

Demystifying Decisionmaking in Family Philanthropy

PASSAGES

EXPLORING KEY ISSUES IN FAMILY GIVING

VOL 5.4



The notion of selecting a method to use in making a decision is foreign to many family foundations and advised funds. Getting board members to agree can be difficult enough. Why would foundation and advisory boards want to add yet another step to the process? Many family foundations follow the decision-making procedures established in their bylaws. Typically, the bylaws require a majority vote or consensus to set or change policies, and foundation boards use these methods to make all decisions.

This edition of *Passages* contends that different kinds of decisions made under varying conditions and circumstances require different decision-making methods. Routine or minor decisions will often best be left to one person or a subcommittee, while more complex or highly charged matters require the say of all board members.

By developing a repertoire of decision-making methods and by making conscious choices about when to use them, your family foundation board will reach better agreements more quickly and amicably. These methods can also be used by families that have donor-advised funds or supporting organizations. Even families that make philanthropic decisions outside a legal entity may find them useful. See Figure 5 on pages 6 and 7 for a summary of the advantages and potential disadvantages for each of the decision-making methods introduced in this paper.

STRENGTHENING YOUR BOARD'S DECISION-MAKING PROCESS

How does your Board of Directors make decisions? Do you gather around a table and calmly discuss various proposals until you reach a decision that everyone agrees with and can support? Maybe. But if your board is like most, there is a lot more going on behind any given decision than meets the eye. Family foundation decision-making can

be frustrating and time-consuming unless certain steps are taken to clarify and communicate an appropriate decision-making process up front.

The extra care family boards take in planning how to make decisions can result not only in better outcomes, but also in higher board morale. When board members have a say in selecting the decision-making process, they feel more invested in the outcome—even though they may not always be included in making the final decision. What counts most is that board members believe that their views are respected and that the process is handled fairly.

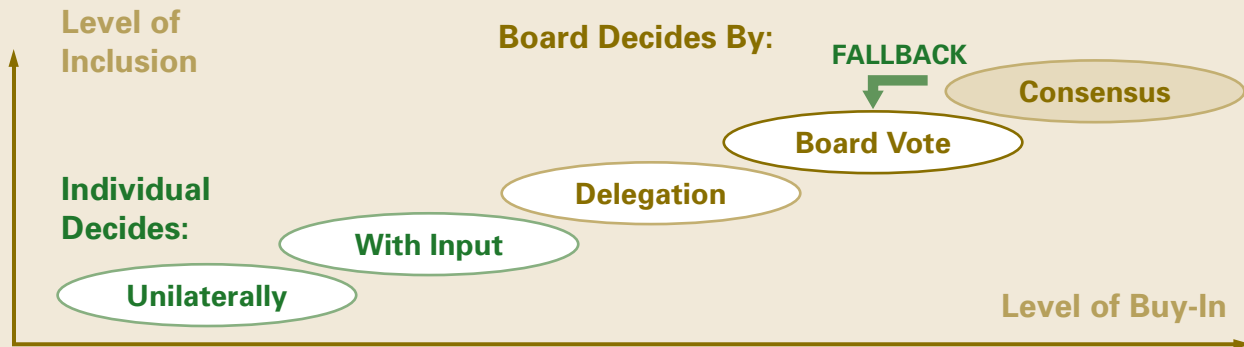
Preparing your board to reflect on how it makes decisions requires that you first educate family members about their decision-making options. Educating your board about its decision-making options helps them to determine situations when a specific decision-making method will be helpful, and how they can go about collecting the information and perspectives needed to make the decision. In these cases, it is very important that you reach agreement on the decision-making process to be used before making the decision.

The goal of this article is to provide the three steps you need to simplify and strengthen decision-making for your family's philanthropy:



NATIONAL CENTER FOR
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FIGURE 1: DECISION-MAKING METHODS

Adapted from *How to Make Collaboration Work* by David StraussFIGURE 2:
COMMON DECISION-MAKING DILEMMAS

- One board member, often a founder or parent, wields more influence than the others, but is not explicitly acknowledged as the decisive vote
- Board members go along with the vote just to get the decision over with, even if they don't support it
- Board members are asked to give their opinions even though the key decision-makers have already made up their minds
- A decision made when the whole board is present is later undone by board members who disagree with it
- Board members agree to decisions they don't really understand
- Board members disagree with an idea because of the person supporting the idea
- No one is in charge so the process falls apart

- 1) Educate board and family members about a full range of decision-making options available to them;
- 2) Evaluate key criteria and pick the most appropriate decision-making method for a given decision or group of decisions; and
- 3) Reach agreement on the decision-making process before attempting to make the decision.

The time these steps take depends on the complexity of the issues, the board's experience, and board members' ability to communicate and make decisions.

LEARN ABOUT A RANGE OF DECISION-MAKING OPTIONS

The first step toward strengthening your board's decision-making capability is to become familiar with a variety of decision-making options. Your foundation's bylaws may dictate how certain decisions must be made, but you have leeway in how you make other decisions. Too often board members use the same method to reach agreement, regardless of whether the decision is minor or has significant consequences for the foundation.

Common reasons why boards tend to stay with one decision-making method include:

- A mistaken belief that the bylaws require decisions to be made in a certain way
- Reliance on tradition ("we always did it this way")
- The board chair or founder is comfortable with only one way of making decisions
- The overall makeup of the board lends itself to making decisions in one way.

In fact, there are many ways decisions can and should be made. Your first task is to analyze the situation and determine how you will approach it. Are there categories of decisions that can be treated similarly, or should each decision be treated independently?

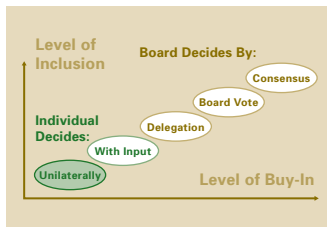
Figure 1 illustrates different decision-making methods for families. It is not intended to represent the full universe of decision-making options, but rather to illustrate methods most commonly used by foundation boards. The two axes show the level of ownership: The greater the level of involvement in the decision, the more people feel included in the decision-making process, and the more buy-in they are likely to have in the end result.

The lower two circles of Figure 1 indicate decision-making methods where the final decision rests with one

individual. In the top three methods, decisions are made by more than one person. No matter which method is used, for important decisions it is critical that all decision-makers understand and agree to the selected method at the outset.

Let's take a look at some of the potential positive and negative aspects of each of these decision-making options, using examples of common situations that family foundation boards may face.

Individual Decides Unilaterally



With this method, an individual—usually the board chair—makes a unilateral decision and announces it to the board. This approach may also be used by a committee chair, a senior board member or

any individual in a position to make the decision.

Used appropriately, unilateral decision-making gives the decision-maker what he or she wants and settles the matter quickly. A potential downside is that the decision may be made with insufficient information. Moreover, board members excluded from the decision may feel hurt and resentful. As a result, they are more likely to scrutinize or challenge unilateral decisions than other types of decisions, as the following example illustrates.

Tip #1: Effective Unilateral Decision-making
Unilateral decision-makers should explain their rationale for making a decision alone and give background information and context to help explain the decision itself.

A founder of a small foundation invited his three children to serve on the board. Several years later, he sold one of his businesses and contributed the proceeds to the foundation. Giving away more money required a greater time commitment from the second generation. Busy with their own careers, they suggested the foundation hire a program officer.

At the next meeting, the founder stunned the board by announcing that he had hired a former employee's daughter to be the program officer without consulting the board. The founder, in turn, was baffled by the board's response. After all, the young woman had impeccable professional credentials, had majored in the foundation's key funding area, and would be an asset to the foundation. It never occurred to the founder that the board would not approve his choice or, for that matter, that the second generation might feel hurt that a family member was not considered for the position.

Many foundation boards shy away from unilateral decision-making because they value collaboration and group work. Too much, or inappropriate, group decision-making,

FIGURE 3: DECISIONMAKING WHEN FOUNDERS ARE PRESENT

It is not uncommon for founders who are accustomed to making their own decisions in business to take charge of the foundation, often using the unilateral decision-making model inappropriately. Founders may think of the foundation as their own and feel impatient with or disrespectful of group decision-making. At the same time, they genuinely want their family members to be part of the foundation.

This situation is not always easily remedied, but family members are not powerless. They have options for dealing with strong founders, including:

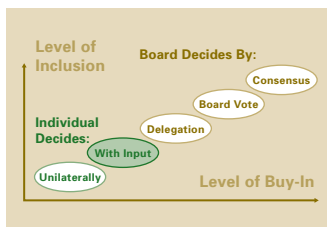
- Decide what is an acceptable degree of authority you need to make it worth your while to serve on the board. If the founder does not agree, you can choose not to serve on the board.
- Negotiate lines of authority for making foundation decisions, e.g., hiring staff, making governance policies, or voting on grants. You may relinquish authority to the founder on certain issues and require a say in others. For example, the board may agree that the founder controls the largest share of the grants budget.
- Agree to the founder having final say on most issues, as long as he or she is willing to consider the views of the other board members.
- Develop a persuasive argument for including board members in decision-making, e.g., if the foundation was established in perpetuity, the founder's children and grandchildren need education and experience to make the best decisions with the money the founder worked hard to provide.
- Encourage the founder to attend professional meetings where these situations are discussed and where he or she can talk with other founders. Alternatively, provide him/her with a copy of this edition of *Passages* and ask to have a conversation about these issues.

Often just having these discussions can make a founder aware of family members' desire to participate in the foundation's decision-making. Many founders choose to establish a family foundation because they want to create a legacy of philanthropy for their family. How a founder includes other family members in the foundation's decision-making will shape the family's involvement for generations to come.

“By developing a repertoire of decision-making methods and by making conscious choices about when to use them, your family foundation board will reach better agreements more quickly and amicably.”

however, can be as damaging as too little. Few situations are more frustrating than being asked to give your opinion when no one intends to consider it. This is especially common when the controlling founder is still on the board. Board members may have lengthy discussions on an issue and then be “trumped” by a founder whose mind was made up a long time ago. Foundations that acknowledge these situations and discuss them openly and explicitly will save time and improve board morale.

Unilateral Decision, With Input from Individuals



In this case, one board member is authorized to gather input from other individuals before making the decision and announcing it to the entire group. The key to using this method successfully is seeking input from appropriate stakeholders. Stakeholders are those who will be affected by the outcome of the decision, who have relevant information, and who can implement or block the decision.

This decision-making method can result in a well-informed decision with high buy-in from those whose opinions were sought. It is a way to share leadership and to reach a decision quickly. The decision can unravel or breed dissent, however, when stakeholders are not carefully chosen. If they do not represent the views of the majority, other board members will not support the decision. Similarly, if the decision-maker does not use the information she receives, or, if she does not make clear to the whole group that one person is ultimately making the decision, board members may feel manipulated.

After completing their apprenticeships on a junior board, the third generation of an East Coast foundation was invited to join the senior board. The next funding cycle was one month away, and the younger generation hoped to persuade

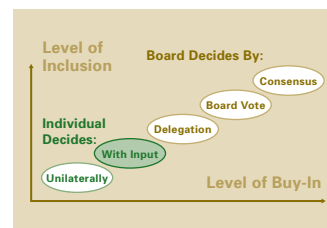
the board to make a generous grant to an experimental program for re-integrating ex-convicts into the community. The older generation was wary of the program, but they were willing to keep an open mind until they learned more about it. Time, however, was limited.

The board agreed that the long-time executive director was the appropriate person to make a recommendation on the organization. She was trusted to be thorough in her investigations and impartial in her decision. To assist her in gathering information, she invited two members from each generation who had the time and interest to work with her. The investigation raised questions about the organization's readiness to launch such an ambitious program. The executive director recommended that the board monitor the organization's progress and consider it in the next funding cycle. Both the older and younger generation were satisfied that their views had been carefully considered.

Tip #2: Collect input from key stakeholders
Gather input from stakeholders who represent the interests of the whole board, and who can communicate effectively with board members who were not consulted directly.

Family dynamics can be tricky when certain board members are consulted for a decision and others are not. Before using this method, be sure that all board members know the criteria for selecting who is consulted and understand why this method is best suited to the situation. When feasible, include individuals who indicate that they want their opinions considered.

Unilateral Decision, With Input from the Whole Group



In this case, all board members come together to share their perspectives on an issue but, ultimately, one person retains decision-making authority.

A simple example of this method is selecting a date for a retreat. One person asks board members to list dates when they are available. Then, that person unilaterally chooses a date for the board to meet. Another example is provided by the following story:

After reading an article that favored sunset clauses to limit the life of a foundation, a founder wondered whether he had made a mistake by setting up his family foundation in perpetuity. Before talking with his lawyer, he felt he should discuss the matter with his family.

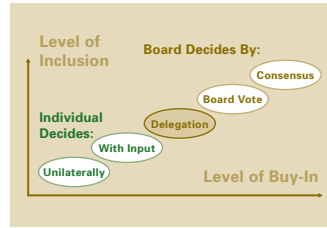
He invited his children, their spouses and all the grandchildren—including an eight-year-old—to spend the weekend at the family’s country house. He told them that he wanted to hear their arguments on why the foundation should continue indefinitely, but they should understand that he would make the final decision himself. At the end of the weekend, the founder was so touched by the family’s pride in the work of the foundation and their desire to carry it on that he decided against writing a sunset clause. He was confident that his children and grandchildren had the makings of intelligent and committed philanthropists.

One benefit of this decision-making method is that the decision-maker hears a wide range of opinions. At the same time, family and board members feel that their views are important and considered. An additional advantage is that board members hear ideas directly from one another without having them filtered through a third party.

A potential disadvantage is the difficulty of convening a large group. It takes time to hear from each person, and it may be difficult to have a fair conversation without a facilitator present. Moreover, this method creates the likelihood that the final decision may go against someone’s publicly expressed point of view.

Tip #3: Provide equal opportunity for sharing opinions
 Give each person equal time to speak. Ask others to withhold comments until each board member has had a chance to express an opinion without interruption or retort.

Board Delegates to Sub-Group with Guidelines



This method of decision-making is useful in situations where a subset of the Board is likely to have expertise about an issue, but where other stakeholders have one or more specific requirements for the decision being made.

The board of a large foundation had lost confidence in the money managers who had been handling the foundation’s investments for the past five years. The return on investments had fallen substantially, jeopardizing the foundation’s grantmaking. The board agreed that the foundation needed new money managers. The board chair delegated the job of identifying and interviewing candidates to the finance committee. To help them assess prospective candidates, he provided them with a list of guidelines: the new money manager had to have an equal or better performance record than the current manager over the last three years; the new company had to use environmental screens for investments; fees had to be comparable to those of the current manager; and the company had to be located in the same town as the foundation office. The final guideline was that if the Finance Committee, comprised of three members, could not reach consensus within one month, then the Committee would decide by majority vote.

(continued on page 8)

FIGURE 4: THOUGHTFUL VS. CARELESS DELEGATION

THOUGHTFUL DELEGATION

- The delegator thinks through and articulates guidelines or constraints for the decision
- Authority and leadership are transferred to a subgroup
- The most informed people make the decision
- The board accepts the delegated decision without much rework or revision
- Other board members are freed to work on different tasks
- Those making the decision have a high level of buy-in

CARELESS DELEGATION

- Fuzzy or inaccurate guidelines frustrate subgroup members
- The delegator forgets a critical guideline
- The autonomy of the subgroup is undermined by unclear lines of authority
- Board members not included in the process may not support it
- The subgroup can’t reach a final decision

FIGURE 5: DECISION-MAKING OPT

DECISION-MAKING OPTION	KEY ADVANTAGES/ REASONS FOR USING THIS METHOD
Unilateral Decision	<ul style="list-style-type: none"> • Quick, clear, and efficient • Decision-maker gets what he or she wants
Unilateral Decision, With Input from Individuals	<ul style="list-style-type: none"> • Typically high buy-in from those whose opinions were sought • Allows board to share leadership, but still get things done relatively quickly • Preserves privacy for sensitive matters
Unilateral Decision, With Input from the Whole Group	<ul style="list-style-type: none"> • Decision-maker gets a great deal of information in short time period • Likelihood of increased buy-in from those whose input is acted on • All board members get to hear ideas directly from one another and not filtered through third party
Board Delegates to Sub-Group with Guidelines	<ul style="list-style-type: none"> • Transfers authority and leadership to small group of the most informed people • Frees other board members for different tasks • Those making the decision usually have a high level of buy-in
Board Votes	<ul style="list-style-type: none"> • May be mandated by bylaws for certain decisions • Board members are likely to be comfortable voting because it is familiar • Votes produce a definite outcome, include everyone, and may be more likely to feel “fair” to all involved
Board Reaches Consensus	<ul style="list-style-type: none"> • May be required by the foundation’s bylaws for important decisions • Discussions leading up to a consensus decision can lead to shared understanding of what the board is trying to accomplish • Typically results in very high buy-in, and enthusiasm from the whole group • Implementation may proceed more quickly and smoothly as a result

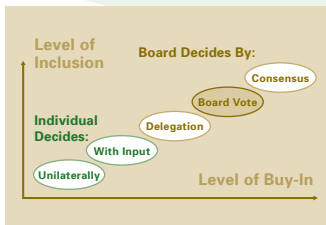
IONS FOR FAMILY PHILANTHROPY

<p>POTENTIAL DISADVANTAGES OR DANGERS OF USING THIS METHOD</p>	<p>SITUATIONS WHERE THIS METHOD MAY BE APPROPRIATE</p>
<ul style="list-style-type: none"> • Decision sometimes made with insufficient information • Little buy-in to decision from other board members • Decision more likely to be scrutinized and challenged by other board members 	<ul style="list-style-type: none"> • Grant, governance, or management decisions that are clear and uncontroversial • Disaster or emergency grantmaking • Decisions that need to be made under very short timeframe • Trivial decisions
<ul style="list-style-type: none"> • May yield decision that gets undermined in the future by those not consulted • Risk of those who are not included feeling left out • Those consulted may not best represent the views of the majority 	<ul style="list-style-type: none"> • Staff compensation review • Discretionary grant review • Reviewing spending policy
<ul style="list-style-type: none"> • May be hard to convene full group • May be difficult to have a fair conversation unless a facilitator is present • Creates likelihood that final decision may go against someone’s publicly expressed point of view 	<ul style="list-style-type: none"> • Disaster or emergency grantmaking (i.e., via conference call) • Decisions where everyone on the board has some information or expertise to offer • When the decision-maker has a lot of control but needs information (e.g. how much to contribute annually to the foundation) • May be “Fallback” method for other options
<ul style="list-style-type: none"> • Poor delegation can result in frustration for all—if the guidelines are unclear or inaccurate • Extent of subgroup’s authority must be made clear • If inaccurate guidelines given, decision may not be viable • The people not chosen for the sub-group may be resentful 	<ul style="list-style-type: none"> • Setting board terms and limits • Creating trustee qualifications • Creating or altering spending policy • Many committee decisions
<ul style="list-style-type: none"> • Creates “winners” and “losers” • Close votes indicate that winning proposal doesn’t have full support • Vote can be empty gesture if board member who is on losing side is critical to implementation • Votes sometimes taken with insufficient discussion beforehand 	<ul style="list-style-type: none"> • Typically necessary for certain decisions mandated by bylaws • Inviting new family trustees • May be “Fallback” method for other options, particularly Consensus
<ul style="list-style-type: none"> • May be difficult or impossible to reach consensus if the issues under discussion are complex or heated • May result in “lowest common denominator decision-making,” where no one is satisfied with the outcome, and decision contains bare minimum requirements for people to agree • Trustees may agree just to get process over with, and then express dissent afterwards when it comes time to implement. 	<ul style="list-style-type: none"> • Decision to suspend grantmaking or dissolve the foundation • Decisions where a high level of involvement and buy-in are sought: <ul style="list-style-type: none"> * Hiring/firing Executive Director * Creating an annual report or website (i.e., deciding to establish a public presence) * Revising mission and guidelines * Inviting nonfamily to serve on board

Another foundation in the Pacific Northwest selected this method to plan an important foundation retreat. The board appointed a committee to make the arrangements and set an agenda. However, the board neither clarified how much authority the committee had to make decisions independently nor provided a budget to hire a facilitator. As a result, the committee had to keep running decisions past the board chair. The result was that the board chair was distracted from doing her job and the members of the committee were frustrated by not being able to do theirs.

Tip #4: Delegate authority appropriately
Take care to delegate authority to board or committee members who have the time, expertise, interest, and ability to make the decision.

Board Votes



Most family foundations use some form of voting to make decisions. Besides being a familiar method, it yields a definite outcome, includes everyone, and feels fair. One

drawback to voting is that it creates “winners” and “losers” and, therefore, varying levels of acceptance. A close vote indicates that the winning proposal doesn’t really have a lot of support. Moreover, the vote can be an empty gesture if the buy-in of a board member on the “losing” side is critical to implementing the decision. Some foundations routinely vote on issues before they have adequately discussed them just to “get the job done.” Other foundations spend too much time talking. They have such long discussions and raise so many issues that they don’t have time to take a vote.

The key to successful voting is informed, fair discussion before the vote is taken. Board members should have a chance to raise relevant questions and to have their questions answered. In addition, it is important to check that everyone has the same understanding of what is being proposed. To ensure that those conditions are met, you may consider appointing or hiring a facilitator.

“The key to successful voting is informed, fair discussion before the vote is taken.”

A family foundation in Texas wrestled for months with the question of whether to allow spouses to serve on the board. On one side were board members who argued that spouses were family and, therefore, should be eligible to serve on the board. On the other side were those who worried that spouses would change the character of the foundation and dilute honored family traditions.

After several months of back and forth debate, the board chair called a vote. Those opposed to allowing spouses on the board prevailed, but their victory was hollow. They had argued so vigorously against including spouses that the board members who favored including spouses took the rejection personally.

The board chair was mistaken to call for a majority vote in this case. The board was too polarized to accept the results of majority vote. In fact, the vote further polarized the board, creating a family rift that affected relationships both inside and outside the boardroom. The chair would have been wiser to table the debate until the board could find a skillful facilitator or consultant to help them work through their disagreements.

Tip #5: Take ‘pulse’ of the board
A straw poll or brief survey can be used to help mitigate an uncomfortable voting situation or to indicate how close the board is to reaching consensus.

FIGURE 6: IT FITS MODEL FOR DECISION-MAKING

Family foundation boards have a tendency to make all of their decisions using only one or two of the decision-making methods available (typically voting and consensus decision-making). A better approach is to evaluate the key decisions a board makes using set criteria. The following is a process for determining what method makes the most sense for a given decision.

How do you pick the right decision-making method? When “IT FITS:”

- I: Importance of the decision**
- T: Time available**
- F: Family / board dynamics**
- I: Information needed**
- T: Tradition**
- S: Stakeholder buy-in needed**

IMPORTANCE OF THE DECISION

If a decision is important to the foundation, greater inclusion in the decision-making process is needed to build broad support for the decision. For insignificant decisions, it may be more efficient for one person to decide unilaterally rather than to use other people’s time. Determining whether or not a decision is important is subjective and may require board discussion.

TIME AVAILABLE

Time is a primary factor people consider when selecting a decision-making method. Consensus discussions require the most time to convene and conduct; so consensus may not always be a practical choice. However, lack of time should not be used as an excuse to make decisions unilaterally. While it may be the easiest approach in the short term, soliciting input and getting people involved early will increase support for the decision.

FAMILY / BOARD DYNAMICS

If an issue is emotionally “hot” or has a history of conflict, it may be unrealistic to aim for a consensus decision—and frustrating to try to do so. Instead, the board should opt for a method that includes as many people as possible, but does not require unanimous agreement. Because a board cannot always tell ahead of time whether an issue will be emotionally charged, decision-makers need the flexibility to shift decision-making styles midstream. The key is to get explicit agreement from the board before making the shift in decision-making method, so that no one feels manipulated or confused.

INFORMATION NEEDED

If one or two people have all the information needed to make the decision, they can ask for authority to make the decision without involving others. Avoid asking someone’s opinion if you have no intention of considering it. It is much better to make the decision without someone and to explain why you did it that way than to ignore views you solicited.

TRADITION

Tradition plays a large part in many foundation boards’ decision-making processes. If you have a tradition of using consensus and it is working—terrific. If Mom usually makes most of the decisions and everyone agrees, that’s terrific, too. The challenge is judging whether the traditions or habits of your board serve the interests of the board and, if not, being flexible enough to introduce new methods where needed.

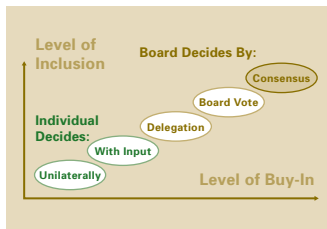
STAKEHOLDER BUY-IN NEEDED

Getting the buy-in of stakeholders may be the most important criterion of all. Boards should begin by asking: How important is it that all members of the board have buy-in to this decision? If the answer is, “Very important,” then the entire board must be included in making decisions. If the board is unsure how important buy-in is, then it should discuss the matter before it can select the appropriate decision-making method.

Once the “IT FITS” criteria have been evaluated and a decision-making method chosen, the method must be made explicit to the full group. If a decision will be made at a board meeting, the decision-making method should be presented at the beginning of the meeting and written on the agenda. If the decision will not be discussed at a meeting, then someone should be appointed to inform each board member about the choice of method.

Getting explicit agreement at the outset about how a decision will be made sets clear expectations for everyone, avoids surprises, and increases the chance that people will collaborate.

Board Reaches Consensus



One of the key challenges of making decisions on the basis of consensus is that board members often do not have the same understanding of what a consensus decision entails. Reaching consensus does

not mean that everybody has to be in perfect agreement with a decision. Rather, it means that all board members have an opportunity to express their views as equals, understand the decision as it is proposed, and can support the decision in words and actions. While it may not be everyone's first choice, they can all live with the agreed-upon decision and accept that it meets the important interests of the group.

Benefits of consensus decision-making include:

- Discussions leading up to the decision can produce a shared understanding of what the board wants to accomplish
- Buy-in from the whole group is usually high if consensus is reached
- Implementation proceeds quickly and smoothly
- Collaboration strengthens the board's morale and sense of being a team

Potential drawbacks to using consensus decision-making include:

- Genuine agreement may be difficult or impossible to reach if the issues are complex or heated
- Board members may settle for the lowest common denominator decision (the bare minimum requirements for agreement are satisfied, but the decision leaves everyone feeling unsatisfied with the outcome)
- Board members agree just to get the process over with, but dissent when it is time to implement the decision
- One member who refuses to budge on his position can hold the whole board hostage, unless there is a fallback decision-making method

Consensus decision-making may be required by the foundation's bylaws for important decisions, such as dissolving the foundation. It may also be desirable when a high level of involvement and buy-in is sought, as in the following example.

Tip 6: Have a fallback

Have a fallback decision-making method in place in case the board can't reach consensus within a reasonable timeframe. That way, the board can avoid the risk of false or coerced consensus, while ensuring that a decision will actually be made. Two common fallback decision-making methods are Board Votes and Unilateral Decision, With Input from the Whole Group. However, any of the methods discussed above can be used as a fallback.

An East Coast foundation decided that it needed to cut one of its current programs. Because this was a significant decision that would affect all board members, the chair of the board got agreement from the board that they would strive for consensus, with the decision falling back to the board chair if the group could not agree.

The board chair organized a full day meeting to discuss the implications of cutting different programs and to hear each board member's perspective. He also hired a facilitator to help guide the discussion to ensure that everyone had a fair chance to speak. By the end of the day, all but one board member agreed on which program should be cut. Because the board could not reach consensus, it resorted to its fallback: the board chair made the decision based on what he had heard. Although his decision went against the wishes of the one dissenting board member, that board member felt she had been treated fairly and was able to accept the decision gracefully.

“Reaching consensus does not mean that everybody has to be in perfect agreement with a decision.”

Tip 7: Set a time limit

Set a time limit for discussions so that people know when the consensus discussion will end and when the fallback decision-making method will be used.

EVALUATING KEY CRITERIA TO DETERMINE WHICH METHOD TO USE

Once your board understands the many different decision-making options it has, how does it choose the most appropriate way to make a given decision? First, the board must decide who will choose how to make decisions. This job typically falls to the board chair, but anyone can do it, as long as the whole board agrees.

In many cases, common sense will dictate what method to use. What's most important is that your board be aware of the different decision-making options available, including their associated strengths and weaknesses. When your board is unsure how to proceed or disagrees about the significance of a decision, then the "IT FITS" formula described in Figure 6 may help you to choose the best method for that particular decision.

CONCLUSION: MAKING GOOD DECISIONS TOGETHER

How you make decisions can affect the decision itself. If you are concerned about how your board makes decisions, consider scheduling time at a board meeting or retreat to discuss decision-making with the full board. Before the meeting, circulate copies of this *Passages* briefing paper so that board members are familiar with the issues, challenges, and options for good decision-making.

At the meeting, consider using examples of challenging decisions from your foundation's past to examine how you might improve your board's decision-making process. You may also present examples of decisions that your board made effectively and highlight what worked well. Bringing in an outside facilitator can help guide your discussion and ensure that information is presented in a neutral way that everyone can absorb and understand.

Choosing when and how much involvement is appropriate in decision-making is one of the biggest challenges family foundations face. By developing a repertoire of decision-making methods, your board can choose the best method for each situation. Besides saving time, the added versatility is likely to lead to better decisions and greater commitment on the part of the board.

“In many cases, common sense will dictate what method to use. What's most important is that your board be aware of the different decision-making options available, including their associated strengths and weaknesses.”

ADDITIONAL RESOURCES ON FOUNDATION DECISION-MAKING

- *Ethical Choices for Family Foundations*, (CD Rom and booklet), Institute for Global Ethics, 2001.
- *How to Make Collaboration Work: Powerful Ways to Build Consensus, Solve Problems, and Make Decisions*, by David Straus, Berrett-Koehler Publishing, 2002.
- *Responsible Family Philanthropy: A Resource Book on Ethical Decisionmaking for Family Foundations*, by Michael Rion, Council on Foundations, 1997.
- *Self-Study Guide for Family Foundation Boards*, Council on Foundations, 1994.
- *The Trustee Notebook: An Orientation for Family Foundation Board Members*, by Robert Hull, National Center for Family Philanthropy, 1999.

PASSAGES

Several previous editions of *Passages* have been developed to help families and foundation boards make decisions on difficult questions. These include:

- *Board Compensation: Reasonable and Necessary?*
- *Difficult Discussions at Difficult Times*
- *Discretionary Grants: Encouraging Participation or Dividing Families?*
- *Generations of Giving: Leadership and Continuity in Family Philanthropy, An Interim Report*
- *Giving Until It Hurts: Coping With a Tough Economy*
- *Managing Conflicts and Family Dynamics in Your Family's Philanthropy*

Please contact the National Center at 202.293.3424 to order these and other back issues of *Passages*.

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- 1) We value the participation of individuals and families in private, organized philanthropy.
- 2) We value the donor's right and ability to direct charitable assets through the philanthropic vehicles and to programs of choice.
- 3) We value both the concern for privacy and the responsibility of a public trust that are inherent in private, organized philanthropy.
- 4) We value the pursuit of excellence in philanthropy.
- 5) We value the role that philanthropy and philanthropic citizenship plays in a civil society.
- 6) We value the participation of new voices in our field
- 7) We value collaboration and respect our colleagues in this work.

A full statement of these values and guiding principles is available on our website at www.ncfp.org.

Do you have an idea for a future edition of *Passages*? Contact: jason@ncfp.org.