

# Stanford SOCIAL INNOVATION REVIEW

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## **A Global Family Affair** By Anne-Claire Pache & Arthur Gautier

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## VIEWPOINT

# A Global Family Affair

Philanthropic efforts funded by private family wealth—long common in the United States—are on the rise worldwide.

BY ANNE-CLAIRE PACHE & ARTHUR GAUTIER

**O**n February 4, 2014, in Paris, a first-of-its-kind conference brought together members of various European families who engage actively in philanthropy. Ariane de Rothschild of France and Switzerland, who represents the prominent Rothschild banking dynasty; Alain Merieux of France, who leads one of the world's foremost biotechnology groups; Cécile Pirzio-Biroli of Belgium, the majority shareholder of AB InBev, the world's largest brewing company—these and other prominent figures discussed their experiences with philanthropy in front of a crowd of 400. For a country like France, where the state has long been in charge of society's welfare and where family philanthropy has remained an uncommon and largely hidden practice, it was a groundbreaking event. And it reflects a broader trend: All around the world, the practice of family philanthropy is growing.

Family philanthropy—the pursuit of philanthropic initiatives that are funded by private family wealth—has a long tradition in English-speaking countries. The United States, with an estimated 40,000 family foundations, leads the world in this area. In 2010, those foundations distributed more than \$20 billion to grantees. Since 2000, moreover, both the number of such foundations and their total giving have grown by one-third. The United Kingdom comes second; it has between 5,000 and 10,000 family foundations (the exact number is unknown). In 2010, the 100 largest UK-based family foundations distributed \$2.2 billion to charitable causes. In these countries, successful entrepreneurs are expected to allocate a significant portion of their wealth to philanthropy, either as a way to give back

to the society that enabled them to succeed or as an expression of their religious faith.

More striking, however, is the growth of family philanthropy in regions where philanthropy has traditionally been less structured and less publicly visible. In France, for instance, an estimated 300 family foundations are in operation today—a figure that represents an increase of roughly 50 percent since 2000. The presence of family foundations is also growing in Germany and Italy. Recent research has documented a growing role for family philanthropy in Asia, and philanthropic initiatives led by prominent families have emerged in Latin America and Africa as well.

Various factors help to explain this development. An unprecedented wave of economic growth has contributed to the creation of considerable wealth globally. That increase in

wealth, meanwhile, has been accompanied by growing levels of inequality both within and across countries. Poverty, inadequate education, and limited access to health care still pose major challenges in most parts of the world, and governments cannot or will not tackle those challenges on their own. Many families that have benefited from globalization and economic growth, therefore, have moved to contribute a share of their wealth to address such issues. The Giving Pledge initiative launched by Bill Gates and Warren Buffett in 2010 has given further impetus to the practice of family philanthropy. Some wealthy people outside the United States regard that initiative with skepticism, but clearly it has cast a spotlight on the role that private wealth can play in confronting social problems.

Whatever the cause may be, the result is clear: Family philanthropy has never been as vibrant or as visible across the globe as it is now.

## CONTINENTAL DIVIDE

Although the expansion of family philanthropy is a global affair, practices in that field continue to vary significantly from region to region. Here, drawing on our own research, we will outline some notable differences between the practice of family phi-

lanthropy in France and its practice in countries such as the United States. (As we do so, we will also note a few instances in which scholars have discerned trends in other parts of the world that mirror what we have observed in France.)

In contrast to the American tradition, the practice of family philanthropy in France has not always met with widespread social approval. Since the French Revolution, which had the effect of suppressing private initiatives for the common good, philanthropy has been seen as an illegitimate



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alternative to the state provision of social services. Taboos regarding displays of wealth, coupled with a desire to avoid jealous questioning, have led French donors to conduct their philanthropy in secret. The Roman Catholic tradition of secrecy in almsgiving has reinforced that tendency. People often cite this passage from the Bible: “Be careful not to practice your righteousness in front of others to be seen by them. If you do, you will have no reward from your Father in heaven.” (Similar patterns of secrecy and

that giving has an intrinsic value and that an emphasis on impact would call into question the selflessness of their gift. “The one who gives should not expect anything in return,” says Bertille Duval, who formed a small family foundation with proceeds from the sale of real estate. “Any project implemented thanks to that gift is, in itself, a success. One should not look any further.” Other French philanthropists, who may have an interest in impact evaluation, express concern that they lack the skills and resources to engage in that practice.

benefits only the philanthropists themselves. To be sure, the dispersion of philanthropic dollars across many small projects imposes a burden on nonprofits by obliging them to raise funds from a wide range of funders and to comply with multiple reporting requirements. As a result, the sector may fall short of achieving ambitious goals for social change.

Yet we believe that the future of family philanthropy is bright. One promising development is the emergence of initiatives that promote capacity building, knowledge sharing, and collective action among family foundations. In 2012, the Organisation for Economic Co-Operation and Development launched the Network of Foundations Working for Development, or netFWD, with the goal of helping foundations optimize their impact on international development. And in 2013, the Edmond de Rothschild Foundations created ERFIP (Empowering Families for Innovative Philanthropy), a platform that brings together donors and practitioners from emerging countries (such as India, Kenya, and Saudi Arabia) to share best practices and to enable peer-to-peer learning in ways that go beyond Western philanthropic practice.

We also note that the proper role of family philanthropy may not involve providing large-scale solutions to pressing social problems. Rather, its role may be to scout, fund, and incubate local social innovations, which then—once they have demonstrated a potential to scale up—are able to gain alternative sources of support. With few exceptions (including, for example, the Bettencourt Foundation in France) family foundations are unlikely to develop the ability to achieve large-scale impact. But their deep local roots, their ability to take risks, and their freedom to work closely with beneficiaries certainly enable them to make important contributions to the quest for lasting social change.

The growth of family philanthropy is, overall, good news. As wealthy families around the world develop a more professional approach to philanthropy, and as they show a willingness to put social impact at the heart of their actions, their ability to nurture social innovation will surely increase. ■

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religious influence in the practice of philanthropy are also present in Asian countries.)

Another important difference between American and French philanthropy pertains to the profile of those who start family foundations. In the United States, philanthropy is largely the province of entrepreneurs who have decided to give away part of their fortune after retiring from business. In France, by contrast, leading philanthropists are generally people who have inherited their wealth; they tend to view philanthropy as a matter of intergenerational duty. “Philanthropy is part of the Rothschild family values,” says Ariane de Rothschild, a fourth-generation heir to the Rothschild fortune. “My husband has seen his father get involved in philanthropic initiatives. With my husband, we often discuss our philanthropic projects with our daughters. They themselves are already thinking about what philanthropic initiatives they would like to launch in the future.”

The trend toward the professionalization of philanthropy remains limited outside the United States. The American philanthropic sector has made the quest for impact a matter of top concern in recent years. In France, though, few families seem to be eager to monitor the efficiency of their philanthropic activities. Some philanthropists in France believe

(Similar patterns can be found across southern Europe. In northern Europe, though, the professionalization of philanthropy appears to have made more headway.)

There is still a long way to go before family philanthropy goes mainstream in French society. But the difference between the US model and the French model is eroding. A generation of “new philanthropists,” consisting of people who have made their fortune in fields such as venture capital and technology, has emerged in France, and these entrepreneurs are beginning to apply their business acumen to philanthropy. (This trend is observable elsewhere in Europe and also in Asia.) The welfare state crisis, meanwhile—in combination with pressing social needs—has paved the way for a philanthropic renewal in France. One sign of that shift: In 2003, the French government moved to introduce a highly favorable tax incentive for philanthropic giving.

#### **COMING OF AGE**

Will the surge of family philanthropy generate social change on a large scale? A few characteristics of the field—its fragmentation, its reliance on volunteer-based management, its limited capacity to assess impact—may lead skeptics to argue that family philanthropy