

NextGens: Caught between Legacy and Idealism

A study on the philanthropic engagement of next-generation members of business-owning families in German-speaking countries.

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Around the world, family-owned corporations are the most common form of business. In Germany, where they account for a significant share of the country's total revenue and assets, there is enormous potential to apply this wealth in creating benefits for society and the environment. The Institute for Family Business and SMEs at the WHU – Otto Beisheim School of Management, together with PHINEO gAG, surveyed more than 100 so-called NextGens who already manage and/or will inherit portions of these assets, inquiring about their philanthropic activities. The survey resulted in the following findings:

Why and how do NextGens engage in philanthropy?

NextGens engage in philanthropic activity as individuals, through their family and/or the family business. The scope and nature of their activities, as well as the issues addressed, are as diverse as the NextGens themselves. The vast majority are intrinsically motivated to use their privileged situation for the benefit of social and ecological causes. In many cases, this sense of responsibility is heavily influenced by family values. While NextGens clearly express a personal desire to make a positive contribution, they also acknowledge that they face, as a result of their wealth, societal pressure to act responsibly.

Other cited motivations include individual experience with specific societal challenges, as well as the personal growth involved with engaging in philanthropic activities. Improving one's own public image is a welcome side effect, but is not a primary motive.

What distinguishes the philanthropic activity of today's NextGens from that of previous generations?

While successor generations often continue the activities of their predecessors, they are also intent on setting their own priorities. In contrast to their (grand)parents, NextGens are particularly interested in climate change and environmental topics, as well as global and systemic change issues. Some of them address topics involving economic reorganization, alternative ownership structures and the redistribution of wealth, such as steward ownership or an unconditional basic income.

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However, other issues, particularly those relevant to education, remain the focal point of activities taken on by most NextGen individuals. Efforts to promote the arts and culture, which most NextGens consider to be less important in the context of the current crises, are likely to become less relevant in the years ahead.

For many NextGens, combining their firm's core business activity with philanthropic activity has become more important. By advancing their company's sustainability strategy, supporting charitable projects that relate to their core business or creating a positive work culture, NextGen individuals are contributing to the family business. They see here the opportunity to have a tangible, positive impact on their employees' lives.

NextGen individuals surveyed for the study report that they often take a more strategic approach to philanthropic activity than their predecessors: They want to have clear oversight over the use and impact of their allocated funds.

However, efforts to analyze the impact of such activities are, in fact, rarely conducted in a strategic manner. For example, many NextGen individuals do not go beyond taking at face value anecdotal reports on the impact of their company's activity that are provided by nonprofit partners. Cultivating a close relationship of trust with their partners is thus very important, which is why NextGens tend to invest primarily in regional or local projects. They tend to be skeptical about engaging in international activities, in large part because little is often known about local conditions. In addition, the vast distances involved make it much more difficult to establish and maintain a trusting relationship with partners.

What keeps NextGens from doing more, and what would they like to see?

Many NextGens cite their own high expectations as well as a lack of time and expertise as the main reasons why they have not yet found the right activity for themselves. In a few cases, reservations about the social sector or dissatisfaction with political conditions also play a role. NextGens also report facing challenges when it comes to convincing other family members or the company of taking on new issues as part of their philanthropic activities. This is compounded by the fact that many of them do not feel comfortable talking openly about money or philanthropy. Many avoid the assertive use of their network, family name or prominent status in society to advance a social cause, preferring a more discreet form of activity that is removed from the public eye.

When it comes to managing their own wealth, some NextGens question the concept of a family foundation and the role of (long-standing) family offices. These individuals would like to see more openness with regard to innovative topics and approaches. For example, many NextGens are interested in impact investing and sustainable investing, but often lack the confidence and expertise in the field, or they simply have not been able to convince other family members of the benefits these activities can create.

NextGens would like to see more opportunities to connect and exchange with others, greater courage and authentic commitment demonstrated by their peers, and lowered bureaucratic hurdles to engaging in philanthropic activity.