

Family foundation philanthropy in an international context – an expression of personal, family and/ or the social and cultural values of their time?

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Introduction

This paper¹ aims to provide a comparative international assessment of the private philanthropy of major donors and their families in the new global era by focussing on giving through family foundations. It also provides some international perspectives on the emergence and role of charitable family foundations as a form of philanthropy.

The role of major donor philanthropy in the changing environment of global wealth creation and emerging social need has been of significant economic and policy interest to governments, fundraisers and beneficiaries alike. Initiatives such as Bill Gates' huge donations for world health problems and major donor involvement inner-city schools in the UK and universities in Germany, for example, prompt questions about its influence on modern public welfare provision. Of significant financial interest are questions of whether recent global wealth has led to a new and growing wave of philanthropic support for civil society initiatives, what our expectations should be², how sustainable such funding is post-recession and whether its current tax treatment is effective?³ (See for example, McKenzie and Pharoah, 2009)

However, in spite of their importance and the media interest they have attracted, outside the US there are only a few pieces of systematic research and analysis on this topic⁴. In the UK authoritative lists of major gifts are not made available through tax records, as in the US. Private measurement initiatives remain fragmented and patchy. The annual UK Sunday Times Giving Index, for example, combines figures for new gifts and endowments, giving through existing foundations and pledges or future commitments. Its buoyant results for 2008, for example, are not reflected in government data on gift aid tax reclaim for that year. Major donors are not captured in the sector's own and other market research surveys of giving amongst the general population. But without more national and internationally comparative measures, it is difficult to track trends in family foundations' financial and social contribution to global social needs. This paper presents the results of new research on family foundation spending.⁵ Family foundations are only one way in which major donors express their philanthropy. Many, for example, give directly to the causes they support, or establish charities with specific missions such as Cool Earth founded by Johan Eliasch. Given the lack of systematic data on major giving, however, family foundations provide one track which can be monitored because of regular formal annual reporting. They have a significant role in the philanthropy of entrepreneurs

(Danco,1990) affording retiring business owners a new challenging career.⁶ Hogan highlights the establishment of family foundations as a popular US ‘family activity’ over the last decade⁷. It can be estimated that family foundations account for around 38% of all charitable foundation spending in the UK⁸, and 17% in the US.⁹

Methodology

This research updated annual trends in annual family foundation charitable spending established in 2008.¹⁰ It also for the first time compiled innovative data on uniquely *family* foundation philanthropy in Italy and Germany, countries which presented contrasting continental European perspectives to foundations in the UK and US. Two major methodological challenges were:

- differing national definitions and concepts of ‘family foundations’.
- the difficulty of obtaining data in Germany and Italy where public reporting is not mandatory.

Definitions and concepts The basic working definition of charitable family foundation for the research was

an independently- governed institution, with large private assets (often a permanent endowment) used to promote public good, and initially founded by the personal gifts of a family business or other fortune (often still with the donor or family members on the board of directors).

Challenges to identifying comparable institutions for study arose from fundamental differences in the UK/ US and continental European foundation models. In the US and UK all charities and foundations simply have the legal character of ‘charitable trusts’, representing donations made and protected by trustees in perpetuity for charitable purposes. In contrast, foundations in continental Europe have distinct legal forms driven by varying relationships with the state, church and commerce. Their diversity has led the European Foundation Centre (EFC) to state that ‘developing a (common) typology (of foundations) for Europe as a whole presents a challenge. This is due to the many languages and cultures, the different legal/fiscal environments from one nation to the next’.¹¹ It has been noted elsewhere that in continental Europe ‘legal categories have not distinguished sharply between public and private sectors, and there have not been well-delineated boundaries between operating charities and foundations’¹². One of the main differences resulting from this is that while UK/ US foundations are principally grant-making organisations, many European foundations are ‘operating’ organisations, with funding and assets from a mixture of sources. (See Anheier, 2001, for a fuller discussion of foundation structures.¹³) In practice this meant that the first step for the research was to develop a comparative framework for selecting comparable institutions, and then carry out considerable scrutiny of individual accounts. The research was therefore in part a feasibility study.

Sample A restriction to the largest 100 organizations by charitable expenditure in each country, a substantial sample by value because of the financial dominance of a

few large foundations in each country, made the project feasible (although it still proved impossible to collect full data on Italy or Germany within the resources of the project).

Timescale In principle only family foundations established from the latter part of the 19th century were included.

Sources Data for the US, UK and Germany was derived almost entirely from the most recent secondary published sources, and mainly covers 2006 and 2007 accounts, though a few are earlier.¹⁴ Some of the German charitable expenditure figures were indicative only. Data for Italy was gathered mainly from primary survey work, but many foundations did not want their figures to be published.¹⁵

Financial selection criteria While family philanthropists work in both financial and non-financial ways, the criterion for inclusion in this research was the level of family foundation charitable expenditure or 'spending' (also referred to as 'giving' or 'philanthropy'); this includes charitable expenditure on grants to organizations and individuals as well as running operating programmes.

Empirical results

Dominance of a few large foundations by country

In spite of huge national differences in political, historical, legal and fiscal contexts, strong traditions of family foundation philanthropy were identified in all countries. Table 1 below lists a few of the largest charitable family foundations by country, whose names in themselves reveal the dominance of successful national business entrepreneurs, past and present. The UK table, for example, is headed by foundations whose founders made their fortunes several decades ago in pharmaceuticals and supermarkets. The German and US tables contain foundations set up on the back of profits won in the newer IT and communications industries, and the Italian table contains foundations based on the success of its car industry as well as a world-famous fashion brand.

The top five overview shows that, excluding the outlying Wellcome Trust and Gatsby Foundation (which has received huge recent gifts from Lord Sainsbury, who is giving away a large part of his fortune), patterns in charitable spending at the top end of the UK and German tables are broadly similar. But neither of these countries can compete with the foundation giants who head the US table.

Table 1 Largest five charitable family foundations by country

Note: Where dates are missing, it means that figures are indicative only.

	Charitable spending	Year	£
UK	£ million		
Wellcome Trust	472.7	Sep-07	472.7
The Gatsby Charitable Foundation	117.2	Apr-07	117.2
The Leverhulme Trust	40.4	Dec-07	40.4
Garfield Weston Foundation	39.5	Apr-07	39.5
The Wolfson Foundation	35.5	Apr-07	35.5
Germany	€ million		
Bertelsmann Stiftung	77.5	2008	61.4
Robert Bosch Stiftung GmbH	75.9	2008	60.1
Bruderhaus Diakonie Stiftung Gustav Werner und Haus am Berg	45.6		30.9
Fürst Donnersmarck Stiftung zu Berlin	30.9		20.9
Software AG Stiftung	30.6	2006	20.7
Italy	€ million		
Fondazione Giorgio Cini	5.0		3.4
Fondazione Pierfranco e Luisa Mariani ONLUS	4.1		2.8
Fondazione Giovanni Agnelli	2.6		1.8
Fondazione Benetton Studi e Ricerche	2.0		1.4
Fondazione Silvio Tronchetti Provera	2.0		1.4
US	\$ million		
Bill and Melinda Gates Foundation	2,845.7	Dec-06	1,519.9
Lilly Endowment Inc	352.3	Dec-06	188.2
The Annenberg Foundation	273.4	Jun-06	146.0
The David and Lucile Packard Foundation	238.2	Dec-06	127.2
Gordon and Betty Moore Foundation	231.2	Dec-06	123.5

Comparative charitable expenditure in the UK, US, Germany and Italy

Considerably more information was available in Germany than Italy, and it proved impossible to collect and publish data on the largest 100 family foundations in Italy. Figures on just 23 foundations were obtained and included in the analysis, providing a partial glimpse of family foundation charitable spending. Some summary findings are set out in Table 2:

- the charitable expenditure of the largest 100 UK family foundations was worth £1.2 billion in the 2006/07 pre-recessionary year: this compared with £1.02 bn for the previous year, a real-terms increase of 10% in real terms;

- growth in the US in 2006/07 was 33.5%; however, this high US result was largely due to the major gifts of Warren Buffett to the Gates Foundation: if these are excluded from the data, the growth rate in the US goes down to 8.4%;
- the largest 100 German family foundations had a charitable expenditure of £491 million, equal to 42% of the UK figure, but 84% if the large Wellcome and Gatsby foundations, which significantly inflate the UK figures, are excluded;
- data for Italy was less complete, but revealed that 12% of foundations are family foundations and that their combined charitable spending was a minimum of €90 million;
- charitable family foundation expenditure in the UK, Germany and the US ranged from 0.03% - 0.1% of GDP, a fairly narrow range providing evidence that such philanthropy has a relatively similar significance in countries with very different historical traditions and patterns of wealth.

These comparative results demonstrate that charitable family foundations are a valuable indicator of trends in major philanthropy in different countries, and that certainly before the recession, levels in the UK and US were growing strongly. Results for UK compared well with those for the US. The results for Germany are particularly interesting given that the post-war years in East Germany undermined the role of private philanthropy and that benefits were largely provided by the state and by corporations.

Table 2 Comparison of charitable spending of largest charitable family foundations UK, Germany, Italy, US

	No of foundations	Total charitable spending (million)	£ equivalent (million)	Family foundation charitable expenditure as % of GDP
UK	100	£1,174.0	1,174.0	0.1%
Germany	100	€724.8	491.2	0.03%
US	100	\$7,049.4	3,765.1	0.05%
Italy	90	€90.0*	61.0	n/a
Total	390		5,491.3	

*See footnote 15

Common themes across countries and cultures

Charitable family foundation philanthropy has not only found a role in many different places and times, but is continuing to do so, in spite of different, social democratic, traditions within continental Europe which have meant stronger emphasis on public redistribution of wealth, and some distrust of private

foundations. It is therefore tempting to explore the particular characteristics of family foundation philanthropy, whether and how it is (or becomes) embedded in different contexts, and what drives its growth under different circumstances. The country overviews and case-studies in the research, which aimed to illustrate key contextual developments and features, provided sufficient evidence to indicate that further systematic international comparison would provide a rich and valuable seam of research. One of the most striking points to emerge was the capacity of family foundation philanthropy internationally to combine both personal and family meanings with motivations with those which were ethical, social or corporate.

Families and relationships

Ostrower 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)¹⁶. Surviving relatives and others even carry on relationships with particular recipients after the donor's death. There are many examples of strong personal relationship patterns underlying foundation formation. One is the German Carl Zeiss Foundation, founded by physicist Ernst Abbe (1840–1905). The parent-company founder, Carl Zeiss, almost a generation older than Abbe, made his close friend Abbe a shareholder in 1875. Abbe and his wife Else had already founded the 'ministerial fund for scientific purposes' in 1886, to give anonymous financial support to the University of Jena. The original intention to endow the university with Abbe's shares was not possible in law. So, in cooperation with representatives of the government, the idea of a foundation was born. Between 1889 and 1919 the foundation became sole owner of the two companies Carl Zeiss and Schott. After Zeiss's death, Abbe took over his shares and transferred them gradually to the foundation. Eventually, Schott's shares were also transferred to the foundation.

UK examples include the philanthropy of the Rausing family, and of the Cooper-Hohn family. Gad and Hans Rausing moved to Britain when their father, Ruben Rausing, who founded the family company, died. Hans sold his huge shareholding to Gad in 1996, becoming the richest person in Britain at that time, as none of his children – Hans, Lisbet and Sigrid – wanted to run the business. Gad, his wife and all of their children have been strongly involved in philanthropy. Sigrid initially set up the Ruben and Elisabeth Rausing Trust with her share of the family wealth in 1995, in memory of her grandparents. In 2003 the trust was renamed the Sigrid Rausing Trust, reflecting a new focus on Sigrid's own concerns.

Another example of a close relationship between personal, business and philanthropic activities is the Children's Investment Fund Foundation (CIFF), set up by Chris Cooper-Hohn, who transferred into CIFF a large portion of the assets acquired through TCI, the hedge-fund firm which he established in 2003. These assets were then largely reinvested in TCI, to generate funding for the foundation. So far around £800 million has been placed in the foundation, which his wife Jamie Cooper-Hohn runs.

The Conrad N Hilton Foundation was established in 1944 in California by hotel entrepreneur Conrad N Hilton. It became the principal beneficiary of his estate when he died in 1979. The foundation's president and chief executive officer is Steven M Hilton, the founder's grandson. Steven's father, Barron Hilton, is chairman of the board. The family holds a majority of the seats on the board; currently two second-generation and four third-generation family members are serving. In accordance with Conrad N Hilton's last will and testament, the foundation seeks to alleviate the suffering of the world's most disadvantaged children and adults.

Ostrower also points out that, beyond the family individuals derive prestige from their identification with organisations and the elite networks with which they are associated. An example of this is the Italian Giovanni Agnelli Foundation, created by the Agnelli family with personal and company funds earned through Fiat. The creation of the foundation was strongly supported by Giovanni Agnelli, grandson of the Fiat founder, who had a long-term friendship with Henry Ford II. Giovanni Agnelli was president of the foundation until 2003. Since its inception, the foundation has created a large and international academic research community to contribute to the formation of new policies in Italy, which still supports the foundation's operating programme today.

Political and economic factors

Family foundation philanthropy has evolved and persisted through very different political contexts, sometimes a response to these. Robert Bosch was outraged by the sacrifice of human lives during the First World War, and directed a considerable share of the profits from the huge expansion of his company under German military mobilization towards foundations. Like Ernst Abbe, the pragmatist Bosch had a strong vision of combining a socially committed market economy with entrepreneurial efficiency and social responsibility. Bosch and Abbe, like Joseph Rowntree in the UK, initially created foundation structures to protect the living, working, social and economic welfare of their own employees, and then developed their philanthropic investments to promote wider social reform.

The political context led to foundation independence in the UK and US, but to discontinuous periods of development in Germany and Italy with regimes which at different times fractured or directed foundation development. The division of Germany after the Second World War led, for example, to partial dismantling of the companies of Zeiss and Schott and the splitting of the foundation into an East and West German part. It was only after 1989 that a national treaty brought the companies together in a re-configured Carl Zeiss Foundation.

In Italy the 1848 Statuto Albertino expressed a government intention after national unification to close associations seen as a threat to public order. The final decision about the existence of associations was ultimately in the hands of the judges, leaving charities in a juridical 'no man's land', and subject to political control through the pretext of legal protection. Trustees in Italy today still have a juridical role and private independent foundations are rare.

Social and economic embeddedness

The activities of major family foundations are also deeply embedded in the social, economic and cultural activities and needs of their time. As these change, the predominant focus of foundations can be seen to change. While Agnelli aimed to contribute towards Italy's international industrial and technological development, reflecting his business interests, Luciano Benetton established a foundation to create a resource centre for the environment, covering landscape management, architecture and the maintenance of social structures essential to conservation. Foundations such as Wellcome, Gatsby, and those of the former IBM developers Tschira and Plattner, continue to invest directly in the business areas relevant to their founding company, but others have responded to emerging social needs, like the Freudenberg Foundation in Germany which supports immigrant youth, and the US David and Lucille Packard and Michael and Susan Dell Foundations which fund international development and poverty issues.

In conclusion

This overview has aimed to show that although often deeply embedded in family and personal relationships and networks, charitable family foundations past and present are equally embedded in their social and economic contexts. There has been little systematic study of how they interpret, respond to and influence the way in which social needs are met, and the key influences on their decisions. This research has simply provided some insights into how they have flourished under different regimes and continued to contribute to the needs of their time. It has demonstrated that charitable family foundations are providing an important way for today's wealthy entrepreneurs to give something back to society, and further study of their role would be highly valuable.

¹ The paper 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, MISP, University of Bologna), and Susan Crites Price (National Center for Family Philanthropy, US). It was funded by the Pears Foundation.

² See for example, Peter Singer Global Challenges and the Values We Live By. Lecture RSA London 2009. www.thersa.org/events/vision/vision-videos/peter-singer---30-march-2009

³ McKenzie, T and Pharoah, C. (2009). Thinking through the effects of changes in income-tax relief on giving. CGAP Briefing Paper. www.cass.city.ac.uk/philanthropy/newsevents/TaxAndGiving.pdf

⁴ Within the UK a new programme of research on entrepreneurial philanthropy is being conducted by the ESRC Research Centre for Charitable Giving and Philanthropy at Strathclyde University. www.cass.city.ac.uk/philanthropy/colleagues/index.html

⁵ Pharoah, C. (2009) *Family Foundation Philanthropy 2009* – UK, Germany, Italy and US. Alliance. London 2009. www.cass.city.ac.uk/philanthropy/FamilyFoundationsPhilanthropy2009.pdf.

⁶ Danco L.A. and Ward, J.L. (1990) 'Beyond Success: The Continuing Contribution of the Family Foundation'. *Family Business Review*. Vol 3. No 4. pp 347-355 (9). Blackwell Publishing.

⁷ Hogan, C. (2007). 'Philanthropy – not just for rock stars: 'real people' and digital donations'. *Searcher*. Vol 15. No 2. pp 13-23, Feb 2007. Information Today Inc

⁸ Pharoah, C. (2009) *ibid*

⁹ foundationcenter.org/findfunders/statistics/gs_subject.html

¹⁰ Pharoah, C (2008), *Family Foundation Philanthropy: Report on charitable family foundation giving 2008*. Cass Business School. CCE

¹¹ www.efc.be/ftp/public/EU/EURweb/EFCTypology.pdf

¹² Smith, J.A. and Borgmann, K. (2001). *Foundations in Europe*. Bertelsmann Foundation. DSC. London

¹³ Anheier, H. (2001). *Foundations in Europe: A comparative perspective*. Civil Society Working Paper

¹⁴ Data sources for UK figures include the *Directory of Social Change Guides to the Major Trusts* and *Charity Market Monitor 2008*, with additional data from CaritasData. All sources principally use figures published in annual reports and accounts to the Charity Commission. Figures were also extracted from individual annual reports on the web and through the Charity Commission website. For statistical information on foundations in Germany, see Rainer Sprengel and Thomas Ebermann, *Statistics on German Foundations 2001* and *Statistics on German Foundations 2007*. The Foundation Center publishes annual statistics on trends among the largest family foundation donors, and other US resources include the National Center for Family Philanthropy (see chapter 6), and the Council on Foundations' family foundation conferences and publications.

¹⁵ Questionnaires completed by the Italian foundations which were active in 1995, when the Documentation Centre of the Giovanni Agnelli Foundation produced the first research on Italian foundations were used initially. The new research conducted by the Centre on Philanthropy and Social Innovation (PhaSI) of the University of Bologna generated supplementary information on 90 family foundations, including new information on governance and assets. Only the financial data provided directly by 23 foundations who agreed to publication of information based on their 2008 balance can be considered completely up-to-date. See Table 2.

¹⁶ Ostrower, f. (1997) *Why the wealthy give*. Princeton University Press. New Jersey