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Family foundations – a force to be reckoned with?

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Many of today's major donors in the UK and other countries are, like their predecessors, managing their philanthropy through charitable family foundations¹. It can be estimated that family foundations account for around 38% of all charitable foundation spending in the UK, and 17% in the US. These foundations are adding huge and well-publicised financial value to the sector's total assets, but much less attention is paid to the powerful way they may be shaping the direction of tomorrow's sector.

High-profile donors in the UK such as Tom Hunter, Lisbet Rausing, Peter Vardy, Chris Cooper-Hohn, in the US such as Bill Gates, in Germany such as the former IBM developer Hans-Werner Hector (who controversially gave €200 million to a single university) and in Italy Luciano Benetton, have all established foundations with a highly strategic focus. Such foundations are not the general charitable grant-makers of the past, and will be decreasingly led by existing charities' programmes and concerns. They are being set up by donors with a place in elite social networks, and with significant professional and managerial expertise (either personal or through high-level access). They have large sums to place in social investment, and they want to do it well.

The simplest scrutiny of the major donations of our largest family (and other) foundations reveals that many of the largest donations are given to universities and research institutes. Huge philanthropic investments are being made into developing the future of global health, the environment, IT, science, technology and medicine. In the UK, for example, The Edward Penley Abraham Research Fund gave £17 million in 2008 to Oxford University, the while Gatsby Foundation donated £85 million for a new Cambridge laboratory. In Germany, Hasso Plattner, another IBM partner, founded a charitable institute for the development of software systems technology. Major academic and research donations carry double and triple gains of advancing knowledge while investing in education, training and future leaders in their field. They often carry low risk because of the reputations and track record of the recipients. At the same time universities' development departments are increasingly building up their major donor fundraising capacity.

The environment for family and other foundation funding is becoming increasingly demanding. It is not only that the new generation of family donors has clear ideas of where they want to go and how to get there, and will insist on drawing on the best resources available. The emergence of the 'Woburn Place Collaborative', a group of leading grant-makers within the Association of Charitable Foundations (ACF), is

another sign of an increasingly strategic and proactive stance amongst foundations. This group shares a commitment to promoting effective practice, and to working collaboratively and strategically around themes of poverty, human rights and equality. Some of their members are asking increasingly challenging questions about the effectiveness of the ways in which their funding will be used. The availability of major donor advice on giving and selecting charities worth investment has grown exponentially over the last decade, from organisations such as New Philanthropy Capital, the Institute of Philanthropy, Coutts, UBS, Impetus, Philanthropy UK and others. Such institutions are undoubtedly helpful in channelling funds to charities who capture their attention, but this may be making it harder for those who do not.

So what are the influences behind the decision-making of the major family foundations? This is not a well-researched area in the UK, though it should be a part of every major donor's tool-kit. Ostrower's work in the US has highlighted the family's role in introducing individuals to philanthropy, including through marriage where wives may find they are approached because of their husband's wealth (Ostrower, 1997)². Surviving relatives and others even carry on relationships with particular recipients after the donor's death. There are many examples of strong personal relationship links in family foundations - for example, Jamie Cooper-Hohn's role in CIFF, Peter Baldwin's involvement in Arcadia, the extensive Sainsbury family foundation network, the sisters who founded the Robertson trust, and in the US, the omni-presence of family members in the Conrad N Hilton Foundation. But there are also many external influencers. In Italy, for example, the Chancellors of three universities in Milan are on the board of trustees of the Silvio Tronchetti Provera Foundation. Although often deeply embedded in family and personal relationships and networks, charitable family foundations are equally embedded in important social networks.

Family foundations have grown in the UK and internationally over the last couple of decades on the back of global wealth generation. But foundation funding is likely to tighten over the next few years, as the impact of recession takes it toll both on investments and personal wealth³. To compete more successfully in the new foundation funding environment, the sector may increasingly need to sharpen its act, whether in the way it works, its presentation of the needs it meets, or the professionalism of its fundraising.

¹ This article is based on research carried out by Cathy Pharoah (Cass Business School, City University), Rupert Strachwitz, Thomas Ebermann and Henrik Neuke (Maecenata Institute, Humboldt University, Berlin), Giuliana Gemeeli, and Deborah Bolognesi (PHaSI, MISIP, University of Bologna), and Susan Crites Price (National Center for Family Philanthropy, US). It was funded by the Pears Foundation. The full report is available at www.cass.city.ac.uk/philanthropy/FamilyFoundationsPhilanthropy2009.pdf

² Ostrower, f. (1997) *Why the wealthy give*. Princeton University Press. New Jersey

³ Pharoah, C. (2009) *Charity Market Monitor 2009*. CaritasData London.

www.caritasdata.co.uk/charity/charity-market-monitor.html