GENERATIONS OF GIVING

Leadership and Continuity in Family Foundations

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UNDERSTANDING FAMILY FOUNDATIONS

Kelsey and Liz Wilson created a foundation as a convenient vehicle to support charities that had always interested them. The corporate attorney from their family business drew up incorporation papers, and Kelsey's secretary provided clerical support. They made annual contributions to traditional organizations (social service agencies, the United Way, their alma maters, and the local hospital). The grantmaking did not change year after year, in this case for three decades. When they reached their seventies and began spending much of their time in another state, they turned things over to their three children. The offspring each took responsibility for giving away one-third of the required disbursements. They met once per year at their Club for a couple of hours, informed each other what they had done, and that was that.

Over the following decade the pressure began to build for a more formal structure. Most importantly, as the parents died and their estates were settled, the foundation endowment grew suddenly to nearly ten times its original size. The second generation was moving through middle age, and the family was becoming much more complex with multiple marriages and many offspring in the third generation who were already adults.

The family was also dispersing geographically, and the range of opinions about appropriate grantmaking was very broad. The second and third generation began to evolve the foundation into a more formal organization. Staff were hired and gradually assumed more responsibility. The board was expanded several times to accommodate spouses and siblings, and eventually nonfamily community representatives.

By the foundation's fiftieth anniversary, it had become a complex, professionally managed organization. Its governance was overseen by a board that represented the second, third, and fourth generations of all family branches. Grantmaking was managed by an executive director and the staff.

Is this a success story? How should we, or the extended Wilson family, judge that? Are the Wilsons doing good work, and doing it well? Are they fulfilled? Are they fulfilling their responsibilities?

Is it anybody's business but their own?

We have arrived at a moment in history when two specific and typically invisible phenomena—wealth management and private philanthropy—suddenly are in view, illustrating many of the themes that are currently "hot" in our culture. The public seems equally fascinated with *values* and with *value*. A focus in the news, in popular culture, and in private conversations in recent years has been about economics—from personal to global. We are preoccupied with getting, having, and enjoying wealth, and the pleasures and purchases that wealth brings.

But not without ambivalence.

The other half of our attention is on families and parenting, health, spirituality, security, and meaning—the very things that wealth alone cannot provide. Moreover, we seem to be confused and uneasy about the links between the two themes: wanting more and more, but increasingly disenchanted with the benefits that money can offer, and distrustful of the people who have accumulated a lot of it.

Part of the current fascination is undoubtedly due to the expansion at the top of the economic pyramid. Demographics and economic development have brought us to a new territory. A series of wealth-generating waves has swept through the economy. The financial success stories of the post–World War II years have led to new twenty-first-century legacies. At the same time, in the most recent decades the journey from inspired or fortunate entrepreneurship to enormous wealth has been shortened from multiple generations to a handful of years (and in the most extreme cases, to months).

In 1900 there were fewer than 5,000 millionaires in the United States (one-tenth of 1 percent of households). By 2000 the number of millionaires had increased more than a thousand-fold, to over

6,000,000 (somewhere between 3.5% and 6% of households). Even taking into account inflation, the percentage of American families that have considerable wealth has increased between 5 and 10 times over the course of the twentieth century.[1] They are, in fact, next door, and behind many doors, and the ups and downs of the economy have only added to the mix. As a result, confusion about the consequences of wealth has become a very personal preoccupation for a whole new sector of our society.

There is great agitation and energy surrounding wealth, but little clarity or comfort.

Philanthropy is at the intersection of these complex social currents.[2] Private charitable giving in 2002 topped $240 billion in the United States, an all time record. Yet this is certainly not the first experience of landmark philanthropy in American history. Beginning a century ago, the charitable agendas of wealthy families like the Carnegies and the Rockefellers have shaped our communities and our social systems in dramatic ways.

Now the new wealthy families of this new century are trying to figure out for themselves how philanthropy fits into their values, their dreams, and their lifestyles. They are looking for lessons from the experience of the past decades that can be adapted to current realities.

Many of those families choose to demonstrate and manage their philanthropy through family foundations. There are approximately 40,000 family foundations in North America today, and they are being formed at the rate of more than 5,000 per year. They collectively oversee more than $175 billion in assets, and they disburse more than $8 billion per year in grants. Even though they are a relatively new category of charitable foundation, they are the fastest expanding category. They have grown from less than a quarter of the membership of the Council on Foundations in 1992 to 40 percent a decade later, and they make up the vast majority of the Association of Small Foundations' more than 3,000 members.

Some of them are famous and household words: Ford, Mellon, Pew, and lately Gates and Turner, Hewlett and Packard. They manage endowments of hundreds of millions or billions of dollars, and they have the grantmaking power to single-handedly address significant health and social issues.

But these megafoundations are only the tip of the iceberg. Ninety-nine percent of all family foundations have less than $100 million in assets; 60 percent, under $1 million. Large and small, these foundations share a central role in the world of private philanthropy. Family foundations are the cutting edge of social venture funding and entrepreneurial philanthropy, and they provide the lifeblood for countless thousands of agencies across the country.

We have heard many of their stories. And yet we know very little about them *as organizations.*

When the National Center for Family Philanthropy initiated the "Leadership and Continuity Research Project" in 1998, its basic purpose was to enhance our core understanding of multigenerational family foundations. At that time, everyone acknowledged that there was a good body of stories, opinions, and anecdotal learning about family foundations, but almost no well-documented social science research on these organizations. The project was designed to fill that gap.

As the study progressed, the initial findings began to generate a new conceptual understanding of family foundations. A picture emerged of an industry at a crossroads. Driven partly by economic factors, partly by the natural evolution and maturation of these philanthropic families over the past several decades, and partly by current events, even the most successful family foundations are feeling challenged—and sometimes threatened—as never before.

The experienced foundations in this sample were eager to make sense of their histories, to address their current frustrations, and to move into the future with a more confident assurance that their model is fundamentally strong.

At the same time, we hear from all corners of the field that new foundations, and potential donors, are impatient to have access to the experience of others, so as not to reinvent the wheel or make the same mistakes.[3] Across the board, philanthropic families are looking for guidance. As a result, we broadened the scope of the study to integrate the analysis of this sample with our broader experience with family foundations, new and old. Our goal is to elaborate the conceptual model of developmental stages and transitions in family foundations. In so doing, we will examine the implications for today's foundation leaders and families of wealth.

We must emphasize that this study and this report are *not* primarily about grantmaking. Many professionals, practitioners, and academics have done wonderful work over the past several decades on program development, monitoring and evaluation, relationships with grantees, venture philanthropy, ethical and legal requirements, and all of the skills that are essential in doing grantmaking well.

Our concern is with *governance and continuity*: the ways that families organize themselves to accomplish their philanthropic goals. Why are these families engaged in philanthropy? What does it mean for them? What is the relationship between the family and its philanthropic organizations? How do they think about their collaborative future, and what steps are they taking to achieve it?

PROJECT DESCRIPTION

The findings in this volume come primarily from a five-year study of governance and continuity in family foundations, sponsored by the National Center for Family Philanthropy. This project used interviews and site visits to create comprehensive case histories of multigenerational family foundations in North America. The research team, assembled by Lansberg, Gersick & Associates, included psychologists, organizational specialists, and interviewers and writers with extensive experience in the field of philanthropy. The study was designed to address two core questions:

How do families effectively structure their philanthropic organizations?

How do families plan for and accomplish continuity of involvement in these foundations over time and across generations?

In order to evaluate the reliability and validity of our conclusions, it is important to know how the research was conducted. We wanted to use traditional qualitative research techniques to generate good social science data, not just good stories. At the same time we wanted the research team to explore our respondents' experiences in all their depth and complexity. Therefore we decided to conduct extensive interviews and site visits instead of surveys. After much discussion we determined that comprehensive case studies would provide enough variety to cover the basic issues of multigenerational family foundations, and still allow an in-depth analysis of each case.[4]

The primary data are case analyses of thirty family foundations established between 1920 and 1990 in North America. They all currently involve at least two generations; many involve three. Their current endowments range from under $10 million to well over $1 billion. (Table 1.1 summarizes the demographic characteristics of the sample.)

We promised our respondents complete anonymity—the only possible way to get this kind of access to these families and organizations. In all we talked with almost 300 individuals, in thirty-five states and three Canadian provinces. We met with individuals, couples, and family groups, attended meetings, interviewed professional advisors, and reviewed by-laws, articles of incorporation and trust agreements, grantmaking guidelines, and trustee handbooks.

The cooperation and interest of the participants was universally excellent. We were invited into trustees' offices, their homes, and, most importantly, their memories. As a result, we have detailed case notes, foundation histories, family histories, and financial records. The data are very rich and somewhat formidable. The analysis continues and will for some time, even as we begin to disseminate findings.

Sample Selection

We generated lists of appropriate foundations from the National Center for Family Philanthropy, the literature on family foundations, and colleagues in the field of philanthropy. The data gathering was accomplished in two phases. In 1999, we approached an initial sample of four foundations to test the interview protocol and the research procedures. Since no modifications were made, we combined the test sample with the larger group we recruited in 2000.

We established the following baseline criteria for inclusion in the pool:

1. a formal foundation;
2. having completed at least one generational transition of participation and leadership;
3. governance control in the hands of one extended family, and at least four family members currently involved;
4. a willingness to participate and to talk about the family's philanthropy; and
5. geographic dispersal across North America.

Table 1.1. Sample Characteristics

Decade Founded	*Legal Form*	*Gens. Currently Involved*	*Mission Statement*	*Endowment US $ (millions)*	*Annual Giving US $ (thousands)*	*Senior Staff Position*	*Total Staff (paid and volunteer) FTE*	*Board Members*	*In-laws ok?*	*% of Giving in Discretionary Funds*
1920s	Corp.	3, 4, 5	Specific	40	1,300	Nonfamily	2	1, 2, 4	Yes	0
1930s	Corp.	2, 3, 4	Specific	17	850	Family	1.75	1	No	1
1930s	Corp.	2, 3, 4	Specific	340	10,000	Nonfamily	11	1, 2, 4	Yes	5
1930s	Trust	3, 4	Specific	470	17,000	Nonfamily	13	1	No	2
1940s	Trust	3, 4	None	53	2,500	Nonfamily	3	1, 4	No	0
1940s	Corp.	2, 3	Specific	9	500	Family	1	1	No	0
1940s	Corp.	3, 4	Specific	1,169	64,000	Family	24	1, 3, 4	Yes	10
1940s	Trust	2, 3, 4	Specific	154	7,000	Nonfamily	11	1, 3	No	8
1940s	Trust	2	General	100	3,700	Nonfamily	2.5	1, 2, 4	No	10
1940s	Trust	2, 3	Specific	177	8,000	Nonfamily	2.5	1, 3	No	0
1940s	Corp.	2, 3	None	53	2,200	Nonfamily	3.5	1, 4	No	0
1940s	Corp.	2, 3, 4	None	150	7,000	Family	2	1, 2, 3	Yes	35
1950s	Corp.	2, 3	General	44	2,500	Family	2	1, 3	No	0
1950s	Corp.	2, 3	General	55	1,900	Nonfamily	2	1, 2	Yes	15
1950s	Trust	2, 3, 4	General	97	2,600	Family	1	1	No	10

(continued)

Table 1.1. Sample Characteristics *(continued)*

Decade Founded	*Legal Form*	*Gens. Currently Involved*	*Mission Statement*	*Endowment US $ (millions)*	*Annual Giving US $ (thousands)*	*Senior Staff Position*	*Total Staff (paid and volunteer) FTE*	*Board Members*	*In-laws ok?*	*% of Giving in Discretionary Funds*
1950s	Corp.	2, 3	Specific	34	1,700	Nonfamily	2	1	No	0
1950s	Trust	2, 3	Specific	204	10,000	Nonfamily	7	1	No	1
1950s	Trust	2, 3, 4	Specific	87	5,000	Nonfamily	6	1, 2, 4	Yes	0
1950s	Trust	1, 2	General	9	500	Family	0.25	1	No	10
1950s	Corp.	2, 3	Specific	34	1,500	Family	1.5	1, 3, 4	No	15
1950s	Corp.	3, 4	General	42	2,000	Nonfamily	2	1, 3, 4	No	10
1950s	Corp.	2, 3	General	160	8,000	Nonfamily	3	1, 2	Yes	0
1950s	Corp.	2, 3	Specific	80	3,000	Family	1	1, 3	No	2
1960s	Corp.	2, 3, 4	Specific	39	1,500	Nonfamily	2	2	Yes	20
1960s	Corp.	2	Specific	35	1,700	Family	1	1, 3	No	33
1970s	Trust	2	General	67	4,000	Nonfamily	1.5	1, 3	No	0
1980s	Trust	1, 2	None	34	1,400	Family	0.5	1, 2	Yes	0
1980s	Trust	1, 2	Specific	8	350	Family	1	1, 2	Yes	50
1980s	Corp.	2, 3, 4	Specific	98	3,200	Nonfamily	4	1	No	15
1990s	Corp.	1, 2	None	7	300	Family	0	1	No	0
Range = 1921–1990	Corp = 18 Trust = 12	1st = 4 2nd = 24 3rd = 23 4th = 8 5th = 1	None = 5 General = 8 Specific = 17	Mean = $129 million Median = $54 million	Mean = $5.9 million Median = $2.5 million	Family = 11 Nonfamily = 19	Mean FTE = 3.3 Median = 2	1 = Direct desc. of founder 2 = Extended. fam. 3 = Advisors 4 = Comm. Reps.	No = 20 Yes = 10	Mean = 8.4%

Table 1.2. Target Distribution

	Founder to 2nd Generation	*2nd to 3rd Generation*	*3rd Generation and Beyond*	*Total*
<$30 million	3	3	2	8
$30–100 million	2	6	7	15
>$100 million		3	4	7
Total	5	12	13	30

We did not attempt to randomize our sample on any dimensions. However, we determined a target distribution on two criteria: generation of family participants, and current size of the endowment (see table 1.2).

Foundations were contacted by letter and phone in waves of approximately twenty, to invite their participation. The recruitment process was often prolonged. A few foundation leaders eagerly accepted the invitation very quickly. Others brought it to their boards for lengthy discussions which took weeks, months, and in a few cases almost a full year. As the sample was filled in, we adjusted our second and third wave of invitation letters to focus on the underrepresented cells. In all we made initial contact with about seventy-five foundations, and had at least one conversation with fifty, to reach the sample of thirty participants. Only one foundation began the project and then withdrew, requiring a replacement. The final sample was a very close approximation to the target. (Table 1.3 summarizes the actual distribution for the sample.)

It is important to emphasize that this is not a study of exemplary foundations, chosen according to any measure of performance excellence. *Continuity is not the same thing as success.* All of the foundations in this research sample are survivors, but only some of them define themselves as successes. Nearly all of the trustees, directors, and staff feel like they are doing "good work," but a smaller percentage feels that they are "doing their work well," that the foundation captures their best ideas and efforts as individuals and weaves them into an exceptional collaborative enterprise. The most important lessons from

Table 1.3. Actual Sample Distribution

	Founder to 2nd Generation	*2nd to 3rd Generation*	*3rd Generation and Beyond*	*Total*
<$30 million	3	1	1	5
$30–100 million	2	8	6	16
>$100 million		3	6	9
Total	5	12	13	30

this research are about the choices that each of these foundations has made along its path, and the distinctions between those foundations that are thriving and those that are merely enduring.

Data Gathering and Policy Decisions

The data gathering continued throughout 2000 and 2001. Interviews were scheduled at the convenience of the participants, and took from one to four hours. We assembled detailed information about each foundation's demographics, organizational characteristics, history, mission, continuity planning, asset management, staffing, governance and leadership, grantmaking procedures, family dynamics, and issues of special concern. (Appendix A presents the complete interview protocol.) At the conclusion of the set of interviews, a lead researcher summarized each case and the team met several times to refine and aggregate the case material.

We needed to make a few policy decisions during the data gathering that shape and somewhat restrict the generalizability of the results.

1. The size of the sample foundations is skewed to the larger foundations in the population. Overall less than 5 percent of family foundations have endowments greater than $30 million, but they represent 80 percent of our sample. We did that because, with such a limited group, we wanted to maximize the learning that each case provided. Larger and older foundations offer the most complex governance and leadership situations. In addition, the stories of older foundations yield historical data on their experiences as start-ups, and on all their stages of development since. That is not to say that all small foundations are on the way to growth. But since many of the smaller foundations will over time become older and larger, we hope that our findings may be a guide to the path ahead of them.
2. After much debate, we restricted the study to formal family foundations. We talked with these families at some length about other philanthropic vehicles. In fact, most of them were charitable in many ways—individually, through corporate donations, and in some cases, through a network of founda-

tions. However, without the central axis of a single foundation, it would have been nearly impossible to make sense or aggregate our learning across cases.

3. Within each case, we tried to interview every family trustee[5] who was willing and reasonably available. This led to five to fifteen interviews per case. We were careful to talk to at least one person in each family branch, and to oversample the senior generation—two preferences that all the families strongly supported.
4. Our experience in this study confirmed our general approach to research on families, which emphasizes how important it is not to accept the perspective of *any* individual or branch as the "real truth" about the family or the foundation. Each new point of view adds dimension and understanding. For example, it proved important to try to reach at least one "outlier" in each family, who was not deeply involved in family or foundation governance. You always learn new things from people on the margin, although they are sometimes the very relatives that the high-status family members argue will have nothing valuable to add.
5. In addition, one important lesson we learned in the first pilot cases was how essential the professional staff were as information sources. In fact, in the staffed foundations, we found that it worked best to talk to the executive director or head staff person first. They provided a broad overview of the foundation and the family, and they were extremely committed to the goals of the research.[6] In some cases they had taken some risk to encourage the family to join the study, so they were very motivated to help us make it work well. Of course, starting with the executive directors did not mean we were "captured" by their perspective. Staff members have a particular point of view, with its own subjectivity, and proved most helpful as we "triangled in" on the story of each foundation from more than one angle.

Overall, these families were amazingly open and eager to tell their stories. Half the families were enthusiastic about participating from the beginning; in the other half, one or more family members expressed some ambivalence even as they agreed. The initial hesitation seemed to be largely due to a concern about two areas: old family rifts, or embarrassing grantmaking inadequacies. Once the interviews began and they became reassured that we were respectful and not looking for exposés, we had no trouble getting respondents to answer questions.

In fact, many of them were thrilled to be asked, and very interested in having conversations about philanthropy and their foundation in particular. They often asked for feedback and advice. The dilemma for the interviewers was how to protect the neutrality and objectivity of the research without being unnecessarily withholding. We ended up choosing a firm policy of nonintervention; we did not advise or give feedback to the foundations in any way until all the data gathering on their case was completed.

Once a family agreed to participate, we were generally welcomed into all parts of the family and the foundation. Nevertheless, about 10 percent of our requests for an individual interview were denied. Most of the reasons given were logistical; people told us they were too busy, or unavailable for other reasons. Only five individuals said they did not like the idea and refused on principle.

In addition to the interviews, we compiled financial and legal data on each case. Annual financial reports and the most recent 990 forms were reviewed. We carefully read articles of incorporation, trust documents, and bylaws. Some families had commissioned formal histories or biographies of leaders. Most had reasonably complete minutes of board meetings. A large number also had clipping files and collections of descriptions, notices, articles, and pictures from other sources about the foundation and the family. We read whatever was available—before, during, and after the interviews.

There are, of course, limitations to the applicability of this work. We only looked at older foundations in North America. The sample is drawn according to principles of qualitative field research, not large-sample survey research or controlled laboratory experimentation. For this type of study, thirty case histories is a reasonable number. We certainly would have heard other stories if we had done more cases, but we are confident that the major themes are represented here. In fact, after the first ten to fifteen cases, we were impressed that the core concepts began to circle back again and again. In general, when faced with design decisions we consistently opted for depth and more complex understanding instead of breadth and a larger, more representative sample. The resulting data reflects both the strengths and the limitations of that choice.

Data Analysis

As the interviews were completed, the data was compiled into thirty case reports. Each report included:

- demographic data on the family, the foundation, and the business or other parts of the family enterprise;
- a narrative summary of the interviews, aggregated according to the protocol;
- a timeline of key events from the founding of the family enterprise to the present;
- a genogram (family tree) of the extended family;
- an interpretive summary of the key themes; and
- additional questions and themes raised but not answered in the case.

This qualitative material was compiled, aggregated, discussed, and reanalyzed by the research team. Summaries and excerpts were prepared. A database was created which compiled all of the demographic, historical, economic, and organizational data for all thirty cases.

At the end of the data analysis, we also created a set of performance ratings by the researchers. In the absence of data from grantees, we needed to summarize and quantify in some form our impressions of the relative strengths of each foundation in key areas related to continuity. Each lead researcher completed a set of rankings, from 1 (very low) to 5 (exemplary) on the following characteristics:

Clarity of program
Grantmaking vitality
Degree of staff control
Family collaboration
Likelihood of continuity
Successor development
Asset management
Next generation enthusiasm

Conflict avoidance
Quality control
Clarity of mission
Organizational structure
Positive family dynamics
Resource adequacy

After the series of meetings and discussions of each case, the project director completed his own set of ratings. The two sets were compared, and discrepancies were resolved in discussion, leading to one set of ratings which were used in the analysis and reported throughout this volume.

The conclusions reflected in this report come from both the quantitative and qualitative data. (A complete list of variables in the database is presented in appendix B.)

Anonymity and Case Examples

In keeping with our promise of anonymity, we will not release the identity of the foundations that participated. We made a commitment to the participants to remove identifying names and labels from the stories that are reported, and to disguise unique situations or characteristics. (A copy of the Understanding on Anonymity is included as appendix C.)

At the same time, it is important to note that the case examples are true, and not made up to fit a predetermined conclusion or theory. Therefore in all of our case examples we tell the story as accurately as possible, with some nonessential facts changed. In some vignettes we use disguised names; in the others we simply omit all names. The members of particular families may recognize themselves, or think they do (although our experience has shown us over and over that respondents most often misidentify their own stories), but others could only guess at the sources of our examples.

Sample Demographics and Summary Facts

The first generation is still involved as trustees or directors in four of the foundations (13%); the second generation in twenty-five (83%);

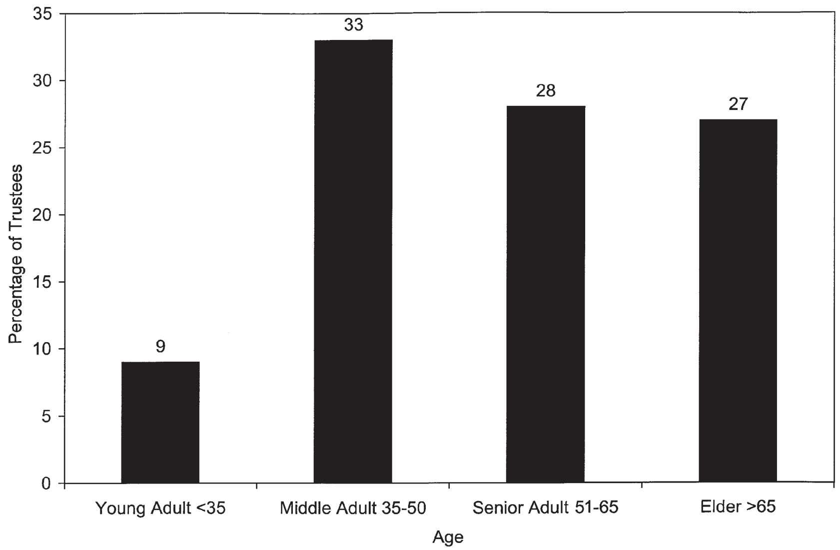

Figure 1.1. Current Age of Trustees

the third in twenty-three (77%); and the fourth in thirteen (43%). Three of the foundations currently have only second-generation members as trustees. The rest have at least two generations currently working together; eight of the foundations (27%) have three generations currently involved.

The ages of the trustees vary widely, but overall the trustees and directors are concentrated in middle, senior, and elder adult categories (see figure 1.1).

Only twelve of the foundations have any trustees under 35 years old, and for the sample as a whole about 10 percent of the trustees are younger than 35. One-third of the trustees are between 35 and 50, and all but four foundations have at least some trustees in this age group. Nearly a third are between 50 and 65, with all but six foundations having at least one trustee in this age group. Finally, 27 percent of the trustees are over 65 years old. Twenty-seven of the 30 foundations have at least one trustee in this age group, and in five foundations the majority of trustees are over 65.

Only thirteen (40%) of the foundations began with an original endowment. The range was from $8,000 to $60 million, with a median just under $1 million. (Those figures are in dollars for the year

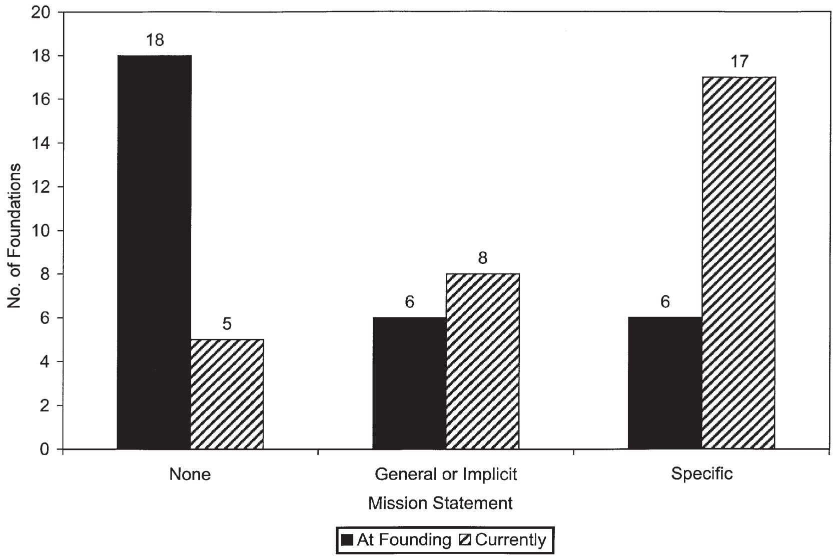

Figure 1.2. Original and Current Mission Statement

of founding. Converted to 2003 dollars, the range was from $38,000 to $90 million, with a median of $18 million.) Seventeen of the foundations (60%) began without any endowment, but were funded annually out of operating revenues of a company or personal contributions. Today all of the foundations have their own assets, and the endowments of the foundations in the sample range from $9 million to over $1 billion (see table 1.3 above).

At founding, only six of the foundations began with a clear and specific mission statement or programmatic focus. Six more had a general statement of purpose that provided some guidance or priorities; eighteen had no mission statement at all, or a legal statement of purpose that provided no programmatic guidance ("to support such organizations as the board shall from time to from time designate"). As a whole, the clarity of the foundation's mission seems to increase dramatically with age; currently seventeen of the foundations have a specific mission (e.g., "to support treatment facilities for the elderly and those suffering from chronic diseases"); eight have a general statement (e.g., "to improve the quality of life for families and children in our area"), and only five have no stated programmatic focus (figure 1.2).

Currently only two of the foundations operate without any paid staff, relying on family volunteers exclusively. The average staffing level is about three FTE (full-time equivalents) per foundation, and six of the foundations (20%) have four or more FTE staff. The range here is truly remarkable, from zero to twenty-three FTE. While size makes a difference (the correlation between asset size and staff size is .9), it does not tell the whole story. For example, in this sample foundations of comparable size ($150 million) vary from one to eleven FTE of paid professional staff.

About half of the families are still involved in an operating business, and one-third (10) have at least one other foundation. We will discuss this phenomenon later concerning governance of the complex family enterprise, but it is clear that the foundation is not an isolated activity for most of these families. Instead it operates in a network of family structures, all of which play a role in the ongoing generation, management, and/or dispersal of the family's wealth.

So what is a picture of the typical foundation in our study? It is fifty years old, begun with less than $1 million and now managing an endowment of about $75 million. There may be one or more members of the founders' generation still alive, but the control of the grantmaking rests with the second generation and the older members of the third. The trustee group or board of directors, numbering about eight, meets three times per year, considers several hundred proposals, and disperses 100 grants totaling about $4 million. There is a professional executive director (sometimes a family member, but typically not), a program officer, and a clerical person. Some of our foundations are older, some younger, some smaller, some much larger—but if you imagine this group as you read the stories in this book, you will not be far off.

THEMES RAISED IN THE DATA

At one level, the accomplishments of the thirty foundations in our research sample are remarkable. Their aggregate annual giving exceeded $150 million in 2000, and they are significant shapers of the quality of life in their varied communities. Every one of them points to programs, agencies, services, and public institutions that would be hard pressed to continue without their support. They pay close attention to legal requirements and the ethical guidelines of professional associations. The level of voluntary effort in most of these organizations is very high. They have continued for good reason.

But the current challenges are glaring. In our work over the past decade we have found it useful to focus on four critical concerns which come to the fore as organizations develop and evolve: mission and dream, family dynamics, organizational structure, and succession planning. While there is great variation across foundations, in each area we found significant uncertainty in the majority of the research sample.

- *Mission and Dream*. A high percentage of these foundations are feeling strong pressure to revisit their mission, particularly in anticipation of, or response to, a current generational transition in leadership. They are caught between honoring their legacy from the past and present, and maintaining commitment for the future. Most of them do not see a clear pathway to resolution.
- *Family Dynamics.* Open conflict, destructive rivalry, angry battles and withdrawals, and other acute dysfunction in family dynamics per se are serious problems in only a small segment of this sample. On the other hand, *avoidance* is a major and widespread danger, particularly as it interferes with a straightforward attack on the problems in mission, structure, and succession planning. The culture of politeness and a fear about rocking the boat have prevented some of these foundations from debating the fundamental changes that are needed in the other three areas. That is how challenges become crises.
- *Organizational Structure and Policies.* The organizational structures of these foundations have characteristically not kept pace with their growing endowments and families. Their grantmaking skills far exceed their governance abilities. Most have gone through a first round of formalization following the death or withdrawal of the founder. However, there is more to be done. Only a few have completed the changes in structure and procedure that are needed to accomplish more complex grantmaking, make best use of professional staff and advisors, and deal with larger pools of potential trustees. There is also great reluctance (or at least ambivalence) about spending the funds necessary to modernize and upgrade the organizational infrastructure.
- *Succession Planning.* Some of these foundations take the preparation

of their next generation very seriously, but most avoid or delay serious efforts toward successor development. Even those that have had good discussions about the selection of future trustees often procrastinate on implementing a succession process. It is surprising that despite the success that some exemplary foundations across the country have had in recruiting, training, and selecting successor trustees, the dissemination of their experiences has been poor. As a result most of these foundations go about reinventing the wheel of succession planning.

We will return to these four challenges several times in this book, reporting data and suggesting responses. In general, our findings suggest that these foundations are doing good work, operating honorably and conscientiously, and giving voice to the philanthropic dreams of a large number of family members. However, many of them need considerable attention to their governance structures and processes.

The data from this project describe a system coming to a plateau after nearly half a century of enormous growth. These mature foundations are at a historical turning point. They have evolved from first-generation start-ups, implementing the personal philanthropic values of their founders, through second generations of formalization, professionalization, and dramatic expansion. Now they are struggling with the challenges of creating permanent collaborative family institutions. Their special strength and their most critical dilemma both come from their unique character as organizations: a value-based agenda of service and social intervention, in contrast to a business's economic purpose of wealth creation. They are an incubator of intense family process, because they are inherently voluntary working systems with substantial resources, controlled by social and interpersonal norms rather than financial rewards. For that reason and others they are potentially a rich source of understanding about the deep values of families and the enterprises they create.

NOTES

1. These are estimates, and economists disagree over the details. However, everyone agrees about the trend, and we have used some conservative figures. Popular

discussions of new wealth include Stanley and Danko (1998) and Moore and Simon (2000).

2. Peter Karoff has been one of the most thoughtful, creative analysts of the meaning of philanthropy in the lives of individuals and in our culture. His latest book, *Just Money: A Critique on Contemporary American Philanthropy* (2004) continues his contribution.

3. Sometimes that awareness comes only with experience. In an article on new megadonors, John Byrne quotes new philanthropists who "have gone off course by assuming they had nothing to learn from those who went before. . . . 'We thought we had all the answers and wanted to do it ourselves. We should have been more respectful of the people who have done this all their lives'" (Byrne 2002).

4. There is an extensive literature on qualitative field research. We were guided in our design by sources such as E. Lawler et al. (1985).

5. Half the foundations in the sample were trusts, so the official title of the governance role is "trustee." The other half were corporations, using the title of "director." We decided it would be too awkward to use the combined form every time in the text, so we will use them interchangeably. While it is true that the legal rights and responsibilities are quite different, in terms of their role in governance, there were no systematic differences in this sample.

6. Only one nonfamily executive director opposed the family's decision to participate in the research. The family leader in that foundation suggested to us that the director was apprehensive about our focus on their governance process, since the family had become very passive and the executive was operating with a free hand. We discuss that type of "renegade" staff role in chapter 5.