

Sustainable Philanthropy

The Importance of Good Governance



About the Founder

Mr. Robert Yet-Sen Chen (1929-2003)

Mr. Robert Yet-Sen Chen was born at the beginning of China's new Republic, survived the civil wars and the Sino-Japanese War, lived on four continents, and established a thriving international business enterprise. Through it all he never forgot his roots, his boyhood years in rural China. He dedicated significant time, energy and financial contributions in the later part of his life to helping the less fortunate in his home village in Qidong, Jiangsu Province, China.



Mr. Chen was born in 1929. At the age of 14, he left his hometown to study in Shanghai. In 1948, he left China for Hong Kong and eventually went on to attend university in England. In 1957, Mr. Chen returned to work in the family business in Hong Kong. He established the company's presence in West Africa by setting up factories in Nigeria, Ghana and the Ivory Coast. Like many of his generation, Mr. Chen experienced personal loss, war and hunger in his youth which was to prepare him for the rigors and challenges of doing business in uncharted territories. His positive outlook on life and his uncanny ability to see to the core of issues, coupled with his unfailing diligence, contributed to the ultimate success of his personal and professional endeavors. His diligence and sound financial investment strategies paid dividends for the family business.

The elder, Mr. Chen Zao Men, taught his son about the importance of philanthropy – of giving – from an early age. The Chen Zao Men College in Hong Kong was the first charitable project supported by the Chen Family in 1972, and the genesis of a tradition of community service. Mr. Robert Chen built on this legacy of good work by building and supporting six schools, a community hospital, and undertaking much-needed public works in the family's hometown of Qidong. His lifetime of philanthropic work culminated with the creation of the Chen Yet-Sen Family Foundation in October 2003, prior to his unexpected and premature passing on November 29, 2003.

Mr. Robert Chen was a successful businessman, a caring family man, a generous benefactor and a respected citizen. Compassionate and generous, he cared deeply about educating the younger generations, in whom he saw unfulfilled potential to excel. His spirit lives on in the Foundation that bears his name.



The Chen Yet-Sen Family Foundation

About Us

Established in 2003, The Chen Yet-Sen Family Foundation is a hybrid charitable institution with a strategic focus on improving early childhood literacy, through the development of libraries and reading programs. The Foundation also supports experiential out-of-classroom programs which aim to improve personal development of children.

Geographical Interest

The Foundation supports organizations for innovative, cost effective and high impact programs in Mainland China, Hong Kong and Ghana.

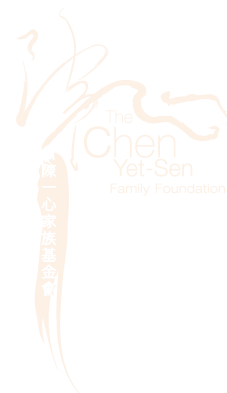


Mission Statement

To nurture the potential of the next generation by building, supporting & sustaining innovative approaches that enhance learning & personal development.

This includes:

- Supporting relevant local organizations and people to achieve capacity building
- Introducing best practices or new ideas
- Scaling up successful projects
- Encouraging the dissemination of innovative ideas
- Assisting with people resources in libraries
- Promoting quality literature
- Supporting life skills training



Message from the Board

*We are pleased to present this case study,
showcasing a selection of
the Chen Yet-Sen Family Foundation's work
since we began operations in 2003.*

*For us as a Foundation, these retrospectives are a
perfect opportunity for us to reflect on the
work we have done,
what we have learned, and
where and how we might improve.*

*It is also our hope that through sharing our
experiences, we will amplify the lessons learned
and approaches adopted, supporting others on their
own philanthropic journey.*



Sustainable Philanthropy

The Importance of Good Governance

*How do we pass on and share our wealth?
How do we help those in need, beyond a donation?
How do we create deeper, more sustainable philanthropy?*

The Beginning

The Chen family has always had a heart for giving. However, they were not interested in making one-off donations. Rather, the family wanted to build a philanthropic organization that could invest responsibly and sustainably for the long term. This meant taking an approach that required strategic focus and operational efficiency. To do so, it was necessary to start with a sound structure and organizational design. The Chen family wanted to apply the same professionalism in setting up the family foundation as it would with any for-profit business.

With this mindset, the Chen family sought outside experts to design a robust governance system for the Foundation. This governance system would provide a structure that included a board and professional staff, rigorous grant application and approval processes, and strict guidelines on donation policy. It would not only reflect the Foundation's philanthropic philosophy but also become a cornerstone of stability and steady growth.

Since its inception in 2003, the Chen Yet-Sen Family Foundation has focused on innovative education programs that enhance learning and personal development to nurture the potential of the next generation. Its governance system has allowed the Foundation to achieve deep and sustainable impact while growing healthily as an organization. By sharing the inner workings of this governance system, the Chen Yet-Sen Family Foundation hopes that other family foundations, old and new, will benefit from their strategy for philanthropy.



A Vision

Mr. Robert Yet-Sen Chen set out to establish a family foundation in 2002, with his wife Mrs. Daisy Chen, his son Mr. James Chen, and his daughter Ms. Margaret Chen. They wanted to build a solid structure from the start, and invited Ms. Cynthia D’Anjou Brown to help with planning. Cynthia holds a master’s degree in social policy and community planning from the University of Toronto, and has more than 30 years of experience working with public entities and non-profits.

1. The Mission

As with any organization, there must be a strategic focus – a mission. This not only unites the staff around a common goal, but drives decision-making and management strategy. It also answers the question: ‘what does the Foundation want to do?’

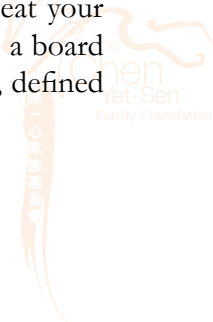
It wasn’t an easy process to find a single area that appealed to everyone involved. Many causes needed support, but after much debate, it was unanimously agreed that the focus would be on children. Early intervention with the younger generation impacts their entire life, as well as the lives of those around them, with profound consequences for society at large.

2. The Philosophy

The Chen family’s philosophy of philanthropy focuses on depth over breadth. To embody this approach, Cynthia diligently designed a holistic governance system that put an emphasis on rigor, from the make-up of the board to financial transparency and project management.

Two aspects of Cynthia’s prior experience influenced the design of the governance system. First is transparency, which is a must for a public entity. A private family foundation can choose to be less transparent, but the Chen family believed it was important to lead by example, thereby encouraging organizations with which the Foundation worked to be transparent. Second is systematic grant making. This involved a period of transition, from the personal philanthropy of Mr. Robert Chen Yet-Sen to a family philanthropy model with collective decision-making.

Once the design of the governance system was completed in 2003, the Chen family invited Cynthia to stay on as a board member. James Chen said to her: “We are grateful for your help in formulating the recipes, and hope you can stay to eat your own cooking.” Over the past decade, Cynthia has contributed greatly – first as a board member and then as co-chair – to the stability and growth of the Foundation, defined by a focused mission and a sound governance system.



The Governance System

Cynthia set out to design a governance system that reflected the Chen family's philosophy of philanthropy. The system would extend beyond directing the makeup of the board and board members' responsibilities to how grant applications are reviewed and approved, and to how projects are managed on the ground with partner organizations. Cynthia and the family drew from successful philanthropic foundations in other parts of the world and integrated ideas into the local context – based in Asia, working in China.

1. The People

What types of talent do we need in-house and as advisors to achieve our goals? What kind of organizational structure do we need to ensure consistency in decision-making while continuing to have fresh ideas?

The Chen Family firmly believed in (i) infusing the Foundation with fresh ideas from outside; and (ii) having the right talent to do the right job.

- **The Board**

The board is the decision-making body and sets the strategic direction. Board members take an active part in the grant process and collaborate with the staff on decisions. The Chen family believed in sharing the stewardship of their wealth and recognized the value of having non-family board members. Besides the three family members, the board is comprised of four non-family members, each with different professional, educational and non-profit experiences. Together these members have a wealth of experience working with children in East Asia. A tenure system was adopted to ensure continual injection of fresh ideas. Non-family members serve a two-year term with the option to serve additional consecutive terms.

- **The Staff Team**

Running any organization effectively requires staff that know both the contents and context of the organization's work. Businesses think to do this naturally; philanthropic foundations should be no exception. Therefore, the Foundation hired professionals to take on the roles of project officer and executive director. The staff team focuses on the day-to-day management of the projects – spending time on the ground, working with partner organizations, collecting and collating data. In addition, the team analyses trends and monitors policies in the non-profit sector, and provides this information to the board. Board members may then use this information as reference points when making decisions.



Executive Director, Tina Chan, explains the approach: “In addition to reviewing and monitoring project progress, the most important work we do is assisting our partner organizations effectively. This means spending a lot of time visiting project sites, and communicating and interacting with them. The time and effort are worthwhile as this process allows us to better understand their needs and build stronger relationships.”

2. Rigorous Application Process

With so many causes and non-governmental organizations (NGOs) out there, how do we award grant applications and allocate resources in a way that is aligned to our mission?

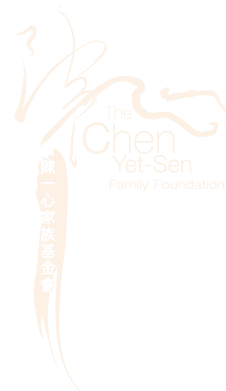
The board convenes twice a year to approve grant applications. When an organization submits an application, it enters into a rigorous process, usually taking two to three months. Board members and staff follow specific guidelines and principles for due diligence and decision-making, from receiving to approving an application. Due diligence includes site visits and multiple discussions with the applying organization’s staff, including leader and team members of the project. This gives the Foundation greater insight into the quality and potential impact of the project in question. Board members also participate in this process, offering alternative perspectives.

- **A Clear, Professional Process**

An open, two-step process provides an opportunity for the Foundation to scan the non-government/non-profit space. The shorter inquiry in step 1 of the process also saves time for both the applicant and the Foundation.

Step 1: Interested applicants submit a Pre-Proposal Inquiry (PPI). After a preliminary review of the PPI and communications with the applicant, a decision is made about whether the applicant will progress to the next round. Applicants are kept abreast of their status with timely written communication.

Step 2: Applicants that pass the preliminary review are required to submit a Project Funding Application (PFA). Foundation staff visit the project site and interview relevant responsible parties. Findings and comments are incorporated as part of the applicant’s PFA. If approved, applicants receive positive notification and detailed documentation.



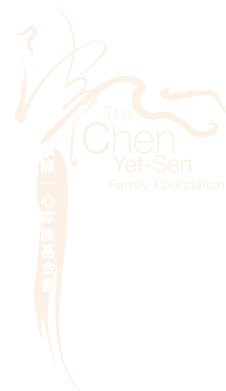
- **Major Review Principles**

To ensure consistent decision-making, the Foundation's Allocation Resource Manual clearly states project review standards in the following areas.

1. *Project Effectiveness:* Does the work align with the Foundation's mission? Does the project proposal show evidence or include plans to demonstrate that the target beneficiary will receive the benefits stated in the application?
2. *Resource Allocation:* Is the project's proposed budget sound? Does the project plan have the appropriate resources and technological support for the scope of work?
3. *Management:* What is the make-up of the management team? How effectively does management run the organization? What role will management play in the project?
4. *Governance:* What is the structure (e.g. committees, operational manuals) of the governance system? How many members are on the board, and what expertise does each of them bring?

- **Board Member Participation**

The Foundation feels strongly about active board member participation in the grant process. This approach raises the quality of collective decision-making, as board members' experiences outside of the Foundation provide additional insight. Their input is combined with staff interview comments and site visit findings to help give a more informed overview. Board members are assigned and responsible for reviewing several applications before each board meeting. To reach a final decision, each member shares his/her views on the assigned projects and clearly states why he/she believes the project should or should not be granted funds. Checks and balances are naturally embedded in this framework as recommendations for grant approvals do not reside with a single person. Board members know that theirs is not a 'rubber stamp' position and take their responsibility dutifully. Heated debates are quite common in these board meetings, as members ensure that the projects are in alignment with the values of the Foundation.



- **Benefits to the Applicants**

The Foundation requires the applicant to provide detailed information about their project. These rigorous requirements encourage applicants to go through their own due diligence, ensuring they have a deep understanding of their target beneficiaries' needs. To support applicants, staff members conduct several discussions, in addition to site visits, to help them clarify their plans, identify potential opportunities to maximize the project's effectiveness and impact, and to avoid possible pitfalls. The Foundation firmly believes this is a necessary step to responsible giving. It is also a way to level the playing-field, such that smaller organizations, without the resources or experience for grant applications, stand a chance at receiving some support.

Mr. Jing Yuan, head of the project 'Wisdom Boat', which received a grant from the Foundation, observed that "The Chen Yet-Sen Family Foundation's application process is one of the most rigorous and strict. You need to include many more details such as project background, objectives at each stage/phase, the characteristics of your target beneficiaries, etc. Having gone through this process with the Chen Yet-Sen Family Foundation, I feel more prepared for other application processes. The Chen Yet-Sen Family Foundation's process encouraged our organization to rethink and look deeper into how our projects can be modeled to better meet the needs of rural schools."

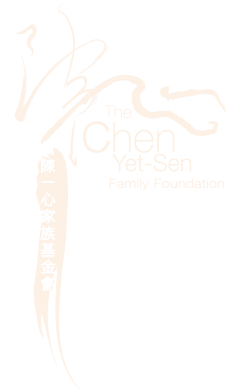
3. Donation Policy and Guidelines

How do we manage funds and grants responsibly?

The Chen Yet-Sen Family Foundation sees financial transparency as a responsibility. It goes to the heart of the Foundation's credibility and trustworthiness.

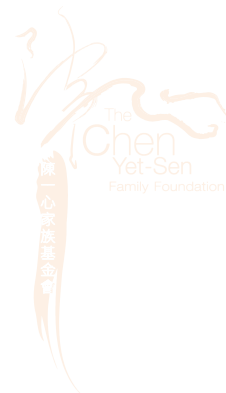
- **Self-Discipline**

To avoid conflicts of interest, if any board member has working relations with the applicants, such as being a board member or donor, he or she can only attend meetings, without voting rights. For applicants, the Foundation always adheres to the principle of equal cooperation. Leading by example, Foundation staff's transportation, food and accommodation during field visits are always based on the principles of economy and simplicity.



- **Timing of Awards**

Grants are awarded at a controlled pace to manage risk. The first grant is awarded when the Foundation signs the funding agreement with applicants. Depending on the project cycle, partner organizations need to submit a mid-term project report before the second grant is awarded. The partner organization must submit a final report with expense receipts after project completion before the Foundation awards the remaining grant amount. The Foundation retains the right to review and monitor partner organizations. The funding agreement can be withdrawn if any misuse of funds is discovered.

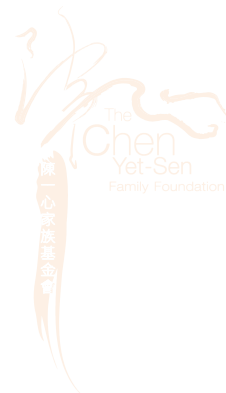


Ten Years of Growth Together

The Chen Yet-Sen Family Foundation has always had a desire to innovate and a willingness to take risks. The family's approach combines ambition, professionalism, and a system of governance that is transparent, efficient and holistic.

Cynthia has been with the Foundation since the very beginning. Reflecting on her years of commitment, she remarked: "I like the Chen family very much. Each family member is earnest and works attentively. They take an active role in projects carried out by the Foundation, and hope to make meaningful contributions towards social change. They understand clearly their strengths, and in areas where they are less knowledgeable, they invite suitable people to join them. This reflects the organization's humility. Furthermore, it is willing to take risks – as long as applicants or staff can convince the board members, the Foundation is willing to try new things. In their eyes, failure is an opportunity for learning: if you have not experienced failure, it only proves you have not taken enough risks. Board members also spend a lot of time participating in the operation and project review process of the Foundation. The board members do not merely passively approve projects. Instead, they need to have a deep understanding of the background and content of a project, and be fully aware of an applicant's situation."

James Chen, co-chair of the Foundation: "We have been true to our family's belief in philanthropy – which is not only to give money but to really understand and address the long-term needs of beneficiaries. I believe my late father would be very satisfied with the progress we have made in our family's philanthropy over the past 10 years inspired by the spirit of his giving, not only of money but of his time and effort, during his lifetime."





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