the Family Foundation and the recipients of their support. And so there used to be this mentality of benefactor. Beneficiary and the obvious power imbalance that comes with that with this, you know, wealthy family up on high. The charity down below with arms out you know uh waiting for the money and that's you know huge power imbalance there. But these days it's much more a partner mentality with two parties with skills, a common vision, a common purpose coming together to achieve a common goal.

Interviewer 1: OK. One last question with me. What would you answer to people saying that Family Foundation are mostly built up to be used as a tax shield? We even hear that in our interviews.

Expert 10: So that is a big one, so. I'm not a tax advisor at all, but when I worked in the US. Every conversation I had with a client also encompassed questions around the tax side of things, because there are huge benefits on that side in the US, in a variety of different ways, from selling your business to, you know, which is one of the reasons why don't advise. Funds have become so, so, so popular in the US, so umbrella foundations where you can open, you can put money in as a donation, you get the immediate tax benefit, and you don't have to pay out until well, you never have to pay out if you don't want to. So in the US, yeah. Outside of the US much, much less so. I mean, I think, you know, they get a lot of, uh, quite often hear this, but I genuinely believe that there are much better ways. Much more optimal ways for the super wealthy to avoid tax or optimize tax. And through a foundation. You know, at the end of the day if they're giving 100 million to a private foundation to give away there's still 100 million short. You know they may save on tax but it's so I think they're much better, much better ways. I think there are other ways that they do that I think this is probably one of the worst ways that if they're doing it for that reason. So for me I think I disagree with that. Outside of the US for sure, you know, many countries like Sweden for example, huge philanthropy scene, particularly family philanthropy, but there's next to nothing in tax benefits for giving. Here in Switzerland, in some cantons, it's only down to 10%. So you could take a 10% reduction, but you're still giving 90% away. So what's, what's the real value? So for me, that's not a big one outside of the US.

Interviewer 2: I wanted to ask you what has to be taken into consideration when specifically working within a Family Foundation or what is a challenge for people working on a Family Foundation?

Expert 10: As an employed member of a Family Foundation?

Interviewer 2: Yeah, exactly.

Expert 10: You know, there are some issues that arise that if you have a paid staff member, that's the families on the board can restrict them in terms of what they do. So maybe your family has good intentions and wants to create a very professionalized entity, and so they hire a great person from the industry to lead and run it or to manage it or to work there. That's being able to step back and allow that person that you have paid and you pay a salary, to do their job in the best way they see fit. It can

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sometimes be a challenge and, you know, whenever I speak to friends or people I know working in family foundations, there's often, I'd say 90% of the cases, there is a that that relationship between the employed staff and the family members can, is a challenge, um with the best of intentions, but in naturally there's a motion and splitting the emotion from the business side can be tough. So that's the challenge. The other is that If a family has a foundation and one of the, let's say two parents set up a foundation and they have three kids and one of the kids wants to work in the foundation and be paid to work in the foundations. Sometimes, if that's not handled correctly, that can be a bit of a challenge in terms of sibling relationships. Why do they get to work there and not me? Or why are we paying them a salary? They should be working for three weeks. It's generating. So just in terms of that, you know, can be a bit of a challenge. But you know, many of the same challenges you get in the family business, you can get in the Family Foundation as well, you know. Or if they choose to employ someone external rather than taking their kids because one external actually has the experience and the kids feel they can get it by merit.

Interviewer 1: Yeah, we lost Constantin.

Expert 10: Are you on your own?

Interviewer 1: It's OK, we can keep going together and he will join us later, OK? What would be the main stage of life of the Family Foundation?

Expert 10: What do you mean, in what way?

Interviewer 1: Are there big steps in the Family Foundation life such as the beginning of the Family Foundation? Define the mission and then keep up to it?

Expert 10: So yeah, the establishing is obviously a massive one and obvious one. You know, trying to work out who, what, where, how, who's involved, you know, public privates forever, short term, all of these types of questions. But another one that is a tricky 1 to overcome is sometimes family foundations are set up as a Family Foundation um to pursue the objectives of 1 family. But further down the generations, they want to um, evolve into a sort of more public foundation. So they want to fundraise, they want to engage others, they want to operate like a, you know, a proper NGO. And that's that route. That path is not a simple one. Some have managed to do it incredibly well, like. The Oak Foundation here in Geneva. Mava Foundation is another one. And some struggle with that. So I'd say for those that do want to make the transition that is that that is a big one.

Interviewer 1: Can you explain what would be a good structure of governance for a Family Foundation? Is there a or some typical structure of governance that are more efficient than others?

Expert 10: In terms of the, yeah, the management side. What I would say is that when but it's you know when building the board or the trustees or you know the people to lead it but it's quite often. Tempting just to have the family on board. So mother, Father, son, daughter, whatever. Which is fine when it's a small entity and it's not you know, house hundreds of 1,000,000 or whatever, but it's a smaller entity, that's perfectly fine. But if it's a larger one. That doesn't really make sense in that you know, let's say you have 100 million foundation, um, you have no paid employees and just the family members involved with it, that's like having 100 million Dollar business with just family members running it as volunteers, you're not gonna get the results you want to achieve with that. So in terms of governance, I think you should always have external parties involved as well, independent experts maybe? You know, you should always have an odd number as well, so when it comes to voting. When they're going to get a tie, unless the chairperson has two votes. There should always be timelines and processes around who gets to sit on the board and for how long and what's by which and what are what are the ways that they get to join voting systems, all of that. There needs to be transparency in terms of all of these systems and processes, so there's no animosity between, you know, as we talked about earlier, kids who want to be on the board and those who don't. And why do they get to be on a night at least it's clear and you know where you stand, kind of like a family business. Yeah, I think all of these factors are important, but I won't say

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there's one size that fits all. But I'd say yeah, transparency, clear systems and processes, odd number and having externals on as is a good basis for a sound governance, I'd say.

Interviewer 1: OK, still about management and governance. How do Family Foundation define and allocate resources such as people, budget, assets?

Expert 10: I mean, it's different with each with each family. Um, yeah, completely different with each family. Some are super sophisticated in the way they do it and some are purely emotionally driven when they when they do it. Some have, let's say the Sir John Templeton Family Foundation in the US set up by Sir John Templeton. He it's a Family Foundation, but he set it up with very, very clear instructions to future generations as to why, but instructions as to who, what, where, how, how the investments should be allocated, everything. So that came as a very top down and it's lasted over the generations. Um. Others it's more organic or um. Some have none, but it's um. It really, really varies. Um, you know, it's, it's. Family foundations we talk about them as one type but there's so many different variations from the Super sophisticated to the very unsophisticated to the multi-billion-dollar size to the \$5 million size it's. Yeah, very, very different. Some have a completed version to hiring people, some don't. It's, yeah. There's no one way to do it, and every single one.

Interviewer1: We were talking about transparency as a good practice in the governance um, but for instance with different experts we talked as of today, few, I would even say nobody talked about reporting and the way they communicate about this transparency outside. What is your insight on that?

Expert 10: So in the advice that I give there are sort of four components to my methodology. One around the causes, you know, where you want to act, how you want to act, what are the best, what's the real need on the ground, all of that kind of stuff. What's your social change model? Then the second one is around family. How to engage the family? And those questions you're asking earlier: The third one is about infrastructure and the 4th one is around brand. Whenever I say brand, they're like Ohh branding but it's saying they need to think about in terms of should we be public, should we be private, do we link it to a business? Do we keep it as separate? If we want to be public, what are the pros and cons of that? What are the risks involved with that? How do we message it? How do we communicate it? All of that around is hugely, hugely important, particularly these days, because these days everyone knows what the Super wealthy are doing or what they're not doing. And if they are doing it, are they doing it correctly and if they're not doing it correctly, then it impacts them and their reputation, their business reputation. But it also impacts family members growing up within that family and the legacy of that family name. If you're a Rockefeller or Sainsbury or a Templeton, you're linked to that name. So you need to know and there is A and then relating that to the. The causes element, it's not just about talking about what you're doing, but actually making sure that what you are doing is done correctly and properly and most impactfully. And not from this top down approach, but from a true sort of partnership with the nonprofit world and the causes and the issues. And you know the the voices on the ground. So doing it properly and then communicating it in an appropriate manner, but all kinds back sort of like the measurement of how you of your processes, your systems, your governance, and then of course your actual trail of impact.

Interviewer 1: How relevant are family dynamics in, uh, the daily business of the family foundation?

Expert 10: Uh, yeah, hugely important. I mean, back to what I was saying before. If there's issues in the family, the Family Foundation or family philanthropy won't solve it, can only make things, could make things worse. But no it's anything any activity whether philanthropy, business holiday you know we've all got families but any activity that brings a family together there's potential for challenges, uh, some families conflict. So that family dynamics are hugely important and so there are ways you can sort of navigate that. I'll call for advise clients to sort of look at a tactical allocation strategy where you know different. That kids get a certain percentage of their annual spending budget or the Family Foundation to give away as they see fit. So little Johnny gets 10% because he cares about oceans. Mary cares about climate change. She gets 10% to give there. Frank cares about the oceans, you know, like that. So, so they get to have ownership, they get to do things independently. I have another family that I'm working

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with at the moment where the grandfather made the wealth. There are issues between his kids and their relationship with each other. The grandchildren, um, they all get on well, but because of the issues with their parents, they don't see each other. So I'm saying, you know, talking him through how he can use philanthropy to bring his grandkids together and allow them to allow him to pass on the wealth without passing on all of the temptation of wealth, you know, sort of getting put up money and hoping that they're not gonna go spend it on a Ferrari. But giving them, you know, the chance to explore their passions, to explore and learn empathy, to learn management skills, but also to bring them together as a unit where they have to work together and share together what they're doing and why, and report back to each other as to what they've chosen. Perhaps they will collaborate and put focus on one thing together. Perhaps they weren't, but using as a tool to help with those dynamics.

Interviewer 1: Now we're gonna talk a little bit more about incorporation and initiation of Family Foundation, the start of it. And what has to be taken in consideration in order to start a Family Foundation.

Expert 10: Um, so that that that starting out how do we begin question that's the most common one I get asked um and particularly when it's a when it's a family because we're saying: more people more complex. So those early stage conversations are perhaps the most important running through questions from everything like do you care about what are your values as a family? As individuals? What do you care about? What are your values, sharing them? So that side of it, the cause, and then the best way to tackle the cause and all of that kind of stuff is a whole conversation, but then also around questions like. You know longevity, you know, do you? Do you want this to last forever and pass down the generations? And if so, there are certain things you need to think about and put in place. Is it time limited? Is it just within your lifetime? You know how what that means and so how do you create a spend down entity? What do we agree upon in terms of allocation? What do we agree upon in terms of board membership, like we're talking before governance? What do we agree upon in terms of whether we are comfortable hiring staff or not? What are we agreed upon in terms of how we're going to find organizations that we self select, we direct select application? How do we make decisions around? All of those types of things, what's the decision making process? So, yeah, so those early conversations are absolutely key. I mean, I've met so many clients who have set up in. Set something up so it'd be easy to do. How hard could it be to give your money away, but then come back a couple of years later? It's like, well, actually this is. Yeah, we need help because they haven't properly assessed the right way to do it from the very beginning and involve the right people from the beginning.

Interviewer 1: OK, so like. Like you said, starting Family Foundation is also a lot of discussions, and a lot of decisions on how to set up things. But it also implies that in the future, you can have some kind of drift or mission drift from all those elements. What would be the main elements to avoid that mission drift?

Expert 10: In a Family Foundation, mission drift can be OK. It depends, you know, as long as there's, you know, if you set something up to last in perpetuity. I mean, there's a great example of a, you know, Shire horses, a charity in England that support Shire horses. Shire horses were used in the olden days, you know, they're these massive horses to carry carts around, deliver beer, post goods. And this charity was set up to support retired Shire horses. Now obviously today we don't use Shire horses, or very rarely. So this charity has a lot of money. And they can't spend it. So a certain amount of flexibility if it is going to last over the generations to allow for that mission drift can make sense. But on the other hand, like Sir John Templeton, he had very clear objectives, very clear vision mission that he wanted his wealth to go towards to and it's towards something that arguably will never be solved. So it he can have that and he wanted that to last forever. So how did he ensure that there's no mission drift? Very, very clear letter of wishes, very clear guiding principles, very clear statutes and very clear outline of all the systems and processes, covering everything from how we invest to. Do we employ staff to funding overheads to absolutely everything, but particularly on the mission. What they will and what they won't fund. So he's kind of etched it in stone to stop that mission drift. So you know. It's something that has to be thought about very clearly, clearly at the outset.

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Interviewer 1: OK. Thank you for the very, very complete answer. Another question, we were talking about new generation coming, and what we saw is that they are trying to get to do more professionally, they try to be more structured. Do you think that Family Foundation would still exist in few in few years or decades at least and instead people would go more into family business kind of structure?

Expert 10: Um. Yeah, that's, that's a big question. I mean, I think, I think so. First philanthropy. There will always be a need for philanthropy. I think you know the investment world, responsible investing and all of that can do a lot and it has the firepower, the size to do a lot if it's done properly. But not everything's investable. So there will always be a need, I believe, for philanthropy. When it comes to the structure, whether this the legal structure of a foundation will exist in the future. You know, a good argument? Maybe not. You know, businesses used to be all about bottom line profits at all costs. Charities used to be just about Grantmaking. Then you had social businesses. So they're slowly coming together and you know, particularly the younger generation, they quite often see, you know not just their philanthropic capital but their social capital, their investment capital, their business capital, all these different types of capital with the same sort of lens and same sort of view. So will family foundations continue to exist? I believe so. Yeah, for sure. I mean, there will always be families. There always be wealthy families. They'll always be individuals who want to do things together as a family. Whatever that structure may be, but yeah, that's an interesting question because I think you know businesses are becoming much more regenerative in their viewpoint rather than you know profit first or triple bottom line, but you know, moving much more towards that being, yeah, so that circular economy style. So yeah, but I don't think that will replace foundations. I think it will be part of a wider ecosystem that is part of how families think.

Interviewer 1: Do you think they are competing against each other in some way?

Expert 10: No. No, I don't. I mean, I wrote a paper, actually with our head of ESG, on how philanthropic capital and investment capital and businesses can work together and at what stage. Philanthropic capital globally is around \$2 trillion. It's tiny in comparison to investment capital which is around 250 trillion to companies and or to the private public sector. But it has completely different characteristics that enable it to play a role, and that is it's great risk capital because it doesn't have shareholders or stakeholders or an electorate and it has a much longer term horizon. So it's great sort of VC style capital that can, you know, fund innovative new ideas, new approaches, new organizations. Cooks, they can take it to scale, but I think businesses have a role to play as a cornerstone of our capitalist society. And then governments. I think everyone has a role to play.

Interview 1: We are reaching the end of the interview, so if there are any topics that you find important in the context of Family Foundation, we didn't cover during this interview?

Expert 10: No, I think your, your questions are very good and very comprehensive. Um, I'd love to see your finished piece if you're happy to share that when it's eventually done. Yes, very, very interesting because this is a huge topic and it's great that you're doing it and.

Interviewer 1: We are. We will finish the we will be finished at around the end of January I think. So we can send all final report when we are done with it. So basically we're done. We always appreciate the feedback as well. So was it too long to short or was the question pertinent?:

Expert 10: No, I mean, it's a topic that I love talking about. So yeah, yeah, no, it's, it's absolutely fine. It's good. There were good questions. Perfect amount of time and if it was too long, I would have jumped off and let you know. But no, I thought it was very good.

Interviewer 1: OK, yeah, great. It was really nice. Likewise, obviously, keep in touch first with the first e-mail for the context and of course with our work when we are done with everything.

Expert 10: OK. Thank you. I wish you a nice day.

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Interviewer 1: You too. Have a good weekend. See you. Goodbye.

Expert 11

Interviewer 1: We'd like to hear a little bit more about you now. And we'd like to know what's your professional background and what led you into the field you're working today.

Expert 11: Yeah, yeah. So um. I mean my, my. I'm a biologist by training. My first love was botany um. But any working in the academic sector for a while? Uh, mostly in um, in subsaharan Africa, Mali, Burkina Faso. And um, then spend a few years in the development sector. Working for big Swiss NGO UM and after that I I joined the philanthropic sector so Mava Foundation. Mostly because, um, I knew people there. So when I when I just finished my masters thesis, I had this idea to save the world as as all of us have when we finished our master studies now and and I I managed to get funding from Luke Hoffman, the famous philanthropist in Switzerland. So I had. 10,000 francs, UH-3 francs. So kind of \$10,000 at the time I was the kings of of the world and and and super happy and but I I mean I kept contact with with with Lukman over time just sending reports and and informal contacts and when his foundation opened the position I was of course. I had the advantage of knowing him and and having uh uh, personal contact uh, but also because I think my uh of course technical knowledge. Most people join the philanthropic sector because of technical knowledge. Not really philanthropic knowledge. Um and and my network of people in uh in Africa. So I spent. A few years, uh, I don't remember how many, but a few years leading the West Africa program in at Mava and Mava grew quite a lot And then I let uh, um. Impact on sustainability unit, so a new unit we created because mava. With the Family Foundation which was set up by Luke uh with a deadline, so an end date in 22. So we created this unit to accompany the coding. Um, and at the same time, during a few years I helped with the. Well, that's your Huffman. Um, which she's? I mean, Luke passed away, um. A few years ago I didn't remember which year, but so, so only his son took the presidency of the foundation. Actually, it was the. Next generation, even if they are in their 60s, but but next generation UM and only has his own Family Foundation just for just for his family, not not the bigger family with his sisters. So I I did the coordination of his own Family Foundation. Which was very, very different from Mava. Um, then I left everything in in October to join for this obvious stuff, which is. Um, you might know, but completely different with the shareholder for nation. So the family notion here is is absent. You think you managed to change the weather a little bit since you started working on?

Interviewer 1: So you you think you managed to change the world a little bit since you started working since it was your first.

Expert 11: Uh, yes. I hope I yeah, yeah, yeah, yeah, sure. I mean. Yeah, you have to believe that. Otherwise, you know, it's it's it's hard to work into.

Interviewer 1: OK, great. Um, my next question would be, um, what according to you, what would be the main difference between a Family Foundation and other foundations?

Expert 11: Um. I think the governance is is very different. Um. So I mean we probably discussed the, the, the governance in more details but but all these challenges and the governance has quite a big impact on on on foundations. Especially in term of of flexibility of risk appetite, et cetera. But uh. But I would say Family Foundation are used usually. In foundation are usually keen to take risks, but Family Foundation have this even more than others. Because that that's just up to the appetite of of the family and you have to stick to that. To agility, flexibility, taking risk is is very important. But I would say the downside might be probably lack of um or difficulty to have a strategy. Uh, because very often. Family. You know, when you come with this strategy, they feel constrained and they do not like that, you know, so. Um, they do not like the secretariat to tell them what to do, you know, they they want to follow. In some cases, they want to follow what? This strategy and what's needed some cases that that's more good feeling or emotions. Um, so I would say. Family Foundation, probably a bit less strategic. Yeah, probably keen to fund what is. Well, I don't know if it's true, but but. Yeah, maybe it's true. Keen to or

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or able to fund things that are not really sexy and and, you know, fun what is really needed, even if it's not linked to a nice picture or. Like finding I know the the the new IT system of of na organization. Which public funder will not fund? Or or corporate funders? Probably not.

Interviewer 1: OK. Um, what would be the current challenge and the current trend in the Family Foundation field today?

Expert 11: Um, I think the challenges are. Being. And go back to being strategic you know and and and trying to make the most of of your wealth um. It is about being. Be being sure you you you function. There are so many. Family Foundation were just. Empty shells that that. I think it's really a challenge. Um and. So for a Family Foundation, making sure that you have. Program which is exciting for the whole family, for the family is engaged and and continues to to to fund the foundation. I think that's important. Um, and yeah, I've seen first hand the the the next generation. So how would you engage your kids into your philanthropy? How you educate them? I mean, what why do you use your foundation? Can use it for common good and and I mean you have to use it for common good. But some families also use it as a way to. Strengthen the family around the common objective. Uh keep the kids around or learn about the topic together. Learn, learn a job for, for, for for some of the young generation. So. For all his side benefit of Family Foundation, that needs to be defined.

Interviewer 1: But do you think that those two elements can be compatible?

Expert 11: Yeah, I think, I think so. I mean, uh. Lots of um. Yeah, I think it's it's it's even. It's better, I mean. Good foundation of and have these two elements. Uh, I've seen it for you know if you have. The kids and the parents United and decided, ohh, we want to do something about I don't know, um. Yeah, uh, then they united, they they agree, uh, what what the problem was the best partner we want to work with etcetera. So I think that's. That helps being more strategic if you have to work all together, hmm. And using the the foundation to engage or to provide kind of a job for for for young generation is is very powerful. You do you know Oak Foundation in Geneva one of these big foundation and. It's now the first second, third generation who is getting involved in in the foundation. And uh, I mean, Christopher has his own program. He's developing things and and. I think it's it's. It's quite powerful. Took them quite a few years to learn. The job of being a philanthropist, but then when you have a family member. Directly engaged in doing the philanthropy that's that's that's very nice. I think the risk is, is having the family completely disconnected from from the foundation and you know just. Not really remembering what they are funding and you know you have cases like that. And. What would help to help them remembering why they're doing this, do you think? Um, yeah, it's creating this. Emotional link between, uh, between the projects and the and the family. Um. Here, which is not always easy, I mean, I mean you have some foundations who are open to receive unsolicited proposals. And if they like it, they fund it. But usually they'll forget it two weeks later. So so you support this festival, you send money, and then a few months ago you attend to the festival, but you do not remember that that you did find it. Which which which which is very strange but but without which happened. Um, so I think it's it's it's about. Yeah, creating this link or finding ways, making sure how the family wants to be involved with the people they fund. Um, in some cases they are keen to be involved, in some cases not, but, but that's. For his first question as a. As a philanthropy advisor, that you should. Clarify.

Interviewer 2: OK. Thank you know you wanna think about, OK what? We were talking a little bit about how the family defines for itself how it wants to work inside of foundation. Incidentally, that also goes towards the topic, a little bit of defining the family's vision, the mission, the values that it wants to transport within the foundation. What we were wondering about with other experts talk quite a lot about mission and vision and all these topics. How does the family define for itself? Like how does the process of starting a conversation within the family and when starting a foundation exactly looked like? How do we set this off? Yeah. I mean you, you have to to discuss with families for that and and I suspect. Uh, you have you will have as many answer as as there are families, but. I've seen, I've seen a few example I think you have.

Expert 11: On one hand the the the foundation created by your very charismatic. Um, you know leader.

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Uh, you know the, the. Their father who made money and who is responsible for the, you know, the the wealth of the family. He creates the foundations. And uh, he has a bit of of setting everything. And so he set the foundation need, defines what what the foundation will do, etcetera. And then the family kind of unites. After that you know and and. It's kind of the the the founder represents the value of the family and and and so the family unites by default to that. Um. Sometimes the, the. The. The first generation wants to engage the young generation into this definition of, you know, who are we, what, what, what drives us. Um, and sometimes that. That doesn't happen. I think. You have some phases where the family members have other priorities. Especially, I think, when when the the generation. Is around the, the, the, the 20-30 years old. Uh, you know they are starting a career. They have their own degree, starting a new job. And. They have no appetite for for philanthropy and and they probably do not understand really. Why the first generation is giving money away. So I think that's that's that whole education to have. At the. Yeah, I mean, I've seen. The this I think that's sort enough foundation sort of as you are DNA in in the US. Um, Darnell, probably generation 7 or 8 and they have a whole Academy. I mean the. Because the nation aid that that probably.

200. 200 or one 150 members. So they have some kind of an activity in that process to to keep the old people all together and learn about the philanthropy. Interesting. Um. So it sounds like it's it's quite a, it's not not so easily done because there's obviously family conflicts play into this and a bunch of discussions that have to be made. Do you think it would it helps in this process to seek help of outside experts from the beginning of the? While establishing a foundation. Yeah, yeah, yeah. I think it helps. Um, I think it helps to have. The good. I mean, you have good philanthropic advisors. My advice would be to have a. I mean, the good philanthropic advisor is not a lawyer. And he's not a banker, and very often that that's the type of profile that you have. Um, I mean. Ohh, he disappeared. What's the name of your colleague? Yeah, yeah. I mean, I don't know if he plans to work also in the in the philanthropic branch of of a bank, but. You have too many wasted vested interests, you know and and and the bank just wants to have the money in the House to to be able to invest and and keep. The the the client. Um. The lawyer is is all about setup and and legal things. Uh, when as we just discussed you, it's more a family counselor or you know, it's it's somebody who's able to deal with family dynamics. Kids and parents relationship which dates from. You know a long time ago and and that's that's hard. So, so you need to be able to do that first before discussing legal setup et cetera.

Interviewer 2: Jeremy just wrote to me. He has connection issues, but I know his question so we can just keep on rolling.

Yeah, it's a topic because you're obviously not the first person we spoke to and to me it sometimes sounds a little bit like these, these consultants work a little bit like family therapist as well, which to kind of bring everything together. It sounds pretty interesting when from the perspective, I mean you've also worked inside of a Family Foundation. What has to be taken into federation for from the perspective of outsiders, non family members to put it that way. In the foundation, is there anything specific?

Expert 11: Um in in in which sense you're in. For example, a non family member that is part of the board. What does he have to yeah. Yeah, that's that's an interesting question I I think. The Family Foundation, uh, you usually have the majority. Of the board, who is family members so. It might be tricky for non family members. Uh, I think. Very often they are here because of of the specific technical knowledge they have Though they might be the lawyer, they might be the, the Treasurer, they might be the. The. All the people with, I know specific expertise in in the social impact they want to have. Um. So I think it's it's for them, it's balancing the the, the trusts given by the family and and very often they are close friends and family. With their knowledge and navigating the way. Um. You know to to be able to to say yes or no when, when, when they have to say no, um. While keeping their relationship with the family which which might be tricky. No. You know, in the Family Foundation, I think if if the family wants to do something. Um, they will do it even even if the, let's say, technical board member says it might not be the best one, they will do it. So it it's probably more to. A company and and or improve.

Interviewer 2: Yeah. I'm coming a little bit back towards the topic of of mission. What can a family do? Because we've also read a bit about this topic of mission drift. What can a family do, or the one that that establishes the Family Foundation to keep this mission alive? Through throughout the generations there may be the problem of them, this mission being diluted a little bit over the course of the year.

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Expert 11: Yeah, that's uh, that's tricky. I mean the, the, the. Dramatic. Uh, solution of of your mother was too close. And I think that was one of the reasons, you know, Luke created the foundation around his own interests. He did not want. I mean he was aware that his. Kids and and even grandkids can grandchildren will have other interests. So he. Was. Yeah. I mean, good Foundation has a passionate board. If there is a risk that my grandchildren will not be passionate by the same things that I am, let's make it a limited time foundation and and the new generation will do whatever they want with with the money. So that that's one solution which is a good one I think, UM, then you have we decided, sorry if I can interrupt you real quick. Sorry. He decided from the beginning that Mava Foundation would only work until for for a certain amount for a certain period of time, right. There was a decision that was taken at the beginning. It was. It was, um, envisioned from the beginning. And, uh, it was confirmed. I don't remember when 2010 or something. So it it was, yeah.

Interviewer 2: OK, and it it works because Mava is not as most US foundations endowed?

Expert 11: You know, so it's not like the funder put all the money to the foundation. It's Mava had the benefit of a certain number of shares of of a company. So the the shares still are still owned by the family, it's just the benefits that every year the dividends that every year go to the foundation on are spent by the foundation. So you know, it's, it's, it's a transfer of of. It's an annual transfer of wealth. It's not. The, the, The, the big chunk of money which is put aside. Yeah, and and and then you have these other examples like like Solana Foundation who are. We have an Academy to to, to. Be people to build the the the committee of the family around objectives. To visit projects together to. Yeah, to just to create this common ownership, but that's a. I think they have stuff just for that, you know, they have stuff for dedicated to the family and not. To the impact in the end. Yeah, but I guess that that always. Needs a certain size of Foundation, right. Like you need to have the necessary assets. Yeah. Yeah. Interesting. Yeah, I think that's. I I think one of the big challenges of this Family Foundation, I mean in Switzerland, and I'm sure all around the world you have lots of foundations. We have no staff and who are not funding a lot you know and and and very quiet foundation and the nice thing that's. That's tricky to to wake this I mean. I would like to have this foundation more active, but it's tricky to to to wake these.

Interviewer 2: Do you hear me? Because this goes a bit into the direction why we're doing this thesis, which is we notice that there's pretty much no data on family foundations like our research has really been tough, hence the reason we decided to do interviews. And we feel that there's a lack of transparency within family foundations. They're less open than others. We've also tried to, we wrote to really a lot of foundations, trying to get interviews. But mostly we didn't really get an answer. Like, our feeling is that they're like a little bit closed. What maybe. Transparency of foundations also helped their cause a little bit more to be also perceived more by the public.

Expert 11: Um, yeah, I agree. There is very little transparency. Yeah, that's that's a good question, um. Maybe we should go back to why to the why of the foundation. You know and and and if the foundation is driven by impact or by tax incentives then probably you have. Part of your answer there. Um, if you're driven by impact, you invest more and and and you're more active. If it's more tax incentive maybe, yeah, sure. Just. Problem in Europe, because we obviously we we read also about the problem of tax incentives. But rather more in the US where you have a lot broader amount of literature, is that also a thing in Europe? You're in tax incentive. Yeah. Uh, yes, I think I think most. Most Family Foundation can. I would say come with a deal with the taxes, probably. That order. So that's for sure that that that they are tax exempt. Yeah but is it like?

Interviewer 2: Would you say that there is a certain amount of foundations that are that are established simply for tax reasons?

Expert 11: I don't know. I don't know, probably. Yeah. Umm. Coming again towards the topic of transparency, we were wondering whether. Better. Umm. How can I call a progress management or rather performance management or progress sorry better performance management? Would help

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foundations to better understand you were saying before also that sometimes they tend to forget what they have actually which grants that which are down they've granted for example, which performance management be helpful with that. Yes, probably I think um, yes, I I think not all of them are ready to have performance management. I mean you, you have some, some. Families. We just want to do. A few things but but they are not ready to invest in performance management, impact management. Um, and and and some are but um. Yeah, probably measuring impact means having a staff or having a framework and having. So that that that comes with. There's a few things, even if you make it very simple. Um. But I agree that that that would be that would be great to have something like that but. True, we are we are well there yet and I'm not sure the. All the families are ready for that. Umm. In terms of reporting. Also, again going a little bit into the transparency thing in terms of reporting what out, because I saw that some foundations actually publish annual reports on their websites for example. But what are the requirements for foundation? What is it that they actually have to report? It's quite little, right? It it differs from from one country to another, but in Switzerland you have to publish. You have no requirement. You don't have to publish anything. Um you your status are online. Uh, in the, in the, in the. Yes. What's the name of the registry? You know the the, the state register, the Chamber of Commerce now. Yeah. Chamber of Commerce. Yes and and that's it. And then you have to send your report to the, the. Called authority installation, so to the state authorities. Just because they will check that you spend your money according to your status. Umm. And and that the state with really kind of the the the. Monitoring that that you know your status are for the common good and and that you spend money accordingly. So you have to to send that to the authorities, but that's that's all. So authorities know, the authorities know this pending and know usually at least the list of projects. OK, but nothing has to be, has to be public. I mean for us you have man; we have not published anything for that we have. Published that. So it's it. Yeah, no single. Out of my own interest now, not really connected to the thesis, why did? Why was Martha Foundation shut down? And Hoffman foundation? Established. Wouldn't that it made sense to simply keep Martha Foundation running and just change the mission, for example? The Hoffman was established long, long ago, so before. It was. It was different, you know. So for us, your mother was. Was a look, so it was, let's say, the grandfather. And he had three kids. And for that, Hoffman was just one of the three. So it's it's it's a different part of the. Technology, I would say. And then yes, I think. Psychologically it it it made sense for the family to end the chapter, even if it's to start something new. Uh, and, and I think it was also important for um, for the partners because Mava had funded. Organization for years. I mean more than 2030 years, 20 years. Um, and I think it was good to say. You guys, it's, it's redone, it's closed, the family is done with with that, you know, and and there is no way for you to get funding from another source. So. It was. Would would signal for that too. Did that help those organizations to stand on their own or did some of them have to close down? Uh, we'll have to discuss that in in a few years. But uh, we had, I mean the program I LED was was really to to do a lot of organizational leader development, leadership development, so. So the partner are more resilient at the end of mother and I think we. Yeah, I think, I think most of them will will have trouble um, but but still be able to I mean trouble out how we mean decreasing the funding but we'll continue and and we'll diversify funding. So I think. I think it's uh. I'm I'm optimistic for all these partners and even if you know a few of them will not survive it's. So, you know it's, I mean it it. Leaving leaving a space creates space for others to intervene and and for. We know that some of our partners were not really. Working for their own sustainability, so. Keeps our closing well that that's the game. Yeah, it's, it's it's also a bit of a kensing process. It's the probably the the truth of it. Yeah. Yeah. Umm. I wanted to because we were just speaking about basically that Mava foundation and the man, basically two types of different, you know, genealogy genealogies.

Interviewer 2: There we go. wanted to ask how, how would a, if you know something about that a normal Family Foundation in the sense that it's basically passed through the generations and deal with. Natural developments like death marriages, would new spouses be brought into the foundation? All these normal procedures? How how's that dealt with in governance terms?

Expert 11: Um, yeah, I've. I've supposes that's, that's tricky. I've not seen that, I think very often. It's it's, it's, it's it's a family members and not the spouses who are part of the governance. Umm. Yeah, I mean the the the question is usually. How many board members do we have? How many family members do

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we need to have and and how do we balance that with, with the generation, you know, and and? If we ask just one from the from the next generation. Is that OK or not or do we take everybody? But if you take everybody, you might not be able to absorb all, all, all of them on the board. So I think that that's more finding way to to delegate. Representative from each generation, um. But yeah, I've not seen that a lot. Um, first hand.

Interviewer 2: OK. Umm, in terms of governance once more and structure of a Family Foundation, there's any structure that from your experience seems to work very well?

Expert 11: In having certain committees or something like that, anything that comes to your mind. Right. It all depends I think on the side size of the foundation you know how, how, how much money you have and and um. How much money you have if you have a secretariat or not, you know if if the if the family is doing the things themselves, it's different and. And yeah, the size of the family, so probably having committees is useful. Yeah. I think in in, in term of governance. When one big question or um. Is is is often the relationship between the family, the foundation, and the family office. And you have a triangle which which is a. Uh, not always well addressed from the beginning. Uh, but you know, the family office. They feel they're very close to the to the family and they're the guardian. They have to protect the family. And the foundation is here to spend the wealth of the family. So so you know, you have kind of a. A relationship to find here.

Interviewer 2: OK, how does, which is a term that came up in a couple of interviews. How does the Family Council play into this? Is it a necessity? The family council? You mean family members?

Expert 11: Exactly, yeah. Like I it was explained to me in the sense that it's basically a Council, which is not the board, but a Council that works in the interest of the family, that keeps track of the interest of the family being put into place in the foundation. Yeah, I've. I've. I have not seen that I I know that uh, I mean with the with the Hoffman there is one, but it's morning to the company and that that's a. Even bigger, bigger part of the family. Um. No, I think I think you have. At least informal instances. Um, where where generations speak together and and. These are important. Because lots of decisions are taken in these informal instances. Or you know. Things are clarified, etcetera, but I have not seen. I have no experience with formal concept.

Interviewer 2: OK. We're slowly approaching the end of the interview and I would further like to know are there any other topics that you deem important in the context of family foundations that we might have left out now?

Expert 11: Um. No, I think, yeah. I think for me the the challenge is really. Um. All these foundation which are not not really uh. Working and efficient. How can we? Really makes the most of all these foundations and and they are under the radar you know they are not they have no staff so they are not participating in in in any. Strategic meeting, donors meeting uh foundation level networks, etcetera. So I think that that that's something. Um. Yeah, that the rest it's it's about as you said probably impact tracking. Um. Next generation, that's a big thing. So I think that's uh. No, nothing here.

Interviewer 2: OK. Well, yesterday Jeremy and I, yesterday we had a bit of a discussion about whether. Because we definitely see a this type of necessity for processes to be. A bit more agile and also just overall I think pretty much what you just said that just getting the best out of out of certain foundations which might not be happening right now and there's obviously maybe the necessity of streamlining processes, of being more efficient of having dealing metrics. Yeah, measuring impact and so and so and so, but is it really not also the positive side of the Family Foundation that it's not a business that they can work in a different manner?

Expert 11: Yeah, yeah, it it is. It's. I think it's it's tricky. Um. Um, it's it's definitely not a business and I think it it should be understood as as such and. When family runs the foundation as they run the business, it's it's kind of dangerous or you know, kind of losing impact. I've seen so many foundation, Family

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Foundation where the family is, is micromanaging everything. That that it it's not functioning anymore. So. I would say I I see a value of having. Some some stuff. I mean even if if you are a small foundation you can have just you know a part time 10% advisor, but but somebody was detached from the family to to run things. That, that that's helpful, but. Yeah. So yeah, it's finding the right balance of the involvement of the front of the family and and and how structure you want to be. You need some picture, but you don't need. You don't want to have too much, of course. Yeah, yeah, OK, so there's a difference between exactly finding the sweet spot and sending in an auto consultant to streamline everything as much as possible. OK. Yeah, I think. I think family foundations are. Well placed to do trust based film, I mean what we call trust based philanthropy and and you know give more unrestricted funding. More than than filling specific activities. Uh and and and that that's what the sector need now. Uh, it's flexible funding. So you need, you need the foundation, we said. Who says, uh, I trust you, I trust your strategy. Go ahead and and I I will find it. More than I want you to organize 3 workshops and and you know, reach out to hundred women and etcetera. No.

Interviewer 2: OK. Are there any cases that you find interesting in the Family Foundation sector because in the end of our report we would like to or would like to incorporate certain cases of very well functioning foundations in our report. Do you have any examples?

Expert 11: Of, of, of Closing Foundation or or any foundation. Any foundation. Well, Maria is well documented so so I think on the website you will find a few things, a few blogs from from the director which which are. I think interesting for. For dynamic. Um. I would. Yeah, I think you should look at the. I'm. I'm sure you have already reached out to and. And CFP National Center for Family Philanthropy. Yep. I think they have lots of of good resources. Um. Yeah, that, that, that's it. I don't know, I mean Portugal. Do you think that the good Ben can is is a Family Foundation or or is it? No more established thing. I think it's I I would define it as more established at least, yeah. Yeah, that would depend on most tablets. Yeah, I I don't know the board probably that that thing. Um, yeah, so NTFP, um, who? Who is documenting? I don't know. I mean, an interesting example. I, I, I the foundation I like. I think it's a Family Foundation. It's a foundation in the US. Everyone like like the big bird. Um and. What what is interesting, what they made is um, they decided to um to delete the distinction between the the impact team, so the team who made grants. And the investing team? So the team was in charge of generating income for the foundation. And so. The bank, I mean the the investors or the bankers and the the the social activists kind of were working together with the same same goal for impact. And and so they had. OK, we have to work for. Well, it it was social issue probably housing, affordable housing in in the US. Who are all working for that goal? What what can we do? As investments to generate income, but also to generate impact and and I think it's that that's cool.

Interviewer 2: Yeah. And interesting example. Thank you. Other than that, we're at the end of the interview also a little bit over time. I don't know, quite good timing. Uh, thank you so much. Judy, would you like to get our report? Once we're done with everything,

Expert 11: Yeah sure.

Interviewer 2: Cool. Well, we'll send you to you. We're also going to write a short, a short blog post for Philea once we're done on January. Exactly. And other than that, yeah. Thank you once again so much for taking the time was very, very interesting. Reach out if you have more questions or clarification and

Expert 11: yeah, interesting. That you will write something for Philea. You know, we we've tried to do something about Family Foundation in Philea. And. Yeah, with the previous director they were not keen at all. Now they tried a bit, but it did not really. Take off so. But I feel there is space for family foundations to to to discuss. Yeah, yeah definitely great.

Interviewer 2: Great. Thank you so much. Take care. Bye.

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Interviewer 1: So we presented ourselves. We'd like to hear a little bit more about you as well, if you could. Some background and what led you into the federal working today?

Expert 12: OK, I am my name is XXXXXXXX and I am research fellow at IMD, the chair for Family Philanthropy. I've been working here so since 2018, and I did my PhD in management organization and business economics at the University Autonomous University of Barcelona. I work with enterprising families. In the field of family philanthropy and the chair was established in 2017, so we have a 5 year anniversary this year and we had several research projects along the way. And as I mentioned, we work with enterprising families, not the foundations themselves. So it's a little like zooming out from because families can give through multiple vehicles at the same time. And not necessarily foundations only because you you already heard that from others as well. So they may give through the company or itself or they have their own, let's say um. Donor Advice fund or any type of other vehicles through which they can give. We focus more on the family aspects of giving. So who what, what are the causes that they are interested in, the purpose for they giving also who from the family usually is involved and how they organize it and the partners. So that's a really broad overview of what we do at the chair and how we work with the families.

Interviewer 1: Ok, so we can answer a lot of questions about Family Foundations.

Expert 12: The families that we work with, they have at least one foundation or multiple foundations. And the families that we work with, you are usually owners or really large companies and rather older. So it would be like a third generation or more and in terms of the foundations, so the families. There are like 3 categories. I would say the first category of the families that we work with are these that are starting or try to renew the foundation. So probably they had some projects and they weren't happy with it or the generation changed, there was some type of succession event. And so it's more disorganized than there are, uh, family philanthropies who are inheritors. They just, they get wealth and they have their own passions and they want to, um like continue the family legacy. So they are. It's more like a traditional giving than it's a foundation, really. Like a foundation set up with a family as support members only exclusively and also only exclusively. Resources like money comes only from the family and then the next type is more of the founders, so the first generation. Or very entrepreneurial um, next generation. So they start their own uh foundation and typically or on average you know I'm talking in averages, they would have more operating foundations and the other Inheritors would have more ground making foundations the types of the philanthropy they engaged in and they're more comfortable because the entrepreneurial um. Philanthropists, they really want to do things themselves and they usually travel to the field and they build these places, schools or whatever. They have homes for poor people themselves and they do it really extremely efficient. Whereas the others, they rely on partners in the field and they just engaging grand making. And there's this one group which I go back, the first one which is more confused. So what is that we should do? We have this all foundation, it's inefficient. The projects were in Iran or things like that. Yes. So that's the three types of foundations that I have seen

Interviewer 1: What would be the difference between a Family Foundation and a more classic foundation from your point of view?

Expert 12: So definitely, the family is in charge. And they are on the board and they decide. So it's a difficult question because I am not talking about like general trends because there are many family foundations which are run really professionally with really great practices and they really understand the need and have excellent projects with great impact, but they're also inefficient family foundations with family board members, I think that. It depends really on the passion, if they care about the cost. So what oftentimes happens with these family foundations if they are inherited or you know, passed down to the next generation, maybe the family members are no longer interested in the cost and then the things just become less effective. Whereas in a non-Family Foundation I would assume that they hire new staff if they are not. Doing a good job and so it's easier to have this you know, renew the staff in the

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foundation. It's they don't typically fire family members from the board unless they retire or you know, maybe they just decide themselves they want to leave.

Interviewer 1: What do you think are the main challenges Family Foundations are facing today?

Expert 12: That's a good question. This depends very much on the family and where the family is at. And Umm. I really find succession and renewal as a challenge. So whether they should start something new or if they should continue with the old foundation and just keep working with it. The choice. The next one there is a shift. So when they are getting the foundation and want to run it so I find that that's for them the challenge. They don't if, but that depends on the on the family very much so if the family has a clear vision, it depends on the start if the founder told them these are our values and you want to contribute to the nature. Then they will run projects around it and there will be like a storytelling that the families engaged in this, um, one family we work with. They were very much into child protection and even if that was the 5th generation, like around the third generation, the philanthropy wasn't that important for the family. But then it came, came back and they were referring to the first generation and their values. So if it's clear. If family doesn't have that, then it's more challenging because they don't know how to come together and what they really represent. If they don't have that foundation, you know, the base of the values and that you weren't expressed like by the founder, then it's harder they they feel that they want to give back and they are responsible for. Things in their community or where the business resides. But they don't if they don't have their own strong passion for something, let's say.

Interviewer 2: And if I may jump in real quick, sorry. I want to ask a little bit about that. And how can the first generation of the founder make sure that such vision is implemented? How can they make sure to kind of pass on that identity?

Expert 12: It's, uh, it's a good question. So there are formal or informal ways of doing it. Informal way would be, and I find it more effective, is family gatherings and expressing and engaging in giving together. And us living the values, not only talking about them, but that's what philanthropy is for the families that they can actually go. And they say we are very generous family, but OK, that's great. And then we go and we do things for others together and so that they can ingrain these values in the DNA of the family. And then more formal way is for example setting a trust. So at the later stage when there is a succession event, the founder is thinking about what he or she wants to leave behind and then they change the ownership strap structure of the company. So they organize it so that a part of the profit in perpetuity will go to the foundation for example. So depending how well the business is doing, then always get the funding whether the family would still want to be involved. In the foundation, that's a question. But I think that most likely I didn't hear of cases where they didn't. There can be foundations which are so-called Sunset Foundation, Sunset Foundation. So the Mava Foundation, which is going to be close when you heard about it, I know everyone in Switzerland is talking about. That's the most famous example of that. But it happens a lot. I think there was a report a couple years before where they look at the region here in Switzerland and that they were the rate failure rate for foundations was pretty high. I'm not sure what the percentage of the Family Foundation was in the in the study, but that also. Means that they were just shut down. So it could be that some families decided not to continue working with the foundations that were previously set up and they just distribute the assets and maybe start something else later if they wish.

Interviewer 2: I have one more little follow-up question on that, how does the family or how do founders or the founder define such a vision or values? I mean it's not something you come up with and in in one meeting probably. Because by now we've been like basically making the differentiation between the vision and the mission of the foundation, the mission being basically how it is, how it is, the projects that are run in order to establish the vision. So how is such a vision? Are there any processes? Can there be put any processes in place in order to get to a certain vision?

Expert 12: I think that for the founders, because that's what you're asking, it's also linked to the business and there are two approaches that I observed. So let's say if my business is in healthcare. I spent day in, day out thinking about it and most likely as a founder I will find a cost related because that's where

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I will also feel comfortable I can contribute. I have enough experience and knowledge. And and so this is how they they if they think about we we are working in healthcare, they do you know founders do reflection on what they stand for you know entrepreneurs and their businesses in general. The other people will have a different approach, which is OK, we work in healthcare every day. We don't want to do anything with health healthcare in our philanthropy. But that's more next generation actually, that's not the founder. Founders usually are really into whatever they they stand for. So they think the philanthropy and they know their values so. The exercise for identifying values is a is a nice exercise. We do that in with families at that entity and usually they think for themselves and then they come to the table and they show what they have, what they believe in individually, and then they agree on what the values are as the family are. Sometimes they, um, they just have these values, OK, someone sometime sets that we have these values as a family and they redefine the values. So they go through these values. Do we still stand for that? Do we still believe this is what has, how has it evolved? It's actually an exercise and they have to reflect individually and then agree together. There is interesting that so there is a bunch of companies. Family businesses where they have different business values and family values. And that's the older generation would think that my business values are the same as my individual values or the family values. The younger generation doesn't seem to believe that that's true. And we will publish a report soon on the research. There will be more on that as well. Where they say, OK, the older generation was really like holding on to them and it's almost like a betrayal if we don't live with the company values. So they really separate now the family values versus company values because company is a business in the end.

Interviewer 2: You were gone for a second, what is the report about? I didn't hear it correctly.

Expert 12: Oh, we published reports from our study with the families in the next couple of weeks. So maybe that could be useful for you. There will be a lot of quotes from the families that we spoke with. And they also mentioned that the older generation really believed in the values and that they were equal to family values. And the younger generation comes in and they say, no, we don't, we don't believe in these values. This is something more corporate and it's not a betrayal if we define our own family values. So there is a clash, you know, it depends on the family really. But definitely, values is something that evolves over time. I mean with the next generation you know maybe older generations that hard working and the younger generation says: Oh we want to enjoy life and that's what I mean.

Interviewer 2: I wanted to know is there anything could be taken into consideration when working inside of the foundation? From the perspective of an outsider. Someone who's non family working inside of a foundation, maybe at the board or...

Expert 12: OK. And at the board level, so it's different. Definitely, all the families I spoke with, they really value talent. So they want talent in in philanthropy and their foundations. And because there is this sort of myth like, oh, if you're not a good professional or it's a different approach from business, but they really want good people and they care about helping people evolve if they work. The foundation on the board level and this is very different for every foundation. I mean if they have only family members and they don't have externals which happens a lot, so they can invite an expert to come in and give their feedback on the discussion. It's more like a media mediator or independent advisor.

Interviewer 2: How are experts paid actually? Is it kind of competitive with the normal businesses or economy?

Expert 12: I think that this yes, it should be, yeah. Yes. So oftentimes the family works pro bono, but every external is paid, obviously the advisory and they before families like to get advice and they want to accelerate their giving and learning. So they work a lot with advisors. The one thing about uh you said what the external needs to pay attention to is what the family is saying. And they say the history and relationships or potential conflicts that were somewhere there in the past or between the older generations because that will affect the dynamics. And that's why they need externals to. Neutralize, let's say discussions and to guide them. So, you know, to understand, to really listen to the families and the discussions that they're having. Understand why they need an advisor or independent board member.

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But independent on the family foundations, it's similar to business. It's like a friend of a father. Or founder or someone that they know well. So it's often depends on it really depends.

Interviewer 2: Now we're going to go a little bit more into like governance topics. We wanted to know, is there a certain type of structure that from your perspective works very well for a foundation?

Expert 12: OK, the one thing that I see that they are using a lot is committees. So there are different members on different family members committees. So there's always, if there is a foundation, there is a board, and the composition of the board depends on the family. So the size of the family, the generations and the branches, because maybe they will have one representative of every branch and then they will rotate family members, but they are quite open to wider family through different committees. And they can be a committee on grant making, the Committee for Family members which are living abroad, or the committee for Next Generation. The other thing that they are using is shadowing, so they have younger generations. So there's an action committee, but they also have next-generation representatives joining the board, but not as in of like a full board member but more like an observer so that they can see what is happening on the board level, how discussions are on and they can learn before they join the business. Typically the business board. Yeah.

Interviewer 1: How does the Family Foundation define and allocate resources like people and budgets, assets?

Expert 12: So let's say for the budget, if they have a budget, a yearly budget and what's the percentage for rent making and what's the cost administrative cost? OK. Depending how it's funded. So if the money is coming from the business or is it coming from the family, is it in every year and then they will know how much they get every year and the family's I spoke with, they understood that there is administrative cost, so they weren't that worried, let's say if, if you make. The grand making some, some people do the restricted funding, is this what you're asking, the restricted versus unrestricted funding?

Interviewer 1: No, it's more to try to understand all the decision are taken on those topics. Is it a decision that is made at the board level and that depends...

Expert 12: It depends on the family. So let's say they may vote and it may be an anonymous but sometimes one person is calling the shots. Which is the founder or the most powerful person, depends really. But it's always on the board. Level discussion and some families they have like a budget committee or. It's the it's difficult to say because every foundation is sort of different and has a different approach. When you look at the Danish foundations, they're very linked to business. They're owners in the business as well and. And then, you know, they have different, uh, they're smaller foundations, family foundations. They're really large family foundations. But definitely the decisions about the budget and allocation, it's at the important decision.

Interviewer 1: How do the family dynamics affect the daily activities, daily business?

Expert 12: These questions are a little a little difficult to answer.

Interviewer 1: In your career, what have you seen usually in family foundations or what is the feedback the Family Foundation they are giving to you?

Expert 12: So in general if there is a problem in the business it's going to affect the foundation and how philanthropy is. So if there is a conflict in the family then foundation or giving in general philanthropy is not going to be a solution for the family to come together. Because they were just perpetuate the same relationships and in the families they have such a long history and they grow up together. So they have labels sort of like oh, you are the good guy and you are the clumsy guy and so they come with these baggages sort of and when you come together and then everybody is sort of like ohh, you are the able son and you are the unable one, you know. So if that's in the business. It changes when the family is bigger and they don't know each other well. So with the cousins, which is like a different branches, they

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what we work with the families they say we actually have to come together and get to know each other somehow because we don't know the names or who actually family is. So when they go to that but that's like a four generation plus when they go to annual meeting or they have no clue and they have no relationship with each other. So. That will be reflected in how they work together so they won't be able to work together.

Interviewer 1: There's a follow-up question on the topic. And all those Family Foundation prepare themselves to face those issues or to mitigate this issue in the daily business? And do they define what to do in such cases? Do they deal with it when it comes to them? Is there is there some something common? Is there something you use more than something else?

Expert 12: This is more like practices of older families. So they obviously they don't prepare themselves on average. There are some exceptions. The older families, they have put systems in place to work with people, family members of different ages and they put them together through programs. So let's say they have something for the group of 15 years old to 20 year old. 20 to 25, 25 to 30 and they are going through some conferences or family workshops. So they set up things for them. It's like every six months or. They know that this will come up. And they have external, so they put them together as committee members and they let them learn how they can work together with a facilitator and external advisor. There was a family who had hired a consultant and she was the only one who was talking with everybody in the family. And then she was updating everybody else in the family what that one member was doing or engaged with and then. She was putting them together, connecting say ohh guys, but you have the same passion. Why don't you meet? But she was really central to the family, but she was also very powerful because she was managing them and telling them who should talk to whom. So I mean it's great but that also you sort of delegate that power to someone else and you really have to have a very a lot of trust in that person. It's a long-term relationship. But that's something that the older families are I guess as they go through different conflicts with different generations, they realize that you have to have this Plan B or in place before things happen. But on average most families are just OK, this is now we deal with this fire now here and we don't have these type of strategies.

Interviewer 1: How does the governance adapt to the natural development of the family? For instance, if someone passed away or a member is getting married, so there is a plus one joining the family, will you join the foundation as well or do sort of things?

Expert 12: This is very country dependent of where the family is based the culture, culture and approach. I was talking with one of the family of families and they say well some families threat the in-laws as you know a traveler, someone who joins the trip, but it's still an outsider so they don't consider them family. The others give them a green card so then you are in, but you never become a citizen you know and the others are like wow, you are another family member and we get involved with you and. It also depends. So when they're sudden accidents like the death. So it depends who I mean. If it's a founder then they are preparing and if it's even not very explicit then there is something in place for the family. What do we do now? Who is going to be the next but if it's a wife of some cousin? That doesn't really affect the governance much. And like I said, depends on the family really. They might or might not seen as uh, the externals in-laws as a family or external, something like that. One family we work with was also that they also like the daughters. Were not on the board but their husbands who were externals. So the daughters were direct descendants of the of the founders. But the culture in that family was that they had not much say and it was European country, surprisingly. So it really depends and there is no one scenario every family. But definitely if it's a founder or the leading member someone powerful in the family who's calling the shots and the governance will change and there will be a successor. Somewhere, maybe not that everybody likes to see in that position, but that's a different thing and they tend to prepare for when it's a founder or whatever. Yes, one thing I have seen, so it was three brothers and that was Spanish family and they split. One was a CEO, the other one was the chairman of the Business Board and then the third one was running the Family Foundation. So they had their like 3 pet projects, let's say, and they were not going in their way. In that sense, so I guess if you are a child of the one who is the CEO, you will sort of be more involved in the business than the foundation, but who knows?

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Interviewer 2: From your personal perspective, what are the main elements that have to be taken into consideration when starting a Family Foundation to be as successful as possible?

Expert 12: So we wrote a book on this actually two years ago. And we found the three elements, which was the purpose then, the relationships and the organizations. So the purpose is really the motivation, why the family is engaging, why do we do it together and what are the collective goals that are driving our decision to start the foundation. And to agree on the costs, so. The important is also to allow the next generation to change the costs if they want. So to you know, modify things, allow the flexibility. Not to say this foundation is only working with nature. Stop. But also allow that in the in the status or in the structures that they can uh integrate other projects in the future. So that's from the purpose side on the relationships is to know who is going to be engaged from the family and where are the gaps. So where do they need to bring the externals and uh to feel to get the expertise and so that's really important because the many family members will have different life events like you say marrying death and they will have they will want to commit different amount of time and effort as it as they grow. If you engage with younger generation maybe they will decide at some point to focus more on the career and they won't have the time. So you cannot take family involvement for granted and the organization is the one, the only one thing that I can say is that they have companies and they have this family enterprise system. So whatever they decide it has to be cohesive with whatever is existing. So not to start something from scratch and not link it to the resources that they have already available somewhere out there. To know what other family members are doing, if there was or is a different foundation already out there and they share and learn. So because sometimes they do work in silos and that does that, you know it's not efficient.

Interviewer 1: In terms of this topic of working in silence, do you think foundations should be more transparent in what they do?

Expert 12: And this is a very difficult question. So I was talking to one non family manager, CEO of the foundation that runs a park in Africa, somewhere in Africa and so because of the culture of the country and the people they work with, there is a threat to the reputation of the founder, even if they are really doing a great job locally. And they are. The people are complaining because that's what they do. You know, there is a cultural issues and historical issues there. And being transparent about what you do and where you do that also is very risky for the families because, you know, it's easy today on social media to shame someone for things that he or she didn't do. And then the harm is done to the families so obviously. Families need to be, I mean there is a big need to know who is, is funding what and many families have the liberty not to disclose. We had one family, Belgian, who supported big project, which had political influence and was related to something sensitive and they really didn't want to say that they were involved in it. Because that was too high of a risk for them, even if the project had in mind that the education system should be improved. I mean that's definitely we need to know. I mean, as public we should know who, who decides and who makes changes for us and who puts money where. And where is the balance? So we need to find the balance between what should be disclosed and how frequently. Also not to overwhelm the foundations with reporting because instead of running the projects they will be writing reports. So deciding OK is it useful for the public to know every three months what is happening? Or is it better to talk about or report on investments every six months? Or is one annual report enough? Is what information should be describing that should be? On the rise and government should regulate that, in my opinion.

Interviewer 1: What information is necessary that the, you know, minimum necessary information to share publicly? Still a question about transparency because sort of a hot topic for us. Is there other ways to to communicate? Uh, then then reporting for instance?

Expert 12: There are many ways. The reporting is if it's standardized, so if everybody's following the same rules, that's the best, because then you can cross-check and compare. And you and it's like companies published different reports, annual reports and then you can build a database around it and deep dive. Dive deep into these reports and understand what they are communicating and what's important. What is a new trend, I'm not sure if you heard about it probably uh, so this new structures

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especially in the US so the limited liability company that they start instead of foundation that's on the rise now where founders have much more control over the grants and also don't have to disclose as much. And that's the one example is the Zuckerberg and Chan Foundation which is not a, I mean not a foundation. It's a limited liability company. So that's the new trend and that affects how transparent they have to be with because foundations have these standards and but if you are giving through a regular company that's totally different. Stream of money. That's it. Go somewhere else.

Interviewer 1: But do they still? Are they still tax exempt if they set up a little limited liability?

Expert 12: I would say no, I am not an expert in this. Yeah, because the typical limited from what I know... don't know. I am just reading that there is in the US these new forms. Or you know go with like increasingly used, forgiving by families. OK, you maybe can explore that. I can send you a link to a podcast where a guy from our Rockefeller Foundation is talking about it. Yeah, and you can listen to it and find out for yourself.

Interviewer 2: OK. So to summarize a little bit what you just said. So from your perspective in terms of transparency, it makes sense to be transparent, especially towards the government. You see that there's a certain need from the government to ask for certain disclosures, but not to be too thorough in the reporting, not to micromanage everything until the point where the foundation becomes a little bit inefficient, right?

Expert 12: Public, so responsible to the public. The people you know. And as long as they do the activity of the foundation right? Yes, so that it doesn't become just reporting and all the necessary information. And the government in my opinion should regulate that which standards or information should be disclosed to the public on their investments because in the end on behalf of so they made a lot of money and they're investing in and affecting changes for everybody. In terms of, let's say, climate change, if you are supporting a movement or a political party, then it's good to know who is and where the money is going. That's it. Nothing.

Interviewer 1: Maybe one last question about that topic quickly because we're already a little bit late for, sorry for that. Do you think that Family Foundation should feel accountable for the community they are helping or not?

Expert 12: To the beneficiaries? Yes, yes. I think that effective philanthropy is where they provide support that is needed and relevant for beneficiaries. So. I believe so. One of the examples where I discussed with one family, and it was an entrepreneur and he said a local NGO in Nepal built homes after the earthquake. But in the place in a region where there was no jobs and nothing really. So people didn't go there, didn't move and these homes were never, no one, never ever moved in. So they took pretty pictures, they put it in the report and they sent it to the philanthropist. Was really pleased because they invested in and the homes were there, but actually no one ever used them. There was no use of these. So if they were accountable to the beneficiaries, let's say, OK, they would really put more effort into figuring out what the needs are and where they should build these homes. That's a simple one. Very simplified view, but more of an anecdote in that sense.

Interviewer 2: That's us basically being at the end of the interview. I just wanted to know, are there any other topics that you deem important that we might have left out in the context of family foundations?

Expert 12: Mm-hmm. OK. No, I think that you covered pretty much everything. I'll just send you this. Podcast. It's a 15 minutes and it's with the Deputy director at Rockefeller Philanthropy Advisors and he's talking about transparency and this new forms of governance in the US in particular. So maybe something for you to explore as the forums and so it's different when they are just making an endowment or? You focus on the foundations specifically. Like I said, we work with everything. It's more on the on the side of collective, collective impact and different vehicles. You should also know that usually they give through multiple, multiple ways. It's never just the foundation. If they have a company. Which is still active. Sometimes they'll sell, but also through the family office. Then they invest. Yeah, maybe also

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the family office we haven't mentioned. In terms of foundation, I think we covered everything. Great.

Interviewer 2: Thank you so much. Yeah, with that, we're at the end of the interview. Once we are done finding our dimensions, can we come back to you to see if you have interesting case studies that could match what we are looking for?

Expert 12: Yeah. Did you hear anything new today in our conversation or have you already heard most of these things from others?

Interviewer 2: About the transparency, we heard a lot of new things. Yes, for sure.

Interviewer 1: Most of the other topic it is crossing what we heard with the experts, which is a good thing because it means that there are some real trends in the philanthropic field.

Expert 12: OK, I would be interested to also see your results when you have them with your master thesis.

Interviewer 1: Yeah, we were about to propose you that. So we'll add you on the list. Once we are done with the final report, we will send it to you. Thanks very much.

Expert 12: Sure. All the best with your master thesis!