



How the 1st family office in Europe dedicated to impact investing is helping families invest with tangible Impact

Episode Transcript

November 2021

EPISODE 3:

How the 1st family office in Europe dedicated to impact investing is helping families invest with tangible Impact

Julien Lescs, founder of Kimpa, interview by Andrés Neira and María Angélica Latorre.

(intro)

María: Hello, listeners, and thank you for joining us. Today, we speak to Julien Lescs, co-founder of KIMPA, the first family office in Europe dedicated to impact investing. Julien and his team are actively helping wealthy families and family businesses align their family values with their impact investment strategy in order to invest for good, innovate to keep their family quest alive, and win with the next generation onboard. He recently published a clinical perspective on how the environmental urgency affects the psychodynamics between family members and within family businesses. Julien is a Fellow member of the Family Firm Institute, father of two, and fan of ultra trail. We speak about how Julien got to this strong and courageous mission, the current fear of the traditional banking sector when it comes to impact investing. We speak about responsible and sustainable finance, ESG, impact investing, philanthropy, and more. Please enjoy.

(interview)

Andrés: So, welcome to impACTivist and to the last episode, we have been talking about social entrepreneurs, sustainability, and the different topics that are relevant to change in the world. But, today, we have a special guest, he is Julien Lescs, that he will provide us an important perspective

in this complex scenario. That is, the perspective of the family businesses. Because as all our dear listeners know, we have been discussing how challenging it is to connect the financial resources with entrepreneurs. So, today, Julien will give us a perspective on this topic. Julien is a former student of the Executive Master in Change at INSEAD and he's a co-founder of KIMPA and Kanopé. KIMPA is a family office that is fully dedicated to impact investment. So, Julien, welcome to impACTivist.

Julien: Hello, how are you? Thank you very much for having me today.

Andrés: Okay. So, Julien, please, tell us who are you and how do you arrive to this topic of become a family advisor?

Julien: Okay, so my name is Julien, you already know that. I'm a father of two nice girls, four and eight years old, and married with Geraldine. We spent our last 15 years living on a very nice island in the middle of the Indian Ocean called La Réunion, which is a French territory between Madagascar and Mauritius. And this island has been really a big part of our life. Now we live in the southeast of France where I launched KIMPA, as you said, and KIMPA is the first family office in Europe dedicated to impact investing and we are based in Spain, Paris, and [inaudible 0:03:10.9]. So how did I arrive here? In fact, I think it was meant to be. I am a grandchildren of a Polish woman and a Latvian man who arrived in France, they were Jewish, and they had to manage to go through this war during the last century and they stayed in France and they raised their family here. And my father then met my mother who became to be the daughter of a priest initially. And this priest went to the war as well and he met this woman, my grandmother, and he said he's not gonna be a priest anymore. What was very interesting is that my mother is — I mean, her father, sorry, was part of a big family. There were 10 children, 10 siblings, and they were farmers and what you have to understand is that this family ended up to court. They

didn't manage to realize a good succession and a good transition in their family and then ended up in court and the farm got bankrupted. And what is interesting that when I did EMCCC at that time and I worked on my genogram, I realized that there were a transgenerational transition and heritage between this grandfather and me. I never met this grandfather. He died too early, unfortunately. But what was very funny is that before he died, the family was together. When he died, they went to court. So he was kind of a family advisor at that time and it's funny to realize that, today, I am a family business advisor and specialize in emotional dynamics in this kind of family. So it was meant to be, I guess, and I believe that emotion and love is at the core of any family business and it must be professionalized to be able to help these families as a different generation.

María: I just have a question in regards to that. This is so fascinating. So, here we're talking about the importance of emotion, love, and all of this sort of right brain area, right? To manage a good transition in your family, but tell us a little bit about what happened in your life that, all of a sudden, you said, "Okay, let's focus on the United Nations sustainability goals"? Where does that come from?

Julien: So then, you know, I've done my life, I've worked in a big corporate organization for 10 years, and they sent me in the middle of Indian Ocean for a few years to manage territories in Africa and all these islands. And then they wanted me to go back to Geneva, and I said, "You made a mistake, you sent me in the paradise and now I'm staying there." So I had to launch my own business to stay in this area of the world and I decided to become a consultant. And so I've been advising family businesses without knowing it was a topic for at least, yeah, over the last 15 years. But after 10 years, I was starting to become frustrated about the real impact I had with these organizations. You know, there were a big gap between what I was trying to put in these systems and what they were really doing with these skills, these competencies, this project we are bridging together, and

that's the reason why I decided to join EMCCC. You know, I want you to understand why the change I was trying to make in this organization didn't work. And so I arrived at EMCCC and the first book I read was the book from Randel Carlock, *When Family Businesses Are Best*, and suddenly, you know, everything arrived in my head and I realized all the mistakes I did over these last 15 years without understanding were these three cycles in these systems: the family, the shareholders, and the family business. And, basically, I was only working on the business and not on the family and on the shareholders. So I shared this with one of my oldest clients and he said, "Funny you're saying that because I just had the first adult conversation with my daughter," she was 17 at that time, and she was planning to go to Canada to continue her study and she said, and they have a business in the fashion industry, they have about 100 stores in different markets, it's a company that is worth about 100 million euro turnover. And he said, "My daughter, 17 years old, just told me, 'You know, Dad, I think I'm not gonna join the family business.'" He said, "Why?" "Because what do we do is not good for the planet." And, of course, she was probably, you know, too young to have maybe the right word to explain that to his father but what was at the heart, at the core of what she wants to do with her life was basically the planet. And that's the reason why, at the same time, I was building this project around this new type of family office about impact. I'm a big fan of diving. Of course, when you live on an island, there's so many things you miss so you import everything so I was kind of already connected with the nature and seeing everything that was changing very fast. So I decided to work on this question and the first question I asked myself when I did my thesis was, "Is there a link between the environmental crisis and the fact that the next generation would join or not join the family movement?" And very quickly, I understood that the question was not why, the question was how. Because we all know today that the next generation is already involved strongly about everything that is related to the planet and I have a really deep feeling that, you know, if my grandparents went through these wars, we're maybe concentrating on peace and security for their family, raising children, and making sure that there will be never again this kind of war, and all this mindset took us to the building of the

European community about all the trading agreements, about everything we have put in place, even how we managed the COVID situation over the last two years. But the next generation, they're not talking about security. No, they were born already in an economic crisis, they were born with a planet burning. So, I really believe that what is at the core of their collective unconscious is how they're going to contribute to a better world, how they are going to devote themselves in this topic on building new businesses that will contribute to solution that will make our planet worth living on it, and that's how I arrived in this new business which is KIMPA.

Andrés: Julien, one of my questions and something that I experienced personally in this world of wealth management is how to deal with the barriers. We have certain barriers. One of the barriers is the preconception of the former generations regarding sustainability and impact investments, but also is the inner barriers that I experienced in the day to day in the financial sector. So, when I try to have this kind of discussion about sustainability and impact investments with the typical actors, I found that there is not a real connection between the sustainability proposed. What I found is that everything is concentrated in ESG but I think that the main players of the industry, of the financial industry, are not going really deep in really what in this change of the system, so how to deal with these barriers?

Julien: Yeah, so there's two barriers. We have the business barriers, and I'll tell you about the financial part just in a few minutes, and then you have the emotional barrier. On the emotional side, the question is, is the next generation, will they join the movement or not? And you have to understand that there's probably at each generation one-third of the business only survive, the rest is either sold or bankrupt. So when you arrive at the third or the fourth generation, you know, there's probably less than 10 percent of the initial business that are still family-owned. So the big question is who's after me? That's on the emotional side and we can talk further on it. On the financial side, there is a misunderstanding today on the

market and also there is a miscommunication taking people to do greenwashing. You need to understand the difference between responsible finance, sustainable finance, and impact investing. The responsible finance is when you decide as an investor to avoid putting your money on sectors that may be a bit controversial, like military, like pornography, this kind of business, you decide not to invest on this area. This is called responsible finance. Then you have all this ESG thing. ESG is that is something where companies have decided to put criteria, environmental, social, and governance, and try to improve them. It doesn't mean they're investing behind solutions. So it's not bad but this is called sustainable finance. And the idea is that if these companies are trying to behave better as a company and have a better impact on their stakeholder, could be the suppliers, could be their employees, it could be their clients, they will be probably more sustainable than other companies so you better have to invest on them and the stock market has proven that they are more sustainable during crisis today. But it doesn't make an impact. And this is why when you see an advertising today from a bank or a retailer or whatever, we're saying, "Put your money in my bank and you will save the world," it's bullshit. The only way to change the world is to contribute to solution but contributing to solutions is very risky, because solutions exist but it's often risky, you need to invest a lot, to invest in new technology, new initiatives, new way of doing business. So that's the future and it always works like that. But there is a part of risk that is very, very, very important. And this is called impact investing. And you can maybe make another step and go to something that is called philanthropy and philanthropy is basically not investing on a company but it's giving money on a cause you have chosen that could contribute as well to the 17 SDGs. So, just to summarize what I was saying, I'm not saying that responsible finance and sustainable finance are wrong. You should put your money on it because, I mean, on sustainable finance, you should do that because you need also to secure your portfolio, you need to secure your wealth. But the reason why we need to secure your wealth is to give you the opportunity to take a part of this wealth and try to direct it to solutions. And this is what is called impact investing and philanthropy.

Andrés: You were talking about risk but maybe could be as risky as private equity, for example? Because sometimes I say, okay, I put the money in private equity, is high risk, long term, at the end, could it be similar?

Julien: You're completely right, we're talking about private equity. Contributing to solutions is most of the time private equity. But you can also and there is a big question, do you want to put your money on Total or not? Is Total a good — are they contributing to solution or not? And the answer is very controversial, because there is a lot of politics behind that but what you can do is you can compare these companies in their own sectors. Total today is one of the oil and gas company that is probably directing a lot and the most they can, financial power into solutions. But at the same time, they're still in the old world. I mean, if they're not doing what they do today, you couldn't have electricity probably at home. So there is still this discussion too. And, you know, I've got these clients, he has — it's a French company, they have more than 300 gas station in France, so how are you going to attract the next generation if you own 300 gas stations? There's two options. You do nothing, they're not coming. We tried to see how you can pivot a little bit and try to go a new direction, building on the west, you have a community that will last decades, and probably they will come because the project and the vision you have for the next generation is positive for the planet. And this is what family businesses have to do. They have to set a new set of values, a good vision, family vision, and this family vision will have an impact on the business vision. If they don't do it, there may be few chances that the next generation come onboard and if the next generation is not coming onboard, there is a risk for the company.

Andrés: But we have also another side of the coin, that is the entrepreneur. What kind of advice can you give to the entrepreneurs in order to be attractive for those kinds of capital? Because sometimes there are maybe lack of

knowledge or structure so what kind of advice you can give to the entrepreneurs to become attractive for investors?

Julien: Yeah, just before I answer this question, I just wanted to add something on the family businesses and it's very important. The only thing that academics have proven is that the only chance for any family business to survive is to be able to develop, at each generation, an entrepreneurial orientation, a distinctive entrepreneurial orientation, meaning that each generation has the power to reinvent the business and organize the business with the reality of this generation. And it's extremely important to explain that because it's related to your question. Now, you're a first generation entrepreneur and you're launching a startup and you have, I don't know, an idea of vertical agriculture, for example, developing agriculture concept inside of cities, okay? And you need to have a lot of cash to develop your initiative. The impact investor, they're looking for three specific points. First, the intention. What kind of solution or what kind of problems your solution is tackling? That's what we call intentionality. Second thing is additionality. It's tackling the problem but how? What your solution is going to bring on top of what — does it exist today? And is it going to be only one time? Or is it going to be, you know, year after year or better? Tell us about your story on that. The last point is the measurability. You need to be able to measure your impact in connection with the 17 SDGs. If you're not able to measure it, you will not have any impact investor coming behind you to support your initiative. So, just to summarize: intentionality, additionality, and measurability are the three pillars for an impact investor to invest in any company.

Andrés: That's great, Julien, because you have provided us big, insightful key points to take into account not just for the families but also for the entrepreneurs. You were talking about measurability as one of the key points. How to measure the impact investing when we are dealing with this kind of investment?

Julien: And that's the \$1 million question. It's a question where you can lose yourself very easily if you want to be perfect. Let me explain to you. Most of the things these companies are doing are not perfectly measurable because you have, as you know, you have different scope. Scope one, scope two, scope three. So, sometimes, you measure only on scope one but you don't integrate, let's say, the negative impact your business has, just let's talk about the example I gave you just before, you know, these vertical agriculture concepts you can put inside cities. If you need machines and tools that you import from the other side of the world, there is an impact that you have to integrate on the whole concept of measurability. So, you really need to look at scope one, scope two, scope three when you measure, then you need to try to be as simple as possible and make choices. What is your impact on which SDGs? How it impacts the environment, how it impacts the people, how it impacts the business, how it impacts your stakeholders? And then you define two, three, four KPIs and you just stick on it. Most of the impact investors will help you on that and the best way to do it is to be authentic and accept that it's not perfect. But if you're authentic, then you're going to increase and improve your performance and as the, you know, there is all these businesses that are growing today developing different kinds of measurability so data will be available and will be better and better over the next five to ten years. So, let's not worry about it. As long as you're authentic on the way you measure today and on your aim to have an impact, your measurability will be better year after year if you stay connected to the market.

María: Julien, what are the biggest trends you see today in this space?

Julien: Well, for me, it's not about the trend, it's about the goal. Let me tell you why I'm saying that. I'm leading a multifamily office so I could be completely focused on the level of assets under management I have, the level of private equity

investment I do every year, but I'm not gonna set the world alone. It has to be circular. It has to be within the circular economy. And the finance world is not completely ready about that. So, the goal is, if I know to do something better than somebody else, I should tell him how to do it and help him to do it. So, the trend today is you have all these businesses, family owned or not, that will collapse in the next 20 years if they don't understand how they will contribute to the next world that is in front of us. We already know that 50 percent of the job that will be available in the next 20 years doesn't exist yet so the trend is not about, "Where should I invest?" The trend is where my markets are going, and, you know, as an entrepreneur, you need to bet on the direction you believe that will be the best. What kind of energy will we need tomorrow to sustain our buildings inside cities? How are we going to deal with the water? How are we going to deal with employments, you know? Even the concept of having a job will change in the next 20 years. And I'm sorry to challenge a little bit your questions, it's not about the trend, it's about what you wanna contribute to and how you're going to do it. Just to give you a clear example of what we are doing inside KIMPA, we have opened the capital to all our employees, or we have a type of management extremely free with what we called a full nomad period. So, basically, unlimited holidays and during Christmas and July, August, you can work from anywhere you want in the world. We give as much as possible flexibility, freedom to the people to choose what they wanna do in our company, be successful and challenge the leaders and build this business with us. And this is the complete new way of doing finance or doing multifamily office or whatever you call it. You need to give the power to the stakeholders, you need to trust people, you need to trust your clients, you need to trust the entrepreneurs to have a bigger impact. And we have to do it together.

María: Yes. So my question, Julien, was more on how do you see and if we can implement the term "collective unconscious," the term that I'd love for you to explain to our listeners, how do you see the mindset today, that willingness to invest differently, to be more open to take risks differently? Do you

feel that it's changing? Do you feel is it accelerating? Tell us a little bit about that.

Julien: Yeah. So maybe three level of answers. First level is we are recruiting a lot today, a lot of young people. I'm extremely surprised by the number of curriculum vitae I'm receiving. I'm still a very small company. I'm only two years old as a company and, you know, we are recruiting two positions of general family officer in Paris and Madrid and I think I have received in less than a week I think 200 curriculum vitae, which is quite ridiculous for us. And when I asked them why they have chosen our company, you know, rather than a big bank to start and to build their career, they all have the same answer. They wanna be part of the change. They wanna contribute to solutions. And this is what KIMPA is trying to do. So that's the first feedback on what I see. There's still one thing that I see and that's the second level is a lot of fear. A lot of fear from the traditional banking sector. You can see it in their commercial and advertising. You can see it in any event where you go, you know, everything is green, you know, nobody was green five years ago and now it's green everywhere. They all promise that they will change the world. And an example of that is I've been invited recently to a table to prepare an event in Paris and at this table, you know, in fact, I thought there were maybe 50 professionals of my business around this table but, in fact, with only five. And about these five, they were all big banks, extremely big companies, and me. And so, you know, during these two hours, when we talk about this event, I was talking to myself and I was thinking and was reflecting and saying, "What am I doing here? Why did these people invite me?" And the reality and what was my conclusion is that they invited me because they don't know how to do it and they are in complete fear. So, when there is somebody who's talking about impact investing, ah, he knows something. They didn't check if I was credible or if I was performance or if I was good or bad, you know? They didn't check about that. They just invited me at this table because they didn't know about it. So there is a lot of fear from people who are not ready to change and they need to fast because the world is changing very fast. So, I believe

that and we can see that in my thesis as well. One of the points in my thesis was to try to talk about the environmental crisis without naming it so I never talked about it when I was asking question, but they all talked about it, the old generation, because they are afraid of what's in front of them and how it's going to impact the next generation. And the next generation, because they want to be part of the solution. And it's not the same emotion. The old generation, they're afraid and so the fear is pushing them to change. The next generation, you know, they are passionate about the planet. They wanna push everything, they are veggies, they buy now their clothes, it's always second-hand buy they do. It's very funny to observe the passion you have in this next generation and the fear you have in our generation and generation of our parents.

Andrés: And, Julien, I understand you when you are talking about experience with the banks because, honestly, what happened is that I think that families or the next generation and after the pandemic are challenging the old paradigms. And as you are explaining, if in the family businesses we don't change the paradigm, what is going to happen is that the legacy is not going to be sustainable. It won't be any legacy because it's not going to be connected with a higher purpose. For our listeners, when Julien is talking about the thesis, he wrote a thesis that the name is how the environmental urgency affects the psychodynamics between family members and within family business. Julien, is it possible that our listeners could find the document? Because it's really interesting, it's fascinating this document.

Julien: It's accessible from my LinkedIn. If you go on my profile on LinkedIn and you go on, at the end of it, there is something called I think Publication, and you can just download the thesis directly. There is the link and it's open to everybody.

María: Julien, thank you so much for being with us today. I just want to inform our listeners of the motto of KIMPA: "Invest to solve the planet's biggest challenges." And I think it's so

beautiful because you have decided to go, this is not the easy path and, actually, you have taken that path and being with those big banks that we sometimes believe that they, you know, they own the world and you being with your small company and already challenging the status quo, it's just so inspirational. So, thank you for being with us today and thank you for your time.

Julien: Thank you very much for having me and good luck for the podcast.

Andrés: Julien, it has been great and so happy for having you today as guest and I hope that for everybody, it's going to be useful and insightful this conversation.

Julien: Thank you very much.

(outro)

María: We hope you enjoyed this episode as much as we did. I really liked Julien's deep reflections on family business using Carl Jung's term, the "collective unconscious." Julien explains so many crucial aspects to impact investing, the importance of the three pillars of his impact strategy, for example: intentionality, additionality, measurability. We want to finish with Julien's quote: "I truly believe that future generations of family business entrepreneurs will make successful transitions by focusing on the love they have for their family, their shared history, and the future of the planet." This is María Latorre, until the next time.