



Ownership Project Insights, No. 1

Succession beyond the family: The future of family offices and family philanthropy, according to new MBA graduates

Dr Bridget Kustin, Editor

Senior Research Fellow and Director, Ownership Project 2.0

Ownership Project 2.0:
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impact from within

About Ownership Project Insights

Ownership Project Insights is the Ownership Project's publication series dedicated to practitioners. These action-oriented papers deliver critical analyses, data-driven observations, provocations, and playbooks for family offices, family holding companies, family businesses, family foundations, and those working closely with them.

**About Ownership Project 2.0:
Private Capital Owners and Impact**

Ownership Project 2.0: Private capital owners and impact is a global research project driven by dual imperatives:

First, we are conducting high calibre research into family offices and family holding companies, and into the investment activities of family businesses and family foundations, and publishing it in top peer-reviewed academic journals.

Second, we aim to move the needle on practitioner behaviour, using our research to drive conversations and influence the strategy and goals of family-owned capital. Achieving this objective means translating our data and academic research papers into forms that practitioners – family members, non-family leadership and staff, and professional service providers – can actually use, day to day.

The project is led by Professor Marya Besharov, Principal Investigator, and Dr. Bridget Kustin, Senior Research Fellow and Director.

Contact us: ownership@sbs.ox.ac.uk

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Ownership Project 2.0

Skoll Centre for Social Entrepreneurship
Saïd Business School, University of Oxford
Park End Street
Oxford
OX1 1HP
United Kingdom



Introduction

Dr Bridget Kustin, Senior Research Fellow and Director, Ownership Project 2.0

Despite differences in geography, domicile, source of funds, generational age, or portfolio composition, family offices are united by a shared preoccupation: succession.

Of course, discussions about succession generally focus on family members and their roles, exploring questions such as:

- How, technically and structurally, should the foundation, business, or assets under management be passed on? Who will take up management or governance roles?
- How can young adults, from the teenage years through their thirties, be supported through education, mentorship, and career guidance?
- When should succession decisions be made, to preserve both family harmony and the operations of the family office, family business, or family foundation?

Yet as families seek to answer these questions by investing resources in courses, consultants, membership networks, bankers, lawyers, and wealth managers, one crucial demographic is often overlooked: the future 'trusted advisors,' managers, board members, and C-suite executives working directly with family next gens.

Non-family next gens are today's MBA graduates dedicated to working within private capital. And these next gens have strongly held views about the tools and approaches that family offices and family foundations should take when deploying their capital, based on their own experiences in the world and workforce.

The following essays were written by members of the 2023 Oxford Saïd MBA graduating class who were involved with private capital or international development before their MBA and will be working with private capital in varying capacities after their MBA. Their outlook, backgrounds, and past and current workplaces are global, mirroring the global nature of capital flows.



We publish these essays with a sense of urgency: their commitments are not necessarily commonly held across the family-led organisations I encountered in the context of Ownership Project 1.0 (2018-2022), which studied multi-billion dollar family businesses, or those we have started to work with for Ownership Project 2.0: Private capital owners and impact, inaugurated in 2023. But topics and concerns that many readers might consider radical or minority positions, are, according to these MBA graduates, mainstream or expected in the global circles in which they travel.

These non-family next gens are **not** motivated by maximising returns for the sake of maximising returns. They intend to use their careers to improve the world, deploying capital to make positive contributions to society. To paraphrase Professor Colin Mayer in his book, *Prosperity: Better Business Makes the Greater Good* (2018), they want to ensure that capitalism does not profit from harm to people and planet, but rather profits from the protection of people and planet.



The essays that follow offer a preview of the professional ambitions and expectations that family members can expect to encounter among the non-family next gens peers they'll be working with, side by side. Together, they provide a roadmap for family-led organisations that want to be desirable workplaces, attract top talent, and deliver on their multi-generational ambitions.

While focusing on an array of different topics within private wealth, the essays are united by common themes:

First, the authors expect family-led organisations to be innovators – and in fact presume that they will innovate given their unique attributes and advantages. This assumption is at odds with common wisdom in the private finance world that family offices and family businesses (particularly those that are multigenerational) are conservative with risk, accepting just enough to deliver reliably increasing returns to growing families. The authors of these essays flip this expectation. As Abhinav Verma explains, family offices and other private investors are in the exciting position of being able to figure out new ways of calculating risk and de-risking, to ensure their investments are resilient, sustainable, and impactful.

Optimally, the authors argue, family members are focused on unlocking the possibilities of their assets in order to write a new story about the potential of private wealth, when that wealth is productively circulating within global markets, and when approaches currently on the periphery (e.g., blended finance) are brought into the mainstream.

Second, catch-all concepts of ESG (environment, social, and governance) or sustainability are less interesting and less useful to the authors than targeted strategies. Shanzeh Mahmood examines participatory and decolonial approaches to philanthropy. Anna Aden discusses blended finance and supportive regulatory infrastructure, drawing on Singapore as an example. Abhinav Verma unpacks how risk is understood when investment decisions are taken, and how those traditional understandings are leaving resilience and adaptation out of the fold.

The lesson for family organisations? One way to avoid the risk of greenwashing, impact-washing, or the 'alphabet soup' of ESG metrics is to embrace specific impact strategies. For example, the beauty of blended finance, as Anna and Abhinav explain, is that impact is baked into the financing structure.

Third, all essays ground their thinking in successful proof-of-concept and case examples. Their vision for the future is based on existing game-changing innovations. The barrier to change, as Shanzeh Mahmood explains, is not the absence of an evidence base but rather a lack of imagination and willingness to challenge traditional structures. This perspective is an invitation for families to think about classic, oft-referenced notions of legacy, reputation, and stewardship in new ways.

Lastly, all authors believe that family capital holds unique potential for tackling persistent and heretofore unsolvable problems. This is because family money is not fungible. As Anna Aden argues, USD 1 million from a family office is *not* the same as USD 1 million from a pension fund. Family money has different tolerances and different timescales, and when added into a capital stack – the structure of all capital in a particular investment – it can positively impact the behaviour of other investors.

What does this mean for families? Multigenerational families are frequently publicity averse. To become a visible leader is to put your head above the parapet, inviting scrutiny and reputational risk. But the actions of family organisations ripple out to directly influence the behaviours of their peers and other investors. It is no longer enough for a family to ‘do the right thing’ quietly and privately; if they publicly announce participation in a blended financing scheme, a new way of calculating risk, or a family office investment strategy that links impact to KPIs, they can bring other families alongside them.

The more that family organisations embark upon journeys to examine their strategies, impacts, and governance, shift their capital allocations, and share processes, mistakes, and successes with their peers, the more that actors in the financial ecosystem will become habituated to these changes as positive and beneficial.

Ownership Project 2.0 is motivated by a belief that the unprecedented concentration of assets into family hands comes with an opportunity for families to deploy this capital in ways that positively transform endangered communities, ameliorate human suffering, spur innovation, generate new knowledge, and undo and prevent harms to the environment. Family organisations are in a position to make long-term bets on innovation and creativity, equitable infrastructure, and resilience – but they do not necessarily do so without an external catalyst. We hope these essays provide a catalyst, inspiring family offices to seize this opportunity.



Bridget is an economic anthropologist and Senior Research Fellow at Oxford Saïd, where she is Director of the global research initiative, Ownership Project 2.0: Private Capital Owners and Impact.

www.sbs.ox.ac.uk/about-us/people/bridget-kustin

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This is the moment for family offices in Singapore to significantly invigorate financing development and impact

By Anna Aden, MBA



I arrived at the Business School with a determination to understand how to bridge the deep pockets of the private sector and the needs of international development. I had been working in the aid and development sector for seven years and had a long list of reasons why more money needed to flow towards social impact projects.

Exact projections for funding needed to achieve the UN's Sustainable Development Goals (SDGs) in developing countries vary, but range up to USD 7 trillion, underlining that there is insufficient capital currently deployed towards sustainable development worldwide. This is because capital from commercial providers, such as banks, asset managers, and pension funds, is largely absent – compare the USD 7 trillion needed to achieve the SDGs, to global pension fund assets exceeding USD 35 trillion¹, or asset manager BlackRock holding over USD 9 trillion² – and yet most organisations working towards the SDGs remain reliant on grants from public or philanthropic sources, and must compete against each other to access these limited pools of funds.

I spent my MBA exploring development financing modalities outside of the foreign aid grants that dominate the development sector, from impact investing in projects that both make money and do good, to blended finance projects, which pair grant funding with commercial capital to increase the overall amount of funding available. In speaking with people from all kinds of industries, from pension funds to family offices to innovation incubators, I drilled down into a conundrum: there exists an abundance of interest from capital allocators to find ways to utilise their funds for good, yet complaints of shortages in bankable projects remain mystifyingly widespread as a huge number of development and social impact projects continue to urgently lack funding. Somehow, the aspirations of both parties often remain stalled.

While there are many ways to bridge this disconnect, there is no one right way, because not all money is the same: USD 1 million of commercial capital from a bank comes with high interest rates and strict repayment terms; USD 1 million of foreign aid grant money requires incorporation of donor indicators and regular reporting, adherence to wildly varying donor compliance regulations, and no guarantee of sustained funding from one grant cycle to the next.

What I now know is that the development ecosystem requires both types of money, as they can offset the particular limitations of each other. Some projects do not generate income and require philanthropic funding to function, such as family violence centres or emergency natural disaster responses, and those projects should continue to receive grant funding without expectations of repayment. Other projects however, such as livelihoods skills-building or agricultural production improvement, have the potential to produce financial returns and could scale with the support of commercial loans, vastly opening up their funding possibilities. However, there is a blatant blind spot: commercial capital often comes with high interest rates because most banks and asset managers are simply not accustomed to investing in these sectors, and thus automatically see them as risky investments. Commercial capital needs to de-risk its returns, but pricing this risk often renders their high-interest loans out of reach for development projects. This means that the significant capital available from commercial providers across the world remains disconnected from social and development projects, with untapped potential blocked behind perceived high risk and insufficient incentives.



¹ OECD. (2021). Pension Funds in Figures: June 2021. In *OECD*. www.oecd.org/finance/private-pensions/Pension-Funds-in-Figures-2021.pdf

² Rees, K. (2023). BlackRock Assets to Top \$15 Trillion in Five Years, Analyst Says. *Bloomberg*. www.bloomberg.com/news/articles/2023-04-17/blackrock-assets-to-top-15-trillion-in-five-years-analyst-says

This might be understandable – except that we are seeing commercial loan providers continuing to staff up their ‘Sustainability’ and ‘Responsible Investing’ teams, and build out their ESG propositions with robust marketing, to boot.

The question now becomes: how can we de-risk or incentivise alternative investments that offer socially beneficial returns in line with family office priorities? I believe that unlocking the potential of family offices offers the most effective means of achieving this end, due to the nature of their autonomous decision-making, value-based strategies, and of course the vast capital accumulated in their accounts. Across the globe, trillions of dollars of inheritable wealth are being passed down from current wealth-holders to the ‘next gen’ in the ‘Great Wealth Transfer’ over the coming two decades; for family offices, this also means handing the reins of a business over to a generation that some top family office advisors describe as more socially conscious, valuing legacy building in terms of sustainable development, rather than by financial growth alone. This next gen, according to these advisors, wants ‘to use their assets as agents of change.’³ Many family offices globally are already looking for ways to define their niche in the impact ecosystem; I believe this will only accelerate with each passing year.

Why family offices are key: blended finance and deal sizes

There are two primary barriers to commercial investment in impact projects, and family offices can help solve both: first, the perceived risk of financing projects related to development, based in part on historical assumptions of commercial investors. Blended finance tackles this through a process whereby a grant from foreign aid or philanthropic sources is provided *alongside* commercial capital requiring a financial return, to increase total amount funding towards an impact or social project. This approach pairs philanthropic funding, tolerant of high risk and low (or no) return, alongside the investment of private capital, with the philanthropic donor often providing first-loss cushioning (i.e., the donor agrees to pay the commercial lender back if losses are incurred). This guarantees the private lender market rate returns from the philanthropic pool of funding in case the project fails to deliver the expected financial returns. With commercial capital offered these protections, the projects are de-risked. The barrier for

commercial investors to provide funding for impact projects they otherwise would not have participated in is reduced, ideally leading to more capital overall mobilised towards impact and sustainable development.

Unlike most other financing entities, family offices have the option to provide either of the two types of capital that make up the blended finance mechanism: either the risk-tolerant investment or the philanthropic grant capital. By de-risking these opportunities, family offices open the door for other types of restricted commercial capital to flow towards development and generate impact.

The second barrier to commercial investment is due to the disparity in overall deal sizes. Impact projects seek funding in the thousands to scale and become sustainably revenue generating, whereas for asset managers and pension funds, for example, deal sizes typically fall within the millions. Family offices can easily sidestep this barrier because they have more freedom to choose what they want to invest in: they are free to invest in projects that capture their interest, including ones that commercial lenders might consider feasible but are too small for their deal teams (most pension funds or major asset managers won’t pursue ticket sizes below USD 50-100 million). Family offices can also choose to fund projects that are considered high risk, to establish proof of concept, and build the project’s credit history of successfully receiving and turning around investment. This can allow these projects to approach commercial lenders.

Why Singapore?

As a Singaporean-American, I have spent the majority of my life living and working across East and Southeast Asia. I believe that the stage is set for family offices in Singapore to embrace blended finance and drive forward innovative financing for development, in a way that will invigorate and cascade across public and private sectors. Southeast Asia is ripe for the piloting, expansion, and growth of innovative development financing. There is a high density of local NGOs and startups driving change across the region, national governments that understand the value of education, technology, and distributed economic prosperity. With widespread acknowledgement that Southeast Asia is one of the world’s regions most vulnerable to the shocks of climate change, governments and stakeholders are acting now.

³ Dickler, J. (2022). *Strategies to navigate the \$68 trillion ‘great wealth transfer,’ according to top-ranked advisors*. CNBC. www.cnn.com/2022/10/17/how-to-navigate-the-great-wealth-transfer-according-to-top-advisors.html

Within Southeast Asia, Singapore offers unique opportunities to connect regional NGOs and startups to the many capital allocators and private wealth holders headquartered in the city, looking for opportunities to invest in impact. By the end of 2022, there were 1,100 single family offices (SFOs) in Singapore⁴ – a 275% increase from the 400 SFOs registered in 2020.⁵ This number is only expected to grow as Singapore continues to establish itself as the economic capital of Asia, with its rich pool of competitive talent and tax incentives attracting companies from across the globe.

While family offices have long flocked to Singapore for their low tax and welcoming corporate environment,⁶ the Singaporean government's 2023 regulatory changes demonstrate a clear intent to support SFOs in channelling their significant wealth and influence towards global challenges such as climate change and sustainable development. Recognising SFOs as an important and fast-growing source of capital, the

Monetary Authority of Singapore announced a suite of financial incentives for SFOs to deploy their capital more meaningfully to wider benefit⁷: SFOs receive tax benefits if they meet a minimum threshold of investment in projects contributing to the social good in Singapore. A complementary Philanthropy Tax Incentive Scheme allows SFOs to claim a 100% tax deduction for overseas donations made through qualifying local intermediaries. This is a focused, promising start to encourage family offices to center impact in their strategic priorities.

When I explain blended finance to friends still working in international development, their eyes light up as they tell me about projects they know that would be a perfect fit for this funding modality. They grow excited as they explain how this would free up comparatively limited grant dollars for the under-resourced areas that are not suitable for investors.



⁴ Simple. (n.d.). *Singapore - A leading destination for family offices*. Simple. Retrieved November 1, 2023, from andsimple.co/insights/family-offices-singapore

⁵ Malakar, S. (2024). *Family Offices in Singapore 2023 - Outlook, Trends, and Services*. Empaxis. www.empaxis.com/blog/family-offices-singapore

⁶ Connors, E. (2022). *Why billionaires are setting up family offices in Singapore*. Australian Financial Review. www.afr.com/world/asia/asia-s-billionaires-flock-to-singapore-for-impact-investing-20220615-p5au27

⁷ Monetary Authority of Singapore. (2023). *Fund Tax Incentive Schemes for Family Offices*. MAS. www.mas.gov.sg/schemes-and-initiatives/fund-tax-incentive-scheme-for-family-offices

There is huge potential for blended finance to open new channels that would allow game-changing amounts of capital to flow towards social projects. This is a massive opportunity for fund managers wary of greenwashing and impact-washing to materially integrate impact into their work and build new linkages between the private and social sectors. The Singaporean government's regulatory shifts and tax incentives indicate that they believe in this, and a supportive civil society infrastructure will help deliver on the potential. The city-state is fortunate to host a long list of development finance institutions and intermediaries, including the Asia Venture Philanthropy Network and Convergence, an organisation⁸ dedicated exclusively to blended finance in emerging markets.

In addition to achieving financial returns and impact, Singapore's SFOs also have the opportunity to achieve a unique legacy. By charting a path for private asset

managers and commercial capital allocators across the world: Singapore's SFOs can demonstrate how to scale a broad portfolio of development projects and create a new future for development finance by leveraging regulatory incentives, engaging industry leaders headquartered in the city, and diverting funds into blended finance mechanisms. These moves by wealth holders in one of the financial capitals of the world could catalyse a shift in the perceived risk of financing development, paving the way for private capital to flow towards sustainable development actors at scale in other parts of the world.

I arrived at the Business School with a determination to understand how to bridge the deep pockets of the private sector and the needs of international development. I'm leaving business school with a head full of new ideas on how to do so, and a roadmap to the future pointing straight at Singapore.



Anna spent her Saïd Business School MBA exploring how to mobilise capital for good, through roles on the international investment team at Bridges Fund Management, as a Blended Finance Consultant for the UNDP-funded Innovation Small Grants Accelerator Programme, and as a Policy Fellow at the Global Steering Group for Impact Investing. Following the completion of her MBA, during which she also served as Co-Chair of the Social Impact Oxford Business Network and the Partnerships Officer for the 2023 MBA Student Council, Anna has been appointed the Head of New Business for Asia for the Tony Blair Institute for Global Change and will be based in Singapore.

Previously, as a humanitarian professional with nearly seven years of experience managing USD 100 million of aid programming, Anna has coordinated responses to ethnic cleansing operations in Myanmar's Rakhine State, chemical attacks in Southern Syria, and designed innovation projects to build new humanitarian interventions such as programs to prevent adolescents from being conscripted as child soldiers.

Anna holds a BA in Linguistics from Reed College.

anna.aden.mba22@said.oxford.edu

www.linkedin.com/in/anna-aden/

⁸ Dalberg Advisors. (2016). *Launch of Convergence, the world's first blended finance platform*. Dalberg. dalberg.com/our-ideas/launch-convergence-worlds-first-blended-finance-platform/

Unpacking the risk-reward-resilience nexus for private investors

Abhinav Verma, MBA



In an increasingly uncertain world dealing with multiple crises on all fronts – climate crisis, pandemic threats, domestic and international conflicts – investing in development urgently needs to emphasise resilience, via social and physical infrastructure that enables communities to bounce back quicker after social and environmental shocks.⁹ As per the Global Resilience Partnership, a global network for advancing evidence and advocacy for resilience, this includes ‘helping some of the world’s poorest and most vulnerable people to move from protracted and recurrent crises to longer term sustainable development.’¹⁰ For private investors, investing in resilience can help ensure that their investments and their impacts are sustained in the face of uncertainties, while also making newer market opportunities available for coupling impact with financial imperatives.

Investing in resilience, however, is often at loggerheads with the traditional ways of evaluating projects and designing financial instruments favoured by private impact investors. Resultantly, resilience-building has received inadequate focus by the impact and institutional investors that possess resources at scale, and risks meeting a similar fate with family offices starting to engage with impact investing.

The quagmire is most clear when it comes to climate resilience. Private investment in renewable energy projects with favourable, demonstrable return on investment (ROI) far surpasses investments that would make infrastructure and communities resilient to adverse impacts of climate change.¹¹ 98% of climate adaptation finance in 2019-20, for instance, was provided by public organisations, and even that was a small fraction of the finance needed.¹² This needs to change.

What lies below: Mental models of impact investing

A simple explanation of why private investment fails to flow into resilience could be that investments in resilience building, say flood-proofing a small coastal farm, do not generate any new revenue per se. Instead, they merely preserve the farm’s future revenue. Traditional investment theory would say that because

investing in small shareholder farmers, especially in flood-prone areas, risks higher rates of default, this high risk justifies a high return (or rate of interest that the farmers would have to pay) for it to be investable. But by passing over the cost of this high risk to the farmer, the system leaves her with less money to invest in flood-proofing or other measures that could reduce her risk of default. This is the vicious cycle that private investors’ impact investing begets.

Solving this conundrum requires tackling two key questions around risk:

1. How is risk calculated?

Investors balance out their risk with expected return by using a formula to calculate their Net Present Value (NPV), that is, their expected financial return from an investment adjusted (or discounted) for risk. If total future cash inflows from the investment (after accounting for all the perceived risk) are still positive, the investment makes sense, otherwise it does not. Since the gospel here is to ask for a return that equals the risk undertaken while investing, NPV leaves out any potential for – or at least strongly disadvantages – those investments that can *alter* the risk.

Pricing in factors that can alter risk in time is hardly unknown: insurance providers, for example, understand that homeowners who spend on security systems and reduce possibilities of theft (serving as better customers with fewer claims) deserve lower insurance premiums. But the ability of resilience investments to reduce default risk remains largely – and frustratingly – ‘unpriced’ in the market.¹³ The gap between the need and the available financing tools seems obvious: if the farmer received financing from private investors at a lower interest rate, she would have the opportunity to build resilient structures – e.g., adding flood-proofing to reduce climate risk, paying farmworkers more to ensure their economic resilience – and enhance her payment ability. The farmer would, of course, require technical assistance and support to nudge her into making these expenditures to reduce future risk. This could be built into the financing itself.

⁹ Bartlett, C., & Cort, T. (2023). *How the Tools of Impact Investing Can Undermine Resilience in the Global South*. Yale Insights. insights.som.yale.edu/insights/how-the-tools-of-impact-investing-can-undermine-resilience-in-the-global-south

¹⁰ Global Resilience Partnership. (2019). *Resilience Insights: Lessons from the Global Resilience Partnership*. In *GRP*. grpinsightsreport.info/wp-content/uploads/2019/10/GRP_Resilience_Insights_Report.pdf

¹¹ Climate Policy Initiative. (2022). *Global Landscape of Climate Finance: A Decade of Data*. CPI. www.climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-a-decade-of-data/

¹² Furness, V. (2022). *Climate adaptation: Funds work to address financing obstacles*. Capital Monitor. capitalmonitor.ai/institution/investment-managers/climate-adaptation-funds-address-financing-obstacles/

¹³ Supra note 1

Specifically, NPV gets it wrong on two fronts:

- i. It does not distinguish between the time value of money, which compensates investors for parking their money in an investment for a certain period, and the project risk, which is sort of a risk premium including idiosyncratic risk specific to the project (e.g., a flood). But the project risk could in fact be managed by the same resilience activities it effectively disincentivises (e.g., flood-proofing) through its high interest rates, which leaves the farmer without room to maneuver. By not being able to view project risk separately from the time value of money, investors continue charging higher interest rates, with little appetite to invest in reducing risks that could be influenced by early and cost-effective interventions.

NPV also does not allow investors to assign or attribute risk to individual cash-flows. Even if flood-proofing *were* undertaken, this clubbed risk factor would not highlight the effectiveness of such a risk reduction intervention. That data point might well remain buried.

- ii. When calculating the present value of future money, NPV calculations use risk factors to apply a more substantial discount to future losses, the further away they are from the present, and in so doing, fallaciously lessen their impact on NPV. This ‘tragedy of the horizon’ arises due to an artificial time-bias in how NPV calculates a project’s present value by exponentially reducing value of future expenses and revenues as opposed to the ones closer to the present time horizon.¹⁴ This means that the expenditure the farm-owner might have to make if and when a flood occurs 20 or 50 years later would have little difference in the overall NPV decision in the face of short-term returns or expenses, achieving the opposite of the investor’s ideal long-term risk management.¹⁵ This is especially detrimental for investments in resilience building that only pay off in the long run.



¹⁴ Hill, A., & Espinoza, D. (2021). The role of cost-benefit analysis in the tragedy of the horizon. In *IJ Global*. cdn.cfr.org/sites/default/files/pdf/Hill%20%26%20Espinoza%202021%20The%20tragedy%20of%20the%20Horizon.pdf

¹⁵ Espinoza, D., Rojo, J., Phillips, W., & Eil, A. (2022). Decoupled net present value: protecting assets against climate change risk by consistently capturing the value of resilient and adaptable investments. *Sustainable and Resilient Infrastructure*, 8(S1), 1–14. doi.org/10.1080/23789689.2022.2148453

2. Who bears risk?

Small farmers and businesses that need resilience financing to safeguard against considerable future climate risk also have the fewest safety cushions. Why would a small coastal farmer take on debt with a high interest rate when there exists a risk of all that effort being futile – if the flood never happens or is milder than she expected? Then she never benefited from the flood-proofing but still has an obligation to pay back the investor. A shortcoming of traditional impact investing when used in resilience activities is that it can pass off *both* the risk of an adverse event (via high interest rates) and the uncertainty of the event to the borrower. This is why small, cash-strapped businesses prefer investing in insurance products that help them tide over when adverse events occur, but rarely take out loans to proactively create physical infrastructure to blunt the blow of such an adverse event.

What needs to change: Sparks for reset

Large-scale infrastructural projects already use methods that might hold the key to solving this conundrum, thus breaking the deadlock. David Espinoza, an engineering consultant, while working on a National Science Foundation project in 2005, originated the 'Decoupled NPV' (DNPV), which untangles future cash in- and out-flows from the time value of money. It holds the key to changing how investors view resilience activities and their impact on project risk, and thereby financing for resilience more broadly.

The method helps separate out a 'cost of risk,' which can itself be treated as a cash-(out)flow. The risk of flood could be estimated under different scenarios relating to certainty, timing, severity, and cost of recovery. Contemporary risk estimation methodologies are advanced enough to render a complex scenario analysis into a single-figure average. DNPV, then, is an aggregate of all the future cashflows, including the cost of risk, adjusted for the time value of money at the risk-free rate. DNPV presents a more holistic and clearer picture of the investment. More importantly, having a separate cost-estimation for the risk of flood can incentivise investors to look more closely at mechanisms to reduce risks through investments in resilience, like flood-proofing.

By better quantifying and managing risk, DNPV produces different rates of return. They might be lower, but I contend that they will be more accurate, by accounting for complexity. This is ultimately an asset for impact-oriented investors. However, DNPV



is still far from a silver bullet. Even with its better calculations of risk, it does not prevent a suboptimal reality: any risk via the inherent uncertainty of adverse events is still passed on the investee as explained above. Even for a reduced interest rate, why should an already disadvantaged coastal farmer invest in flood-proofing, thereby assuming the risk of that flood never happening? Private investors can conceptualise instruments that shift the risk from their investees to themselves, with due reward for this risk-taking in terms of higher reward. Some risk shifting instruments in the market exist already, most prominently credit default swaps that allow investors to swap their credit risk with that of another investor. Recently, anticipatory (or parametric) insurance that mitigates impacts of large pay-outs in the event of a pre-agreed upon natural disaster or event, have also become popular.

Building on these, one could imagine an event-contingent contract that allows investors to lend to these farmers for flood-proofing early on, with defined terms that if the flood does arise (and the investee benefits from the early investments in resilience building by flood-proofing the farm), then the investor makes an above-market return. On the flipside, if the flood never arises, the investor gets, for example,

a concessional return. This is but one possibility – a financial product could be framed along any lines. The larger point is that contingency based on trigger events can shift this uncertainty and risk to private investors and create more market opportunities for them to both capitalise the risk for reward, while ensuring timely finance for those who need it the most – a truly win-win scenario.

As family offices more enthusiastically engage in impact investing, ushering a new wave of finance into impact-focused causes, it is important that the benefits accrue to those who need it most, and lasts beyond rising uncertainties. Ensuring nobody is left behind is both a moral imperative and fiscally opportunistic. What it needs, however, is swapping the hot seat: instead of furthering prevalent notions that small businesses facing rising risks are un-investable or risky, the task at hand is for existing and newer classes of investors – family offices are a case in point – to find ingenious ways of viewing the risk-reward proposition.



Abhinav is a qualified lawyer from India with an international law specialisation, and a recent MBA graduate from Saïd Business School, University of Oxford working to enable systems change at the interplay of strategic financing, policy, and programmatic innovation. At Saïd, he served as the Chair of the Social Impact Oxford Business Network, and with his team, won the Turner MIINT competition, the world's premier impact investing competition at the Wharton School, University of Pennsylvania. Prior to the MBA, he worked in public policy consulting for private companies and nonprofits, served as an innovation consultant for leading health programmes with the Indian government, and managed Asia strategy for The Rockefeller Foundation, influencing an approximate 100 million USD portfolio. He will be leveraging his MBA to forge a career in strategic philanthropy to crowd-in private finance for resilient health systems, particularly in emerging economies. He is currently based in London.

abhinav.verma.mba22@said.oxford.edu

www.linkedin.com/in/abhinav-verma-5aa87b97

The great unlocking: private philanthropy, power, and systems change

Shanzeh Mahmood, MBA



Introduction

Private capital holders looking to invest in philanthropic initiatives in foreign countries face critical questions beyond traditional risk-and-reward investment calculations, such as: will this investment make it to the right partners to catalyse social change? Will it get to the heart of the underlying problem? And how can I trust the capital recipients we fund, when separated by geography, culture, and language?

As a former portfolio manager at a private, Europe-based family foundation, and a former programme implementer receiving funds from family foundations in Europe and the US for delivering programmes in the Global South, I have experienced how these questions squeeze both sides of the funding relationship. On one side, Western capital holders investing their wealth in philanthropic initiatives in developing countries want to know their investment is being managed effectively to deliver measurable impact that they have worked diligently and earnestly to envision. On the other side, implementing partners, and grantees leading impact programmes in-country require trust and flexibility from their foreign funders to operate based on their local expertise. Local professionals must adapt to inevitably changing local circumstances that may never be fully understood by donors who operate differently half a world away. Not all donors have local expertise, presence, or full understanding of operational constraints.

International development has studied these tensions for decades. There is, however, a variable that is less discussed, and which is critical to the donor/grantee relationship: the organisational form of private philanthropy. When an organisation identifies as a 'private family foundation,' it suggests that family members have a desire to play an active role in the organisation. In many private family foundations, family members will sit on the board or be closely involved with strategy, goal setting and decision-making. This kind of engagement can be transformative and powerful – but it also raises questions around the extent of the autonomy that the foundation team or their expert partners have, to deliver on their mandates. There are even more delicate questions about governance and accountability: North American or European foundations doing work in the Global

South are far removed from communities in which they are enacting change, so how do family members make decisions based on what they don't fully know or understand? Even when advised by teams with industry experience and expert advisors from regions the foundations operate in, decision-making power can still sit with family members themselves.

Not 'either/or,' but 'both/and'

My experiences working with other portfolio and implementation managers have taught me about the world as it is – not necessarily as it should be. It is a world in which management scholars Wendy Smith and Marianne Lewis describe binary 'either/or' realities as less applicable than the complexity that a 'both/and' approach draws out.¹⁶ The idea that philanthropy is *either* impactful, or problematic is less relevant than the understanding that philanthropy can be *both* impactful, *and* problematic.

In his book *Winner Takes All: The Elite Charade of Changing the World*, Anand Giridharadas questions the role of the global business elite in driving strategies for social change, particularly when these 'winners' of capitalism define global problems in ways that avoid questions regarding their own power and wealth.¹⁷ I agree with his argument that there is power and at times unchecked authority that comes with owning significant wealth. Giridharadas explains that this is problematic even if wealth-holders want to do good with their wealth.

At the same time, private capital is central to global economic and social systems. According to the OCED, in 2020 over 40 of the largest private philanthropic foundations provided almost 10 billion USD in private grants to developing countries.¹⁸ True, this funding can be used by wealthy families for vanity projects that speak more to the donor's own interests than genuine community wants or needs. But this funding can also be used to invest in innovations and evidence-generation for scaling new solutions, to catalyse and de-risk further public or commercial investment needed for sustained social change and provide bipartisan platforms for bringing together different stakeholders.

¹⁶ Smith, W. and Lewis, M. (2022). *Both/And Thinking: Embracing Creative Tensions to Solve Your Toughest Problems*. Cambridge, MA: Harvard Business Review Press.

¹⁷ Giridharadas, A. (2018). *Winner Takes All: The Elite Charade of Changing the World*. Knopf.

¹⁸ OECD (2023). 'Private Philanthropy for Sustainable Development: Data and Analysis.' OECD, Paris, July 2023. www.oecd.org/dac/private-philanthropy-sustainable-development.pdf

A shift in the ways of working among private family philanthropists, their advisors, and foundation teams is required if they want their investments to be truly catalytic in unlocking a broader spectrum of capital needed for systems change and addressing issues of power, equity, and justice.

Planting seeds of change for private family foundations

What are some of the ways I think the philanthropic community, and private family foundations in particular, can unlock the potential of their unique form of capital?

1. Reflect on power and influence by learning from changemaker communities

Philanthropists are embarking on learning journeys to understand the power dynamics they're enmeshed in, and how to engage more meaningfully in their approach to social giving. In our era of vast intergenerational wealth, leadership and family members of Western-based private family foundations who inherit wealth or foundation board seats cannot afford to overlook the power and influence they hold within the organisation and within the communities they want to support and empower. By taking opportunities to learn directly from these changemaker communities and local leaders, family philanthropy can begin to build trusting relationships and begin to challenge the inherent extreme inequity of this power.

The Maverick Collective, for example, is a community of women philanthropists making collective and catalytic investments in health and gender equity across the Global South. Through its active next generation programme, Maverick Next, emerging philanthropists undertake a two-year learning journey to directly engage with and learn from the communities their investments support, and to better understand the systems underpinning the community's issues.¹⁹ This type of learning journey can be useful for building trust and accountability between philanthropists, particularly those based in the West, and recipients of private philanthropic capital in the Global South. It builds a bridge whereby philanthropists can show their grantees how they are actively working to share their

power and challenge the tropes that come with that power by taking a genuine interest in making decisions based on grantee perspectives.

2. Revise governance structures to accommodate principles of power sharing

How private family foundations are governed and how their capital is deployed can be driven by the unique values and characteristics of family members, especially when family members are also primary decision-makers. The National Committee for Responsive Philanthropy profiles the characteristics that make family philanthropy unique: personal passions, family politics, and obligations or affiliations to a geographic place or issue area.²⁰ Recognising how the influence of this can be observed across the grant-making system, e.g., in shaping governance norms and promoting wealth-centric decision-making, the veteran philanthropy professional Edgar Villanueva is at the forefront of a growing movement for private wealth holders and philanthropists to reassess who they give money to and how. He coined the term 'decolonising philanthropy' referring to how philanthropic money can be used to heal the wealth divide rooted in colonial histories. According to Villanueva, listening to community voices and greater community representation in funding decision-making is critical.²¹

As a result, conversations are emerging amongst private family foundation leadership around governance in grantmaking and what are called 'participatory approaches.' Community and justice-based funding models using participatory approaches centre principles of self-determination, recognising that communities are the experts of their own needs, and centre marginalised voices into collaborative decision-making around resource allocation and project design. Not only does this present an opportunity for philanthropists in private family foundations to decentralise control, but it also matches resources to where they are most needed, making them more effective in addressing systemic issues at the core of those communities for longer term impact.²²

¹⁹ Maverick Collective. (2022). *An Approach to More Impactful Philanthropy*. Maverick Collective. maverickcollective.org/articles/an-approach-to-more-impactful-philanthropy/

²⁰ Jagpal, N and Schlegel, R (2015). Families Funding Change: How Social Justice Giving Honors Our Roots and Strengthens Communities. National Committee for Responsive Philanthropy. www.ncfp.org/knowledge/families-funding-change-how-social-justice-giving-honors-our-roots-and-strengthens-communities/

²¹ Villanueva, E (2021). *Decolonizing Wealth: Indigenous Wisdom to Heal Divides and Restore Balance*. Berrett-Koehler.

²² Submittable (2023). 'The Rise of Participatory Grantmaking.' CSR Wire. www.csrwire.com/press_releases/768536-rise-participatory-grantmaking



Mama Cash, an international women’s fund supporting feminist activists around the world fighting for bodily autonomy, equitable economic systems, and political voice, is a case study in the transformative power of the participatory approach. Mama Cash was started by five women in the Netherlands in the 1980s, using their inherited wealth. They believed that women from the communities they wanted to support were best placed to make decisions about their funding. The organisation’s funding has transitioned to become a fully participatory grantmaking process, meaning that decision making is run by feminist activists working in these communities rather than the founders. This allows for a decentralised governance structure within the fund and marks a broader shift in power and resources controlled by female activists who can more effectively make funding decisions for their communities.²³

Of course, changes in governance structures towards participatory approaches do not need to be ‘all in’ or follow the exact experience of Mama Cash. They can

be balanced based on the strategic needs and mission of the organisation, tested with a portion of funds, or even start internally to involve different staff members across the organisation in decision-making. This type of transition cannot happen for a family foundation overnight, nor does it come without challenges. It will be messy. Making structural and governance changes to a family foundation will invoke differences in opinion amongst the leadership and venturing into uncharted territory involves some risk. In my previous roles, it took time to build the right relationships, establish trust, and build capacity of new stakeholders so that they could take on more control. There will inevitably be trial and error to this process. But the willingness to try is a strong motivator for foundation staff who might well want to see governance reform. A *willingness to try* also acts as a signal for family foundation peers, and changes in mindset and practices are becoming mainstream. Other family foundations will benefit from invaluable peer learning within the sector.

²³ Mama Cash (2020). ‘Share Power: Mama Cash is a Participatory Grantmaker.’ www.mamacash.org/en/sharing-power

3. Adopt an ecosystem approach to financing and thematic integration

There can be a sense among families that private philanthropic capital is more effective and agile because their capital can be deployed more easily and quickly with centralised strategy and decision making (e.g., to take on more risk). However, the ‘go it alone’ approach is becoming less compelling than a blended financing or ecosystem approach that asks how this money can work most effectively in conjunction with other social change efforts and other types of capital.

The infamous Silicon Valley and venture capital slogan of ‘move fast and break things’ is being challenged by a ‘move slow and fix things’ mentality. If private family-based philanthropic capital acts alone to only fund innovative activity-based work, it will only scratch the surface of key development issues. But in conjunction with other forms of public and private capital, such as development finance Institutions, governments, banks and pension funds, family philanthropic investment can be catalytic in crowding-in larger pools of capital to address root causes of thorny problems.

These kinds of ‘systems-based’ or ‘systems thinking’ investment strategies are no doubt complex. Current private foundation funding practices are short-term and require measurable results, whereas social innovators and implementers need flexible, longer-term funding to move away from single sectoral issue investment (e.g., within maternal health, financial inclusion, renewable energy) and towards multi-tiered, integrated investments. Ideally, private philanthropic investment is more strategically leveraged in the wider system that shapes a given issue. This could mean, for example, twinning a philanthropic investment in climate-friendly job creation with government-underwritten health services.

None of this is easy. Ashoka, the global leading network of social entrepreneurs, McKinsey, and other foundations have acknowledged the complexity of funding systems change.²⁴ Systems thinking necessitates fundamentally different ways of determining a private family foundation’s strategy and measuring success. It requires collaboration with other stakeholders, and potentially requires taking on more risk to bring those stakeholders to the table.



²⁴ Ashoka (2021). Embracing Complexity – Towards a Shared Understanding of Funding Systems Change. www.ashoka.org/en-ch/files/embracing-complexity.pdf

But this form of philanthropic investing is not without precedent: [The Kataly Foundation](#), a private family foundation, was founded with inherited wealth by Regan Pritzker and her husband Chris Olin. As a participatory funder supporting Black and Brown communities in the US, they invest in what they describe as ‘community-owned projects, environmental justice and mindfulness and mental healing.’ Their [Restorative Economies Fund](#) invests in cross-sectoral projects and approaches for community wealth-building, to bring economic activity and political representation back into local economies through training and capacity-building, and by advocating for land rights and policy reform. It is an integrated capital fund, meaning it combines grants with other forms of financial support (e.g., loans, loan guarantees and lines of credit) with local financing institutions.²⁵ This approach allows them to go deeper in addressing the political, cultural, and economic dimensions of their issue areas.

Looking ahead

What excites me about private philanthropy is the dynamic nature of this sector. These ideas I have shared are neither new nor speculative, they have already been tested and have already been put into action. Building strategies around power sharing and systems change does not have to be rooted in moral or political ideology. These strategies are based on

how family foundations can improve the effectiveness of their investments by directly understanding the issues and communities they want to support and empowering those communities with resources for decision-making. Leveraging the broader ecosystem and unique strengths of different stakeholders for lasting impact is simply good business.

Willingness of private family philanthropy teams to engage in discussions around power, decolonisation and systems change, and their willingness to test new ways of working will motivate those of us in the sector to remain in a dynamic environment that welcomes innovation and fresh approaches. It is also a motivator for top talent in other sectors to decamp to philanthropy, injecting new ways of thinking into the sector.

I have come to understand that the ‘squeeze’ I experienced at both ends of the funding relationship, as a private family foundation portfolio manager, and as an implementer receiving private family foundation funding, presents an opportunity: I would like to operate as a bridge, to close this gap between the two ends, and to help unlock the full potential of this unique form of capital.



Shanzeh Mahmood is an international development professional with over nine years of experience in the social impact and philanthropy sector. She worked as a portfolio manager at the Children’s Investment Fund Foundation (CIFF) within the Gender and Reproductive Health sector, and prior to that, managed Health and Nutrition programmes at the Global Alliance for Improved Nutrition (GAIN). She holds a Masters in International Development from University of Cambridge and is a 2023 MBA graduate from Saïd Business School, University of Oxford. Post-MBA, Shanzeh will join the London School of Economics & Political Science (LSE)’s Marshall Institute.

shanzeh.mahmood.mba22@said.oxford.edu

www.linkedin.com/in/shanzeh-mahmood

²⁵ Kataly Foundation (2023). ‘Restorative Economies Fund.’ Kataly Foundation. www.katalyfoundation.org/program/restorative-economies-fund/



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Saïd Business School
University of Oxford
Park End Street
Oxford, OX1 1HP
United Kingdom

www.sbs.oxford.edu

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