

Families in Flux: Guidelines for Participation in Your Family's Philanthropy

PASSAGES

EXPLORING KEY ISSUES IN FAMILY GIVING

VOL 6.1



The composition of the family is in continual flux. Family members marry, divorce, remarry, form domestic partnerships and, in many cases, move far away from the family home. Whether expected or unexpected, these changes affect participation in the family's philanthropy. Yet, few anticipate and plan for these contingencies. With families growing ever more complex, varied, and far-flung, foundations and donor-advised funds need clear guidelines regarding who participates in

their philanthropy and in what roles. This *Passages* report addresses changing family composition and circumstances and how philanthropic families may deal with them.

In daily life, the family is generally understood to be composed of individuals related by blood, marriage or domestic partnership, and adoption. Guided by custom, history and codes of behavior, family members develop formal and informal ways of relating to one another. Whether by tradition, tacit agreement or simply the fact of compatibility, families routinely include or exclude one another from different family activities. All extended family members may be invited to weddings, only certain branches may share a vacation home, and annoying Uncle John and Aunt Mary may be tolerated only at Christmas dinners. Whether family members want to challenge these arrangements or just live with them is their choice.

Philanthropic families don't have that luxury. With families today going through so many changes, they have to think carefully about who will participate in the family's philanthropy. While this *Passages* report pertains primarily to foundations, it also raises questions for individ-

uals setting up donor-advised funds or who have informal family giving programs.

Imagine these scenarios:

- Most of the family members have moved away from the community in which the family has traditionally funded.
- A hardworking board member and spouse is divorced by a family member.
- A recently remarried family member wants his new wife to replace his ex-wife on the board.
- The widow of the founder's brother remarries and wants to stay on the board.
- Surrogate family members (close friends and trusted advisors) offer more to the foundation than the blood descendants eligible to serve.



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- The adult stepchildren of a family member, never formally adopted, ask to participate in the foundation.

How can families decide which of these individuals should participate in the family's philanthropy, in what roles, and under what conditions? Does a blood relative always have first right to serve? Can new spouses or domestic partners serve on the foundation board and, if so, how long must they be part of the family? Are stepchildren or foster children raised by a family member eligible to serve on the board? Should family and non-family trustees have an equal voice in making decisions?

A host of variables influence families' thinking about these matters: Vision for the foundation, family values, family culture, family size, family members' knowledge, skills, and availability and, in some cases, participation in other family enterprises. Whereas some families rely on tradition or legal precedents in determining who will be involved, others think of family in more far-reaching philosophical or psychological terms. In the end, each family has to set its own rules for participation and the sooner the better, says John Ward.

HEADING TROUBLE OFF BEFORE IT HAPPENS

Ward, a professor of family enterprise at the Kellogg School of Management at Northwestern University and a principal in the Family Business Consulting Group, helps families in businesses and foundations grapple with these issues. "An axiom of family business," he says "is that it's always advantageous to have policies in place before you need them, and the same is true for foundations. Families that avoid dealing with these questions now will get into trouble later."

Trouble arises when foundations are forced to handle a sensitive situation for which they have no policy. Making policy after the fact is problematic, especially when family is involved. Disgruntled family members are likely to interpret the action as a personal rejection or, perhaps, as retaliation. "Policies must never be about individuals," cautions Ward. "They must always be based on principles that family members understand, and they must always be clearly articulated."

Ward recommends that all foundations—whether or not they are currently confronting these issues—set aside time to draft policies defining who is eligible to participate in the family's philanthropy based on articulated criteria. It is an essential task for new foundations and existing foundations, too, benefit from reviewing their policies periodically. But Ward cautions that defining who

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is eligible to participate—and, by implication, who is not—requires a delicate hand. The reverberations of those decisions may be felt far beyond the foundation and, for better or worse, affect family relationships for generations to come. "Issues of fairness and equality are always at play in families," says Ward, "If family members sense injustice in the system, they will be suspicious and distrusting—just the opposite of what families want to foster."

Ward advises families to begin the process of defining eligibility by imagining different scenarios and outcomes. For example: If eligibility were a birthright, would it imply that qualifications to do the work are unnecessary? If only family members who meet specific qualifications are eligible, will other family members feel left out? How would family relationships be affected if all spouses were included or excluded? What if all children—biological, adopted, stepchildren—raised by a family member were automatically expected to serve on the board?

These questions reach to the very heart of the family and who and what it values, and it takes courage for families to answer them honestly. Few families have had experience in dealing with these issues, let alone talking openly about them as a group. For that reason, Ward suggests that families may need help in working through these questions and in considering the messages the policies convey to current and future generations.

“Families have to look downstream at the consequences of their assumptions,” says Ward, “but it’s not always easy to do. Most would benefit from the experiences of other foundations or the help of a consultant.”

TWO APPROACHES TO THINKING ABOUT ELIGIBILITY

Family involvement is a key element in all family foundations, but how they determine eligibility to serve is largely influenced by their culture and values. For those with a strong ethos of inclusivity, family engagement is paramount. They define membership broadly to encourage maximum participation, and they set few, if any, conditions for joining. The family connection is the source of pride and satisfaction, and the good work of the foundation is made all the more meaningful because it is done by and with family members.

While other foundations value inclusivity, too, they believe that the needs of the foundation should dictate selection of trustees. They recruit family and, sometimes, non-family members who have expertise in program areas, who bring skills and experience that benefit the foundation and, depending on geographical restrictions, live in areas where the foundation funds.

Additionally, these foundations focus on preparing the next generation for service so that they have the desired skills when they come of age. They may set eligibility requirements for new trustees, such as volunteer experience, service on a junior board, or attendance at professional meetings. And, if family members don’t have all the expertise required, some turn to non-family trustees to fill in the gaps.

Inclusivity: Participation Based on Family Connection

Inclusivity is a core value of the Dresher Foundation in Baltimore, founded by James and Virginia Dresher in 1988, with assets of \$45 million as of the end of 2002. The foundation welcomes unreservedly all blood descendants of the founders; the only requirement is that they be 21 years of age. Jim regarded the foundation as a safeguard for keeping the family together. Even if the younger generations moved away from Baltimore, he reasoned, they would still have a common and important project on which to collaborate. Inclusivity works well for the close-knit Dresher family, described as “incredibly harmonious” by the foundation’s executive director, Robin Platts.

The original board was composed of the founders, their four children, and their spouses. Before bringing on the third generation, the board paused to reconsider its policy on spouses. The third generation has nine members, not including spouses. Six were of age to join and

three were waiting in the wings. If third generation spouses were included, the board size could theoretically swell to 30. Concerned that the board would grow too large to be efficient, the family voted to restrict membership to blood relatives, beginning in the third generation.

“The family makes a concerted effort not to plan too far into the future,” says Platts. “They believe in focusing on the present and letting future generations change policies as new issues arise.”

Even very large families committed to inclusivity can find ways to engage family members. The extended Andrus family now numbers close to 350. Their story is noteworthy because they embraced the concept of broad family involvement late in their philanthropic history. Today, the family has five separate philanthropies. The oldest and most prominent, the Surdna Foundation, was founded in New York in 1917 by John Andrus and currently has assets of more than \$600 million. Andrus had eight children and, by the third generation, the family had grown quite large. Nonetheless, only a select few in each generation were tapped to officially serve on the boards, and each sat on at least two boards simultaneously.

In 1998, the fourth generation decided that the time to democratize the family’s philanthropies was long overdue. They voted to open the foundation doors to the

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CHECKLIST FOR SETTING POLICY ON ELIGIBILITY FOR SERVICE

1. Is eligibility to serve on the board a birthright?
2. Must family members meet specific criteria (age, education, volunteer service, etc.) before becoming eligible to serve on the board?
3. Can spouses serve on the board? In other capacities?
4. Must divorced spouses serving on the board resign immediately or are they expected to finish their terms?
5. Will the foundation consider new spouses of previously divorced family members as potential board members?
6. Do domestic partners have the same status as spouses?
7. Must domestic partners be part of the family for a certain number of years before becoming eligible for board service?
8. In cases of remarriage, must the new spouse be part of the family for a certain number of years before becoming eligible for board service?
9. Can widows/widowers of family members serve on the board?
10. Will adopted children be regarded as lineal descendants?
11. Will stepchildren be eligible to serve on the board? In other capacities?
12. Will “families of the heart” (close friends considered family) be eligible to serve on the board?
13. Must family members live in the geographical region where the foundation funds to be eligible for board service?
14. Will non-family members be invited to serve?
15. Will non-family members and family members have equal voice in making decisions?

entire extended family, and they spent two years figuring out how to do it. Besides increasing the number of seats on the existing boards, the family set up the Andrus Family Fund for the fifth generation to design and run. Yet, not even five separate philanthropies provided board seats for all the family members old enough to serve. The family responded to the dilemma with a leap of imagination. It recognized that what mattered most to them was fostering family members' involvement in philanthropy and community service. Serving on the boards of the family's philanthropies was only one way to accomplish that.

The Surdna board created the Andrus Family Philanthropy Program, a network of activities offering family members an array of opportunities to participate in the family's philanthropies, coordinated by the executive director of the new Andrus Family Fund. Besides setting up a Website to keep family members informed about the work of the family's philanthropies, the Andrus Family Philanthropy Program launched a family newspaper written by family members. In one experiment, a group of extended family members joined the Andrus Family Fund board in an eight-month study group researching

core program areas. To encourage contacts across branch lines, family members from different branches interview one another to learn more about family history and family members' current interests. In addition, the newspaper helps to reinforce the family ethos of public service by reporting on family members' community and philanthropic activities and by stimulating an exchange of ideas among extended family members.

Criteria-based Selection and Participation

For more than a decade, the Flintridge Foundation (2002 assets: \$16.3 million) in Pasadena, California, has sought trustees with specific expertise to serve on the board. The board's main concern is not *who is* family but rather *what* prospective trustees can contribute to the foundation. It looks for board members who have interest in and knowledge of the foundation's program areas, have prior experience in philanthropy, are thoughtful and independent, and are good listeners and facilitators of group discussion.

“We don't think a lot about who's family,” says Jaylene Moseley, the foundation's managing director. “The

issue doesn't come up because we're focused on our mission and four program areas. Whether family or not, all candidates go through the same process and all are considered for what they have to offer to the foundation."

Board and staff recommend candidates to the Nominating Committee based on what skills and expertise are deemed to be needed at the time of each nominating cycle. Interested candidates submit written applications and go through an interview process. As evidence of the board's focus on mission and program areas, it chose two non-family members over two family members in the last selection process.

"The family members will make terrific board members," said Moseley, "and they will probably come on next year. But right now we needed members with specific expertise in two of the program areas, and the non-family candidates had the relevant qualities."

FACTORS TO CONSIDER IN SETTING GUIDELINES

Families and foundations change over time

Families must design policies carefully, but they should also bear in mind that policies are not written in stone and can be altered in response to changing circumstances. In the first and second generations when the number of family members is often smaller, it is easier to be all-inclusive. As families grow larger, the numbers may become unwieldy, forcing the family to limit the number of trustees or to find new ways to involve family. (See *Surdna Foundation example, above*).

Moreover, families themselves change. A high incidence of divorce and remarriage among younger family members may persuade the board to restrict membership to blood relatives. Or the next generation may have different notions of who is eligible to serve than preceding generations. At the same time, foundations as grantmaking institutions are evolving, too. Mission and guidelines may have to be adjusted according to shifting social and economic conditions or changes in the composition of the board. And, as families become more experienced grantmakers, they may recognize that the foundation requires trustees with particular knowledge and skills.

Spouses

With a national divorce rate hovering near 50 percent, every family foundation must have a policy governing spouses. The risk of not having one—even in families that have been spared divorces thus far—is too high. Foundations may choose to include spouses,

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exclude them, or set conditions for their participation. Whatever they decide, the policies should be stated clearly and put in writing.

Some family foundations have an outright ban on spouses serving on the board. They believe that family dynamics are complicated enough among blood relatives without adding spouses to the mix. Others exclude spouses because of the family's history of divorces and remarriages. Still others would rather bar all spouses than deal with the few regarded as potential troublemakers because of political or philosophical differences or quirky personalities.

Some spouses take the exclusion policy as a personal rejection. One woman who did not grow up with wealth says that she felt like a second class-citizen. "It's like being locked out of an exclusive club that welcomes my husband but not me. It's put another wedge between me and the family." Another spouse felt just the opposite. "I'm relieved not to be asked to join the foundation," he says. "I have more than enough responsibilities in my professional life. The last thing I'd want is to be drawn further into the dynamics of this family. I'm content hearing about what they're doing."

Many family foundations would never think of excluding spouses from participating in the foundation. For them, anyone who marries a family member or is a parent of a lineal descendant has the same right to serve

on the board as blood relatives. The founders of a California foundation looked ahead to the time when their grandchildren would join the board. “How could we tell our grandchildren that they could participate but that one of their parents couldn’t? It would be like saying that the kids are part of the family but one of their parents wasn’t. That didn’t make sense to us.”

The donors of the Butler’s Hole donor-advised fund at The Boston Foundation had a similar attitude. They asked their three children to join them as advisors to the fund. Later, when all three children married in the same calendar year, the donors added the three spouses to the list of advisors. Says one of the sons, “If my parents had any concerns about potential problems with spouses, they didn’t discuss it with us. Our family operates with a high degree of trust and few guidelines. That may not work for other donor-advised funds, but it does for our family.”

By including spouses, foundations and other family giving vehicles generate good will, increase the pool of

family talent and, in many cases, bring a greater diversity of views to discussions. But they also open themselves to the possibility of nettlesome problems should relationships sour. What if a spouse doesn’t fit into the family culture? Will divorced spouses be asked to leave the board immediately or will they be allowed to complete their term? Are there any conditions under which a divorced spouse could continue as a trustee? What about couples that have separated? Will the separated spouse be allowed to stay on the board?

One family foundation that has given careful thought to the role of spouses is the Merrick Foundation (2001 assets: \$12.3 million). The foundation was established in Ardmore, Oklahoma in 1948. Frank Merrick, vice-president of the foundation and grandson of the founder, says that from the start the foundation had an informal rule that spouses would not be asked to serve on the board. In 1990, the eight family trustees voted unanimously to make the exclusion policy official.

INCLUSION AND IN-LAWS*

Generations of Giving: Leadership and Continuity in Family Foundations is a study conducted by Lansberg, Gersick Associates for the National Center for Family Philanthropy that details in-depth interviews with 30 family foundations in the U.S. and Canada. Chapter 4, “The Collaborative Family Foundation,” includes a section describing the experiences of the sample with regards to how spouses were or were not involved in foundation activities.

In the sample, thirteen foundations had bylaws that permitted the inclusion of spouses as trustees or directors, although only seven had an in-law currently serving on the board. Those foundations that excluded in-laws usually voiced the same rationales:

Openly and officially:

- The pool will be too large
- The donors prefer to limit the foundation to descendants.
- The in-laws are too busy and would not be interested.

Privately and confidentially:

- The spouses are strong characters who would forcefully argue their positions.
- If somebody gets divorced, it would be uncomfortable.
- Some of the spouses are not popular in the family.
- It is embarrassing for the spouses to see how poorly the family works together (or vice versa)
- Things are going well; why ask for trouble?

The *Generations of Giving* research team estimated that half of the families that specifically or traditionally excluded in-laws did so primarily out of inertia: that is the way it had been and nobody was clamoring to change it. In another quarter of the families, this decision was made due to a positive valuing of the particular interaction among siblings, and the desire to protect that process. And, in the final quarter, spouses were excluded because of negative feelings toward one in-law (or more than one); family leaders in these cases would rather exclude all spouses than have to deal with the rejection of a particular individual.

**Generations of Giving* by Kelin Gersick et al, available September 2004
To order, please visit www.ncfp.org

“Foundations that include spouses must decide whether domestic partners have the same rights to participate in the foundation as spouses.”

“Yes, some spouses have a lot to offer,” says Merrick, “but we believe that the negative potential of including them outweighs the positive. We thought long and hard before making the policy official, and we all agreed it was necessary.”

Merrick maintains that as long as the foundation is clear about its reasons for excluding spouses, family members will understand and accept the policy. “We initiate the younger generation into the foundation by teaching them about their heritage and the role of the foundation in the family. As a result of that education, family members are more likely to buy into donor intent than spouses are. By excluding spouses, we avoid potential problems with personalities that might cause friction in the foundation. We think it’s more important for family members to come together as a loving family in other arenas; it doesn’t have to be in the foundation.”

The Riepe Family Foundation in Houston (2001 assets: \$1 million) offers a cautionary tale of preparing for contingencies. Randall and Deanna Riepe were longtime and generous supporters of Catholic organizations and schools. In 1997, they decided to set up the foundation to include their three sons, then 23, 20, and 16 in the family’s philanthropy. The couple’s dream was to create a legacy of philanthropy for their children and future generations.

At the time, only their oldest son, Chris was married. Later, Peter married, too. There was never any question that their spouses would be included in the foundation. Both sons had married childhood sweethearts and, says Chris’s wife, Elizabeth, “we had been part of the family for a long time.” While Peter’s wife joined the board, Elizabeth preferred to be the foundation’s managing director. “I didn’t think it was fair for me to be in two roles in the foundation,” she says.

Randall is a geophysicist and his sons are just getting started in business. Because no one in the family has a legal or financial background, a consultant recommended that they put outsiders on the board who have that expertise. The family vetoed the idea, says Elizabeth, because it didn’t want to lose the intimacy of an all-family board. The family will have to seek that advice from experts outside the board.

The family was just finding its footing when, three years after forming the foundation, the founders divorced. The family was thrown into a quandary about how to handle the unusual situation. Would one founder leave and, if so, which one? In the end, both stayed on the board. Elizabeth explains, “They had the same motivation for starting the foundation and the same desire to be role models for their sons and grandchildren. Each brought something different to the table, and it made sense for both of them be part of the foundation.”

Following the founders’ divorce, at a board retreat in 2001, the board agreed that future spouses of the founders would not be eligible to serve on the board. “We decided to address this issue early since we assumed that at least one of the founders might remarry and we didn’t want to have to address it in direct relation to the person they were remarrying,” says Elizabeth. This advanced planning allowed the full board to be in agreement when Randall remarried: his new wife would not be eligible to serve on the foundation’s board.

“The family had concerns about the family dynamics being shifted in either direction, regardless of which parent remarried first, since at the time neither Deanna or Randall were discussing remarriage,” explains Elizabeth about the board’s thinking behind the new policy. “Since both founders continue to sit on the board, the board didn’t want the addition of new spouses to create added tension between Deanna or Randall.”

Domestic partners

The prevalence of domestic partnerships—gay and heterosexual—requires families to contemplate yet another element of the evolving contemporary family: the status of a domestic partner in the family foundation.

Foundations that include spouses must decide whether domestic partners have the same rights to participate in the foundation as spouses.

One foundation in the Mid-west regards spouses and domestic partners as having identical status in the foundation. The only stipulation is that domestic partners must be part of the family for five years before they can be considered for board service.

The bylaws of the Halcyon Hill Foundation in New York (2003 assets: \$10.4 million) requires that the five-member board of directors always have a majority of family members to ensure family control. At present, three of the directors are family. But the family also wanted to be as inclusive as possible, says director and administrator Annette Weld. They created an advisory committee to give spouses a role in the foundation. One of the family members, Sara Whitman, a gay woman, has been with her partner for 10 years; the family never questioned that her partner would have the same status in the foundation as other spouses. She was invited to sit on the advisory committee along with another spouse, three community activists, and the founder.

Adopted Children and Stepchildren

Today, blended families are a commonplace. Divorced couples remarry—sometimes more than once—and bring with them children from previous marriages. Combined families raise complex questions for the family foundation: Are children who are not blood relatives eligible to serve in the foundation and, if so, under what conditions? Must they be formally adopted? What if the family member who adopted the child later divorces the child's parent, are the children still family? And what of the stepchildren who were not adopted but who were included as family in all other ways? Can they serve on the board?

Adopted children are legal members of the family, and it would be a rare family, indeed, that would insist on a biological link to the founders. The policy of the Merrick Foundation is probably standard for family foundations. It states that adopted children of lineal descendants become lineal descendants. Once Frank Merrick adopted his second wife's daughter, she became eligible to serve on the board.

The question of stepchildren not adopted by a lineal descendant is more complicated. Foundations bylaws that specifically require trustees to be blood relatives automatically disqualify stepchildren for board service. But, in many families, the decision is often one of the heart. Families may make exceptions for children who

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entered the family when they were young and with whom they have developed close and loving relationships. The founders of the Beaird Foundation in Louisiana were so enamored of their daughter's stepchildren that they created a category of special membership to include them in the foundation. Other families may not invite stepchildren to be on the board, but they may include them on advisory committees or give them discretionary funds for charity.

Since its founding in the 1930s, the Stuart Foundation has been run by the men in the family. Even when the foundation was reorganized in 1986, tradition prevailed. The four board seats—two from each branch—were passed on from father to son.

When Dwight Stuart, Sr. died in 1998 his estate funded the Dwight Stuart Youth Foundation (2001 assets: \$73.2 million). His four sons, now in middle age, had been named by their father in the trust documents to be on the board of the new foundation. The brothers also encouraged their father to name their aunt, Ann Lucas, as a board member of the foundation. Ann was the legally adopted child of their grandfather, had been close to their father, and was well liked by each of the brothers.

Ann brought a great deal to the table through her connections to the nonprofit world. The brothers also recognized the value in having a respected adult female in with a group of male siblings.

At present, none of the brothers is married, and only one brother has a child, who is not currently of age to serve. Ann, meanwhile, has four children who could be considered potential candidates for board service in the future. Ann, herself, raised the question of how her nephews would feel if, one day, her children “dominated” the foundation. Dwight Stuart Jr.’s answer was, “So what? Ann has always been a well-loved aunt to each of us; she and her children are a part of our family. We don’t make distinctions between adopted relatives and blood relatives. We are all one family.”

Non-family trustees

Inviting non-family members onto the board is a big leap for many family foundations. Like the Riepe Family Foundation mentioned earlier, they worry that the foundation will lose the feeling of intimacy or become coldly professional. Worse, some fear that outsiders will run away with the foundation.

“Families make a fundamentally wrong assumption in thinking that they will lose control of the foundation if they put outsiders on the board,” says John Ward. “Families give up only as much control as they’re willing to give up. If they abdicate their governance role, others will fill

the vacuum. As long as they are vigilant and actively involved in the foundation, it doesn’t matter whether family or outsiders are the majority on the board.”

The Merrick Foundation has had non-family members on its board from the beginning, and in 1990 during a board retreat the trustees formalized this policy. The bylaws now state that there will be three non-family trustees who must reside in Southern Oklahoma, home of the founder. These trustees serve three-year staggered terms and can be re-elected to a second term. Frank Merrick’s daughter is the only family member currently living in Ardmore who is eligible to serve on the board but at this time there are no open seats.

The Flintridge Foundation also welcomes outside trustees. Lee Draper, a consultant in Los Angeles, has worked with the Flintridge Foundation for more than a decade. Recently, she surveyed family members to hear their thoughts on how the foundation should be governed in the future, including issues of family leadership, integration of next generation, and branch representation.

At the time, the foundation had five family and three non-family trustees on the board. One purpose of the survey was to find out how important it was to the family to maintain a majority. Over the years, the family has observed the value of the non-family trustees’ contributions to the foundation. The results of the survey showed the family’s overwhelming support for adding other non-

CREATING OPPORTUNITIES FOR FAMILY INVOLVEMENT IN THE FOUNDATION OUTSIDE OF BOARD SERVICE

- Serve on advisory committee
- Serve on short-term committee addressing specific issue
- Observe board meetings
- Attend briefings by guest speakers or grantees
- Attend annual briefings on the work of the foundation
- Research a specific topic regarding funding areas
- Join a study group to learn about program areas
- Accompany a board member to professional meetings
- Accompany a board member on a site visit
- Contribute articles to a family newsletter
- Receive annual reports
- Participate in distributing discretionary funds allocated to family branches

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family trustees and relaxing concerns of equal branch representation, knowing that these decisions might give non-family members a majority on the board.

“The vote of confidence in the non-family trustees was liberating to the family,” says Draper. “It was an acknowledgment that what mattered most to them was staying true to the mission and program areas. It was also a recognition that it may not necessarily be a family majority but kindred spirits who carry the foundation forward. That realization freed older family members ready to retire to leave with the confidence that competent people would be in charge of the foundation, and it freed young family members from feeling obligated to serve at a time of life when they were busy with careers and children.”

Most heartening, the survey confirmed the family’s endorsement of the foundation’s policy of selecting committed and qualified people to serve on the board. “In fact,” says Draper, “it was seeing the delight and excitement that non-family members felt in serving on the board that underscored for the family the honor and privilege of being part of this foundation.”

Today, the Flintridge Foundation has three family and five non-family members on the board. Two non-family members serve as officers including the president of the board. “All of the board believes that the foundation has only gotten better with the active involvement of non-family members,” says Jaylene Moseley, the foundation managing director.

The experience of the Flintridge Foundation is supported by the findings of the Leadership and Continuity Study of 30 foundations sponsored by the National Center for Family Philanthropy. In the forthcoming book on the study, *Generations of Giving*, lead researcher and author Kelin Gersick, suggests that the strongest glue for keeping the family together and involved over the generations is the foundation’s pursuit of excellence in grantmaking and governance.

“Good performance,” says Gersick, “creates good emotional experience and greater commitment to the foundation rather than the reverse. The reward for good performance is the family itself.”

ALL-FAMILY BOARDS

Foundations that encourage broad family participation send a warm and welcoming message to the family. They want to unite the family around a common purpose and provide opportunities for family members to educate themselves about program areas and develop leadership and team-building skills.

If the family is relatively small, however, family members may not have all the skills and expertise the foundation needs. Moreover, they may be too homogeneous in their views to stimulate much debate or introduce new ideas. Furthermore, when the pool of candidates is small, family members will be eligible to serve whether or not they are suited by temperament or skills. And, if the next generation is also small, the older generation may be obligated to serve indefinitely.

Large families that prefer all-family boards have the possibility of drawing on a large pool of talent with a diversity of views. Additionally, they can be an anchor for the extended family to maintain a connection to family and shared philanthropic interests. The drawback is that the numbers grow ever more unwieldy with each generation. At some point, the benefit of having more diverse views can turn to a disadvantage if the large board has a harder time reaching consensus. Moreover, when foundations use a branch representation system, they may run into problems of uneven numbers among branches. One branch may have few members, requiring them to serve long terms, while members of branches that have large families may have to wait a long time for a chance to serve. Similar problems arise when the next generation of one branch is much older and comes of age to serve long before the next generation of the other branch.

Fortunately, the potential drawbacks to all-family boards can be minimized or eliminated through thoughtful actions. To ensure board competency, small families committed to maintaining an all-family board must establish eligibility criteria for service and provide the education and training for family members to develop the knowledge and skills the foundation needs. They may also consider forming advisory boards of non-family members who bring different perspectives and expertise to the foundation.

Large families with a strong ethos of inclusivity, too, must set criteria. They may also want to reconsider a policy of allotting board seats based on branch representation. By setting qualifications for eligibility, they may avoid the problems of uneven numbers that result from using a branch representation system. In addition, large families must create more opportunities for family members to participate in the foundation. Setting term limits and retirement age and rotating board and committee chairs opens more slots. Developing different categories of membership, too, allows family members to be involved for varying lengths of time and at different levels of commitment.

CONCLUSION

The family connection is at the heart of the family foundation. Family members feel a special pride in being identified with the foundation precisely because its contributions represent the values and hard work of family members. The feeling of family pride, however, is not a given. It derives from careful thought about the foundation's mission and the people who can best fulfill it.

The wish to engage family members in the work of the foundation is understandable; why else have a family foundation? But the changing composition of families today requires families to ask themselves who in the family will be eligible to serve on the board.

Families have their own reasons for wanting to include or exclude certain family members from board service. What's most important is that the discussion about eligibility be open and that policies be based on principles that make sense to the family. The checklist presented on page 4 offers guidelines for discussion of relatives' eligibility to serve. Once the board decides on what makes sense for their family, they must put the policy in writing and talk frankly about it with those it concerns.

As in any organization, the foundation must set criteria for board members to ensure that those eligible to serve on the board have the qualities and qualifications the foundation needs to do its work well. Do they have the time, interest, and commitment necessary to meet their responsibilities? Are they willing to educate them-

“What’s most important is that the discussion about eligibility be open and that policies be based on principles that make sense to the family.”

selves about funding areas and issues? Do they have the potential to be leaders and decisionmakers? As a group, do they bring diverse perspectives and provide the range of expertise the board needs?

Few families can answer “yes” to all those questions. They can, however, seek help in training board members from professional organizations, consultants, and colleagues in the field. New foundations must concentrate on educating their board as they launch their philanthropy. Then, like existing foundations, they must begin preparing and training the next generation when they are young so that they have the necessary skills when they come of age to serve. And families must be open to asking themselves whether the family can provide all the knowledge and skills the foundation needs.

If the answer is “no,” they can consider putting compatible outside experts on the board or on advisory committees. Family inclusiveness is admirable, but filling board seats with family members without regard to training or qualifications is a disservice to the foundation, the family, and the grantseeking community.

ADDITIONAL RESOURCES

FROM THE NATIONAL CENTER FOR FAMILY PHILANTHROPY

The following resources may be ordered online at www.ncfp.org.

- *Generations of Giving: Leadership and Continuity in Family Foundations* by Kelin Gersick, September 2004.
- *Sustaining Tradition: The Andrus Family Philanthropy Program* by Deanne Stone, 2001.
- *Splendid Legacy: The Guide to Creating Your Family Foundation* ed. by Virginia M. Esposito, 2002.

FROM OTHER SOURCES:

- *Family Issues* by Deanne Stone, 1997, Council on Foundations
- “Who’s On the Board” by Deanne Stone, *Foundation News & Commentary*, July/August 1993.

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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.