



Executive Summary: "Family Philanthropy's Double Bottom Line"

The National Center for Family Philanthropy will be releasing a Passages white paper this year on the topic of family engagement and strategic philanthropy. The following is the executive summary from that paper: "Family Philanthropy's Double Bottom Line" (working title).

Family foundations, like social ventures, have a "double bottom line." While in business this refers to social impact and profitability, in family philanthropy it refers to social impact and "family unity." As public trusts, the fundamental effectiveness of family foundations is based on their ability to have a meaningful and measurable impact on social problems. At the same time, the act of participating in family philanthropy can add value to family relationships and enrich individual family members as they come together to identify opportunities to make a difference. Indeed, it is frequently a goal of family foundation founders to create an institution that will serve as a unifying vehicle for future generations of family members.

However, these two goals of family foundations—family unity and social impact—often compete. For the sake of family cohesion and engagement, many family foundations allow trustees to make grants primarily at their own discretion, enabling them to support organizations with which they are personally involved. Given the increasing geographic dispersion of family members, family foundations can wind up supporting a range of programmatic causes, across the nation or even across the globe. Unfortunately, this can limit the impact the foundation has. Since more than three-fifths of family foundations have less than \$1 million in assets, this scattered approach means that relatively few resources are being targeted toward achieving any one goal.

Not only is this discretionary approach not strategic in a grantmaking sense, but it also limits the value of the foundation in creating a shared experience for family members. When the foundation is essentially a number of separate discretionary pools of money, there is little need or opportunity for family members to discuss shared values, pressing needs, or overall grantmaking strategy. While the idea of coming to agreement on a vision and values to guide a foundation can seem

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daunting to family trustees, the reality is that most trustees would agree that effectiveness and achieving results are core principles that should guide their philanthropic efforts. Yet without a clear purpose and focus, it is nearly impossible to be effective in philanthropy.

The Passages white paper examines several family foundations that have sought to balance-and capitalize on-the tension between engaging family trustees and being effective philanthropists. It looks at the process these foundations have gone through to transition from a more general, discretionary approach to a more cohesive, strategic approach. In nearly all cases, this process has included the following steps:

- Discussing trustees' values, and identifying shared interests
- Developing criteria to guide the selection of grantmaking priorities and strategies
- Conducting a scan of possible funding priorities and strategies

The paper discusses a range of specific strategies used by family foundations to accomplish these goals, as well as the challenges and benefits of doing so.

Family foundation trustees have been entrusted with a significant benefit and responsibility. The challenge for family boards is to honor the dual intent of their founders: family engagement and societal improvement. In fact, these two goals do not have to be in conflict: more focused, strategic grantmaking can help build family relationships by providing a forum for family members to learn together, share ideas, and ultimately be energized by the evidence that their efforts are making a difference.

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NATIONAL CENTER FOR FAMILY PHILANTHROPY

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