FOCUS ON PHILANTHROPY
HOW DO WEALTHY FAMILIES GET THE MOST OUT THEIR DONATIONS?

An article by
Ocorian Family Office

CORPORATE | **PRIVATE CLIENT** | ALTERNATIVE INVESTMENTS

We have worked with wealthy families for many years and in this time have been heavily involved with the philanthropic efforts that various members of these families have undertaken. We therefore have first-hand experience of what makes a successful philanthropic project, and in our experience, it is not an easy task to make such efforts fulfil their original mission. We have observed that there are two main factors in creating a successful outcome in the charity sector: Engagement and Rigour.

Engagement:
In order to fulfil the aims of the monetary gifts that the family makes available to the worthy cause, there must also be personal engagement for it to be really effective. This means that at least one member of the family, or their most trusted advisers, should undertake the following steps:

Meeting all key stakeholders when establishing the project
No philanthropic project is likely to be successful if it is planned and executed in a vacuum, with only the aims of the donors in mind. There must be true teamwork between the family and the local community who benefit from the planned gifts. In educational projects this is likely to be neighbouring educational institutions, the people in the community from which the organisation will draw its students, and the staff who work in the organisation. Asking people what they need and then working out how best to assist them is always better than starting with a pre-conceived notion.

Getting a full understanding of the local politics and what the leading community members feel really passionate about
Local politics is a fact of life – in any community there will be some with entrenched views and vested interests. A not-for-profit project stands a much higher chance of succeeding if it is supported by those locals who are in a position of power.

Understanding how "wealthy outsiders" are viewed by the local community and creating a plan to deal with this
Wealthy families are not always welcomed – some may suspect that the family are creating philanthropic projects for their own purposes. Gaining a good understanding of how the local community views the external benefactor is very important in managing the response to the efforts of the family. Open face-to-face communication where community members can ask direct questions to the family or their advisers can often dispel such uneasiness.

Creating 'champions' for the benefactors within the organisation – people who will be a really honest source of information about how things really work in practice
Such a source of information is invaluable – this person will work on the benefactor's behalf within the organisation to make sure that their colleagues understand why the family have chosen to get involved in a worthy cause. This person will also be a critical link in informing the family and their advisers if something is not working in the donor/donee relationship. If the family are unaware that their original mission is being thwarted or funds not being applied to the most worthwhile cause, they cannot make the necessary changes.

Spending time in understanding how this particular industry works – even if it is a not-for-profit organisation that the family has invested in, it still has KPIs that one needs to understand in order to judge success
Too many entrepreneurial families and their advisers approach a not-for-profit project and assume that it is "easier" to deal with than business operations because it is configured not to make a profit. However, one must also remember that it must also not make a loss if it is to be sustainable. Therefore business planning processes must still be in place, and the family should seek to understand the key things that will make or break the business. Regular risk assessments and Key Performance Indicator tracking are now as common in not-for-profit organisations as commercial businesses.

Rigour
The family need to treat this philanthropic endeavour in the same way they would treat any private business that they invest in. Simply because it may be not-for-profit there is no reason to be less rigorous when dealing with management. These efforts should include the following:

Ensuring financial staff within the business are suitably qualified
Not only should the family ensure the key finance people are well qualified, but they should ensure these senior people understand they have a responsibility to report to all stakeholders, not only the head of the organisation. The family should cultivate a good relationship with this person to ensure the lines of communication are open and clear. A well-intentioned underspend on the organisation's finances can bring lower costs in the short term but poor information for key stakeholders in the long term.

Understand the key financial drivers of the organisation
Having engaged with the philanthropic project or organisation, one must then follow this through and look at financial forecasts in detail to understand whether the endeavour (i) has a long term future and (ii) is suitably financed.

Attend regular meetings of senior executive and non-executive members of the Board of Trustees or similar
If the family are providing a significant amount of the financial resources that the project or organisation requires, they should not be a silent partner. They should have representation on the body that governs the project and have significant voting rights as to how monies are spent

Be involved in very senior appointments in the organisation.
The most senior person, along with the financial staff, is effectively custodian of the gifts made by the family and so they should be involved in selecting who is in this important position.

Take the necessary tough steps
If the staffing levels are too high, or there are dysfunctional business relationships within the organisation, this will impair the organisation's ability to meet the aims of the original monetary gift. A philanthropic organisation that becomes unwieldy or is poorly organised us unlikely to be a successful one. Someone needs to make the difficult decisions and to carry through with the necessary (but possibly unpopular) actions that are an inevitable consequence.

Conclusion
In attempting to create successful philanthropic outcomes, it is not enough for the wealthy family to have only the desire to "give back" to the communities that they belong to and a worthy project in mind. In order to give the best chance of success, families and their advisers must fully engage and form an in-depth understanding of the context and specifics of the projects they have chosen. They must then run the project with the same rigour that they would apply as if it were a family business, and be prepared to make difficult decisions if the project starts to drift away from its original mission.

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