

# Fundación Berta Martínez



## Principle 2



We are a foundation that, understood as a social business, honours and preserves a family legacy with good corporate governance practices, responsible management of resources and permanent improvement of the organisation for the transformation of our surroundings. Inspired by our purpose, we understood the responsibility of transcending the traditional management of our capital towards innovative ways that would allow us to scale our impact, given the size of our society's challenges.

Juan Sebastian Jaramillo

Executive Director



# About the **Fundación Berta Martínez**

Founded in 1983, in Medellín, Colombia, Fundación Berta Martínez (FBM) celebrated its milestone 40th anniversary in 2023— with significant philanthropic transformation, social impact and innovation. The Foundation facilitates holistic social housing programming that aims to build a better society through the preservation of the natural habitat and the development of the communities who inhabit it. The Foundation used profit earned from its endowment to donate houses to low-income families in rural areas, with a clear expectation that operations would end in December 2010 — which is when profit from the founding endowment was projected to run out.

# What was the challenge?

Philanthropy in Colombia is rooted in a traditional model which uses income from endowments to finance social impact activities. A key limitation of this model is its inability to scale solutions since the potential impact of activities is dependent on the preservation of the economic value of the endowment over time. In response to this limitation, FBM adapted its philanthropic approach so that part of its endowment could be used as venture capital for the creation of social businesses that were capable of generating both social impact and economic value within the same business model.

Since FBM is a family foundation, another challenge was to establish a governance model that would ensure that future generations of the family would govern the Foundation with an understanding and commitment to upholding FBM's role to protect a philosophical legacy of impact, without any participation in the capital structure.

# What was the response?

When Julio Rafael Jaramillo resigned from his position as executive director and took up board membership, Juan Sebastián Jaramillo took over the executive directorship and, with this, the challenge of proposing a new, more sustainable organisational model to the board. He researched market trends, visited local organisations and travelled abroad to learn about social housing best practices, sustainable models and microfinancing. It was during this research and review process that the family board members began to realise the need to function differently. They sensed that the external board members were not being utilised to their full potential because, out of respect for the family, they were not unreservedly sharing their opinions and ideas.

A delineation of roles was agreed upon, in which family members who wanted to be involved in the Foundation would form part of the family council, which would not have strategic input, but would instead fulfil four key responsibilities: (i) to protect the endowment for sustainability of impact, (ii) to induct newer generations of the family into the Foundation's philosophy, (iii) to guarantee the preservation of the organisation's DNA, and (iv) to appoint the board of directors, according to the needs of the Foundation.

The board of directors continued with five external members who were given more strategic power to focus on and enhance the Foundation's vision, purpose and risk appetite. The election process for the Board of Directors began by identifying the main challenges and needs of the Foundation to be managed and met: Strategy, financial management, knowledge of the social sector, innovation and organisational development. Based on these needs, competency profiles were designed, equivalent to a specialised profile for each one of these needs, and subsequently, a search for two/three candidates for each profile started. The election process was completed through a voting mechanism by the family council for each new member.

The Foundation faced several challenges when transforming into this new model. The first challenge was transitioning from the existing board to the new one. At the time of the transition, there were already four external members serving on the board but were not selected based on these profiles. To address this challenge, a transition period was defined in

which the oldest external members would end their period, and their replacements would be chosen according to the new profiles. This transition which became an opportunity to define a maximum period of permanence for the new members of the Board, took a couple of years to complete. Currently, everyone has personal terms of two years, with the possibility of up to three consecutive reelections, which allows them to be on the board for up to a maximum of 8 consecutive years and then proceed with their replacement based on the designed profile.

Another challenge was incorporating diversity. This transition presented an opportunity to form a board of directors with a female majority, with members of different age ranges and representing different sectors of the society which at the same time meant major changes in the demographics of the board members. Finally, a need to construct efficient communication mechanisms that allow the correct flow of information between the governing bodies, the family council, the board of directors and the executive director emerged. To address this challenge, it was agreed that two delegates from the family council would participate as permanent guests in the sessions of the board, which are held monthly to evaluate the performance of the organisation as a whole and to engage in strategic decision-making.

With separation and the scope of roles clarified, the FBM board and team engaged the family council on the extent of social needs in Colombia, creating awareness about the financial limitations of a traditional endowment and emphasising the Foundation's responsibility to scale impact in response to the country's challenging social context.

This internal advocacy led by the new executive director of the foundation was amplified by strategy development, social innovation, and design thinking workshops held by local universities, such as [EAFIT University](#), which encouraged progressive and creative rethinking about the role of the endowment and its conservative preservation strategy. Rooted firmly in its founding purpose – to create social impact – the Foundation constructed desired future scenarios that helped map out the actions needed to realise them. FBM's evolution hinged on the initial creation of safe and supportive environments that enabled honest and critical strategic dialogue, which was enhanced with input from relevant external actors and experts.

Key strategic changes that emerged from these sessions included assigning part of the endowment as risk capital for the creation and consolidation of three social businesses, focused on social housing construction, housing microfinance and habitat management; and creating a state-of-the-art corporate governance model in a family-based foundation.

Reviewing other private sector family enterprises' governance models helped to inform the design of FBM's own governance model, which made firm distinctions between the roles of the family council and the board, giving the board decision-making power regarding strategy and operations. This model also clarified that if a founding family member wished to be involved in the organisational operations (as is the case for the current executive director), so as to avoid conflict of interest, they could not then also be a member of the family council.

Considerable effort went into documenting this governance model, after which legal advice was sought to ensure sound and effective execution. The model also prioritised investment in the organisation's three pillars: (i) awareness of the needs of others, (ii) passion for and commitment to serving others, and (iii) being results-oriented.

Through the course of this transformative journey, the FBM team – which started with about four people and has grown to nearly 50 people today – became technical experts in social housing, including developing extensive insight into how to build houses, develop neighbourhoods, and promote human development in those neighbourhoods. It was decided to split this knowledge into three independent business units, (i) building social housing, (ii) financing social housing acquisition, and (iii) habitat development, that could operate in the market without dependency on the endowment, focusing on developing the neighbourhoods where houses are built, in an integrated way.

As a result of this transformation into three social enterprises, nearly 13 years after FBM's expected end date of December 2010, the Foundation continues to contribute to social and environmental development – having grown its equity by 4.35 times its original value and having mobilised resources worth 15.5 times its current equity value which was also invested in impact.

FBM's transformative journey is underpinned by the flexibility to innovate, test, and scale or discard, depending on results. The Foundation's strategy is reviewed quarterly and adapted based on new learnings and insight.

# What have they learned?

- ✓ **Be ready to have difficult conversations to promote organisational transformation.** It took significant energy, effort, and many conversations to convince the founder to continue the Foundation's journey in the hands of a new generation. Since no other family members were involved in the initial establishment of the Foundation, the new generation of the family needed to be educated about and aligned with FBM's legacy and vision. Through different family conversations and given the evidence of the good reputation that the Foundation was acquiring as a relevant actor for addressing the social challenges of Medellín and Antioquia, an awareness was awakened about the relevance of contributing to social development instead of extinguishing the entity. From then on, different members of the new generations of the family assumed the commitment to continue this legacy, training for it and giving the Founder peace of mind. All this, accompanied by the organisational maturity process of the Foundation, which has enabled us to build a modern governance model, a bold strategy and a team suitable for meeting the challenges, helped us convince the Founder of this transition.
- ✓ **Develop a strong and compelling narrative to attract talent and build alliances.** FBM needed to clearly articulate what it achieved during the first twenty years of its operations — during which the organisation did not publicly communicate about its work or even have a website. This communication was now necessary in order to attract new talent to the board of directors. The first step to developing this narrative was sharing information with colleagues and organisations working in the field and forming key strategic alliances. This was followed by creating important relationships with local authorities and government, communities, and international organisations.
- ✓ **Be bold, and get ready to take risks in a step-by-step approach.** The family was protective of the endowment and committed to protecting it forever, with only spending the profit. The board of directors convinced the family that this approach would not make scaling impact possible and that risk was essential for sustainable progress. The board also helped the family to understand that, in order to convince others to invest in its initiatives, FBM first needed to invest its own capital and show results.

Business models were developed for each of the three social enterprises. The family council initially agreed to use five percent of the endowment to trial the approach. These funds were used to meet low-hanging targets, which helped to demonstrate progress and convinced the family that they were on the right track. Five years ago, coinciding with the celebration of the Foundation's 35th anniversary, the big leap was finally taken to shift the entire endowment towards social entrepreneurship. FBM invests its own endowment as working capital in all its initiatives, which also helps to attract co-investors who align with the desired impact.

- ✓ **Partner with organisations that have a shared purpose and vision.** Identify key actors from different sectors such as foundations, corporate social responsibility departments of private companies or corporate foundations, and local governments and build alliances to learn from each other and collaborate to reach similar goals. Build and maintain trust with these actors through transparency and accountability.

FBM does this through an accountability system that provides actors, colleagues and social investors who collaborate with the Foundation with detailed impact reports on a monthly basis. These impact reports are developed through a [section](#) built within the Foundation's website, where each partner has a unique log-in and dashboard for their project, and they are asked to provide progress information on the project schedule, budget performance, result indicators or impact indicators, among others.

- ✓ **Measure and manage the limitations to innovate** that may be imposed by legal or regulatory frameworks for non-profit entities, as well as decision makers' risk aversion. FBM is aware of the limitations of its status as a non-profit entity and seeks to innovate through fiduciary and partnership models that allow it to scale its impact.
- ✓ **Understand the challenge you are confronted with as broadly and systemically as possible before attempting to solve it.** Teams should be mobilised to connect with the challenges that they are addressing to broaden and diversify views and ideas for solutions. The FBM team created "Conversemos", a monthly face-to-face meeting space for the entire team to address trend conversations in social development, impact investment, sustainability models, new social methodologies or project innovation based on specific challenges. This learning space allows for creativity within the team and reinforces the values and organisational culture.

# Key outcomes and impact indicators

## In its 40 years

of operations, FBM has directly impacted 60,323 people in 73 municipalities through 120 projects and 139 partnerships with other actors.

## FBM's equity

grew 4.35 times its original value, and the foundation mobilised resources 15.5 times its current equity value for funding social impact projects.