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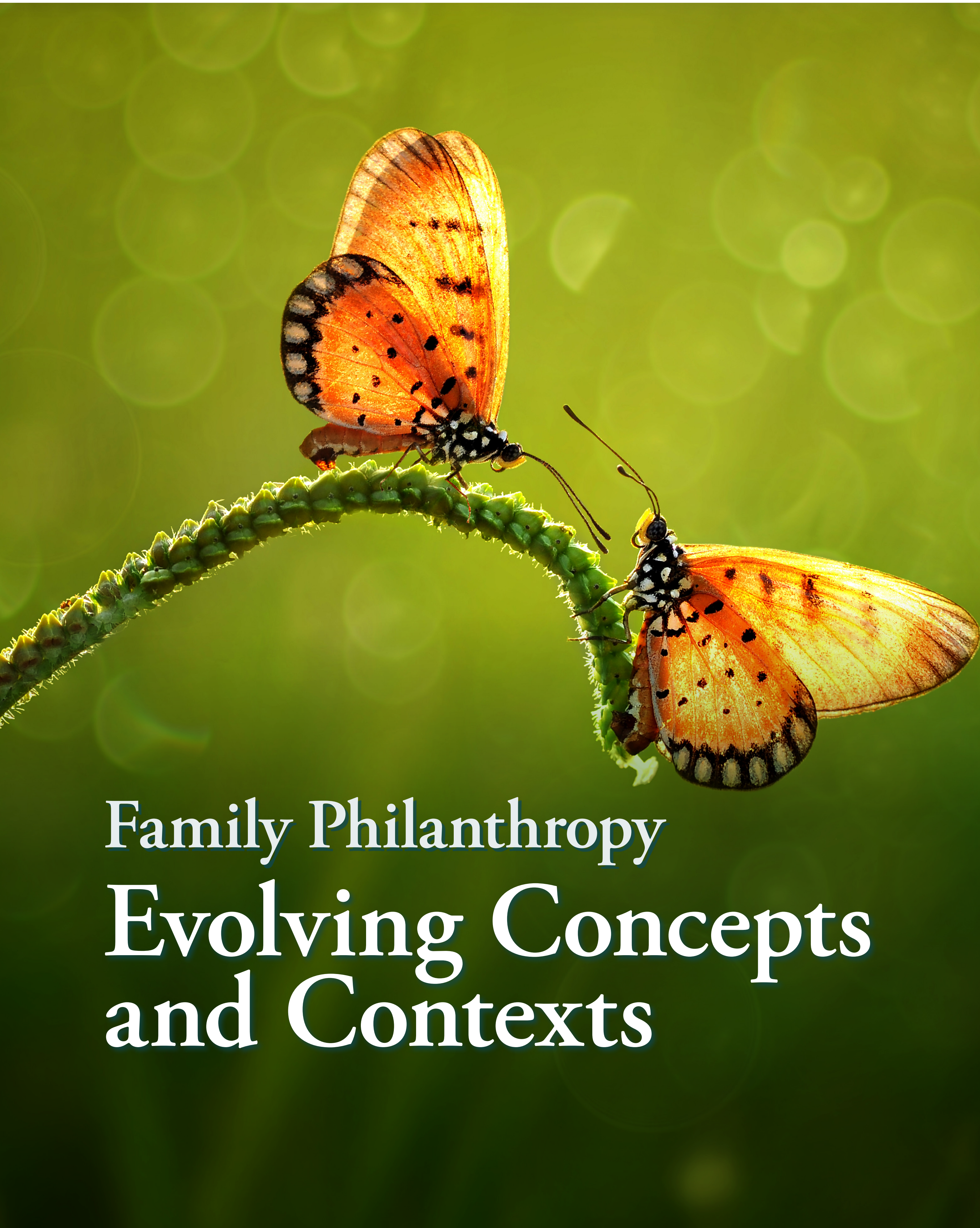


Family Philanthropy
Evolving Concepts and Contexts

Foreword

Welcome again to **WMI Impact: The Family Office Journal.**

In this issue, we are pleased to feature family *philanthropy* as an increasingly important topic for family offices.

Philanthropy has existed for millennia. The word philanthropy is derived from the Greek word “philanthropos trops” which literally means “love of humanity”. There are some existing business families who can trace their philanthropic activities as far back as the 1500s. The roots of the engagement of business families in philanthropy lie in their *virtuous ethos*. Virtuous business families do not simply own economic assets - they shelter and nourish capabilities and resources, including philanthropic capital.

Modern global philanthropy holds immense promise in the 21st century. It has the potential to contribute to helping society flourish by bringing resources, business expertise and networks which help spur solve pressing social issues. Philanthropy is becoming increasingly important also for business families and their family offices. A shared interest, like family wealth management or family philanthropy, can coalesce the family around a sense of shared purpose in fulfilling its collective purpose. Often, both these functions – family wealth management and family philanthropy – are managed and governed by a dedicated family office.

However, business families must carefully rethink theirapproaches to family philanthropy by embracing several continuously evolving concepts and contexts of contemporary, strategic philanthropy. To equip the family office community in Asia with knowledge on family philanthropy, the Wealth Management Institute (WMI) is launching the Impact Philanthropy Partnership (IPP) in partnership with the Monetary Authority of Singapore and the Private Banking Industry Group. The IPP's mission is to bring together family principals and offices to collectively tackle society's most pressing challenges and issues in the space of philanthropy and impact. The IPP is designed to be an open platform that is industry-wide, tapping the collective expertise of the ecosystem in order to create a dedicated series of philanthropy programmes and events that serve to raise awareness and build engagement among wealth owners in Singapore and Asia.

May I wish you an enriching journey into the world of philanthropy with the IPP and this issue of WMI Impact: The Family Office Journal.

Ms Foo Mee Har
Chief Executive Officer
Wealth Management Institute

Forefront

Practical Insights on Philanthropy for Single Family Offices

Marta Widz, Lawrence Loh

A Practical Guide for Designing Philanthropy

Business families are important players in the economic system and have contributed to the general prosperity and promotion of engaged capitalism for centuries. Philanthropy is becoming increasingly important for business families as it is also gaining visibility in broader society with the disruptive philanthropy of mega-donors. A global survey among 201 business families from 28 countries, conducted by the Rockefeller Foundation and Campden Wealth in 2020, revealed that half of the families surveyed started giving within the last 30 years, with "new" givers emerging in Europe and North America in the 1990s and in Asia-Pacific only after 2000.

As the family business matures and the business family grows in members, a shared interest like family wealth management or family philanthropy can coalesce the family around a sense of shared purpose in fulfilling its collective aims. Increasingly, both these functions – family wealth management and family philanthropy – are managed and governed by a dedicated family office or single family office (SFO).

Modern global philanthropy holds immense promise in the 21st century. But in order to continue to contribute to the contemporary global economy in a more impactful way, SFO principals and business families must carefully rethink their approaches to family philanthropy by embracing several modern and continuously evolving concepts and contexts in philanthropy.

✱ **Embrace the Business Family Socioemotional Wealth (SEW) in Family Philanthropy**

Business families enjoy privileged opportunities to contribute real solutions to wealth inequality. It is common knowledge that because of the spirit of family, their rootedness in community, and enterprise, business families are better equipped to serve as change agents for an inclusive and prosperous social order.

But it is also important to understand the reverse benefit: while serving society, business families also nourish capabilities and resources that help them achieve the non-financial goals, so called **Socioemotional Wealth (SEW)**. In particular, engagement in philanthropy enhances the dimensions of SEW, which were given an acronym of FIBER:

- **F**amily control and influence,
- **I**dentification of family members with the firm
- **B**inding social ties
- **E**motional attachment of family members, and
- **R**enewal of family bonds through dynastic succession[1].

1 Refer to WMI Impact Issue 2's In-Depth titled "Embracing the Flexibility of Governance Solutions for Complex Family Wealth Systems" for more detailed description of socioemotional wealth (SEW).

Actions for SFOs, advisors and partners

In designing family philanthropy, it is important to understand which of the SEW dimensions is the most important to the family as well as how philanthropy may enhance it. The following questions may prove useful:

- What does the family/SFO do in terms of philanthropy and why? Which non-financial goals/ SEW dimensions are enhanced by the current philanthropic activities?
- Which of the SEW dimensions constitute the priority for the family/SFO? Does the current way of organising philanthropy reflect theses priorities?
    - How does philanthropy enhance the breadth and depth of **Family control and influence**?
        - Do family members exert control over philanthropic strategic decisions? Are next gens part of the foundation board?
        - Are family members involved in the daily philanthropic operations?
    - How does philanthropy enhance **Identification** of family members with the firm? E.g.,
        - Do family members identify with the philanthropic activities?
        - Are the family members proud to tell others about the family/SFO's hilanthropic activities?
    - How does philanthropy enhance **Binding social ties**? E.g.,
        - Is the family/SFO very active in promoting social activities at the community level?
    - How does philanthropy enhance **Emotional attachment of family members**? E.g.,
        - To what extent does philanthropy strengthen the emotional bonds between family members?
    - How does philanthropy enhance **Renewal of family bonds** through dynastic succession? E.g.,
        - How does philanthropy enhance continuing the family legacy and reflect the tradition?
        - Do family owners evaluate the investment of their six Ts in philanthropy on a long-term basis?

✱ Embrace a Holistic Approach to Family Philanthropy in the context of the Complex Family Wealth System (CFWS)

Any business family's assets and operations must be understood holistically in terms of the various elements in the Complex Family Wealth System (CFWS). CFWS[2] is a family-related organisational ecosystem, which encompasses the entire portfolio of businesses, other assets, as well as various other elements, called the Family Boundary Organisations (FBOs), which may include family foundations, family business foundations, family offices, family holdings, family academies, and family museums. Further, the holistic approach to philanthropy also means embracing all forms of giving, which encompasses a whole range of resources, not just monetary giving. These include the Six T's: time, talent, truth, ties, testimony, and finally treasure.

Often it is the family values and the governance of CFWS that define the philanthropy of the SFO, unite the family and align it towards a common purpose. Despite this, individual family members may engage in philanthropy by themselves, or create sub-family groups for various philanthropic activities. For example, philanthropy may take a different shape in various family branches. Finally, philanthropy may also be exercised by the family business(es).

Action for SFO advisors and partners

Family philanthropy of entrepreneurial families requires therefore a thorough understanding of the complex summation of various philanthropic activities. The following questions may prove useful:

- What philanthropic actions are undertaken by individual family members? Are there any philanthropic activities driven by groups of family, e.g., branches, next-gen, old-gen?
- What kind of philanthropy is exercised collectively by a family? Does the family have a philanthropic foundation?
- Are there any forms of giving via the business arm? How are employees of the family business(es) involved in giving?
- What types of assets does the family/SFO give and aspires to give in the future? How does the philanthropic activities contribute to the fulfilment of the family/SFO mission?
- What non-financial resources (time, talent, truth, ties, testimony) are given and how? To what extent is the family aligned in terms of giving other resources? Is there room for additional actions for giving other resources? Who from the family has the skills or is willing to build up the skills?

2 Refer to WMI Impact Issue 2's In-Depth titled "Embracing the Flexibility of Governance Solutions for Complex Family Wealth Systems" for more detailed description of Complex Family Wealth System (CFWS).

✱ Embrace Strategic, Modern Philanthropy

The modern understanding of philanthropy encourages the process of strategic planning and designing a business model for philanthropic activities, as well as the operational model to ensure the effective utilisation of resources. A contemporary intensive effort to balance purpose, pay-outs, and permanence, may result in an alignment of financial goals and social goals: Family foundations are increasingly aligning their philanthropic efforts with their business activities, creating a coherent giving strategy reflecting a collective sense of purpose and societal value creation.

Action for SFO advisors and partners

As the duality of make money – donate money is being abandoned, and the spectrum of philanthropic investing is expanding, the following questions may prove useful while designing a philanthropy strategy for SFOs[3]:

- What are the family/SFO's impact goals? How is he family/SFO measuring impact?
- Which causes and organisations does the family/SFO want to support?
- What is the family/SFO cost appetite? Where does the family/SFO look for results?
- What is the lifespan of the family/SFO philanthropic vehicle?
- What are the family/SFO estate, tax, and financial planning considerations?
- Who and how the family/SFO shall manage it? How shall the operational model of family philanthropy shall look like?
- What is the level of philanthropic risk, i.e., much does the family/SFO want to devote to traditional philanthropy in form of grants, donations and volunteerism versus new forms of philanthropy such as venture philanthropy?
- What capabilities does the family/SFO need to build up? Would that be a way for the family/SFO to involve the next generation?

✱ Embrace Leading-Edge Trends in Family Philanthropy

The new global trends in philanthropy include multi-stakeholder efforts, wherein different stakeholder groups like businesses and investors, policy-makers, charitable organisations, and philanthropists collaborate to ensure maximum impact. One form of it is the use of blended finance where public capital gets a boost from private capital which is seeking both financial returns as well the desire to contribute towards a greater good. Other forms include collaborated and pooled funding, trust-based philanthropy and participatory philanthropy.

3 Refer to WMI's Philanthropy guide "Design Your Giving to Maximiser Your Impact: A Focus on Donor-Advised Funds" (The Wealth Management Institute (WMI), 2022).

Action for SFO advisors and partners

The following questions may prove useful when analysing to what extent is the family and its SFO willing and able to engage in collaborated, trust-based, and/or participatory philanthropy:

- How open is the family/SFO to entering a collaboration with other partners? Whom does the family/SFO want to build a trusted relationship with? Is the family/SFO open to building partnerships with beneficiaries?
- Is the family/SFO ready to take on the cooperation costs with the expectation that pooling resources, business expertise and networks will help spur entrepreneurship, innovation and capital?
- What is the family/SFO willing to share: knowledge, funding of a trusted organisation, coordinated funding with other donors, time, advocacy for certain solutions, etc.?
- Is the family/SFO ready to be involved hands-on in the pre-grant and post-grant philanthropy processes? Who from the family/SFO has the ability to do so?

Learnings on Philanthropy for SFOs in Essence

Below are the five key takeaways for SFOs when designing their philanthropy strategy:

- ***Non-financial Goals.*** *The design of the family philanthropy should consider the various types of non-financial goals/Socioemotional Wealth dimensions (Family control and influence, Identification of family members with the firm, Binding social ties, Emotional attachment of family members, and Renewal of family bonds through dynastic succession) and the family's priorities and expectations regarding them.*
- ***Family Values.*** *A holistic approach towards philanthropy would take into account the values and motivations of individual family members, family sub-groups, the business arm and employees as well as what they prefer to give (time, talent, truth, ties, testimony, treasure).*
- ***Practice Model.*** *A strategic and operational model of philanthropy based upon business practices, social intentions and implementation approach of a business family can create a more impactful and sustainable model of giving.*
- ***Business Alignment****. Business families can align their philanthropic efforts with their business activities using the expanding spectrum of philanthropic investments.*
- ***Funding Approach****. New trends like pooled, participative, collaborative funding and concepts like blended finance are adding dynamism to the philanthropic landscape. Business families need to be aware of the emerging concepts, and continuously recalibrate their philanthropic approach accordingly.*

In-Depth

Family Philanthropy: Evolving Concepts and Contexts

Marta Widz

Introduction

Philanthropy has existed for millennia. Traditionally, it has been rooted in the cultural and religious teachings that instil giving as part of their doctrine. Responsibility towards those who are less fortunate (Feliu & Botero, 2016, p. 125), has been part of native, indigenous religions and beliefs of Europe, Africa, Asia and the Americas. Traces of these beliefs can often be found in the words of politicians, spiritual leaders, writers, artists, scientists, business leaders, and philanthropists such as:

"Think of giving not as a duty but as a privilege." – John D. Rockefeller Jr.

"The best way to find yourself, is to lose yourself in the service of others." – Mahatma Gandhi

"It is every man's obligation to put back into the world at least the equivalent of what he takes out of it." – Albert Einstein

As the family business matures, its members often step away from the day-to-day running of the business and their roles evolve more toward being responsible business owners. As the family grows bigger, a shared interest like family wealth management or family philanthropy can coalesce the family around a sense of shared purpose in fulfilling its collective purpose. Often, both these functions – family wealth management and family philanthropy – are managed and governed by a dedicated family office.

This issue first elaborates on the evolution of philanthropy from its origins, through a golden age of philanthropy to modern-day philanthropy, and then takes a deep dive into contemporary family philanthropy defining what it is, how it is practised, how it embraces modern trends and where it is positioned on the investment impact spectrum.

1. Evolution of Philanthropy

1.1. Origins of Philanthropy

The word *philanthropy* is derived from the Greek word "philanthropos trops" which literally means "love of humanity" (Prabhu, 2016) that dates back to about 2,500 years. In the Greek tragedy "Prometheus Bound" it was the eponymous hero who helped humanity with the gifts of fire, hope, art and science, and was therefore named "philanthropos trops" (Vogel, Eichenberger, & Kurak, 2020).

With the evolution of humanity, philanthropy also kept evolving and this evolution could be divided into three periods: The first wave of philanthropy was prevalent before the mid-18th century and comprised charity through organised religious structures, handouts from monarchs and almsgiving, driven by the spirit of benevolence, civic duty and the idea that giving made one a better person. The second wave of Western philanthropy –the so-called Golden Age of Philanthropy – flourished during the 18th and 19th centuries wherein wealthy individuals and families sought ways to combine, institutionalise, focus and organise their wealth-giving to create maximum utility for society as a whole. In the third and present wave, the philanthropic model has undergone the most prominent evolution shaped by the forces of transformative technology and digitisation, the emergence of hyper-successful entrepreneurs and the need for coordinating efforts with other stakeholders who might have different approaches to giving (Vogel, Eichenberger, & Kurak, 2020, p. 7).

Origins of Philanthropy in Asia Pacific

Philanthropists have played an important role in Asia for centuries. It is rooted in the rich heritage and blend of races and religions of the region. For example, Muslim communities honour their annual duties by paying *zakat*[4] (almsgiving), whereas the first known Indian endowment, the J.N. Tata Endowment Scheme of 1892, was created to provide scholarships for higher education to needy students[5].

In Singapore, philanthropy has been driven by clan associations and self-help ethnic groups since the early 1800s. Singaporean philanthropists who funded welfare services and facilities for the community include Tan Kah Kee, in whose honour a Mass Rapid Transit (MRT) station on the Downtown line has been named. Hajjah Fatimah, who built homes for the poor, has also been honoured for her philanthropy through the building of the famous Hajjah Fatimah mosque, located in the historic Singaporean Kampong Glam area.

4 Zakat is a monetary donation made by Muslims every year that goes towards providing for the less fortunate (Islamic Relief Worldwide, n.d.).

5 The JN Tata Endowment for the Higher Education of Indians has been helping Indian students since 1892 with loan scholarships for higher studies. People consider it a matter of great pride to be called a 'JN Tata Scholar'. There are now more than 5,419 JN Tata Scholars all over the world (The JN Tata Endowment for the Higher Education of Indians, n.d.).

1.2. Rise of Family Philanthropy

The Golden Age of Philanthropy

Family giving is a very old phenomenon and there are some existing business families who can trace their *philanthropic activities as far back as the 1500s* (Campden Wealth Limited and Rockefeller Philanthropy Advisors, 2020). Family philanthropy was in full swing by the late 19th and early 20th century with the rise of industrialisation, and the emergence of wealthy entrepreneurs in the United States who looked at philanthropy as something more than its traditional meaning – charity (Schuyt T. N., 2013; Schuyt T. N., 2010). Andrew Carnegie, John D. Rockefeller, Julius Rosenwald, Olivia Sage, Henry and Edsel Ford from the US, and Alfred Nobel from Europe, were all entrepreneurs and inventors, who initiated a new wave of philanthropy. The Golden Age of Philanthropy, as this area was later named, was characterised by its revolutionary approach to philanthropy. First, the giving extended to causes beyond baseline needs like food, clothing, shelter to encompass others like healthcare, environment, education, and the arts (Schuyt T. N., 2013). Second, philanthropists now sought ways to address the underlying structural issues and causes that prevented all people from thriving (Sulek, 2010). Third, philanthropy also became a way to create a favourable impact on the image of the business and its owners (Grunig & Hunt, 1984), which for the first-time linked philanthropy with a "return on investment" in the form of public approval (Cutlip, 1994; Feliu & Botero, 2016).

Broad Philanthropy

This tradition of supporting wider, global causes by wealthy families is carried forward today by the contemporary mega-donors, who are sharing a large portion, often a majority of their wealth, with the society (Carney & Nason, 2016). Already Andrew Carnegie in his seminal writing, *Gospel of Wealth,* argued that it was the moral duty of the wealthy classes to use their assets as a means of greater societal good and equality, instead of handing it down to their heirs.

Similarly, *The Giving Pledge,* which was created by Warren Buffett, Melinda French Gates, and Bill Gates in 2010, is an extreme philanthropy movement in which members have to two eligibility criteria. First, their personal net worth should be at least 1 billion USD. Second, they should be willing to give away at least half their wealth to philanthropic causes either in their lifetimes or through their wills. To date, more than 230 signatories from 28 different countries (The Giving Pledge, n.d.) – including names such as Mark Zuckerberg, his wife Priscilla Chan, Elon Musk, Diane von Furstenberg, Dato' Sri DR Tahir, Richard Branson, MacKenzie Scott, Kiran Mazumdar-Shaw – have pledged about half a trillion dollars (Wealth-X, 2018), a number that corresponds to the size of economies (calculated in nominal GDP p.a.) of countries such as Argentina, Sweden, Belgium, Thailand, Israel, Ireland, Norway, Nigeria or United Arab Emirates (International Monetary Fund, 2022).

Philanthropy Mega-Donors in Asia-Pacific

Despite the centuries-long commitment to philanthropy in the Asia-Pacific, the philanthropic mindset has not yet translated into the scale of philanthropic giving as seen in other parts of the world. For example, as of December 2022, of the over 230 The Giving Pledge signatories from 28 different countries (The Giving Pledge, n.d.), only 16 come from Asia Pacific, including two from Southeast Asia (one from Malaysia and one from Indonesia), three from India, and three from Australia, and none from Singapore[6].

However, there are well-known mega-donors in Asia, too. For example, the Asia's heroes of philanthropy list compiled by Forbes (Forbes, 2021), named 15 people with significant contributions to philanthropy. Among others, this list includes -

- Wee Wei Ling (Singapore) – her charity, Extra•Ordinary People, has raised 1.2 million SGD (881,380 USD) from philanthropists and corporate sponsors. She is also the chairperson of Project We Care, started in collaboration with the Singapore government, which has raised 5.5 million SGD in cash and in-kind donations.
- Joseph Tsai and Clara Wu Tsai (Hong Kong) - pledged 220 million USD in July 2022 toward a study of the biology of peak human performance and 50 million USD in August 2022 to create a Brooklyn-based social justice fund.
- Pham Nhat Vuong (Vietnam) – Vin Group, of which he is the Founder & Chairman, has donated over 320 million USD towards pandemic relief in Vietnam since 2020. The group also contributed 45 million USD to Vuong's Kind Heart Foundation in 2021.
- Anil Agarwal (India) – signed *The Giving Pledge* in March 2022 and announced 50 billion INR (660 million USD) initiative under his Anil Agarwal Foundation in July 2022 to support programs ranging from healthcare to animal welfare.

6 For the names of pledgers, see: Pledgers - The Giving Pledge

2. Contemporary Family Philanthropy

Modern global philanthropy holds immense promise in the 21st Century (Johnson, 2018). Innovations in technology and finance are creating a wave of disruptive mega-billionaires-philanthropists and marks, in fact, the second Golden Age of Philanthropy (Lane, 2013). Not only global giving is contributing to the elimination of contemporary challenges, but it is also gaining visibility and growing in numbers (Johnson, 2018).

2.1. Global Scale of Philanthropy

The total global scale of philanthropy is estimated to be at about USD 2.3 trillion, or just under 3% of global GDP (Citi GPS, 2021, p. 4), and breaks down into USD 550 billion for a direct monetary value of philanthropy, and a volunteer labour of around USD 1.75 trillion (Citi GPS, 2021, pp. 7-8)[7]. Of the first category – direct cash donations – 67 per cent is estimated to come from individuals, 28 per cent from foundations, and the remainder from corporations (Citi GPS, 2021, p. 14).

In absolute terms, the U.S. contributes almost 60 per cent of total cash donated by individuals each year (Citi GPS, 2021, p. 15). Only in the US, the charitable foundations hold about USD 1.1 trillion, and distribute about 5 per cent of those annually (Nowski, O'Flanagan, & Taliento, 2020). These distributions account for more than 50 per cent of the total giving by foundations globally (Citi GPS, 2021, p. 16).

The US is also at the forefront of private philanthropy for development – a sub-category of a border private philanthropy – totalled around USD 42.5 billion over 2016-19 (OECD, 2021). Most of the giving involved cross-border flows, with more than half coming from the United States (USD 24.3 billion), out of which USD 16.1 billion was received from the Bill & Melinda Gates Foundation alone (OECD, 2021).

The largest provider of domestic philanthropy was the Tata Trusts with an allocation of USD 0.9 billion in India (OECD, 2021).

Despite the fact that donations of £100 million or more – so-called mega-gifts – are more likely to grab headlines, the most common donation representing around 15 per cent of the total number of donations is the amount of £1 million (Coutts Institute, 2017).

7 This philanthropic landscape is, however, painted with big brushes as this number is only a conservative estimate. For example, monetary value was calculated only for major economies – those representing around 75% of global GDP – and included actual donations made by individuals, foundations, and corporates (Citi GPS, 2021, p. 7), and the calculations for the monetary value of donated time took many assumptions, among others about the average salaries (Citi GPS, 2021, pp. 7-8).

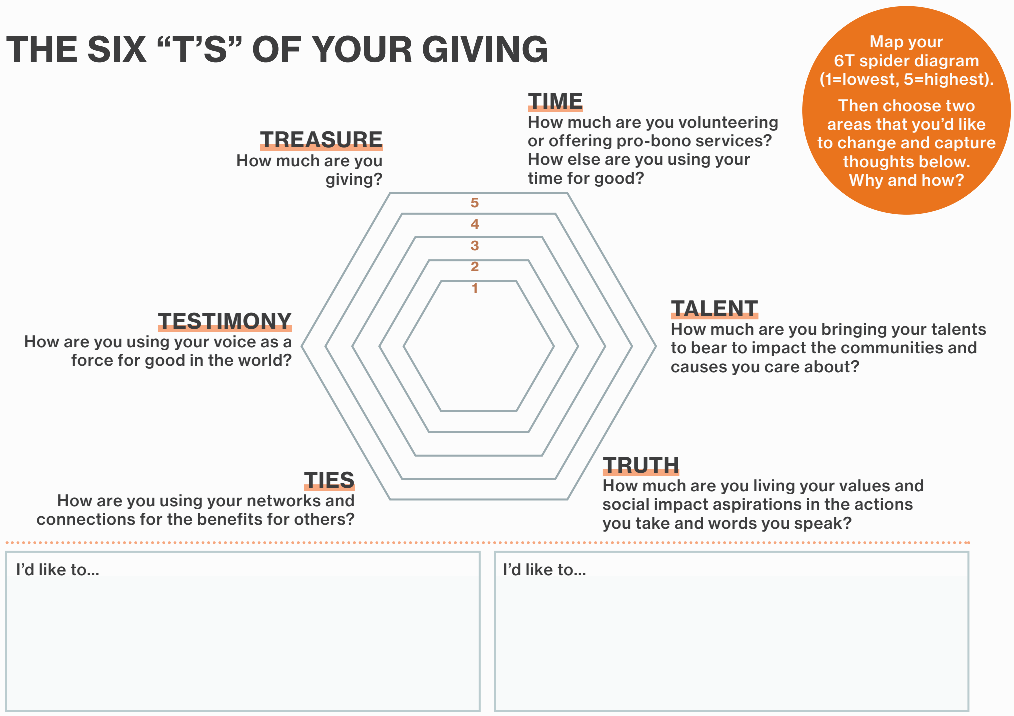
2.2. Definition of Modern Philanthropy

Philanthropy is "the voluntary donation of resources to support causes that are primarily intended to promote the betterment of society with no direct expectation of economic returns" (Feliu & Botero, 2016, p. 125). In its most general sense, philanthropy are the actions and behaviours that originate from the voluntary commitment to the well-being of others (Feliu & Botero, 2016, p. 121; Schuyt T. N., 2010), which stem from the primary underlying motivation to serve the society (Feliu & Botero, 2016, p. 125) with various resources.

The modern comprehension of philanthropic resources has widened beyond financial resources and also encompasses time devoted to pro-bono services (Time), talents and skills gifted to support causes for which these competencies are vital (Talent), leveraging networks and connections for the good of others (Ties), standing firmly behind the impact of philanthropy and advocating actively for it (Testimony), and finally walking the talk of the individually-set philanthropic ambitions (Truth).

The six resources of Time, Talent, Truth, Ties, Testimony, and finally Treasure, i.e., monetary giving, are captured in the Six T's model *(Graph 1)*, which is a tool to self-evaluate the balance of giving.

Graph 1: The Six T's of Your Giving



Source: The American College of Financial Services

2.3. Premise of Global Challenges

Modern philanthropy is a response to global challenges such as modern-day slavery, hunger, poverty, gender inequality, and climate change, which were captured in the 17 Sustainable Development Goals (SDGs) *(Graph 2)*, defined at the UN Sustainable Development Summit in September 2015, and outlined in the "Transforming Our World: The 2030 Agenda for Sustainable Development".[8]

The 17 SDGs represent a wide array of global concerns that apply to all countries and rest on three interdependent pillars: economic development, social inclusion, and environmental sustainability (Rockefeller Philanthropy Advisors, n.d.). There are 169 targets and 230 indicators across the 17 SDGs (United Nations, n.d.).

Graph 2: Sustainable Development Goals (SDGs)

Source: Rockefeller Philanthropy Advisors, n.d., p. 6.

8 Usually simply referred to as the "2030 Agenda".

The UN estimates that achieving the SDGs could open up 12 trillion USD in market opportunities and create 380 million new jobs (United Nations). However, to meet the SDGs and *to transform our world*, there is an urgent need for a systemic change that requires a coordinated effort of various constituencies as well as huge investments.

2.4. Global Challenges and Family Philanthropy

Led by the changing paradigm of viewing wealth as an enabler to tackle global challenges, business families are at the forefront of family philanthropy.

It is estimated that 81 per cent of the world's largest family businesses are active philanthropists (Farney, 2018). Interestingly, companies led by entrepreneurs allocate more than twice the percentage of profits to charity as compared to many of America's largest companies (Wetherbe, 2017). Further, many family businesses are signatories to the *Family Business for Sustainable Development (FBSD)*[9] (Family Business for Sustainable Development) and have also committed to dramatically cutting down future carbon emissions, in line with the Paris Agreement[10] and are the members of the global coalition *Business Ambition for 1.5°C*[11] .

3. Understanding Family Philanthropy: The Why, the Who and the How

3.1. Roots of Family Philanthropy

The roots of the engagement of business families in philanthropy lie in their virtuous ethos (Carney & Nason, 2016). They see themselves as not just owners of various business entities, but a business family with values, resources, and an entrepreneurial spirit that can be employed for inclusive prosperity across generations (Carney & Nason, 2016). Virtuous business families do not simply hand over economic assets, rather they shelter and nourish capabilities and resources that help them achieve both financial goals and non-financial goals, so called socioemotional wealth (Gomez-Mejia, Cruz, Berrone, & De Castro, 2011)

9 FBSD is a joint initiative of the United Nations Conference on Trade and Development (UNCTAD) and the Family Business Network (FBN). The Family Business Network (FBN) is a global community of family businesses. It brings together 4,000 business families – encompassing 17,000 individual members of which 6,400 are Next Generation (between 18 and 40 years old) (Family Business Network, n.d.).

10 The Paris Agreement is a legally binding international treaty signed by 194 parties at the UN Climate Change Conference (COP21) in Paris to substantially reduce global greenhouse gas emissions to limit the global temperature increase in this century to 2 degrees Celsius (while pursuing a 1.5 degrees goal), review member progress every 5 years and provide financing for climate change action to developing countries. (United Nations Framework Convention on Climate Change, n.d.).

11 *Business Ambition for 1.5°C* is led by the *Science Based Targets* initiative in partnership with the *UN Global Compact and the We Mean Business Coalition.* It is an urgent call to action from a global coalition of UN agencies, businesses, and industry leaders to commit to setting ambitious science-based emissions reduction targets to hold temperature rise to 1.5°C above pre-industrial levels (Burge, 2021).

(Gomez-Mejia, Cruz, Berrone, & De Castro, 2011). **Socioemotional wealth (SEW)**[12] has many shades and was proposed to be broken down into the following dimensions, which form an acronym of FIBER:

- **F**amily control and influence,
- **I**dentification of family members with the firm,
- **B**inding social ties,
- **E**motional attachment of family members, and
- **R**enewal of family bonds through dynastic succession (Berrone, Cruz, & Gomez-Mejia, 2012).

For example, it is the rootedness of the family business in a local community that creates one of the SEW dimensions- binding social ties. They constitute a social capital, which is a highly important resource because it may hinder or facilitate the exchange of resources, supplier interactions or product innovation and therefore may also provide access to markets or technological know-how (Sirmon & Hitt, 2003, p. 342). But the same rootedness in the local community creates a social obligation for reciprocation in the form of e.g., philanthropic giving, which in turn strengthens the social ties.

12 Refer to WMI Impact Issue 2's In-Depth titled "Embracing the Flexibility of Governance Solutions for Complex Family Wealth Systems" for more detailed description of socioemotional wealth (SEW).

Family Profile, Values and Philanthropy: Examples from Singapore

Members of the Asia Philanthropy Circle (K)[13], many of whom are family office principals, believe that philanthropy is a tool to *pass on a legacy of values and to educate the next generation* on how to use their wealth wisely. Similarly, Gerard Ee, Chairman of the Charity Council,[14] and the son of the late Dr Ee Peng Liang, known as Singapore's Father of Charity, believes that his family's engagement in philanthropy comes from the good values cultivated by his father, who always inspired him to help others (Dads for Life, 2014). For him, "giving is a central family value" as he believes that "one's willingness to give stems from the values that a person carries within".

Melissa Kwee, former chief executive officer of the National Volunteer and Philanthropy Centre (NVPC),[15] and a member of the third generation of the Kwee family, also concurs with the impact of family values on philanthropy. She says that *"family philanthropy often reflects the characteristics of the family itself.* As such, entrepreneurial families often start or support social enterprises. In contrast, larger families with wider interests tend to embrace diverse approaches to philanthropy, ranging from traditional and institutional philanthropy to smaller community-responsive giving."

Because business families think in generations, not quarters16, they have a special incentive to engage in philanthropy. The contemporary understanding of philanthropy classifies it as a society's risk capital (Bosire, 2020), with little or no expectations of any returns. But for family business donors, who strive for several non-financial goals, and looking for SEW returns, philanthropic capital has always remained an important capital. For example, the meaningful return on philanthropic investment for a business family may be an increase in identification of family members with the complex family wealth system (CFWS) or strengthened emotional attachment of family members as a result of a family uniting itself around a philanthropic purpose. Philanthropy may also be a way for an increased participation of family members in the CFWS: The senior generation may pursue a valuable career in philanthropy, or the next generation may be given early entrepreneurial opportunities via exposure to philanthropy and its new models of social enterprise.

13 The Asia Philanthropy Circle (APC) is a Singapore-based platform for Asian philanthropists to share and grow the impact of their philanthropy (Asia Philanthropy Circle, n.d.).

14 Founded in 2007, the Charity Council aims to meet the needs of Singapore's charity sector by promoting good governance to The Commissioner of Charities (CoC) through outreach initiatives (Charity Portal, n.d.).

15 The National Volunteer and Philanthropy Center (NVPC) is a non-profit organization that brings individuals, organizations, and leaders together to advocate for giving in Singapore (City of Good, n.d.).

16 "Thinking in generations, not just in quarters" is a maxim many family businesses refer to in their mission statements.

Further, philanthropy could increase family cohesion, especially in a state of emergency or urgency. For example, in the wake of COVID-19, many business families mobilised or altered their patterns of giving.

Case Study

Firmenich – the Geneva-headquartered world's largest privately-owned fragrance and taste company, dating back from 1895, and employing over 11,000 people (Firmenich, n.d.) – has long recognised the need to capture societal values. Maximising stakeholders' value is Firmenich's way to achieve the trustworthiness of employees, customers, and the wider community and is reflected in Firmenich's inclusive capitalism business model.

Its sustainability strategy "Pathways to Positive" includes goals such as Improving Lives Through Innovation. One such example is their partnership with the Bill & Melinda Gates Foundation aimed at providing innovative solutions to the pressing problem of making toilets accessible to about 4.5 billion people worldwide.

In response to the COVID-19 virus, Firmenich reacted by swiftly adapting the production capabilities of its Geneva manufacturing sites to donate 20 tons of disinfectant solution to the Geneva University Hospital and medical and emergency services. To meet increasing global demand from hospitals, as well as medical and emergency services across USA and Switzerland, the Group increased its production capacity to 100 tons.

"As a responsible company, it is critical for us to take action and demonstrate our solidarity with the local communities where we operate in these unprecedented times," commented Patrick Firmenich, Chairman of the Board, Firmenich. "This hand sanitiser allows us to protect our people and the frontline emergency staff working relentlessly to combat this pandemic. Together, we will prove that solidarity is more contagious than the virus", commented the non-family CEO of Firmenich, Gilbert Ghostine.

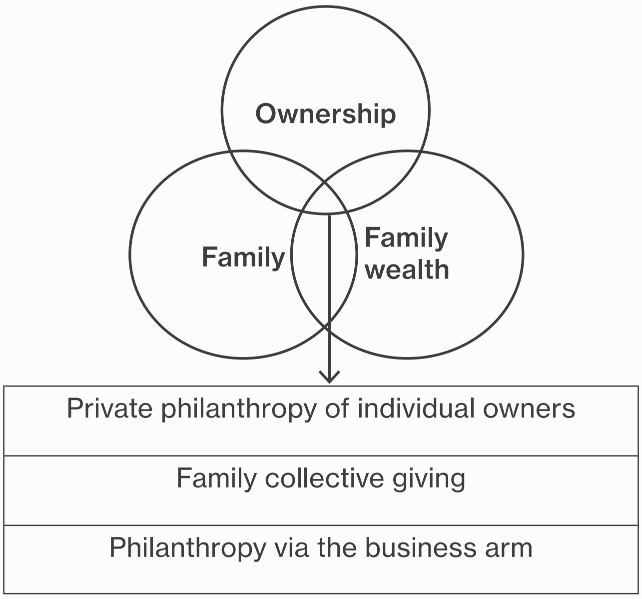
About 4 billion people worldwide use a product containing a fragrance, flavour, or ingredient manufactured by Firmenich, be it yoghurt or cereals in the morning to shampoo or fine fragrance at night.

What enabled the quick reaction of Firmenich was, on one hand, its recognition of the societal value reflected in its purpose and fundamentals as well as an inclusive capitalism business model, and, on the other hand, a remarkably resilient-to-shocks governance mechanisms model of concentrated family ownership, independence, financial prudence, long-term thinking, and skilful balancing the business and owners' needs.

3.2. Systemic Review of Family Philanthropy

Family philanthropy of entrepreneurial families is a distinctive complex summation of various philanthropic activities undertaken by the actors in the Complex Family Wealth System (CFWS) (refer to *Graph 3*). Its sophistication is rooted in the interactions of the three systems: (i) the family circle, (ii) the ownership circle, and (iii) the family wealth circle, which may include the portfolio of businesses, other assets and family boundary organisations, such as an SFO of a family museum, family foundation, etc.[17]

Graph 3: Philanthropy in a Complex Family Wealth System



Source: Own depiction, inspired by the three-circle model (Taguiri & Davis, 1992).

A comprehensive understanding of philanthropy in family enterprises requires a holistic approach. It is because family philanthropy can have a three-fold-nature: it can be practised and governed by the owners, family, and the business domains (Feliu & Botero, 2016, p. 122; Vogel, Eichenberger, & Kurak, 2020, p. 53). In particular, the following constituencies could practise family philanthropy:

- Private philanthropy of individual family owners.
- Family collective giving via e.g., family philanthropic foundation or SFO.
- Giving via the business arm, in form of e.g., business foundation, direct involvement of employees in giving, etc.

17 For more detailed information and conceptualization of the systemic approach in the Complex Family Wealth System, see the In-Depth of the WMI Impact: The Family Office's 2nd issue, titled: "Embracing the Flexibility of Governance Solutions for Complex Family Wealth Systems" by Marta Widz.

The sophistication of giving by business families relies very much on the governance of family philanthropy and the coordinated efforts of the three systems. According to a study of family foundations in the US, the impact of the foundation was shown to be primarily correlated with *effective governance structures and family members working well together,* and less so with having effective internal operations (National Center for Family Philanthropy, 2020, p. 1). The critical factor is a clear understanding of their founder's giving intent, and 75 per cent of those foundations in which the founder was involved were able to adhere very closely to that intent (National Center for Family Philanthropy, 2020, p. 5). Other main lessons on the governance of the US family foundations include:

- In a study of the family foundations based in the US, in more than 50 per cent of cases, multiple generations served on the foundation board. About 70 per cent of family foundations actively engaged the next-gen leaders to formally18 participate in grant decision-making (National Center for Family Philanthropy, 2020, p. 6)
- A global investigation of family foundations found that the *next-generation* members in families following the *in-perpetuity model* tend to serve on boards (54 per cent). For families following the *time-limited model*, the next-generation members were involved in grantmaking (28 per cent) (Campden Wealth Limited and Rockefeller Philanthropy Advisors, 2020, p. 6).
- Two-thirds of family foundation boards included non-family board members, and nearly 70 per cent of family foundations had non-family staff working for the foundation (National Center for Family Philanthropy, 2020, p. 8)

3.3. Practising Family Philanthropy

Family philanthropy is practised in distinctive ways in various cultural and institutional set-ups but there are still some universal trends that can be captured, as shown in a global study of family philanthropy:

- The most common **reasons for giving**[19] are a desire to give back to society (75 per cent), an interest in creating social change (55 per cent), putting values into action (50 per cent) and addressing social inequality (47 per cent) (Campden Wealth Limited and Rockefeller Philanthropy Advisors, 2020, p. 6).

18 The formal participation in grant decision-making includes (i) having a formal next-gen board, (iii) allowing next-gen family members to participate in grant decisions directly, or (iii) allowing some other level of participation in foundation governance (National Center for Family Philanthropy, 2020).

19 The statistics about reasons for giving, causes supported, vehicles for giving and timeframes are global statistics collected in a survey of 201 families of significant wealth from 28 countries across the globe. The largest proportion of participants in the survey came from the United States (50 per cent), followed by Europe (25 per cent), Asia-Pacific (20 per cent), and six other countries across the world (5 per cent) (Campden Wealth Limited and Rockefeller Philanthropy Advisors, 2020, p. 9)

- Some of the most common **causes supported** are education (29 per cent), health (14 per cent), and art, culture and sports (10 per cent) (Campden Wealth Limited and Rockefeller Philanthropy Advisors, 2020, p. 6). Another study of the US sample only showed that older (founded before 1970) and larger family foundations focus their giving on geography, while the vast majority of newer family foundations (those formed since 2010) focus their giving on issues (National Center for Family Philanthropy, 2020, p. 1).
- The most popular **vehicles for giving** are *family foundations* (64 per cent), followed by *direct donations* to non-profit organisations/charities (45 per cent), *donor-advised funds* (16 per cent) and *corporate/business foundations* (15 per cent) (Campden Wealth Limited and Rockefeller Philanthropy Advisors, 2020, p. 6).
- As far as philanthropic **timeframes** are concerned, the *in-perpetuity model* is more likely to be adopted (62 per cent) when the underlying intention is to be able to provide sustained and long-term support to address persistent challenges (71 per cent) and to strengthen a family's purpose and values (56 per cent). On the other hand, the *time-limited model* (32 per cent) is adopted for a desire to see the impact of giving during a donor's lifetime (30 per cent), to narrow the philanthropic focus (23 per cent) (Campden Wealth Limited and Rockefeller Philanthropy Advisors, 2020, p. 6).

Philanthropic Foundations

Today, institutional philanthropy has a global reach, with over 260,000 foundations in 39 countries, out of which 60 percent are in Europe alone and 35 percent are in North America. With nearly three-quarters of the foundations being established only in the last 25 years, the sector is still young and growing.

Over 90 percent of foundations engaged in institutional philanthropy are independent – 5 percent of these self-identify as a *family foundation*. Even though a *family foundation* is a vehicle of choice for philanthropic business families (Campden Wealth Limited and Rockefeller Philanthropy Advisors, 2020, p. 6), family foundations form a very tiny part of the overall institutional philanthropy. Despite this fact, family foundations follow the major trends of philanthropy. For example, the priorities of all foundations are remarkably consistent across the globe, with education being the top (35 percent), followed by human services & social welfare (21 percent), and health (20 percent). Further, a great majority of (83 percent) all foundations operate their own programs, 54 percent give grants, 47 percent -scholarships, and only 16 percent are involved in equity investments, 11 percent in loans, and 8 percent in impact investing.

The foundations deployed about 10 percent of their assets for charitable purposes with an average spend of about USD 1 million annually. Spending rates may be affected by legal requirements of individual countries–in the United States foundations must spend a minimum of roughly 5 percent of assets per annum– and the spending rates vary significantly across the globe. On the high end of the spectrum are the foundations in Mexico, Brazil, and Saudi Arabia that deploy on average at least USD 10 million p.a.

Source: Johnson, 2018.

Giving Effectively from Singapore to Asia-Pacific

The global statistics reveal that the practice of philanthropy and its level of maturity is highly contextualised and related to the institutional set-up of every country, its culture and norms.

For example, there are strong regional variations regarding institutional philanthropy. In the United States (96 percent) and Europe (87 percent), most foundations are independent foundations, but in Latin America (50 percent), corporate foundations are more common (Johnson, 2018). Government-linked foundations play a significant role in China (38 percent) and in the UAE (73 percent), whereas family foundations are more prevalent in Africa (35 percent) (Johnson, 2018).

Asia-Pacific as a region has not yet fully leveraged the potential of charitable grants with the number of charitable foundations being just over 13,000, compared to 260,000 foundations registered globally (Rickmers, Chan, Prakash, & Ace, 2022). The average annual family office philanthropic giving in the Asia Pacific amounted to only USD 2.7 million, compared to USD 7.5 million in North America and USD 6 million in Europe.

Like other countries in the region, Singapore is characterised by the fact that most giving does not come from private individuals and organisations but is driven by governmental schemes. The Charities Unit, also known as the office of the Commissioner of Charities (COC), which comes under the purview of the Ministry of Culture, Community and Youth (MCCY) since 2012, reports that in Singapore, over 80 per cent of the charitable foundations are linked to the government or founded by government-linked companies (UBS Global Wealth Management, 2019). Further, despite the fact that Singapore is one of the most important Southeast Asian hubs for businesses and financial institutions, its readiness for cross-border giving is currently at the medium level (Give2Asia, 2022).

In an attempt to unlock the potential of philanthropy, a series of events have been set in motion that are reshaping the Singapore philanthropy ecosystem. While jurisdictions in Asia-Pacific like Australia and Hong Kong have a strong background in philanthropy through flexible systems for advocacy and cross-border giving, Singapore is on its way to enhancing its ecosystem for country-wide and regional philanthropy.

The institutional developments from early 2023 are examples of the government's efforts to facilitate this. A new Philanthropy Tax Donation Scheme for Family Offices was inaugurally included in the Annex to Budget 2023. This scheme will allow overseas donations to be qualified for a tax deduction. In particular, donors with MAS 13O/U qualified family offices / funds, who meet the eligibility criteria, such as an incremental business spending of S$200,000, will be able to claim 100% tax deduction for overseas donations made through qualifying local intermediaries (Cua, 2023). This tax deduction is capped at 40 per cent of donor's statutory income (Cua, 2023).

This new tax donation scheme seems to be a concrete example of policy implementation aimed at boosting the status of Singapore as a philanthropic hub of the wider region. It also reinforces the words of the Deputy Prime Minister and Finance Minister, Lawrence Wong, who said in September 2022: "We will continue to do everything we can on the government side ... to change societal culture and strengthen that spirit of giving" (Han, 2022).

Other actions undertaken by the Singaporean institutional ecosystem are the many guides and tools to facilitate the philanthropy. One such is the Philanthropy Handbook – "Giving Effectively from Singapore to Asia-Pacific" (Rickmers, Chan, Prakash, & Ace, 2022) – by the Asian Venture Philanthropy Network (AVPN),[20] in partnership with the Economic Development Board's International Organisations Programme Office (EDB-IOPO).[21] It offers guidance to current and new philanthropists on how to incorporate and operate a philanthropic entity in Singapore. As such, it is a direct response to a very common challenge: how to take the first steps towards philanthropy and how to effectively navigate the broad spectrum of engagement possibilities in philanthropy.

20 The Asian Venture Philanthropy Network (AVPN) is a social investment network that helps funders and resource providers collaborate in moving capital towards impact (AVPN, n.d.).

21 The Economic Development Board's International Organisations Programme Office (EDB-IOPO) engages with international NGOs, foundations and philanthropic organisations seeking to establish a presence in Singapore (Singapore Economic Development Board (EDB), n.d.).

Another example is the Wealth Management Institute (WMI)'s guide on the Donor-Advices Funds (Wealth Management Institute (WMI), 2022), which are gaining on popularity among the philanthropists in Singapore, the Wealth Management Institute (WMI)'s Certificate in Philanthropy and Social Impact educational programme as well as as this issue of WMI Impact: The Family Office Journal, devoted to family philanthropy.

Singapore has what it needs to become a regional hub for philanthropic giving: FOs and other (philanthropic) investors are well-positioned to test their philanthropic investing acumen here before scaling up and bringing them to the larger region. "Funding social innovation that can test urban solutions [to be] adapted and shared with other cities abroad", is exactly what Melissa Kwee sees as a major opportunity.

4. Bringing Family Philanthropy to the Next Level

Contemporary philanthropy has been undergoing a dramatic revolution over the last two decades. Driven by the high awareness of global challenges it has reached other disciplines to become *strategic and impactful*.

4.1. Strategic Philanthropy

Strategic philanthropy is "evidence-based and uses creative planning, agile execution and diligent follow-through in order to achieve intended results" (University of Cambridge Judge Business School, n.d.). As such, it takes the best from the corporate world strategy and structure (KPMG Private Enterprise, 2021, p. 11). *Philanthrocapitalism* or *philanthropic capitalism*[22] is a way of organising and managing philanthropic activities in a business-like manner, based on the premise that "private wealth can advance public good by applying entrepreneurial skills, speed, and score-keeping to our most persistent challenges" (Clinton, 2010, p. vii).

22 The term philanthrocapitalism was coined in a book titled "Philanthrocapitalism: How the Rich Can Save the World" in 2008 (Bishop & Green, 2010).

Framing philanthropy as a strategic activity spurred the emergence of various tools that help to align resources for maximum impact. One such tool is a Philanthropy Framework (refer to *Graph 4)*, recently developed by the Rockefeller Philanthropy Advisors, for any type of emerging or established philanthropy, whether in the form of a foundation, trust, funder collaborative, LLC, donor-advised fund or direct giving (Rockefeller Philanthropy Advisors, 2019, p. 5). It comprises three core elements:

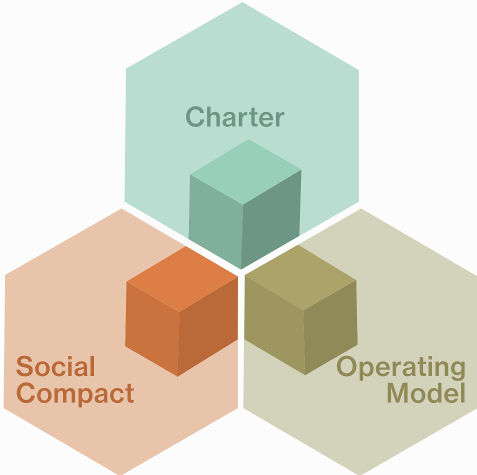
- The *Charter* is the organisation's scope, the form of governance and the decision-making protocol. The organisation's charter hence should reflect how decision-making methods enmesh with the organisation's founding ideals, as well as what is the strategic positioning (including the culture, formal guidelines or rules, breadth of mandate, time horizon and focus on the present versus the past) of the business.

  Global statistics show that in Europe, *strategic decision-making* generally lay with family heads or founders (60 per cent) rather than other family members (48 per cent). In the United States, other family members (65 per cent) held most of the decision-making power followed by founding donors (54 per cent) and trustees (29 per cent). In the Asia-Pacific, family heads or founders were dominant decision makers (62 per cent), followed by trustees (57 per cent) and other family members (31 per cent) (Campden Wealth Limited and Rockefeller Philanthropy Advisors, 2020, p. 6).

- *Social Compact* is the implicit or explicit reciprocal agreement of the business with the society about the value philanthropy creates, one that gives it a license to operate. It should be built based on the review of the following six dimensions: (i) accountability, (ii) legitimacy, (iii) transparency, (iv) direction of influence on society, (v) independence and interdependence, and (vi) approach to risk.

- *Operating Model* is the approach to the resources, structures and systems needed to implement a strategy. The operating model reflects the specific resources, activities, costs, and relationships at an organisation's disposal for carrying out its strategy. Because it could be different for its different philanthropic activities, every activity should be designed based on six key capabilities: (i) resourcing: buy vs. build, (ii) decision-making: centralised vs. decentralised, (iii) initiative: proactive vs. responsive, (iv) flexibility: creative vs. disciplined, (v) programming: broad vs. deep, (vi) relationships: networked vs. independent.

Graph 4: Philanthropy Framework



The Framework is comprised of three core elements:

- **Charter,** the organisation's scope, form of governance and decision-making protocol
- **Social compact,** it's implicit or explicit agreement with society about the value it will create.
- **Operating model,** the approach to the resources, structures and systems needed to implement strategy.

Source: Rockefeller Philanthropy Advisors, 2019, p. 5.

4.2. Towards Modern Philanthropy

Modern philanthropy is moving towards harmonising business goals and sustainability goals and is a result of the shift in the paradigm of giving, from the duality of *make money – donate money* towards *harmonised philanthropy* where there is no such clear distinction. Family foundations are increasingly supporting industry infrastructure, influencing policy or micro-finance, which are all aimed at creating long-term solutions rather than granting money to eliminate the acute problem in the immediate present.

Further, the recognition of the need for an inclusive economy in the finance world has resulted in the development of a spectrum of investments (refer to *Graph 5*) (Centre for Impact Investing and Practices, n.d.), wherein philanthropy takes many shades and includes:

- *The traditional philanthropic approach,* e.g., grants, donations and volunteerism, charity, which is the act of giving directly to relieve suffering and social problems (OECD iLibrary, 2020), or advocacy through public education campaigns and business coalitions, or funding research for innovation.

- *Venture philanthropy*[23], a high engagement and long-term approach that supports an organisation through financing and non-financial means to maximise its social impact. Compared to venture capital, venture philanthropy aims at longer periods of investment, often up to 7-10 years, and has no clear-cut exit. Further, venture philanthropists show high engagement with the investment portfolio and bring "non-financial support in areas such as technical assistance, market development and the development of core capability (e.g. through the provision of unrestricted funding), along with financial instruments such as smart subsidy, guarantees and soft loans" (OECD netFWD, 2014, p. 10).

Singapore-based LEAP201 in the space of venture philanthropy

With abundant family wealth, earmarked for philanthropic purposes, at their disposal, family offices (FOs) have become the natural choice for driving modern philanthropy. One such example is Singapore-based LEAP201 (LEAP201, n.d.). It is an FO's venture philanthropic organisation that was established in 2015 as an NGO and became a self-sustaining organisation with its own governance system, including a board. Its seed funding came from LEAP201's Chairman, Michael Lien, who is also the chair of the Wah Hin Family Office (LEAP201, n.d.). LEAP201 supports Southeast Asian small and medium-sized enterprises (SMEs) (The Organisation for Economic Co-operation and Development, 2005) in the fields of agriculture, water and energy and financial services industries through debt loans with ticket sizes ranging from 250,000 to 500,000 USD at competitive, below-market interest rates. LEAP201 has also initiated the "Care4MigrantWorkers" program that advocates for mandatory medical insurance coverage for migrant workers in Singapore (LEAP201, n.d.)..

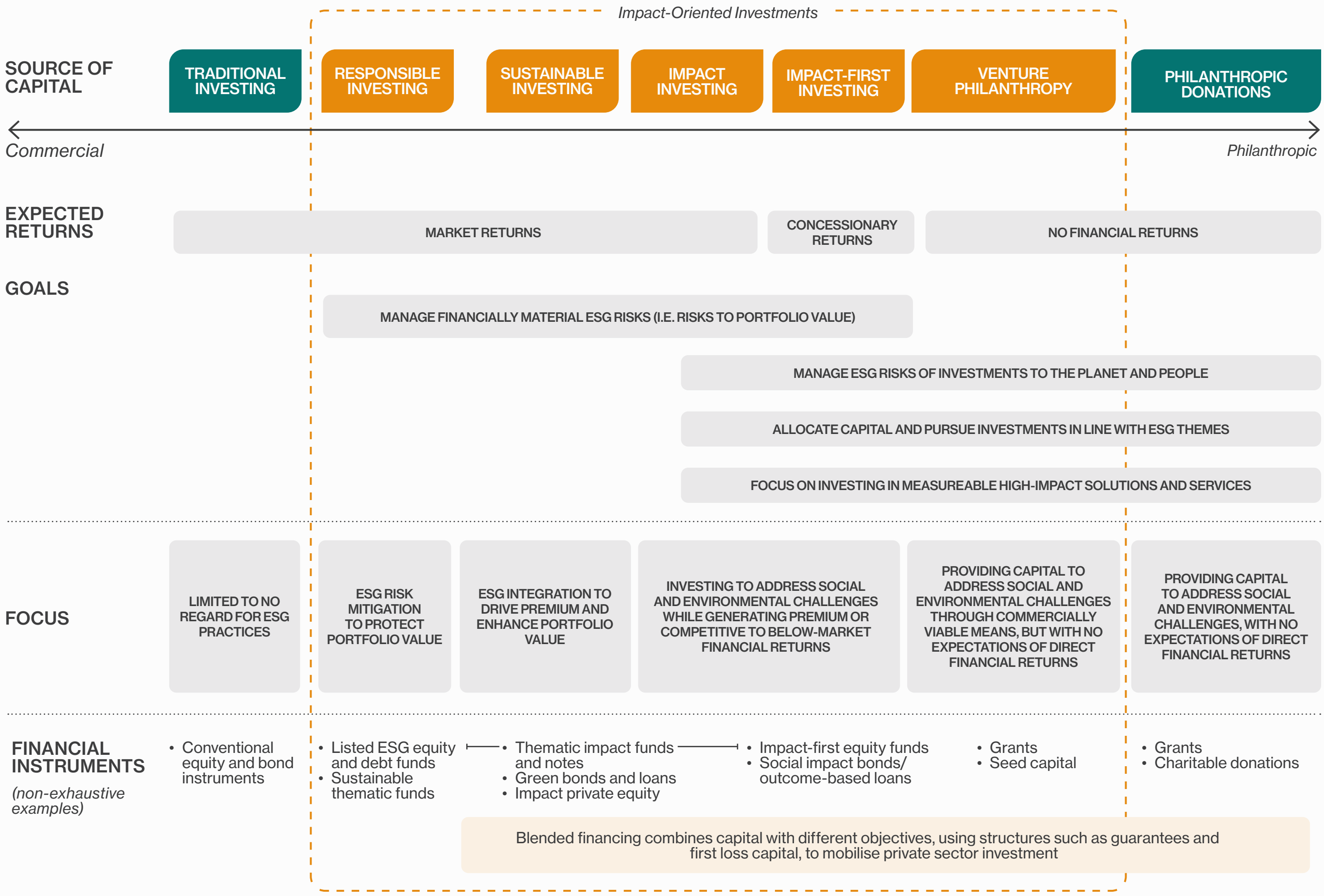
- *Impact investing,* a term coined in 2007 by one of the best-known philanthropic organisations – the Rockefeller Foundation.[24] The number of family foundations currently engaged in impact investing has doubled since 2015. This is a growing trend with nearly 30 percent planning to expand to this type of investing (National Center for Family Philanthropy, 2020, p. 4).

23 Venture Philanthropy (VP), sometimes also referred to as angel philanthropy, enterprise philanthropy or catalytic philanthropy, is an entrepreneurial approach to philanthropy that combines a variety of financial and non-financial resources to identify, analyse, co-ordinate and support self-sustaining, systemic and scalable (for capital, venture philanthropy aims at longer periods of investment, often up to 7-10 years, and has no clear-cut exit. Further, venture philanthropists show high engagement with the investment portfolio and bring "non-financial support in areas such as technical assistance, market development and the development of core capability (e.g. through the provision of unrestricted funding), along with financial instruments such as smart subsidy, guarantees and soft loans" (OECD netFWD, 2014, p. 10).

24 The Rockefeller Foundation coined the term impact investing when it convened meetings to discuss the creation of a new global investment industry focused on achieving purposeful and positive social and environmental impact, as well as connecting financial markets with the real economy by supporting organisations that create benefits besides financial returns (Jackson & Harji, 2012).

The impact landscape spans a spectrum of approaches and strategies (refer to *Graph 5*), but the trend is clear: The number of social investment mechanisms is growing among foundations, who are increasingly deploying loans, equity investments, or impact investments for the pursuit of philanthropic goals (Johnson, 2018, p. 28).

Graph 5: Spectrum of Investments



Source: Centre for Impact Investing and Practices (Centre for Impact Investing and Practices, n.d.)

4.3. Towards Leading Edge Trends in the Practice of Family Philanthropy

The *new global trends in philanthropy* also include multi-stakeholder efforts, in which different stakeholder groups like businesses and investors, policy-makers, charitable organisations, and philanthropists are collaborating to ensure maximum impact. One of its forms is the use of blended finance where public capital gets a boost from private capital which is seeking both financial returns as well the gratification of having contributed toward the greater good (Vogel, Eichenberger, & Kurak, 2020, p. 9). Other forms include:

Collaborated and Pooled Funding

The practices of collaborated and pooled funding allow the donor to significantly increase the impact and scale of giving. Collaboration can occur at various levels – through knowledge sharing, through funding of a trusted organisation, co-ordinated funding with other donors, and/or aggregating or pooling funds to create large-scale impact in a shared focus area (issue funds) (Stanford PACS Centre on Philanthropy and Civil Society, 2020, pp. 198-203). Collaboration might occur between peer foundations or may also take the form of public-private partnerships. In a recent study among over 7,600 foundations operating out of 13 countries and Hong Kong, 42 percent of respondents reported that they collaborate with other philanthropic institutions.

Trust-Based Philanthropy and Participatory Philanthropy

Both trust-based philanthropy and participatory philanthropy seek to increase the effectiveness of resources by engaging with the ultimate beneficiaries and facilitators by listening and being responsive, increasing the efficiency of the due diligence process, imposing reasonable monitoring and evaluation criteria, providing non-financial assistance and in the case of participatory philosophy also shifting decision making to the non-profits, and the communities they serve (Stanford PACS Centre on Philanthropy and Civil Society, 2020, pp. 223-243) .As a result, both approaches address the power imbalance between the granter and the grantee by giving more autonomy to the beneficiaries through systematic, organisational and interpersonal means for a more equitable non-profit ecosystem (Stanford PACS Centre on Philanthropy and Civil Society, 2020, pp. 223-243).

Family Offices in Singapore and Philanthropy

As the family office sector in Singapore and across the world professionalises, principals who wish to manage all their financial and purpose-driven interests will increasingly be able to do so under the roof of an SFO. This can enable them to embrace the whole impact landscape that spans a spectrum of approaches and strategies, from financial-driven approaches, through purpose-driven capital to pure philanthropic giving (refer to *Graph 5*).

The numerous changes in its institutional ecosystem have recently geared the future of FOs operations in Singapore towards an impact-driven philanthropic direction.

- For example, the release of the new Skills Framework by IBF and MAS, that now approaches philanthropy as one of the Technical Skills and Competencies (TSC), is expected to facilitate the building up of competencies among family office advisors and finance professionals on how to “coordinate, plan and advise on philanthropic framework and objectives as part of overall wealth planning goals” (Institute of Banking and Finance, 2021).
- Scheduled to be launched in March 2023, is the Impact Philanthropy Partnership (IPP) of the Wealth Management Institute (WMI), Monetary Authority of Singapore (MAS), and the Private Banking Industry Group. The IPP will bring together family principals and offices to collectively tackle society’s most pressing challenges and issues in the space of philanthropy and impact.
- It will be an open platform that is industry-wide, tapping the collective expertise of the ecosystem, and will create a dedicated series of philanthropy programmes and events that serve to raise awareness and build engagement among wealth owners in Singapore and Asia.
- Further, new regulations regarding tax incentives, and tools were introduced, which – when managed smartly and seen as a force to decrease the entry barriers into modern philanthropy – can be leveraged to the advantage of the FOs and foster their way towards the whole spectrum of philanthropic and purpose-driven capital in Singapore and the region.

As Asia’s top finance hub, Singapore can harness global trends and create partnerships between finance experts and innovators to engineer the most contemporary philanthropy in the region. Many bottom-up initiatives are already underway. For example, in 2020, Give2Asia[25] partnered with the Asia Philanthropy Circle (APC) and the King Baudouin Foundation (KBF),[26] which is co-funded by the Bill and Melinda Gates Foundation[27]. Together, they engaged in a year-long study on the mechanisms to increase philanthropy across borders in the Asia Pacific (Agarwal, 2020).

With that, Singapore may grow its potential as a leader in philanthropic capital across the Asia-Pacific region, and FOs may become important players in the philanthropic landscape across Asia and beyond.

25 Give2Asia is a public charity based in the U.S. that connects donors such as corporations and foundations to local charities in Asia (Give2Asia, n.d.).

26 The King Baudouin Foundation (KBF) is one of Europe’s leading foundations that promote global and cross-border philanthropy in all fields of public interest (The King Baudouin Foundation, n.d.).

27 The Bill and Melinda Gates Foundation is a non-profit organization committed to fighting global poverty, disease and inequity through philanthropy (Bill & Melinda Gates Foundation, n.d.).

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