



TRUSTED FAMILY

# SOCIETAL IMPACT.

How to engage your family to go beyond giving back to society in a philanthropic way – ideas from a discussion among families.

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## EXECUTIVE SUMMARY

We recently held a workshop with a number of our families on how to engage family members using societal impact. These were some of the themes that came out. They all reflected a willingness to go beyond giving back to society in a philanthropic way, and become actively engaged in the impact that their giving is making.

In this brief white paper, we will be talking about the key reasons that families choose to turn to philanthropy, societal impact and impact investment, and the different ways in which they chose to do this. We will be looking at some ways in which it can be made to work – offering practical advice – and answering a key question: how does all this lead to family cohesion?

At Trusted Family, we work with 90 families in over 25 countries, providing them with ways in which they can engage their family members through communication and education. We provide them both with an answer to “what” they should do, but also to “how” they should do it.

The question we most often get asked is “how do I engage other family members”. As part of our search to answer this for our clients, we believe societal impact is a key way to increase engagement and by extension cohesion in families.

## WHY SOCIETAL IMPACT?

The impetus for a push into societal impact is quite unique to each family. Often, what we've seen across our ninety families is that there needs to be a vanguard – quite often the next generation – that is willing to experiment, take intelligent risk, and show the way.

But this in itself is not enough. The family itself needs to be accepting of this type of risk taking, and needs to allow the vanguard the space and the starting funds to have a reasonable chance at success. More importantly, perhaps, the current generation needs to offer their expertise – something that the next gen often craves, but is either unable or too nervous to ask for, for fear of being seen as incompetent, or simply because they do not know who in the family has the right expertise to help them.

Whilst families engaging in societal impact are often arriving there having already had some activity in the philanthropic field, this is not always the case. Marc Flammang, an impact investment expert who joined us on our panel, identified four main reasons that the family would turn to societal impact:

1. No inheritor – if the family leaves no family inheritor, a fund is often created to take care of the legacy of the family.
2. A loss/tragedy – an unexpected family tragedy (e.g. a spouse dying of cancer) can bring people to create foundations for specific causes, which then lead on to SI activity in the search to be economically self-sufficient as a trust or charity.
3. Inspiration – families can be inspired by other families, and seek to find their own ways to forge an identity.
4. Abundance – if a family has a lot of money, for example in the form of dividends, they often look to do this as a way to create meaning for the members.

In the case of our families present, there was indeed a mix of motives. One of our panelists was motivated by cohesion in the family – since they no longer have control of the family business, they required something else to give them common purpose. Another panelist family made the conscious decision, after the sale of the company, to disperse the money generated by the sale within 10 years. However, they found that they could make decent returns on their money as well which made them look for a model that was more sustainable, and arrived at societal investment as that model.

In general our societal impact advisors observe a huge shift in motivations regarding why families are getting engaged. The shift is from the more traditional motivations of religion and legacy building to a next generation that is motivated and enthusiastic to use part of the family's resources to contribute to solve important social and environmental challenges that threaten the well being, if not survival, of our future generations.

## MEASURING IMPACT

That's all very well, said the audience, but how can you quantify the amount of "societal impact" you make? A good question, since there is a whole cottage industry that has grown up to try to take the money of those unfortunate enough to want a fully scientific way to measure impact. Unfortunately, there is nothing as well worked out as a company share price and ROI to measure the return on societal impact. That doesn't mean to say it is tricky though. Our panelists agreed that it was actually quite simple to measure impact.

1. Choose only to look at impact that you know is directly related to your activity.
2. Choose a simple measure. In the case of one of our families, "N=1". If you have affected one person well, then that is in itself a substantial measure of success. Keep it simple.

However, we have seen in our societal impact advisory for families that the professional measurement of impact needs a customization of the existing market standards (SROI, GIIRs, IRIS, logic models, etc.) to fit the needs and constraints of their engagements. Those families who want to go beyond just measuring the impact of single engagements, and include learning sessions and feedback loops to constantly improve the results and manage the impact towards their strategic goals, need to think through their engagements in more holistic ways even before the measurement topic comes up. What we observe in the current practice of measurement of societal impact is quite diverse in terms of ambition level and professionalism.

*"Be satisfied with success in even the smallest matter, and think that even such a result is no trifle". Marcus Aurelius, Meditations.*

## WHAT DOES IT TAKE TO MAKE IT WORK?

It's a tough program, it takes time, and it is a process. That was the general agreement from the families present. However the rewards are worth it, as it is one of the main things leading to cohesion in the family. Not everyone is going to be interested in whatever the family business does – social engagement is something that both piques family members' interest and allows them to explore their own passions and drive. This can be supported by the family, but also provides excellent opportunities for a family member to find their own way.

One of our families sends their next gens on gap years with international organizations, provided the children come up with some of the funding themselves (they have to raise the money, not be given it), and they have to go with one of their peers. Another of our families organizes trips to see their projects face-to-face, to give some deeper meaning to the money that is being invested, and the returns being generated.

So how to make it work? Here are some tips from the discussion:

1. One person should be in charge – taking accountability for the drive and success of the program.
2. That person should be supported by a multi-generational committee to help execution and gather ideas. The committee must be given a budget to execute, or it has no power and nothing will get done.
3. Search out experts in the field that can help guide you in the process, and talk to other families – gather experience and inspiration.
4. Make decisions through the family council and advertise these at the family meetings, so that family members know what is being engaged in and whether they can help.
5. Create a project plan to execute on at least a year's worth of ideas and execute on those plans.
6. Don't get discouraged if only a few people sign up for the initiative to begin with. Where they lead, others will follow.
7. Your legal advisors can help you set up a trust or foundation or fund in the best way depending on legal structures around where you are.
8. How do you deal with volunteers? In the case of one family, the volunteers are noted and kept in a "pool" where their expertise can be drawn from as the situation arises. Generally, there are usually too few volunteers for the number of issues arising. The volunteers are paid a token amount, but you have to watch out that the volunteers don't just use the assignment they are given as an opportunity for personal enrichment. Vet your candidates!

The experience of the Trusted Family Societal Advisory team is that more and more families manage their societal impact engagement as professionally as they would manage their business(es) or other key family topics, e.g. governance, ownership strategies. This very often implies that families have done three things.

1. They have developed a dedicated societal impact education program for their family members
2. That they have developed a "Societal Impact Strategy" for their family answering the "why", "what" and "how" of their societal impact engagement.
3. And last but not least, they have sought the advice of Trusted Family's societal impact team around a professional implementation on the ground in different regions and how to communicate this so that as many family members as possible get engaged in these activities.

## DO SOCIETAL IMPACT INITIATIVES LEAD TO COHESION?

Two of the families present use societal impact specifically to tie family members to a united cause given that they no longer have large family businesses to unite them. So far, this is working well, but it is a long and at times difficult process. The results are worth it though,

both in terms of the results the work has, and also in the way that family members come together to share skills and networks.

## HOW TO GET THE FAMILY ENGAGED

One question that arose was that of engagement. In the case of one family, only about 25 people out of a possible 100 were engaged on a consistent basis. After some discussion, the following emerged as some key points from this specific situation:

1. It is normal – there is always a vanguard, and even where something is popular only a small segment of the population will be actively engaged all the time.
2. For those that are less engaged, the question isn't "what can be done to engage them" as much as "why are they not engaged?" It is a vital difference. If you go out and ask your family members why they are not engaging, you might get vitally important answers: they may not feel comfortable talking about certain topics, they may not have had the best prior experiences dealing with the family, or they may simply not have the time. This will allow you to answer the previous question better: "what can be done to engage them?" Remember: you will be competing for their attention and time, so appeal to their self-interest and ego. The more things you do that directly relate to their interests, the more interest you will have from family members.
3. In some cases, our families sought to relate their SI practices directly to the CSR initiatives of their companies, as they felt they could do more with a large company backing their initiatives.

## CONCLUDING REMARKS

As one of our panelists said: It is very important to understand what you are doing, and the context in which you are doing it, otherwise you can make quite big mistakes.

Make sure that whatever you engage in, you do so with a lot of knowledge backing you up. If your interests are not in your geographic area (e.g. if you are particularly interested in helping South American orphans), then make sure that you have someone on the ground in the area you will be operating in. Ideally, that person would be the head of the committee. If that is not possible, delegate to another family member.

Lastly, make sure that whatever process you engage in to choose a cause and execute a program is fair.

And remember – the few will pull the many.



## TRUSTED FAMILY

Trusted Family is based on the belief that families can create greater financial as well as non-financial value through increased cohesion between their members.

Our goal is to help families go beyond merely staying together, and to enable them to systematically identify and leverage their unique family assets.

To accomplish this goal, we have built a set of solutions, which enable families to measure, track and manage towards internal cohesion.

At the heart of our approach is a purpose-built, modular and secure online platform. This, coupled with our family business expertise, equips us to deliver platform based advisory services across communication, education and societal strategies - the three key drivers of cohesion

Trusted Family was created and is majority controlled by some of its client families. Today, more than 90 progressive business families across 25 countries share our vision for the future of the successful family. Should you wish to find out how to join this rapidly growing movement, contact us for a preliminary consultation.

**If you have any comments or would like to discuss matters raised in this paper:**

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