

IN THIS ISSUE

- **3** Transitions as Opportunities
- 4 Transitions as Challenges
- 5 Critical Moments in Your Foundation/Fund Life Cycle
- 6 The Four Tumultuous Transitions
- 10 Planning Participation by New Generations
- 14 Managing Family Dynamics
 Through Transitions
- 16 Six Situations to Avoid
- 17 Tips for Ensuring Good Transition Management

Even if your family foundation or fund is very new, chances are you have already experienced at least one transition in the lifecycle of your giving program. What have been the key turning points in the life of your fund from the founders' initial concept to the present? Which transitions can you see in the years ahead? How do you remember those past experiences? Did you plan for them or were they thrust upon you? Were the outcomes more positive and promising or tense and tumultuous?

"Foundations change, like it or not. The fundamental issue is whether they will change by chance or for significant reasons. The latter comes about only through conscious effort."

Frederick deWolfe Bolman, Jr

In the quote at left, Dr. Bolman encourages us to be the architects of our philanthropic futures rather than the victims. This Passages explores the circumstances and dynamics of transitions and shares the experiences of practitioners in dealing with them.

All families, charitable or not, experience transitions. They can be joyful: births; marriages; graduations; and retirements. Of course, there are unhappy transitions as well: divorce and death are significant periods of sorrow and grief. No matter the intensity of the emotions they generate, all transitions have the potential to affect the course of family life.

Similarly, all formal organizations, including family enterprises, go through changes in their institutional lifecycles. Start-up, changes in staff or board leadership, periods of great financial gain or loss, mergers and acquisitions, a new business strategy, and many others all alter the evolution and direction of the enterprise.

Family foundations and funds experience both—often at the same time. Family giving programs are subject to changes both in family composition and the lifecycles of organizations. Further, the unique circumstances of family in business together (including philanthropic business) create a whole set of key transitional moments in the evolution of the enterprise.

Special Note: Many of the transitions explored in this Passages apply to philanthropic families regardless of the giving vehicle(s) they employ. Evidently, the governance structure of the private family foundation ensures the substantial impact of transitions on boards of directors. Consequently, the critical responsibility of trustees to sustain effective governance—particularly in turbulent times—will be covered. Those of you who do not have a board will likely find something of interest or applicability in those discussions; family leadership and nurturing a new generation of charitable children, to name two examples.

Transitions as Opportunities

It is the way of families to be apprehensive about change. Very happy, well-adjusted and successful families want to make sure that dynamic stays the same. Families that have struggled through difficult times fear re-surfacing old demons and exacerbating family tensions. A little apprehension may be appropriate; but it's encouraging to realize some of the opportunities of working through lifecycles together.

Opportunity 1

RENEW. REIMAGINE AND REINVIGORATE

Even the healthiest and most well-functioning foundations/funds can slip into lethargy if left unattended. A transition offers the chance to think about your achievements and what has accounted for them. Look for "bumps" and how you might have handled them better or even avoided them. Consider a great board and make plans for developing ongoing participation and leadership. Maybe it's time for a self-assessment or to invite others to offer insights?

Opportunity 2

FIND A NEW SOLUTION FOR A NEW TIME

You may have developed practical systems and structures for dealing with a host of grantmaking, management, and governance situations. But even the best solutions eventually are challenged by new problems, new times, and even new technology/information. "It has always worked in the past" may not be enough of a rationalization to sustain weakening systems into the future. Look at areas where you're just beginning to have a few problems. Review the practices of other family funds you admire. Consider a conference where good practices are discussed. You might get a few ideas that help you extend your winning ways.

Opportunity 3

BALANCE A RESPECT FOR LEGACY WITH THE NEEDS OF THE FUTURE

Perhaps the most frequently cited barrier to taking advantage of a transition is the concern that any change will be disrespectful to the founders. The inspiration and values of the founders are constants in the life of all foundations/funds. For many families, mission is also a constant. The future is built on those constants. Everything else is likely a strategy or technique designed to support the start-up and early organizational development. Philanthropic founders are often entrepreneurs who succeeded because they had a strong sense of the future; they valued creativity, even risk taking. Your creativity and risk, guided by values and hopes, can keep your eye on the future while grounded in your special past.

Opportunity 4

DETERMINE POLICIES BASED ON PRINCIPLES

When trustees, advisors and staff take the time to deal with impending change, they give themselves a major advantage over those forced to deal with change in its midst. It's the difference between preventive medicine and emergency room treatment. That time gives you the opportunity to think about the best interests of the family's philanthropy. Planned change usually factors in values, effectiveness, best practice, and healthy family participation. Change that is forced by dramatic circumstance (an unexpected death, a grandchild turning 21, a new marriage, etc.), is usually driven by that circumstance only with little time for thought for the bigger picture.

Transitions as Challenges

Challenge 1

MAINTAIN THE INSPIRATION AND "GLUE" THAT BROUGHT YOU TO THIS WORK

Enthusiasm and energy are often part of the impetus for launching a family giving program. Usually, the founder is responsible for that. Whether it's through charisma, a larger-than-life presence, or dominance as the family leader, a founder can command respect, participation, and agreement. Out of love, respect, or duty, children, grandchildren, other family members, and friends rally to the grantmaking table. When a family leader retires or passes away, the family can flounder a bit as they search for new motivation for participation. Spend time understanding the legacy not only of the founder but the legacy of family leadership and participation. What motivates you all to make a difference in your community? Which talents can you draw on from new leaders and generations to advance the work? How can your grantee partners help you appreciate the privilege of philanthropy? These questions can frame a helpful conversation during these and other important transitions.

Challenge 2

LOOK FOR COMMONALITY AS WELL AS DIFFERENCE

While some think of family foundations as homogenous, family members are distinctly different people. Geography, political beliefs, religions, generations, and branches of the family can shape perspectives and opinions. All of this—and more—can make us feel very different, even isolated, from one another. In stressful times, we feel those differences even more keenly. Don't let an overemphasis on how you are different keep you from appreciating and building on how you are alike. Doing so can lead you to decisions that split the family and the funding and keep you from the joy of working through those differences to extraordinary results.

Challenge 3

BEWARE THE QUICK FIX

When thrust into a new situation or transition, it can be easy to make a decision to help you get by. For example, the first child of the next generation gets married to someone you've known for years and you happily (and maybe even appropriately) add the new spouse to the board of the foundation. No thought is given to the overall concept of spouses or to developing a plan for future in-laws. In cases of sudden transitions, there is no time to consider a long-term solution. In such cases, a good interim process can give you that time. When faced with any new situation in the family, take the time you need to think of the big picture. It can not only result in more thoughtful policy, it can save you headaches and heartbreaks in the years ahead.

NOTE: For more on this topic, see "Families in Flux."

Challenge 4

DETERMINE POLICIES BASED ON PRINCIPLES

Yes, this is the same caution as it was opportunity. At its best, a family is a caring community and no one wants to see any member hurt. Members don't want to choose one over another, and definitely don't want to hold one another accountable. In philanthropic work, that caring (unwittingly carried to extreme) can lead to chaos. To keep the peace, we make choices that favor personalities over principle. Again, ask yourself: What is in the best interests of the family's shared philanthropy? Is the public trust inherent in the philanthropic commitment at odds with family interests? In most every case, there is a solution that preserves the first and works for the latter. Fulfilling the duty owed both to founders and the public policy that makes private giving possible is the true North Star for orienting your policies and practice.

Critical Moments in Your Foundation/Fund Life Cycle

While many different types of transitions occur in the life cycle of a family foundation or fund, the most commonly experienced fall into two categories: those prompted by family circumstances and those prompted by changes in the foundation.

Transitions prompted by family circumstances include:

- The death of the founder or a key leader.
- The retirement of a key board leader.
- The presence of a new generation, especially one approaching adulthood.
- Births/deaths.
- Marriages/divorces.
- The geographic dispersion of the family branches/members.

Transitions prompted by foundation circumstances include:

- A significant change in assets (greater/lesser).
- A change in structure (move to full-time staffing, move the location of a fund, etc.)

- A change in staff leadership or fund management.
- A change in mission or program priority.

Family and foundation changes present the greatest potential for impact on the philanthropy. In addition, your family giving program may experience a shift as a result of major changes in one of your primary giving areas or in a "legacy organization" (a nonprofit that has received long-term support, often as a result of founder commitment). These kinds of changes in a priority giving area or organization include:

- A change in chief executive or board chair.
- A significant change in the organization's financial circumstances.
- New information or development (a major change in focus or governance, or a scandal, to name a few).

"Families must realize that deciding to allocate some of their wealth toward charity, picking priorities, and giving away money is just the beginning. That in itself is enormously valuable and we don't want to lose sight of that a bit. But if you want all the benefits, you need to allocate the time and attention and energy to governance—especially if you want this to last across generations."

The Power to Produce Wonders: The Value of Family in Philanthropy

The Four Tumultuous Transitions

Of all the transitions a family foundation or fund experiences, four stand out as the most frequently cited sources of tumult and tension.

- 1. THE RETIREMENT OR DEATH OF THE FOUNDER(S)
- 2. GENERATIONAL INCLUSION AND SUCCESSION
- 3. SHIFT IN BOARD COMPOSITION AND LEADERSHIP
- 4. A CHANGE IN CEO LEADERSHIP

The extent of that tumult and tension directly correlates to early planning, strength of board commitment, and a strategy designed principally to advance the giving mission and impact. What follows is some elaboration on each of the "big four."

1 | The Retirement or Death of the Founder(s)

Surprisingly, as integral to the founding and ongoing leadership of the fund as the founder may be, the retirement or death of the founder is a far more critical leadership transition than most families and boards expect or prepare for.

The reasons for deferring planning for this transition vary but almost all reflect some reluctance to think about the day when the founder will not be present. Founders themselves may be averse to thinking about such a day; understandably, fear of mortality and a concern for leaving family and the foundation leadership behind can be overwhelming. While the

mind may know how important future planning is to any long-term venture, the heart just may not be in it. Nevertheless, families reporting the best experiences began to think about transition long before necessary. Founders who hope to see even one successive generation participate in the philanthropy do well to genuinely involve those family members as early as possible in the process.



A TRANSITION STORY

One foundation donor worked for many months on developing plans and strategies for the launch of his family foundation. Repeatedly, he noted that a primary reason for establishing the foundation in his lifetime was the opportunity to work with his children and grandchildren. He sought advice on his donor statement, his mission, and board policies. He was clearly eager and happy to get going and could not have spoken more highly of his family. After some time, something began to puzzle me and finally I asked him if his family knew what he'd been planning. "No," he said looking a bit confused, "do you think I ought to tell them?" The takeaway: if you are genuinely excited about involving your family, do it as early as possible. In addition to building shared ownership and excitement, they get the opportunity to experience firsthand why you care about giving and their participation. It's a strong way to begin your legacy.

Of course, part of preparing for the retirement or death of the founder(s) is the cautionary tale: don't leave your family and board to guess at your wishes after you are gone or flounder for leadership in the absence of a plan. Without such a plan and hands-on experience working through tough issues together, families often "divide up" the foundation based on family branches, interests, or geography. Your early work can encourage the inclination and skills needed to pursue the family foundation you envisioned.

The benefits of such planning are even greater than the cautions. It is a chance for you as well as your successor trustees to understand the full scope of your aspirations and how those will shape policy, programming, and practice going forward. Such work, with the founder at the table, is the best step for a shift to the most genuinely collaborative stage of giving. Founders don't often allow such collaboration early in the giving but those with the wisdom to see the potential report enormous satisfaction with the decision.

2 | Generational Inclusion and Succession

By far, no issue generates more interest and more questions than those related to generational transitions. In fact, any other issue is a far distant second. When it comes to a successful future for the foundation and its giving, perhaps no other is more critical than passing the responsibility for the foundation to the likely successor trustees. Further, perhaps no other issue is more sensitive than choosing among children, nephews, nieces, and grandchildren. Both the importance and the sensitivity of generational succession ensure the process is at best delicate and at worst, volatile. Countless pages have been written on the issue so this paper focuses specifically on the transitional nature of succession.

The nature of succession differs for each generation.

Several factors contribute to the reality that the transition from the first to second generation will be markedly different than the second to the third and so on. The size of the family is certainly one. Smaller families tend to experience the stresses of many players/too few spots later than larger families. Others include:

- Whether the family is located in one geographic region or dispersed around the world.
- If non-family members (community trustees) serve on the board.
- Eventually, most every family will reach such
 a size that it is impossible to create a system
 where everyone can serve as a trustee or advisor.
 Conversely, some families are so small or there is
 an absence of any heirs that a different structure is
 needed.

'The foundations that were the most successful treated successor development as an organizational imperative not a family prerogative. That meant they overcame emotional resistances, and dealt with continuity alongside of mission, strategy, program, governance design, and the overall collective 'dream' for the future of the foundation. They educated themselves on exemplary programs, and included both grantmaking and governance education in their development program."



- The further away generations extend beyond a personal knowledge of the founders, it can be harder to understand the aspirations and expectations for a family charitable enterprise.
- Personal wealth can dissipate over generations.
 The lack of wealth and the demands of a foundation will have an impact on the discretionary time and dollars available for the task as well as family members' attitudes toward giving.
- Whether or not the foundation or fund is expected to continue in perpetuity. If perpetuity is a goal, policies that support that hope are imperative. Of course, there have been some family foundations that were intended to exist in perpetuity—or where no specific instructions were left—that have decided to spend out in later generations. (See sidebar on transitions and perpetuity.)

TRANSITIONS AND PERPETUITY: PLANNING FOR 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.

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.

Excerpted from Families in Flux: Guidelines for Participation in Your Family's Philanthropy, by Deanne Stone, National Center for Family Philanthropy, 2004.

TRANSITION TO THE 2ND GENERATION

Most second generation board members are invited to serve while the founders are still active trustees. They have the chance to work closely with their parents even if it is in a fairly passive role (approving Mom and Dad's decisions). Further, most second generation family members grew up in the same house and, while some experiences might have been different and they may have reacted very differently to shared experiences, at the very least there is a common base of family history.

A number of other circumstances may make it easier to manage the transition to the second generation than managing succession going forward:

- The fact that most second generations have few family members makes it easier logistically to manage participation. Choosing trustees or convening a meeting may be difficult but not the increasing complexity future generations face.
- The low number and perhaps the lack of a central mission make it easy to rely on the foundation to support personal interests. That kind of personal direction of grants is almost always impossible to sustain in G3 and beyond, often forcing controversy and sometimes a split.
- The low number of family members may make it nice or even necessary to include spouses as board members. Later generations may have to weigh inclusion vs. efficiency.

There is one other significant advantage to the small number of G2 members and their common experience with the founder(s): They have an opportunity to establish values, mission, and practices—especially governance practices—that can minimize the complications and conflicts experienced by G3 and beyond. Ideally, this is the time that this important work should be done (or, at a minimum, started).

For more on discretionary grants, see NCFP's two *Passages Issue Briefs* on this topic, entitled, "Discretionary Grants:

Engaging Family...or Pandora's Box?" and "Discretionary

Grants: Encouraging Participation... or Dividing Families?"

TRANSITION TO THE 3RD GENERATION

The transition to G3 is usually the first test of the truly collaborative nature of the family foundation. It is the first generation that did not grow up in the same house or, in many cases, the same region. While there may or may not have been close relationships between G3 and grandparents, aunts, uncles, and cousins, this is the first generation that grew up with the influences of different spouses/parents as well as differences in geography, political persuasions, business interests or roles, religions, education, cultures, etc. All have the potential to enrich the family; the potential to cause divisions is also present.

Several other G3 (and beyond) circumstances add to the complexity. One of the most challenging is trying to establish policies that can be applied uniformly to a generation. For example, many G3s have a significant age range due to multiple marriages and the presence of adopted and step children. It is not unusual to be planning for succession to a generation that may range in age from 3 to 33. Imagine the situation facing a (real) family foundation that has such an age range and also has a policy that says that no member of G3 can serve until the youngest of that generation is 25.

If it is unlikely that all G3 members will be able to serve at the same time (given their ages, numbers of G3 members, time available, etc.), consider carefully the implications of that on your governance goals. If it has been the foundation pattern to allow discretionary grantmaking by trustees, such a policy can be seen as a privilege not available to non-board family members. Resentment can develop. Further, if you dedicate more and more grant dollars to individual discretionary grants, any existing shared program focus or dollars available for that focus will weaken.

G3 members usually are the first to have the opportunity to work across branches, interests and generations. Whether a board/family takes that opportunity or focuses on appeasing different family factions, is a matter of legacy, values, and how the foundation is seen (family privilege or prerogative). What follows are some tips from fellow family foundations on how to seize and take best advantage of the transition to new generations.

Planning Participation by New Generations

- Think of the foundation as the legacy of one family. Curiously, yet frequently, many foundation families structure future participation along the branch lines of the second generation. While such a structure can offer solutions to a few organizational and logistical challenges, to overstress difference or divisions within the family risks losing the sense of the entire founder(s) family as a strong collective.
- Establish a multi-generational experience. Contrary to past thinking, there is no point in time when the baton or torch appropriately passes to the next generation. Given that we are living longer, healthier lives, that many older family members usually have more discretionary time than their younger relatives, and, as mentioned before, many generations have a significant age range, it makes great sense to plan for multi-generational governance. Not only does it make sense logistically, it provides a platform for intergenerational learning and inspiration. For more information and ideas on multi-generational giving, see the NCFP Passages, Passing the Baton? by Alice C. Buhl.
- Encourage young family members (ideally, long before they even think about trusteeship) to develop a personal charitable identity and sense of purpose. Giving and volunteering gives young people hands-on experience with community assets and problems as well as exposure to the inspiration of passionate nonprofit leaders. Many nonprofit boards seek out young people for service; this can offer both nonprofit and governance experience and a chance to make a difference outside the family.

- Discretionary grants and next gen committees can offer experience. Matching grants (matching personal gifts of time and dollars) not only offers experience but encouragement and incentive.
- Don't encourage the expectation that every young adult will serve on the board.
 Expectation can breed entitlement and impatience.
- Transfer stewardship rather than ownership.
 The first implies the privilege that comes from caring for a sacred trust or responsibility;
 the second implies possession or proprietary privilege.
- Accept that the needs of the foundation and board sometimes will compete with the individual needs and wants of family members. While compromise may produce a win/win, what cannot be compromised is trustee integrity. In such circumstances, use a simple filter: what is in the best interests of the foundation?
- Finally, when thinking about younger family members, be clear about your goals. Are you trying to raise charitable, socially responsible children, perhaps as a counter to the privileges of wealth (often thought of as a parental goal or responsibility)? Are you trying to make sure your children know and appreciate your family's philanthropic legacy and values (a family responsibility)? Or, are you trying to ensure the effective and responsible governance of the foundation going forward (a board responsibility)? A thorough and complex board succession plan may not succeed in helping you realize your goal to have children who grow to be charitable in their own right.

"The conditions that produce a founder are not shared by his or her children and grandchildren. Therefore, the challenge is how the habit of philanthropy—however formed in the founder generation—can be encouraged in succeeding generations in a way that is productive, that captures the fundamental impulse to embrace others. It does not deny the individuality of those in succeeding generations, but rather it appreciates and deploys them."

From the NCFP study, The Power to Produce Wonders: The Value of Family in Philanthropy.

3 | Board leadership transitions

If choosing among family members for trustee positions can be complicated, choosing board leaders is even more so. For some families, the dilemma is to choose "first among equals"—or what is perceived to be equal. For others, an obvious candidate makes it easier; the most experienced, committed, able, and willing is regarded as such by all. For others, the new chair is picked by the founder and the anointing of subsequent chairs may continue as a practice. Families often fear leadership transitions picking among their members because they don't want the risk of offending or hurting any family member.

Intriguingly, families in business together make such decisions very differently than families working together in a foundation or fund. Research by Lansberg, Gersick and Associates, an advisory firm to both global businesses and philanthropies, reveals that families in business together are likely to make choices based on performance and behavior; families in philanthropy are more likely to make choices based on "turn" or "fairness."

Each board and family chooses to identify participants and leaders somewhere along a spectrum that spans from inclusion to efficiency—do we want everyone involved or do we want only those who contribute to quick, productive board action? No extreme is desirable so the challenge is to understand your family values and what you need to get the work done well and plot your own position on the spectrum.



Adding to the complexity is the impulse to seek fairness among factions within the family. Family fairness is the most elusive goal any foundation/fund can pursue—it is a constantly changing target. Nevertheless, the second spectrum to traverse is one that determines whether participation and leadership will be based on representation (age, geography, branch or other) or fit (readiness to make a meaningful contribution).

A TRANSITION STORY

The Max and Marjorie Fisher Foundation of Detroit, founded in 1955, has made extraordinary contributions to life in Michigan, Israel and Zambia. Their giving has been influenced by the passions of their founders and a second generation of distinguished philanthropic leaders. Max Fisher passed away in 2005 and his estate funded the Foundation. His wife, Marjorie, has been a lively and committed leader, happily watching her family extend into the third and even the fourth generation. Under the staff leadership of Douglas Bitonti Stewart, the board has worked to stay ahead of transition and change. Several years ago, a board retreat turned to the subject of how second generation leadership would develop and what that might mean for board succession and program priorities. They worked on their mission statement, ensuring that it reflected the hopes of the founders and the passions and service of Generation 2. Working through leadership succession and continuity in the abstract proved difficult. After some discussion, Marjorie Fisher realized they just needed to make the leap. She told her family she was prepared to resign as chair and left them free to develop a board leadership plan that made sense for the foundation and the family. Her remarkable generosity, belief in her family, and wisdom cleared the way for that plan. After thoughtful deliberation, Jane Sherman, Max's eldest daughter, was unanimously elected chair and a process was established for subsequent chair successions. A few years later, the second generation demonstrated the same wisdom and faith in welcoming third and fourth generation adults into foundation leadership by involving them in the process and on the board.

A great number of families think that the way to avoid conflict or disappointment (or again, to be fair) is to rotate leadership among everyone. For some, particularly in the second generation, this may make sense. In the future, it's probably going to make less sense. The field is learning more and more about the critical role of the board chair. In fact, in 2014, the National Center for Family Philanthropy launched a study on board chair selection, roles, responsibilities, and effectiveness. In difficult times, a capable chair can spare the foundation (including family members, board members and staff) unnecessary complications or, perhaps worse, inaction. Consider the qualities you all agree you need in a chair (a board chair job description is a helpful outcome) and determine a nomination/selection process based on the ability to meet those requirements.

Finally, don't underestimate the contributions of well-chosen non-family members of the board. Those who respect but don't personally share all of the family history – good and not so good – can bring perspective and objective judgment to tricky situation. A family member likely will have a harder time telling a relative that poor attendance has become an issue than someone from outside the family.

When all options have been exhausted (or, better yet, at the beginning), use the filter recommended above: What is in the best interest of the foundation? If it helps to ask a question more specifically related to governance, consider: How can we ensure the foundation has the excellent board it deserves?

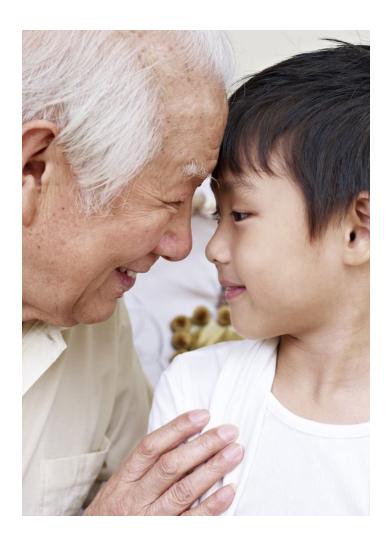
4 | CEO transitions

In an NCFP study on the role of the chief executive, the amazing opportunity these transitions represent could not be overstated. However, many families questioned whether they had taken full advantage of that moment in time. A full report of the findings is found in the NCFP publication, The Family Foundation CEO: Crafting Consensus out of Complexity, and its companion guides on hiring and evaluating a CEO, the first year, and a guide for veteran CEOs.

As with planning for the retirement of a key board leader, many foundations are averse to looking to the day when the CEO departs. Families often develop a close bond with a staff member, particularly one of longstanding, and planning for transition can be painful or even feel disloyal. To provide some ease, many CEOs recommended developing leadership succession plans soon after arrival. Such policies can encompass both planned and sudden departures (including temporary one such as long-term illness or sabbaticals). Beyond that, a few key tips were offered by chief executives and board chairs to ease the transition of a major staff change.

 Before you launch a search, take stock of where you are now and what that says about the kind of leadership you need going forward. Your future priorities can be shared with serious candidates in the interests of good communications and compatibility.

- Be realistic about whether board members can manage a search on their own or need support from a consultant or professional search firm experienced in family foundation CEO transitions.
- Avoid looking to clone your past CEO; conversely, don't let the search become a reaction to or referendum on past leadership. Remember what you found valuable in your past CEO and which new qualities or experiences might be helpful going forward.
- Beyond helping to ease the way, positioning the family/board for transition, incumbents should not be involved in the search for a successor.
- Handle in-house candidates sensitively but decisively.
- Once a candidate accepts, develop a performance plan and an evaluation process as part of the employment agreement. An uncomfortably large number of foundations reported that the new CEO and the board had very different understandings of priorities for the first year.
- Plan an orientation that includes the CEO spending time with every board and key family member.



A TRANSITION STORY

The trustees of the Arthur Vining Davis Foundation took the retirement of their long-term executive director as an opportunity to reinvigorate participation and grantmaking. Decades before, the foundation had been part of the groundbreaking grantmaking collaborative that brought hospice to the United States. They were eager to rediscover the creative partnerships and considered risks that made great things possible. Further, a new generation of the family was poised to participate but no groundwork or strategy for their engagement had been laid. Their choice of a new CEO, Nancy Cable, reflected their intention to think to the future with creativity, intelligence, enthusiasm and a dynamic sense of possibility. Almost immediately, an ad hoc committee of senior family leaders convened to better understand where they were and to recommend a strategy to the full board for moving forward. Nancy organized activities for trustees and family members. She even piled them onto a bus to visit Arthur Vining Davis' hometown and where he had made an important difference as both entrepreneur and philanthropist. She invited community leaders and those who had known the founder to speak to the family. Board meetings were scheduled in cities where grants were made so trustees could connect with grantees and see the grants in action. Together with board chair, Dow Davis, they developed a process for the work of the ad hoc group. Unanimously, these family leaders expressed their indisputable belief that foundation participation was a privilege not a family entitlement. They recommitted to a governance strategy that was based on the ability of each trustee to fully and selflessly participate without regard to personal predilection or prerogative. Dedication to the shared mission was paramount. They invited family members to come together to discuss the foundation and trustee participation. Simultaneously, they revisited their grantmaking past and considered how new priorities and behaviors could help them seek out key opportunities to work with grantees and other funders to articulate and accomplish shared goals. A handy code quickly emerged: How will we know the new hospice(s)? Family leadership in dynamic partnership with their chief executive is creating exciting change in Florida and nationally. The new "hospice" can't be far behind.

Managing Family Dynamics through Transitions: What Makes You Vulnerable Can Also be Your Greatest Strength

"The deep emotional connections that are the strengths of family foundations can also be their weakness. In the most impressive family enterprises, you can feel the bonds of affection and mutual nurturing that connect the participants in all of their collaborative actions. At the same time, all that emotion also means that vulnerabilities are high and the potential is always present for anger, hurt feelings, and pain. The cases where a strong foundation supported a positive family dynamic had all mastered three aspects of process: family culture; conflict management and avoidance; and leadership."

Generations of Giving



It would be impossible to offer an exploration of philanthropic transitions without looking at the family dynamics that both influence and are influenced by change. Family foundations and funds are often criticized for the personal nature of this giving and critics point to the potential for family dysfunction. Those same critics fail to account for the qualities of family that make this giving both effective and special: loyalty; community experience; caring; and many more. Such qualities can make family foundations and funds available to grantee partners, often over a long period of time through much-welcome multi-year grants. Personal knowledge and experience has encouraged many family funds to raise payout in times of crisis or economic downturn. (For more information on how family participation enhances giving, check out The Power to Produce Wonders: The Value of Family in Philanthropy.)

What makes family dynamics work for or against great giving? Largely, it is an understanding of how the same things that make you strong can lead to complications. A few examples:

• Love. The principal gift of family, love can also cause a board to refrain from action for fear

of hurting someone's feelings. One of the true surprises of Generations of Giving is that family foundations experience very little outright conflict. However, the study found noteworthy evidence of conflict avoidance.

- **Tolerance**. Tolerance can help a board stay open to new perspectives and experiences. In the extreme, it can lead to lethargy including accepting poor performance.
- **Legacy.** A family's philanthropic legacy is a source of inspiration, pride, and the values on which giving priorities and practice are based. In the absence of attention and renewal, it can also lead families to rely on history for reputation and a sense of self-importance.
- Multi-Generational Participation. The case has already been made for the extraordinary value of including multiple generations at the board table.
 In the absence of good practice and leadership, the table can also be the breeding ground for perpetuating family stereotypes and baggage.
- **Perpetuity.** The decision to exist in perpetuity is still the overwhelming choice of founders of private family foundations. Many donor advised funds host organizations allow for the participation of several generations. Perpetuity allows families to work on thorny problems over a period of years and to extend the impact of an initial gift over decades. However, perpetuity can also create complacency,

a vague sense that there's always tomorrow and difficult decisions and choices can be deferred for years. See the sidebar on perpetuity and transitions or refer to the NCFP Passages issue paper entitled, "Alternatives to Perpetuity: A Conversation Every Foundation Should Have."

Making the Most of Philanthropic Transitions: Cautions and Encouragements

The scope and impact of lifecycles of family foundations and funds cannot be thoroughly covered in any one issue paper. Each shift is worthy of greater study illuminated by many stories of family experiences. Hopefully, this summary encourages your own thinking, planning, and process. It is never too soon to begin to plan for a transition; many families report that distance offers the time and space to plan without pressure of imminent change.

While we have learned much about lifecycles from families that have generously shared their triumphs and travails, we know one more thing: there is an emerging body of information on good, ethical, and effective practice and there is no one solution that fits every family for every transition. That stated, what follows is a sampling of the reasons families struggled and suggestions for how you might take advantage of their experiences.

"Foundations that have most successfully dealt with the challenge of organizational structure and leadership pay attention to organizational needs and provide truly adequate funding for staff, facilities, training, and operations. They do not accept poor management or ineffective group process, they take their bylaws and policy documents seriously, and they nurture the strengths of their infrastructure and operations."

Generations of Giving

Six Situations to Avoid

- Trustees and staff are often aware of change, as it's happening and when it is impending.
 Nevertheless, they ignore or fear that change.
 Consequently, they postpone any action to anticipate or address that change. Focusing more on all the possibilities that change brings rather than the potential problems may ease some of those fears.
- 2. Trustees may increasingly make the family the overriding focus and purpose of the foundation. The first few decisions to accommodate difficult family demands may ease the situation for a time; they also make it easier to do so again and again. As a family evolves and grows, it is usually impossible to keep ahead of these demands.
- 3. Trustees can strain to make the organizing principles of the founding board accommodate successor boards and generations. Founders leave a legacy of intangibles: aspirations; values; generosity; and a commitment to service. They also establish practices that support the founding of a giving program. Those practices may or may not serve future boards and lifecycles well. When faced with, "Well, that's the way Granddad did it," ask yourselves if "that" which you're trying to uphold is genuinely a matter of donor legacy and intentions... or is it perhaps a strategy or structure created (even by the founder) to get the work done at the time?
- 4. Trustees and staff often do not invest the effort and time to work through difficult issues; instead, they look for a quick or overly-drastic fix before it's necessary (if it ever would be). In the absence of thoughtful deliberation, everyone is likely to have an idea

- on how to handle a crisis. Pressure to pick one forces you to choose too quickly and denies you the chance to choose the approach that is best for you. As former family foundation CEO Bill Bondurant once said, "How do you keep the good from obscuring the best?" Bill might have been talking about choosing among grant proposals, but it's a great question in any case. In fact, making too hasty a decision might mean your choice doesn't even rise to Bill's base level of good.
- 5. The fear of disrupting family harmony is greater than the motivation to govern the foundation well. Conflict avoidance usually encourages the problem to grow and take on more negative importance; decisive if sensitive action may be painful but effective.
- 6. Rather than encouraging personal generosity, some families implicitly encourage successive generations to rely on the foundation not only for fulfilling personal charitable obligations, but for self-esteem or social benefits. This situation isn't limited to family giving programs but as families want to pave the way for both emotionally healthy individual members and ethical, effective giving, it's a particularly poignant concern.

Tips for Ensuring Good Transition Management

- Take time to focus on what the presence of family adds to the giving process. Too often we think of family in terms of the challenges of related personalities in close quarters. Understanding what you as a family add to the giving process raises the level of discussion and the bar that you set for your shared performance.
- Establish a culture where family serves the philanthropy not vice versa.
- Recognize that conflict is always present in a growing, changing organization. Conflict is neither inherently good nor bad but is often a sign of change. Good conflict management determines if the effects are productive or regrettable.
- Appreciate that conflicts escalate with avoidance.
- Ensure that the structures and strategies you employ serve the interests of the foundation as a whole and not any particular faction, interest, or program.
- Recognize that it is critical to have a board chair able and willing to take on the hard and sometimes unpleasant work of leadership.
- Maintain a strong partnership between the board chair and the chief staff person. Ensure the CEO is not expected (either by intention or default) to navigate what are primarily family disagreements.
- Remember that young people usually appreciate being valued for what they offer vs. birth right as well as being accountable vs. tolerated.
- Consider options for board assessment and pick
 the one that works for you. It can give you advance
 indication of an impending transition and give you
 the opportunity to work through issues before they
 become problems.
- Establish expectations and ground rules (policies, practices, etc.) before a situation becomes personal. Making policy based on one person rarely does the job.



Board members of the Jacobs Family Foundation in San Diego. Photo used with permission.

- Founders: Clearly articulate your reasons and hopes for involving your family. Similarly, share any hopes you have for the foundation going forward.
- Successors: Be sure you have the time and commitment to serve the needs of the foundation before you volunteer or take on a formal role.
- CEOs: Keep in mind that no transition can be managed unilaterally. You can provide muchneeded leadership in guiding but not driving your foundation through transition. Stay close to your board; it's hard to have a positive and appropriate influence if you're too far out in front or too far behind.

Finally, some observers have posited that family foundations are prone to spend unnecessary dollars on administrative expenses. Our Generations of Giving study - and any study of comparative spending - reveal the opposite is true. Family foundations are more likely to be reluctant to spend money on organizational needs and development. They see such expenditure as taking money from the grants budget rather than an investment in good grantmaking.

"The returns on a family investment in philanthropy are—or can be—extremely high, both internally and externally. When such an investment is well-executed, a family can achieve the cohesion that comes with a sense of higher purpose and cooperative effort. Family members report an excitement and fulfillment going far beyond what they had known as blooded (though often bloodied) members of a tribe."

> Paul Ylvisaker, Family Foundations: High Risk, High Reward (From Conscience and Community: The Legacy of Paul Ylvisaker)

IT TAKES INSPIRATION, INFORMATION, CREATIVITY, FORTITUDE, AND A LITTLE BIT OF LUCK

Successfully navigating family philanthropy transitions takes all of that and more. Equating competent board service with showing up at meetings having read the docket overlooks the opportunity (obligation?) to genuinely and thoughtfully govern. It takes work and that means it takes the commodity many family members and trustees have little of: time. But all that time and thoughtfulness are investments in the excellence of your grantmaking and the basis for your justifiable familial pride in the contributions you make to the causes and communities important to you all.



About the Author

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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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We offer special thanks to our Leadership Circle members and to Friends of the Family, our annual contributors who make it possible for NCFP to produce important content for the field. We also express our deep gratitude to the family foundations that agreed to share their stories in this paper. For information about becoming a Friend of the Family, email ncfp@ncfp.org or call 202.293.3424.

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