



PASSAGES issue brief

EXPLORING KEY ISSUES IN FAMILY GIVING

Expanding Your Comfort Zone: A Window into Risk in Family Philanthropy

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Philanthropy is often described as society’s “risk capital.” Our generosity can support causes and ideas that business and government agencies cannot or will not. We can use our resources to inspire new ideas, challenge existing thinking, or continue supporting an organization when others won’t.

However, the idea of risk in philanthropy quickly muddies as we direct our generosity through a family foundation, donor-advised fund, or other collective effort. Our ideas about and tolerance for risk diverge, shaped by individual, family branch, professional, and other experiences.

And, our own brains trip up our thinking about risk and even discourage us from discussing it.

In this *Passages Issues Brief*, you'll learn how generous families can assess philanthropic risk, tame and mitigate risk, and even expand their comfort zone to

embrace uncertainty. The issue also should be helpful to other types of grantmaking committees and their staff members.

Let's start by looking at how the risk conversation plays out in one typical family foundation.

A Fictional Story: The James Family Fund

"No. Just no," broke in Edward "Big Ed" James, "It's too risky. Dad and Mom would roll over in their graves if we funded this!"

The James Family Fund's program officer, Amy, was accustomed to Edward's strong opinions. He had aggressively grown his dad's timber business into a multi-state success before selling it a few years ago and retiring. Edward's younger sisters, Sharon and Catherine, had worked off-and-on at the business but ended up pursuing other careers. The three of them and their seven children served on the foundation's board.

Sharon countered, "Ed, we all agreed we were interested in environmental causes and this Forest Defense Project is working on all fronts – citizen action, corporate, and public policy."

"Exactly. Five years ago it tried running a smear campaign against our good friends in the timber industry and the legislators who helped keep our business alive during bad times," Big Ed shot back.

Amy sighed inwardly. This was new news to her. She and Edward's son, Ed Jr., thought the nonprofit was low-risk. Its finances and team were strong and it had a solid fundraising track

record. Its citizen education program—the purpose of the proposed grant—was based on a proven methodology and had shown consistent results.

Ed Jr. weighed in, "Dad, it's a bigger risk not to fund this program. People need to learn about better forest stewardship options. If they don't demand those options as consumers and shareholders, we'll lose forests at an even faster rate." His cousins, Josh and Brandon, gave him two thumbs up under the table, but otherwise stayed quiet.

"A big box retailer is an important partner in the education program, but its stock is tanking. What happens to the program if it bails?" mused Catherine's daughter, Liz.

Amy and Ed, Jr. exchanged a quick glance. As far as they knew, the Forest Defense Project hadn't considered this possibility.

"Maybe," suggested Catherine, always the compromise seeker, "We could fund it anonymously so it isn't attached to our family's business legacy. That is, if we can trust them to comply with our wishes."

"I've heard enough," Big Ed asserted, "Let's vote. I vote 'Hell No.'"

However, the idea of risk in philanthropy quickly muddies as we direct our generosity through a family foundation, donor-advised fund, or other collective effort.

Five Windows into Philanthropic Risk

“Philanthropy thrives on risk. It is risk that fuels our grantmaking engines, pushes us uphill, leads us in new directions. And yet risk also terrifies most foundation executives and boards.”

– Bill Somerville, Founder, Philanthropic Ventures Foundation, in “Grassroots Philanthropy”, 2008

As you read the story, you likely noticed that the James family members were talking past each other about risk. Each had a different window into risk and risk tolerance. And, you likely noticed that their staff member, Amy, didn’t have a clear read on the risks important to each family member.

Too few families and foundations have a common framework for discussing risk. The framework [below] outlines five common, inter-related types of risk that affect philanthropic decisions. The framework is based on research into a variety of resources on risk in the business and philanthropic sectors and on human and organizational behavior. *(A more detailed*

version of the framework is available in the NCFP Knowledge Center.)

No person will worry about all of the types of risk and few, if any, organizations will have the desire to delve into every type. However, it is easy to forget that each person’s comfort zone around risk may be based on personal and professional experiences very different from yours.

This framework can serve as a conversation tool to help your family or organization explore the risks most relevant to your philanthropy. The following are brief windows into the types of risk and resources for exploring them further.

Risks in Family Philanthropy—A Starting Framework

Organizational Culture and Reputation

Personal

- Hidden biases
- Decision style
- Giving style
- Reputation & identity

Strategy

- Perspective
- Scale & complexity
- Capacity to deliver
- Evidence
- Adaptability

Grant or Investment

- Due diligence
- Monitoring
- Evaluation
- Opportunity costs

External Factors

(political, environmental, sector, other dependencies)



1. Personal Risk Profiles

Each of us acts and makes decisions in ways that are anything but rational. Our mental shortcuts and hidden biases lead us into making poor decisions and bad judgments. These **cognitive biases**, and the broader field of behavioral economics, have become more well-known through a growing number of books, magazine articles, TED Talks, podcasts, and more.

Cognitive biases unconsciously influence how we look at the world, including how we assess risk in our philanthropy. Common biases include:

- **Expert or overconfidence**—we are typically overconfident about the information we have, and the more we see ourselves as an expert, the more overly confident we become.
- **Availability**—we misdiagnose a problem because we give more meaning to recent, vivid examples and to personal examples.
- **Confirmation**—we seek information that confirms our existing beliefs and opinions, and we downplay or ignore data that refute them.
- **Escalation of commitment or “sunk costs”**—we tend to stay committed to existing investments and ideas, even when new data tell us that other options are better.
- **Loss aversion**—we dislike losses more than we like equivalent gains. Related is the “endowment effect” in which we place a higher value on an asset we own than we place on an identical asset we don’t own.
- **Regret aversion**—we tend to avoid making decisions because of our fear of unfavorable results. Our fears of taking an action that results in failure outweigh our fears of passive failure. These fears lead to a default emotional attachment to the status quo.

We are especially susceptible to these biases when we’re stressed, tired, under time pressure, and/or multi-tasking. How many of us are completely free from those problems at a family meeting or on a grantmaking committee phone call?

Our cognitive biases influence our default **decision-making styles**. Some people have a higher tolerance for ambiguity than others. Some rely on quiet, internal reflection while others reach decisions through conversation or even vigorous debate. And some rely on quick, intuitive gut checks while others seek a lot of facts and proof before reaching a decision. To reduce our aversion to loss and regret, we may seek more information as a delaying tactic to avoid making a decision.

Family Decision-Making—Key NCFP Knowledge Center Resources

Over the past 15 years, the National Center for Family Philanthropy has published a collection of Passages Issue Briefs related to effective decision-making and managing risk. A partial list of resources on this topic available in NCFP’s online Knowledge Center includes:

In times of growth: Planning for an influx of assets (2015): An influx of assets is a powerful transition point in your philanthropy. How can your board and staff prepare in advance to make good decisions with these new resources?

Avoiding avoidance: Addressing and managing conflict in family philanthropy (2014): What are the most common conflicts in family philanthropy, and what are the creative “tactics” boards can use to perpetuate the avoidance and address conflict in a healthy, productive way?

Family Governance Meets Family Dynamics: Strategies for Successful Joint Philanthropy (2007): What is the interplay between family dynamics and family governance in family philanthropies? Families who think about governance systems—including how decisions are made—are less likely to be encumbered by family dynamics than families who govern their philanthropies more informally.

Demystifying Decisionmaking in Family Philanthropy (2003): Different kinds of decisions made under varying conditions and circumstances require different decision-making methods. By developing a repertoire of decision-making methods and making conscious choices about when to use them, your board can reach better agreements more quickly and amicably.

Difficult Discussions at Difficult Times (2002): This Passages Issue Brief offers suggestions for preparing for and responding to the effect of crises of different magnitude on philanthropic families, including death, illness, and interpersonal conflicts, as well as community and national crises—disasters, riots, economic recession, and terrorism.

Our personal risk profile will easily override the governance policies, investment policies, due diligence checklists, theories of change, and other foundation documents we've so carefully created. And the combined profiles of everyone involved in the family's philanthropy shapes its responses to the other types of risk.

Tip: To learn more about countering your cognitive biases and decision-making defaults, read [*How Shortcuts Cut Us Short: Cognitive Traps in Philanthropic Decision Making*](#) by the Center for Evaluation Innovation, 2014.

Our view of philanthropic risk is also driven by our personal **philanthropic profiles** or giving styles. Our philanthropic profiles—how and why we give—are shaped by our motivations, biases and values, life experiences, mentors and peers, priority issues, decision-making and problem-solving styles, and more. As one example, the *Money for Good II* study by Hope Consulting sorted donors into six categories based on their motivations for giving: repayer, casual giver, high impact, faith-based, see the difference, and personal ties.

Lastly, our decisions are shaped by **reputation risk**. According to Joel Fleishman and Thomas Tierney in their book *Give Smart*, reputation risk is “the risk that at the end of the day, your philanthropy fails to bring you satisfaction or, worse, that it compromises your reputation.” Even if we publicly downplay its importance, our reputation is an essential tool for gaining and maintaining friends, social status, professional status, and income. Someone involved in the foundation will, at least unconsciously, be concerned about how each decision will positively or negatively affect his:

- **Internal reputation**—the opinions of other family, board, and staff members
- **External reputation**—the opinion of colleagues, friends, employers, and the general community.

In addition, members of the family, board, and staff will differ in how strongly the family's philanthropy contributes to their self-identity and reputation.

All of the factors above shape—and are shaped by—our **personal risk profile**. None of us leaves this profile behind when we participate in family philanthropy decisions. Our personal risk profile will easily override the governance policies, investment policies, due diligence checklists, theories of change, and other foundation documents we've so carefully created. And the combined profiles of everyone involved in the family's philanthropy shapes its responses to the other types of risk.

Appendix A contains three ideas for assessing your team's personal risk tolerances.

2. Organizational Risks

A family's culture is built on shared values, norms, traditions, and ideas around conformity. All of the elements of personal risk contribute to those values and norms.

The family's culture informs the culture of its organized philanthropy, as do the norms, traditions, and values of any staff hired. The organizational culture, in turn, influences the behaviors and attitudes of everyone participating in it.

Philanthropic families often document their values and traditions and then translate those to their philanthropic organizations. But families don't often explicitly discuss risk as part of the family or organizational culture.

McKinsey & Company defines an organization's **Risk Culture** as:

“The norms of behavior for individuals and groups within an organization that determine the collective ability to identify and understand, openly discuss, and act on the organization's current and future risks”

Family culture and organization culture are topics larger than this Issue Brief can address. However, the sidebar [to the right] provides an initial set of questions to discuss risk culture within the family and/or a family foundation.

Organization-level risk also involves risk to its:

- **Reputation**—the credibility, legitimacy, and respect it has among its constituencies and communities; and
- **Brand**—the unique promise it has made to its customers—its unique value-add—and the positive or negative emotional attachment the customers have to that promise.

Accountants call these ideas ‘intangible assets,’ but any risk to them can feel very tangible to family members. Multi-generation families may worry about protecting a vision of family legacy, which could also be intertwined with the legacy of a family business. A long-standing foundation may be cautious about damaging its reputation and brand when those assets helped it attract key partners and resources to a favored cause. And, a family may feel its reputation is enhanced by supporting a well-known museum or college, even if the institution isn't as successful or relevant as it once was.

Tip: As with individual risk profiles, a family's risk culture often stays hidden until something goes awry. Lacking that documentation, it is easy to forget to take that risk culture into account when developing grant strategies, assessing individual grant proposals, or developing communications plans.

8 Questions to Ask About Risk Culture

tone at the top

Do our leaders provide clear expectations for managing risk?

Do our leaders welcome open and honest conversations about problems and risks? (Or do we “shoot the messenger”?)

Governance

Do we clearly define accountability for identifying and managing risks?

Do we use risks (successes and failures) as an opportunity to learn?

Competency

Do we dedicate specific resources and time to assessing risks?

Does everyone feel they have the skills to identify risks?

Decision Making

Do our leaders and managers regularly seek out information about risks when making decisions?

Do we clearly communicate our appetite for risk internally and externally?

Adapted from the Institute of Risk Management's Risk Culture Aspects Model

3. Strategy Risks

The third type of risk is connected to a foundation's or family's philanthropic strategies—its grantmaking programs, leadership initiatives, and other means of making a difference. In its 2011 report, *Risk and Philanthropy*, the Resource Alliance defined **strategic risk** as “the risk of not having an accurate strategic perspective on the social problems at hand.” The philanthropists interviewed for the report identified three issues that created risk and uncertainty in planning their giving strategies:

- The difficulty in defining impact;
- The difficulty in choosing the most effective innovation or intervention methods, especially at the beginning of a strategy; and
- The difficulty in establishing meaningful metrics to measure success.

The philanthropists also identified common risks in implementing their giving strategies. These included: selecting the appropriate business model for their giving, diversifying risk in their own portfolios of grantees, finding mechanisms for sharing risk with other donors, and building sufficient trust in grantees.

In *Give Smart*, Tierney and Fleishman describe strategic risk as:

“[T]he risk that your efforts will come to naught; that the resources you have invested either fail to generate any results whatsoever, or that the results are, at best, unsatisfactory.”

They suggest that a donor assess his or her appetite for strategic risk on three scales (e.g. from 1-10):

- **Scale** – the level of resources you intend to commit and/or the magnitude of success you hope to achieve;
- **Complexity** – the inherent difficulty of your theory of change, including the impact of external risks; and
- **Uncertainty** – the level of confidence in the key assumptions underpinning your theory of change.

Tierney and Fleishman also caution donors and foundations to consider “secondary risks” of their grantmaking strategies. How would unsatisfactory results or failure affect the lives of the staff of grantees? How would those same results affect the lives of their beneficiaries?

Tip: For additional, hard-won insights on strategy risk, read chapter 12, “How Foundations Fail,” in Joel Fleishman’s book, *The Foundation*.

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4. Grant or Investment Risks

This type of risk is likely the most discussed in philanthropy. For both grants and investments, it revolves around issues of due diligence, performance monitoring, evaluation, and opportunity costs.

Accounting, insurance, and other professionals may raise questions about **enterprise risk management** (ERM) when reviewing nonprofits, social enterprises, or potential investments. This view of risk management deals with issues such as ethics and fraud, financial controls, compliance concerns, and business continuity.

Most foundations look at factors other than enterprise risk in their assessment of potential grantees and investments. The **due diligence, monitoring, and evaluation practices** of philanthropic families and foundations vary widely. Each family tailors those practices to its values and interests, individual and family views on risk, and the size and types of grants or social investments the family makes.

John Bare, Vice President of [The Arthur M. Blank Family Foundation](#) suggests a three-part picture of risk in due diligence and evaluation:

- **Idea risk**—What is the idea’s track record and the logic connecting the activities to a desired result?
- **Implementation risk (also called execution risk)**—How likely will the organization reach its goals given its capacity and connections and given the complexity of the problem and solution?
- **Evidence risk**—How hard is it to detect the results and how hard is it to attribute them to the grant?

The Foundation Center sponsors two online resources, GrantCraft and IssueLab, which provide guidance on due diligence, site visits, grant monitoring, and evaluation criteria and processes. If you are interested in more deeply assessing risk in grantees and grants, these guides are a great start:

- [*The Due Diligence Tool for Use in Pre-Grant Assessment and Due Diligence Done Well*](#)—co-published by La Piana Consulting and Grantmakers for Effective Organizations. Both guides help in identifying risks and red flags in an organization’s track record, governance and leadership, vision and strategy, financial health, and more.

Mini Case Study: Grant Risk

Roy A. Hunt Foundation

Founded in 1966, the [Roy A. Hunt Foundation](#) now has more than 30 family members from three generations serving as Trustees and participating in its grantmaking. As the economy slowly recovered from the Great Recession, many Trustees worried about grantees’ overall financial health and a few that were in serious financial trouble

The foundation’s staff began a more systematic, annual look at the financials being submitted. They use five common financial ratios to spot potential problems and look for cautions raised in audit notes and missing governance practices in part VI of the IRS 990. They also check for problems identified on nonprofit evaluations services. If staff identify a problem, they research previous years’ documents to determine if the problem is a trend.

The staff combine the information collected into a simple “stop light” in the trustees’ online grantmaking portal:

- Green signals good health (based on the limited information reviewed).
- Yellow signals one or more cautions. The Trustee sponsoring the proposal to the family can contact the organization to learn more or ask a staff member to do so. Staff add supplementary information collected to the proposal. The Trustee can then choose to defer the proposal or move it forward to the family.
- Red signals deep financial problems and/or other serious concerns. Staff collect supplementary information when possible and add it to the proposal. The Trustee sponsoring the proposal can pull it from consideration or choose to go to bat for the proposal with the family.

Though limited in scope, the stop light system allows Trustees to act in accordance with their differing thresholds for risk in nonprofit financial and governance health.

- *The Little Blue Book: NPC's Guide to Analysing Charities* – published by New Philanthropy Capital. Though written for United Kingdom-based funders, the guide provides good questions for assessing risk in any nonprofit's activities, results, leadership, people and resources, ambition, and more.

Individuals and foundations who apply an investment approach to their philanthropy may also attempt to assess **opportunity cost**—the risk of making a grant today that has lower impact in the future than projected, and that ends up being a worse choice than the grant not made.

5. External Risks

External risks are factors beyond your foundation's direct influence or control. Unlike many personal, strategy, or grantmaking risks, external risks are not preventable and often can't be avoided. Common external risks affecting a philanthropic strategy or set of grants include:

- **Dependencies**—potential problems with partners, supply chains, and other logistics upon which grantees rely to deliver their services.
- **Economic**—local, national, and global shifts, either gradual or sudden (e.g. the U.S. financial crisis in 2008 or a revolution in a third-world country).
- **Environmental**—short-term weather patterns, mid-term natural disasters, and long-term climate change.
- **Political**—changes in public will, political will, administrative policies, laws, and elected officials.
- **Sector**—changes to the stability of a sector (e.g. performing arts or community development corporations) and the potential threat of competitors or disruptive technologies.

Experts on risk recommend that organizations use scenario planning techniques to assess the most likely external risks and then create contingency plans for those risks.

Tip: The Open Road Alliance's free guide, *Risk in Philanthropy: A Framework for Evaluation*, provides a helpful outline for discussing external risks with a grantee.

Mini Case Study: External Risk

Open Road Alliance

Colorado-based philanthropist Laurie Michaels founded the [Open Road Alliance](#) as a model for addressing the unexpected challenges nonprofits face. The Alliance's website states:

"Most traditional grantmaking programs have inflexible, restrictive, slow, and unwieldy procedures for releasing funds. Many do not provide funds outside of their fixed grant cycles at all. These practices leave grantmakers unprepared to help non-profits who need funds quickly to manage contingencies.

This structure leaves well-conceived programs with little or no access to capital when unanticipated obstacles are encountered mid-implementation."



To address that issue, the Alliance makes grants and recoverable grants – a type of low- or no-interest loan – to “mid-implementation projects encountering an unexpected roadblock.” Applications for grants are taken on a rolling basis and decisions are made in 2-6 weeks. Grants range from \$10,000 to \$100,000. The Alliance makes recoverable grants on an invitation basis. For each project, it tailors an interest rate (from 0-10% but always below market rate) and repayment timeframes (from 6-36 months).

The Alliance also funds and shares research about the risks nonprofits face.

For more information, see the [Our Approach](#) page on its website and [an interview](#) with Laurie and Executive Director Maya Winkelstein on the Case Foundation's *Be Fearless* blog series.

Taming Risk

“[I]t’s astonishing that so few foundations explicitly perform risk analysis on their initiatives in the process of shaping and deciding whether to implement them.”

– Joel Fleishman, in the book, “The Foundation”

We are hard-wired to be risk averse, to stay in our comfort zone. We fear the unknown and fear loss. And we especially fear the loss of control, or at least the illusion of control.

To compensate, disciplines such as finance and investing, business management, and project management have developed rules and procedures for risk management. Risk is fluid, as are people’s perceptions of it, so **risk management** should be an ongoing process.

A simplified version of risk management, suggested by John Bare in a *Foundation Review* article, has three steps:

- 1) **IDENTIFY—WHAT IS MOST LIKELY TO GO WRONG?**
- 2) **ASSESS—FOR EACH POTENTIAL HAZARD, WHAT ARE THE POTENTIAL CONSEQUENCES? AND, WHAT ARE THE HIGHEST PRIORITIES TO WORRY ABOUT?**
- 3) **MITIGATE—IF THESE RISKS MATERIALIZE, WHAT WILL WE DO IN RESPONSE?**

1. Identifying Risks

For some people, identifying and discussing risks will be easy. For others, it will be hard. The authors of *Outsmart Your Biases* (*Harvard Business Review*, 2015) note:

“[Asking] bigger, tougher questions does not come naturally. We’re cognitive misers—we don’t like to spend our mental energy entertaining uncertainties. ... Intuition tells us, prematurely, that we’re ready to decide, and we venture forth with great, unfounded confidence.”

Risk management experts recommend these tips for successful risk identification:

- **Start small and build a consistent process.** Some foundations might start with adding a couple questions into their grant applications or site visit checklists, while others might start by bringing up risk concerns in an annual conversation with each board member.
- **Identify risks in a team discussion,** preferably with people from varied backgrounds and personal risk profiles.
- **Involve trusted outside advisors.** Foundations often involve non-family board members and community advisory groups when developing strategies and some even involve grantees and beneficiaries.
- **Create dedicated space and time for reflection about risk.** Organizations and people don’t learn and adapt to new ideas when they’re over-worked or exhausted. And, in a busy schedule, it is easy to forget to think about accommodating others’ differing personal risk profiles.
- **Conduct a “premortem.”** Instead of asking “what might go wrong,” start by assuming a plan or project has failed spectacularly in two or three years. Have each team member independently work backward from that failure to determine what led to the failure. Then discuss the scenarios as a group and assess their likelihood (see Step 2 on the next page).
- **Write successive “if-then” statements,** e.g. “if X risk happened then what would happen, and if

that happened, then what else might happen (or be the consequences)?”

- **Don’t forget to ask “What risks are there if we do nothing?” or “What are the risks if we keep the status quo?”** to overcome the cognitive biases discussed in the first section of this *Issue Brief*.
- **Over time, build an internal bank of stories about risks that have been topics of conversation and how the organization or family dealt with them.**

2. Assessing Risks

The most common way to assess each potential risk is on a matrix comparing **probability** that the risk will occur with the potential **magnitude** or severity of the problem. The Open Road Alliance uses the example matrix for an international aid group below. Each letter represents a different potential risk to a project, e.g. “A” is a major flood during dry season while “D” is an attack by rebel forces. Some risk managers refer to the red and dark orange segments as “show stoppers.”

Rating the risks is an inherently subjective process unless there’s a track record of data (e.g. hospital safety reports when you’re funding health programs). Even the risks shown in investment portfolios (the “beta” or “Sharpe ratio”) rely on limited information about a company or a set of companies. However, averaging the ratings from a number of team members can provide a useful internal viewpoint. The more

experience the team has in the process over time, the more accurate the assessments will become.

The third rating of risk involves **degree of influence**. How much influence or control does your family or foundation have in reducing the risk? How much influence does your grantee or partner have in reducing the risk? Risk management experts look at influence in three categories:

- **Preventable**—undesirable risks that we can reduce or avoid through operational improvements such as checklists and policies, hiring and training practices, or project management processes.
- **Strategy**—the risks we purposely take to create higher returns (however we define them), to develop new knowledge and innovation, or to venture into new territory. These are desirable risks we can influence through thoughtful processes for experimenting, adapting, and learning.
- **Unavoidable**—the external risks listed earlier and the risks inherent in dealing with complex, fluid problems. We prepare for these risks through scenario planning and contingency planning.

Your action plan around risk—whether for an internal issue or a set of grants—should then center around risks that are: a) higher in magnitude, b) higher in probability, and c) are preventable or strategic.

Severity of Harm	Probability of Occurrence		
	High	Moderate	Low
Severe	D	B	A
Moderate		C	E
Low	F		

3. Mitigation and Contingency Planning

Once we've assessed potential risks and prioritized those upon we wish to act, we can look at options for mitigating the risks. We may not be able to eliminate them, but we can work to tame them and bring them closer to our comfort zones. Risk taming tactics commonly used by foundations and philanthropic families include:

- **Deepen grantee relationships.** Many families reduce risk by forming long-term, trusting relationships with nonprofit leaders. Their grant programs are based on ongoing, open, honest dialogue and “blame free” assessments. For examples, see the Durfee Foundation mini case study and the section below on Embracing Risk and Uncertainty.
- **Adopt a portfolio mindset.** Other families borrow from the investment world and take a portfolio approach to their grants. They purposefully tailor a mix of high-risk and low-risk grants or a mix of big-bet and small-bet grants to a family's comfort zone.



- **Create a pilot or experiment.** It can be too easy to want to get everything correct the first time with a new governance policy, board meeting format, or grant strategy. Many families are willing to try a new idea by starting small and developing initial criteria for learning from the experiment. You may be able to use the students and researchers in your family to help you remember how to apply the “scientific method” to your new idea.

“I often think about applying asset allocation thinking to grantmaking. Can we create different classes of risk and return – a mix of solid, safe buys and high-risk, high-return grants? Investing in solving big, complex problems can provide a big payoff as long as you're willing to adapt along the way.”

– Mary Mountcastle, Trustee, Z. Smith Reynolds Foundation and Board Member, Mary Reynolds Babcock Foundation

- **Spread risk through collaboration.** Some donors attract other donors to fund the same project or to split it into different phases for different risk profiles. Others work through funder collaboratives and pooled funds to spread risk.
- **Use an intermediary or fiscal sponsor.** Funders who don't have the staff time or inclination to mitigate risk on their own often fund a riskier project through an intermediary. Community foundations, nonprofit capacity building organizations, Community Development Financial Institutions, arts councils, and other groups can add expertise in assessing and mitigating risks in grantees. (See the Chartrand Foundation mini-case study on page 14 for one example).
- **Engage in scenario planning.** Typically used for longer-range forecasting and for analyzing external risks, scenario planning processes help answer "What would we do if...?". Participants define a number of plausible, but unexpected, situations or challenges, pick a small number that would have the biggest impact, discuss trade-offs, and then define potential courses of action.

Fewer foundations and donors have systems in place for **contingency planning**—creating Plans B and C to deal with external risks affecting Plan A. For example, how would your foundation function if floods or fires destroy your office? Or, how would you change your grantmaking priorities if a new mayor and city council cut all funding for the homeless services you support?

Mini Case Study: A Culture of Risk

Durfee Foundation

R. Stanton and Dorothy Durfee Avery, the couple who founded the company that is now known as Avery Dennison, launched the [Durfee Foundation](#) in 1960. Their entrepreneurial spirit carries on in part of the family foundation's mission statement:

"We build partnerships with individuals and institutions that share our ideas of creativity, risk-taking, fiscal care, integrity, entrepreneurial spirit and continuous learning."

According to Carrie Avery, Durfee Foundation President, "We're like a contrarian investor. We find places where other dollars aren't going. Our staff and trustees look for opportunities that aren't as likely to get funding from other sources."

As one example, the foundation's [Stanton Fellowship](#) awards \$100,000 each to people "to think deeply about the intractable problems in their sector, and to tease out solutions that will improve life for the people of L.A." The fellows have the permission to explore ideas, drop those ideas, and set new goals for learning and action. They also have the freedom to report that their ideas didn't work but they gained new knowledge to share so others don't go down the same paths they tried.

One key to the fellowship program's success is the foundation's organizational culture. "It's in how you set up the process from the beginning," says Avery. "We try to be as transparent as possible. We put our selection criteria on the website and we encourage applicants to call before applying to talk through their ideas. We answer our phones." She notes that fellows are selected carefully, and "we set up expectations of mutual trust. When you give the right people your trust, they'll live up to it."

Fellows submit quarterly reports and attend quarterly group meetings, both of which provide opportunities for evolving and adapting their ideas and negotiating new goals with the foundation's staff. (The fellowship's quarterly report form is available in the NCFP Knowledge Center).

Avery provides this advice to other family foundations:

"Funding innovation and risk is especially appropriate for family philanthropy. I would bet that much of the money that started family foundations can be traced back to somebody who took big risks. This is certainly true in Durfee's case; I encourage other families to be inspired by their history and embrace risk taking in their philanthropy."

You may also want to consider developing special guidelines for supporting nonprofits that face unforeseen crises. In a recent survey of 200 funders (including family foundations) and 200 nonprofits, the Open Road Alliance found that:

- About 1 in 5 nonprofit projects require contingency funding—additional money needed due to unforeseen disruptive events.
- Funders think grantees can easily find contingency funding other places when they decline a request for such fund. But, most nonprofits end up having to use their savings, take on debt, and/or reduce the impact of a project.
- Only 35% of the funders had a policy for managing off-cycle requests for contingency funding, and it was often unclear to nonprofits that they could apply for contingency support.

Tip 1: The Bridgespan Group's resource page on [Scenario and Contingency Planning](#) has useful guides and links for foundations and nonprofits.

Tip 2: A facilitator with experience in Human-Centered Design can be helpful in discovering and reducing risk in large initiatives or in large strategic changes to an organization. This creative approach to problem solving uses a set of research, problem-framing, and prototyping tools that involve the people affected by a potential problem in developing potential solutions. For sample tools, see the [Design Kit by IDEO](#) and the [DIY Toolkit sponsored by the Rockefeller Foundation and Nesta](#).

Mini Case Study: Using DAFs to Accommodate Different Risk Profiles

The Chartrand Foundation

Gary and Nancy Chartrand – and their children, Jeff and Meredith – established the [Chartrand Foundation](#) in 2006. The family's foundation focuses on early learning and other education opportunities in Duval County, Florida (Jacksonville area).

Since 2013, the foundation has conducted all of its grantmaking through funds at the Community Foundation for Northeast Florida. The family had already been working with the community foundation's staff on strategic grantmaking and leadership initiatives and trusted the staff to find and develop effective partners for those initiatives.

The Chartrands established a family donor-advised fund for collaborative decision-making and separate donor-advised funds for Jeff and Meredith. While the family shares a core principle of “welcoming innovation and the willingness to embrace bold ideas,” it found each member has different idea about strategies to use and types of grantees to trust.

“My parents wanted to let my sister and me do our own things and make our own mistakes,” says Jeff. “She and I are more interested in new ideas and riskier groups, while our parents are more dedicated to established organizations.”

Jeff says the family and the community foundation staff support him in taking risks and “being the first money in. I'm not afraid to go places where others aren't.” He has used his connections, extensive volunteer time, and grants from his fund and the family's fund to bring new mental health programs into schools and rapidly expand the capacity of JASMYN, the county's first organization to serve LGBTQ youth.

Jeff continues, “We don't really use the language of ‘risk tolerance.’ But we do talk about proven models versus newer approaches. Dad tends to go with proven models. In the end, we come at our family's philanthropy from a balanced approach [to risk].”

“Working with the Chartrands—individually and collectively—gives us the opportunity to share our expertise and often reduce the administrative costs associated with grantmaking,” notes Nina Waters, president of The Community Foundation for Northeast Florida. “We provide an assessment of leadership, capacity, experience, skills and culture, as well as an accurate description of the risks, so that they can make their grant recommendations having the best knowledge the Foundation can provide.”

Embracing Risk and Uncertainty

“To take risks should never be a goal unto itself. Our goal is impact, and what we embrace is a willingness to take smart risk on the ideas and partners with potential to reach ambitious goals.”

– James E. Canales, President and Trustee, Barr Foundation, in a 2015 [blog post](#)

Some families will find comfort in the process of identifying, assessing, and mitigating risk. The process is a natural response to the human need for certainty. The process feels to many board and staff members like a necessary component of **strategic philanthropy** as they’ve learned it from countless books and conference sessions. (Being seen as being strategic may be core to the comfort zone of their personal identity and philanthropic profile).

Other families and foundations are comfortable in embracing risk and responding flexibly to unanticipated challenges.

One group of foundations met from 2012-2014 through Grantmakers for Effective Organizations to discuss the idea of “investing in possibility.” The funders discussed some common traits to a more flexible approach to grantmaking, including:

- It requires trust and open communication (between the staff and board and between the foundation and grantees).
- Funder patience and stamina are necessary.
- It is important to work with the right people who have the right platform to move ideas forward.

Carrie Avery, president of the [Durfee Foundation](#), a long-time NCFP supporter and one of the participants in the GEO conversations, says of the approach:

“If a funder requires a grantee to present a fully formed logic model and predictable measurable outcomes at the beginning of the grant, then the funder is not allowing for learning and adaptation along the way. Why limit the grantee’s vision to

what they know at the beginning of a process? Room for adaptation is especially important for complex problems that do not offer easy solutions. This requires the funder to give up a certain amount of control, but frees the grantee to explore and learn rather than being boxed in.”

Other philanthropists call this more flexible approach **adaptive philanthropy**. Susan Ditkoff, a partner at The Bridgespan Group, said in a 2013 NCFP webinar:

“[A]daptive philanthropy is about being strategic about your goals and the change you want to see, while also being flexible enough to adapt to the changing external environment.”



Trust and open, honest conversations are also keys to reducing risk in adaptive philanthropy. In the same webinar, Rachel Monroe, President and CEO of the [Harry and Jeanette Weinberg Foundation](#), said the best conversations happen in informal settings and

over dinner. Her favorite question to ask nonprofit leaders is “What keeps you up at night?” Their answers reveal the risks that worry them most. She said,

“[People] share what their stress is, beyond fundraising, you know, and it can range from product or service delivery to client need to staffing and other issues. [S]ometimes Weinberg can help to pay for some of those pieces, and we also learn the more adaptive changes in that space.”

Ms. Monroe also emphasized the importance of backing those trusting relationships with a more flexible, nimble grantmaking processes. As an example, the Weinberg Foundation created the Maryland Small Grants Program which operates on the 5/50/50 principle—a proposal of no more than 5 pages for up to \$50,000 in a year, and approval and a check come within 50 days.

Tip: Does your foundation only meet once or twice a year? Or, do you pre-allocate your budget in specific categories each year? According to Susan Ditkoff, you don't have to miss out on new opportunities. In NCFP's webinar, "Adaptive Philanthropy," she suggested that foundations create a small flexible budget for unexpected, but strategic grants. If no good opportunities appear over the course of the year, you can pour the money back into a set of core grantees in December (wouldn't that be a nice holiday surprise!).

Sharing Mistakes and Lessons Learned

At NCFP's National Family Philanthropy Forums in 2014 and 2015, family members and their staff members were invited to describe the “best mistakes we ever made.” Common themes included:

- *Cognitive biases*—being overly confident in their knowledge of a grantee's strengths or the abilities of a compelling community leader;
- *Reputation and interpersonal relationship risks*—not planning for the potential impact on the foundation of a messy divorce or a family member acting without consensus;
- *Strategy risks*—not assessing the best timing or scale of an initiative, forcing collaboration among grantees that ended up being more competitors than peers, and investing in a business that was polluting the same ecosystem grantees were trying to restore; and
- *External risks*—not thinking about innovation in the marketplace supplanting the need for a grantee's services, and not quickly forecasting the damage of the Great Recession on construction projects in the planning stages.

Celebrating Failure

Approaches such as possibility grantmaking and adaptive philanthropy require an organizational culture that welcomes **intelligent failure**, a practice of reacting to mistakes and failures more productively. Failure can be more productive more *intelligent*—when an organization regularly:

- Develops experiments or prototypes that are carefully planned, modest in scale, and managed quickly;
- Develops criteria ahead of time for learning from each experiment;
- Holds regular “no blame” reviews to honestly discuss what worked and what didn’t work; and
- Has enough trust and resilience to repeat the cycle of develop, test, learn, adapt.

The process of intelligent failure has been popularized through books such as *Little Bets* by Peter Sims and *The Lean Startup* by Eric Ries. Though such books have often catered to entrepreneurs and the creative industry, the principles can often be applied by nonprofits and foundations to reduce the risk of new ideas and strategies.

The National Center for Family Philanthropy and other philanthropic associations have recently starting holding “Fail Fests” and “Fail Faires.” Philanthropists, board members, and staff members tell honest stories about something that went wrong, what they learned, and how they’ve adapted.

If you’re interested in learning more about learning from failure, check out the following resources:

- [*Admitting Failure: Learning from mistakes in philanthropy*](#)—an article by the Annie E. Casey Foundation’s Bob Giloth in NCFP’s Knowledge Center.
- [*Be Fearless*](#)—a campaign by the Case Foundation to encourage bolder, riskier work by change makers. The resources include a story about NCFP Friends of the Family network member, the [*Jacobs Family Foundation*](#).
- [*Fail Forward*](#)—a set of resources and stories about intelligent failure, including a rubric for organizational and personal competencies in managing failure.
- [*Beth’s Blog Failure Category*](#)—nonprofit consultant Beth Kanter’s blog features posts about nonprofits, funders, and associations learning from failure (watch for the fun photos of people taking the “failure bow.”).

“Somewhere, a family has to decide if it’s OK for a grantee to fail. This is a constant conversation in my family – my dad wants guarantees that aren’t going to fail. He doesn’t want to waste his money on a single screw-up. I am OK with them failing because I think the work is the right work, as long as I think they are really going to fix it, keep working at it, and show improved results.”

– anonymous donor interviewed
by author

Conclusion—Advice from Experts and Colleagues

Talking about risk will take us out of our comfort zones, but it doesn't have to be a scary experience. Thoughtful risk planning can lower our individual and organizational stress in the long term. It hopefully creates a more productive conversation than we saw with the James family in the opening story. Here is some advice on simple ways your generous family can start assessing philanthropic risk, taming and mitigating risk, and even expanding its comfort zone.

- Am I taking enough risk when there is the possibility of success?
- Are grants I've made previously playing too big a role in my willingness to proceed?
- Do I favor "staying the course" excessively over risking a switch to a different approach?
- Is the way I frame possible loss or gain affecting my decisions?



Know yourself

At minimum, assess your own biases and risk tolerance when preparing for board meetings or grant review rounds. John R. Ettinger (former CEO of the Helmsley Charitable Trust) and his son, John T. Ettinger, suggest these questions in an article in the *Stanford Social Innovation Review*:

- Why should we take risks?
- When should we take risks?
- Which elements of risk are most important for us to track?

Define your organizational take on risk

Sharing this *Issue Brief* with your staff and board members can help create a common framework for discussing risk. Remember that individual concerns may go beyond grantmaking to issues such as external communications, family dynamics, reputation, community leadership and advocacy strategies, and more. These questions can create a basic internal definition of **organizational risk** and **strategic risk** for any of those issues:

- What is our definition of "risk taking"? or What is our appetite for risk—our desired balance of risk and reward?

Create an action plan

Based on organizational conversations, or at least a team or committee conversation, start with what risks are most important. Those are the risks that are: a) higher in magnitude or severity, b) higher in probability, and c) are preventable or strategic (you have the highest chance of influencing them).

Test culture shifts

The most common advice from experts is to: a) *make time for risk assessment*—before a decision-making process, during the process, and after the process; and b) *build your decision-making muscle* over time by starting small, repeating the process, and then adding new steps. For specific ideas on adding to your decision-making toolkit, see in the Resource Section: the “Techniques to Combat Cognitive Traps” section of *How Shortcuts Cut Us Short*, the “Tools for Advancing Social Change” section of John Bare’s *Foundation Review* article, and the *Mistakes to Success Roadmap* guide.

Test more risk-aware grantmaking

Grantmakers who are more risk tolerant share three common traits. First, they spend more time building trusting relationships so that they can have more open conversations about risk. Second, they ask themselves and grantees better questions about risk. And, third, they create grantmaking programs that help grantees to adapt and deal with risk and change as it emerges. You can pilot these traits through a set-aside budget or a specific program area, create a new fund or award program that is purposefully more risk tolerant, or even allow for requests for contingency funding.

Mini Case Study: Funding Risk

Henry L. Hillman Foundation

Businessman and civic leader Henry L. Hillman was an early pioneer in private equity investing and venture capital funding. However, the grantmaking he led through the Henry L. Hillman Foundation was more traditional, focusing on large capital and endowment gifts to major institutions and unrestricted and program grants to established nonprofits.

At age 94, he decided to take more risk in his philanthropy.

He had been reading articles about social innovation and was inspired by the foundation’s pilot foray into co-leading a multi-sector partnership, one aimed at applying cutting-edge technology to the Pittsburgh region’s transportation systems.

“When we met about his decision, he used terms like ‘transformational,’ ‘catalytic,’ and ‘risk-taking. Another key phrase was ‘If we’re doing it right, some of these projects should fail,’” recalls David K. Roger, President of the Hillman Family Foundations, which manages 18 foundations for the extended Hillman family.

In early 2013, Mr. Hillman seeded a new internal fund separate from the historical grantmaking of his foundation. He wanted to create a parallel to his investing approach – see an opportunity in a sector, do deep due diligence, put a smart team around it, and then execute. So, he and the foundation’s board gave the foundation’s staff wide latitude to find and co-develop new ideas with nonprofits and institutions.

Staff created a new grant review form adapted from The Hillman Company’s investment review documents. To mitigate long-term risks, the staff spend more time working with grantees to develop partnerships, develop evaluation criteria, find opportunities to leverage other resources, and ensure that end users or customers are involved in the design of ideas and projects.

Roger notes the new fund had not yet met Mr. Hillman’s goal of funding failed projects, but some projects have seen significant delays in timing or results. The foundation has responded with amended grant terms and other capacity building support. Funded projects have ranged from launching the city’s first crisis nursery to experimenting with high-voltage Direct Current microgrids to developing a new cloud-based inventory management system used by multiple nonprofits. “We’ve had to learn to get in the weeds more with projects and spend more time building domain knowledge,” says Roger. “It really has been professionally motivating for our smart, interested staff.”

Remember that risk isn't static

Our individual and organizational risk tolerances ebb and flow over time, influenced by short-term personal stresses, certain situations, changes in significant relationships, internal and external crises, and more. Remember to always test your assumptions about risk with those issues in mind.

Don't kill the fun

Some organizations—especially larger, older institutions—can overcompensate, creating new policies and procedures for every risk encountered along the way. Risk management experts caution against this result. They encourage developing an organizational culture that is clear about its goals and overall risk tolerance and then ensuring staff have the training, ethics, and group decision-making skills to operating within those parameters. In addition, Human-Centered Design tools and Fail Fests and Fail Faires can even inject some fun into the risk assessment process.

Mini Case Study: Risk Culture

Hill-Snowdon Foundation

Former Johnson & Johnson executive Arthur B. Hill created the Hill-Snowdon Foundation in 1959 and served as a trustee until his death in 1983. He passed on to his daughter, Lillian Snowden, and his grandchildren an interest in helping those less fortunate but gave no guidance on risk and strategy. After Lillian's death, the third and fourth generation family members decided to create a strategic focus for the foundation and more sophisticated systems for grantmaking.

According to Ashley Snowdon Blanchard, Hill's great-granddaughter and the foundation's board vice president, the strategic focus led to better conversations about risk:

"The more we work together as family members, and work with our staff and grantee partners, the more we know who we are and what our values are. That makes us much better at assessing risk and determining when we should and should not take risks. It helps to have a clear identity for the foundation, a clear set of goals, and a clear sense of the potential payoff of a grant."

The most common conversations about risk at the foundation are about grantees that are floundering. The foundation supports many organizations with small budgets and in rural areas, and the organizations' long-term viability can be uncertain. Blanchard says,

"We tend to ask three questions: 'Is this the result of poor leadership?', 'What would it take to turn things around, and is it do-able?', and 'How critical is the organization to the community and to our goals?'. Sometimes the grantee might be the only game in town, and we have to help figure out a solution."

Another risk the foundation discusses involves strategy and grant decisions that could strain board and family cohesion. It regularly funds programs that give marginalized people a voice in public policy decisions. In addition to legal restrictions on funding partisan activity, the foundation has attempted to avoid overtly political efforts because of the potential for interpersonal conflict.

"We have a board where members have different political viewpoints, but we have found common ground in the notion of 'little d' democracy, and the idea that people affected by problems should be part of creating the solutions. The risk is 'Are we setting a precedent that we aren't comfortable with?'" Blanchard notes. "We have to ask if a grant could later drag us into something that is overtly ideological. Future generations could look different than us and we don't want to set ourselves up for problems that would pit people against one another."

Like other foundations described in this *Passages Issue Brief*, the Hill-Snowdon Foundation is gradually developing better systems for assessing risk. Blanchard's advice to other funders is "Dealing with risk is more art than science. But, it helps to have processes in place for flagging grants that are riskier, for spending more time on them, and for having more intentional conversations about them."

Appendix A: Three Ideas for Understanding Your Team's Risk Tolerance

1. As it developed its first strategic grantmaking plan, the Marion I. & Henry J. Knott Foundation sought to better understand the talents and resources of its staff and board members. Twenty-nine family members from three generations serve on the board and are actively involved in site visits, grantmaking decisions, and being ambassadors for the foundation.

The foundation's planning consultant surveyed the board on a number of issues, including interests in different program areas, ideas about the founding donors' values, and grantmaking style preferences. One question (shown below) asked about risk tolerance. Executive Director Kelly Medinger says the longer explanations in the question helped the family members who were more concrete thinkers.

The survey revealed the family has members across the spectrum of risk tolerance. To reinforce this point at a planning retreat, family members were asked to stand and line up against a wall according to their personal risk tolerance. Medinger describes, "Cousins and spouses were laughing as they saw each other on different ends of the spectrum, waving at each other down the line. It was important that everyone saw the diversity of perspectives each other brought when making grant decisions."

Medinger notes that risk isn't a formal part of the board's ongoing conversations. However, the retreat showed that the family was, in general, more comfortable with risk than she initially thought. She and the staff use that knowledge when coaching grant applicants on potential projects they bring to the family.

"Q25 Risk. Read the following statements and indicate which statement most closely matches your personal tolerance for risk in grantmaking. Note: by risk, we mean that the dollars you spend may not achieve what you hope to achieve.

- I am very comfortable with risk. Foundations have "creative capital" and can test solutions that others may be afraid to try.
- I am comfortable with risk in the sense of new programs, startup organizations and funding something where results may be hard to see (leadership skills in youth, for example), but I want some evidence based on facts that what we are doing has a good chance of success.
- I think we should mitigate risk. There are enough good organizations and needy endeavors that have fairly certain outcomes.
- I want to avoid risk altogether. This is not our money and we have the obligation to ensure every dollar achieves its goals."

Question created by Holli Rivera, President, Intentional Philanthropy.

2. Arthur Stuart Hanisch, founder of the Quixote Foundation, imbued in his philanthropy and his family a high tolerance for risk, and healthy appetite for changemaking, and a belief in "full tilt idealism." His son, Erik, and daughter-in-law, Lenore, wanted to make sure that new staff members would feel comfortable working with those values. Board and staff members took The Birkman Method® Assessment, a tool that looks at an individual's behavioral styles for relationships and tasks and how he or she deals with stress, risk, and change.

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The team has used the results to better understand how they each make decisions about issues and which members need more time to adapt to new ideas.

3. Appendix B of the book *Wealth in Families* (Charles W. Collier, 2008) contains a sample Family Questionnaire to learn more about the giving styles of family members. It includes a question about risk tolerance in grantmaking.

Resources to Learn More

Adaptive Philanthropy: Flexible Giving to Maximize Results, National Center for Family Philanthropy Webinar, December 12, 2013

Contingency Funding in Philanthropy: Open Road Alliance Survey, Open Road Alliance, 2016

Expanding your comfort zone: Managing risk, John Bare for the National Center for Family Philanthropy, 2015

Taking Risks at a Critical Time, Grantmakers in Health, 2010

How Shortcuts Cut Us Short: Cognitive Traps in Philanthropic Decision Making, Tanya Beer and Julia Coffman, Center for Evaluation Innovation, 2014

Mistakes to Success Roadmap, Marilyn Darling, Fourth Quadrant Partners, LLC, 2015

Outsmart Your Own Biases, Jack B. Soll, Katherine L. Milkman, and John W. Payne, Harvard Business Review, May 2015 Issue

Philanthropy, Evaluation, Accountability, and Social Change, John Bare, *The Foundation Review*: Volume 1, Issue 4

Risk and Philanthropy: Systemisation, Education and Professionalisation, Adrian Sargeant and Jen Shang, Resource Alliance, 2012

Risk in Philanthropy: A Framework for Evaluation, Open Road Alliance, 2015

Taking Control of Organizational Risk Culture, Cindy Levy, Eric Lamarre, and James Twining, McKinsey & Company, 2010

Seeing the Possibility in Philanthropy R&D: An Ongoing Conversation in the Field, Grantmakers for Effective Organizations, 2014

Understanding Risk Tolerance in Grantmaking, John R. Ettinger and John T. Ettinger, *Stanford Social Innovation Review*, July 22, 2015

Talking about risk will take us out of our comfort zones, but it doesn't have to be a scary experience. Thoughtful risk planning can lower our individual and organizational stress in the long term.



About the Author

Tony Macklin, CAP®, consults at the intersection of meaningful giving and community results for donor families, grantmakers, and their advisors and associations. He previously served four years as executive director of the Roy A. Hunt Foundation and 12 years in a variety of roles at the Central Indiana Community Foundation. A recent transplant to Colorado, he's been active in philanthropic endeavors at the grassroots, regional, state, and national levels. You can follow his musing at www.tonymacklin.com and Twitter @tonymacklin1.

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About the National Center for Family Philanthropy

The National Center for Family Philanthropy (NCFP) is the only national nonprofit dedicated exclusively to families who give and those who work with them. We provide the resources, expertise and support families need to transform their values into effective giving that makes a lasting impact on the communities they serve. Together, we make great things happen.

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