GENERATIONS OF GIVING

Leadership and Continuity in Family Foundations

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THE COLLABORATIVE FAMILY FOUNDATION

There is a classic dream of family philanthropy. It has two parts: the work, and the family relationships.

In this dream the foundation is a hub of meaningful, important work, with significant accomplishments beyond the capabilities of individual family members: saving a symphony that would have dissolved, building a hospital wing to care for thousands of community residents, starting an after-school program for twelve-year-olds who otherwise would hang out in malls or return to empty apartments. Not every need can be met, but the most worthy and creative community leaders receive the help they need to help others. The results are services or institutions that would not exist without the application of the family's wealth.

The relationships are an equally powerful part of the dream. In the foundation, relatives bring their best selves into a room to work together. They listen, express their opinions, make reasoned arguments and find compromises, honor their parents and provide extraordinary models for their children. The family dynamics that have been wounded by old battles are healed here by the very nature of the activity.

Family members do not overpower, manipulate, undermine, or exploit each other for personal gain. Brothers and sisters reconnect with each other, recovering the appreciation and laughter that had been eroded by petty grievances or geographic separation. Cousins get to know one another. Grandchildren and great-grandchildren hear about their ancestors and learn what their family stands for. And the community sees that this is a family of quality, not just wealthy but generous, and unified in fulfilling its responsibilities as citizens and neighbors.

In the traditional dream of family philanthropy, both parts are essential. The work enhances the family, giving it a purpose beyond the personal enjoyment of their time together. In return, the family enhances the work, as the familial relationships provide mutual support in fulfilling a challenging commitment. It is the dream of *working together on this particular task* that leads to the creation and perpetuation of the family foundation.

Of course, in the actual living foundation, experience does not often match the dream. Sometimes the dream is intact but not realized. Parts of the work go well and other efforts fail, either through habitual mediocrity or spectacular mistakes. Some meetings may be enjoyable, maximizing laughter and affection and a sense of shared accomplishment, while others are torture.

Sometimes the dream is not just unrealized, it is not even imagined. The activity of philanthropy exists, but not the overarching sense of collective family purpose. As we described in chapter 3, most founders begin with a task, but not a vision. They are effectively charitable, but sharing and continuity elude them. And sometimes the later generations falter at the same threshold.

We have come to believe that continuity may not require a collective dream, but the transition to the true Collaborative Family Foundation does. Grantmaking can succeed with good "mechanics" even in the absence of an overarching purpose and a guiding dream. Governance cannot. A viable dream does not need to be fully realized, but it does need to provide an "imagined possibility"[1] of a goal worth working for.

At this second stage of development, if the foundation is to thrive, the family must consciously explore, choose, and find appropriate ways to implement its philanthropic dream. In the earlier stage the founder carried the vision himself. It was his design and his responsibility. In return, he had the authority to act. Whether his style was authoritarian or inclusive, he was the leader and the others followed. At this transition the organization changes from serving the personal agenda of the founder(s) to the collective agenda of a group of relatives. If that change is to have a good chance to take hold, it must be grounded in the collective dream of all the stakeholders. They must consider and share some common vision of the family's and the foundation's philanthropic potential.

We use the transition model described in the Introduction as our template for these changes. The *developmental pressures* build during the Controlling Trustee period as both the system and the participants mature. The *trigger*, either an event in the lives of the family or in the environment of the foundation, puts in motion a reconsideration of the organization's structure and process. The senior leaders are motivated to *disengage* from the old system and to enter a transition to a form that will be viable for the following generation. Then, in the all-important *exploration* phase, all the stakeholders must consider the alternative designs for the new system, taking into account their own motivations for engagement and the realities of the resources and demands around them. When the exploration is complete and the common ground identified, the *choice* of the new structure and procedures is made, and the foundation moves on into its future. For nearly all the foundations in this study, this transition to the Collaborative Family Foundation was the critical moment in their history.

THE OSTROVE FAMILY FOUNDATION

When they established their foundation, Mark and Janet Ostrove decided to include their five children and their attorney on the board. For two decades the foundation operated smoothly. Everything was very businesslike, with meetings and votes, but in fact Mark made all the decisions. Then the parents died close together, and their son Jack took over the foundation (the four daughters weren't considered).

Jack started out very individualistically, like his father, but after a period of quiet, the meetings became mired in petty squabbles and unacknowledged tension. The four sisters became more passive-aggressive, failing to read materials and canceling attendance at meetings at the last minute.

At first, Jack responded in turn by becoming even more controlling and dismissive. But he soon realized that his behavior only made matters worse. Taking the advice of a friend who was an experienced philanthropist, he tried a different tack. He gradually became more collaborative with his sisters. He refused to make decisions that the bylaws (and the tradition of his father's style) entitled him to, and instead asked for input and insisted on consensus. Over the few years that followed, the sibling group began to work well, enjoying each other, beginning to feel more competent, and increasing their collaboration.

Jack remained the nominal director, but all of the sisters joined him by taking executive positions. Ten years later, the oldest of the third generation became involved at the invitation of her mother. She joined the board and eventually took over her aunt's role as vice president. Five years after that she replaced her uncle Jack as the executive director.

CHOOSING TO COLLABORATE

Not every family experiences as dramatic and visible a transformation as the Ostroves. We found, however, that the families who most explicitly addressed the tasks of transition came closest to realizing the dream. They recognized the tug toward inclusion and collaboration, explored the organizational alternatives, chose a system and style of governance, and committed to achieving it. Those who didn't accomplish these tasks were more likely to veer into disinterest or disappointment in later generations.

Establishing the Collaborative Form at the Outset

Only one foundation in our sample was designed to be collaborative from the outset:

Constance and David Callahan specifically established their family foundation to be governed by their children from its inception, during their lifetime. The pressure built as external forces made this successful business couple feel increasingly vulnerable. The trigger was a combination of political events, business growth, and tax law changes.

Said Constance: "David and I began to think seriously of setting aside a sum of money for the purpose of establishing a charitable association, to be administered by our children. David had a consultation with our family attorney, who was familiar with some of the legal problems involved. After hearing his advice we called a family meeting at which all of the children were present. All readily assented to our plan, and having obtained their consent, we took steps to secure a charter and organized a not-for-profit corporation. After that, we adopted bylaws and elected a board of directors."

The sons and sons-in-law of the founders became the initial board, and the foundation began monthly meetings. In their first year, they made grants to 129 different organizations. After a few years, the daughters were also invited to participate.

The Callahans represent the only example in the sample of an initial Collaborative Family Foundation with a well-articulated participative grantmaking process and a strategic, programmatic grantmaking system from the very start. This beginning set the tone for the decades since. This was the most self-reflective foundation in our sample, continually reconsidering its mission and the effectiveness of its grantmaking. The Callahans also have one of the most elaborate representation systems, and the highest level of community representation on the board.

In a second example that bypassed the Controlling Trustee form, the foundation was established as a bequest. The donor was gone before the foundation was funded, so the governance was put in the hands of a family group from the outset.

Virginia Laureston Ashton was not known as a philanthropist during her lifetime, but she was a strong political conservative who objected to all forms of taxation. She provided that the proceeds from the liquidation of her assets at her death would endow a foundation, to be governed by the second generation.

The clear trigger was the donor's death, but the absence of any preparation made it difficult for a sibling group to start off as collaborative grantmakers. In this case they organized themselves enough to hire an executive director and let him run the grantmaking. They bought themselves some time with significant discretionary funds so that each sibling could carry on individual "checkbook" philanthropy, and provided only minimal oversight of the foundation's operations.

With this breathing space, they could afford real exploration of their options. Over time, they are learning to work together, and the nonfamily executive has proven to be a sensitive and skilled guide. In particular, the third generation are eager to be more involved and to create a more strategic, collaborative process.

There is a third case that technically began as a simple Controlling Trustee system, with the founder/donor using it for his personal philanthropy. However, he very quickly changed his mind, and within two years he had asked his two offspring to join him. So they began working on their collaborative skills almost at the very beginning.

"Iron Mac" McInerney retired after the windfall of the sale of his trucking company. On the advice of his attorney he established a foundation with himself as the Controlling Trustee and his children as silent observers. But in only one year, the foundation moved rapidly through a transition to an exemplary Collaborative Family Foundation.

The second-generation spouses were added, and soon thereafter a development program was put in place for the next generation. They have worked together to sharpen their mission and program focus, reach an agreement on discretionary funds, and manage dramatic variation in priorities and politics.

A critical example: one branch wanted to use their discretionary fund for an organization whose mission and values were offensive to the other branch. They realized that even though they thought of themselves as using the discretionary grants as separate "minifoundations," they were still viewed by the outside world as one foundation and one family. This led to an agreement on a new policy that discouraged using discretionary funds for organizations that violated the core beliefs of other trustees or with which some trustees did not want the foundation's name associated. "The fact that we are willing to agree on this policy without rancor demonstrates that, in the end, family relationships come first."

On the other hand, the foundation is not a pure democracy. There is a hierarchy of "centrality"; Mac McInerney is still the strongest individual voice, the offspring who works as executive director has the most direct influence on the overall operation, and the spouses are active but slightly subordinated to the blood family. Nevertheless, their ability to discuss issues openly, the mutual respect between generations (Mac does not use his seniority to overpower others, and they defer to him on issues they do not consider critical) have led to a working collaboration.

In these cases, the transition to create a formal organization and to a system of family collaboration occurred together. The "exploration," "choice," and "commitment" tasks were addressed by the founder and the other stakeholders together (or in the founder's absence).

FROM CONTROL TO COLLABORATION: WINDOWS OF OPPORTUNITY

For the much larger group that began in the Controlling Trustee form, a new transition was necessary to move to a Collaborative Family Foundation. In these cases the developmental pressure for change built up within the foundation after it was already operating as a Controlling Trustee system. As we will see, this pressure was often a combination of aging, expansion, environmental change, and a growing dissatisfaction with the rewards of the Controlling Trustee model. In the most positive case, the Controlling Trustee and the other stakeholders invested in the tasks of exploration, choice, and commitment together.

Most of these transitions took place during certain "windows of opportunity" that each foundation either passes through or passes by:

1. The founder's "moment of realization"
2. The death of the founder
3. The delayed transition into the third or fourth generation

Finally, some of our cases passed by *all* the windows of transition. Either the shift to a Collaborative Family Foundation was delayed even further, or they moved to a different form and chose not to engage in a dream of collaborative family philanthropy at all.

The First Window: A Founder's "Moment of Realization"

This route to collaboration includes the majority of the sample. These founders acted as Controlling Trustees during the foundation's early years, but at some time they initiated increasing participation from their offspring. The next generation family members were invited to "watch and wait," and the developmental pressures built. This period may be as short as a few months, or as long as years. (In this sample one foundation stayed in this blended state of "readiness" for over forty years, as the founder maintained de facto control from age forty to eighty-five.)

Then things began to change, often stimulated by a developmental event: a milestone birthday, an important death in the family or of an associate, a change in the status of the business, or a crisis of conflict or frustration in the Controlling Trustee operation. The founder had a sudden moment of awareness of two realities: that he was not immortal and must prepare the foundation for a future without him, and that the foundation as it was operating was not fulfilling the family collaboration part of his personal philanthropic dream. This "trigger" opened the door to the transition. New options for governance, or meaningful timetables for transition, were discussed—often for the first time.

Beginning the transition did not mean that the seniors were ready to back off yet. Many founders would initiate new grantmaking rules, but not fully comply with them. Therefore the formal structure and the informal process diverged significantly. For example, a programmatic grantmaking procedure may have been adopted, but the founder made large multiyear commitments that left little discretionary funds for the new process to disperse. Or there might still be an "out of process" bypass procedure that the founder could use without oversight.

Nevertheless, founders who took advantage of this "window" instituted significant changes. In this sample, some very common marker activities indicated that the real transition had actually begun:

- Holding a retreat to consider strategy or mission
- Redrafting the governance rules
- Hiring a consultant
- Increasing the intensity of immersion in a regional or national philanthropy organization
- Hiring someone, family or nonfamily, into a managerial role

In ten of the cases the marker of real change was when one sibling took on more of the staff functions, either paid or volunteer, or when additional second- or third-generation trustees were added.

Kathryn and Arthur Antrim managed their informal foundation for thirty years before a health problem led them to buy a second home in Florida. That in turn initiated the transition. At first they talked in terms of passing some of the administrative responsibility to one son and his spouse. But once the door was opened, the second-generation couple began to transform the foundation into a more collaborative family activity.

The "exploration" phase of the transition was prolonged. The seniors backed away slowly, and incrementally. Over a period of several years the offspring professionalized the grantmaking, added their siblings and in-laws and began to involve the third generation. The transition did not actually reach conclusion for a full decade. However, by the time of the parents' death ten years later, ten trustees from all branches of the family were collaboratively managing the foundation. At that time they had their first board retreats, formulated a mission, and prepared to bring on professional staff.

Sometimes in these cases of gradually increasing participation of the second generation, the transition was a smooth one. The offspring had observed their parents' philanthropy and wanted to continue it.

Polly Calkins established a foundation with inherited, appreciated stock, and her husband Bill ran it as a Controlling Trustee. Their children were invited to join the board, but Bill made all the important decisions for twenty years. One of the daughters, Mia, was identified as a "successor in training" and devoted significant effort to supporting her father and learning the work. When Bill resigned, Mia took over, following his practices and policies to a "t." Polly and Bill stayed on the board along with Mia's siblings, and the grants continued in the same program areas. As the second generation have aged and withdrawn, third-generation offspring have gradually been added.

This extended apprenticeship model worked well in this case. Even though the daughters had little voice in the foundation for many years, Mia says their introduction to the foundation was close to ideal. "It's hard when one member of the younger generation comes on board alone. My sisters and I had the advantage of joining as a group, so it wasn't so intimidating. Also, both our parents were teachers who always encouraged our learning. We approached grantmaking as students, and tried to learn as much as we could."

The shadow of subordinated participation can be very long, however. In the eyes of some, including a nonfamily director, this foundation's biggest problem is its tame grantmaking. "The board has been reluctant to break away from the traditional giving patterns established by the founder." He is urging the board to take more risks.

As these Controlling Trustees tried to change their style and prepare the system for the next generation, many of them learned that wanting family collaboration does not necessarily mean having the skill to accomplish it. Entrepreneurs—hard-driving, demanding, creative, individualistic, and opinionated—typically approach philanthropy the same way they do everything else. They have some charitable goals that they want to accomplish, and the foundation is their chosen vehicle. But their agenda as parents may be different. They want to encourage certain values in their children (a mature attitude toward money, loyalty to the family, noncompetitive mutual respect among the siblings, and a pleasure in compromise and joint decision making), not fully realizing that throughout their lives they have demonstrated a different value set (determined self-reliance, confidence in one's own ideas even when others are discouraging, and sometimes, competitiveness and even arrogance). In other cases, the power of their parental personalities has led their children to be overly wary, timid, deferential, or counterdependent. So although they decide to modify the foundation's grantmaking processes to require collaboration, they are not skilled at designing a truly inclusive process or creating a collaborative capacity.

Larry Erlich, an entrepreneurial, successful businessman, and his wife Sue were personally very charitable, and decided to create a foundation. Original trustees included the Erlichs, and three nonfamily business associates. Their son (the heir to the family business) and their daughters were added as they reached their twenty-first birthdays. When the last one joined, Larry "retired" the nonfamily directors, thanking them and saying they were no longer needed.

That was the extent of successor development. "Once a year dad would get us together to tell us what he 'recommended' for the foundation. We would all nod and say, 'That sounds great,' and then mom would say, 'OK, let's have lunch.'"

On the death of the founder, the Erlich siblings took over control, but they were ill-prepared for governance. For twenty years the brother managed the foundation very informally, with minimal input from his sisters. Their fundamental disagreements were mutual irritations, but never pursued to the point of serious conflict. Family business and family office staff did the support.

It was only with the emergence of the third generation that the inadequate governance has become an issue. Members of the now-large family who were recruited for involvement in the foundation complained about long-winded and directionless meetings, impulsive grantmaking, and relentless petty squabbles. Those who were not engaged in the foundation wondered why it was continuing, and advocated spending out. Those who were more deeply involved felt frustrated and discouraged. They have made several attempts to revitalize the system, but it is hard to sustain any of them and the leadership has not been skilled or charismatic enough to galvanize fundamental change.

Despite the vague attempts to include the children, the first real transition to a collaborative structure was initiated only at the founder's death. The next transition, to a collaborative process, will probably have to wait for the third generation to rise to control, if it happens at all.

In some cases, it was not family dynamics or the maturation of the second generation, but economic factors that triggered a shift toward collaboration. The sale of a family business or a new bequest from the estate of a deceased relative dramatically enlarged the foundation endowment, putting sudden pressure on grantmaking. The Controlling Trustee needed help.

Although involved for some time, these second-generation participants were initially passive observers to the work of the Controlling Trustee. After a leveraged buyout of the family's major asset, the younger generation members had to redeem their stock. Faced with huge capital gains taxes, they each contributed about $1 million to the fund, and their father added another $5 million of his stock, doubling the size of the trust and creating more pressure on the trustees to come up with projects to support. At this point, the founder said he had "run out of ideas" and urged the second-generation participants to become more active in coming up with proposals.

In this type of transition to a Collaborative Family Foundation, second-generation trustees can be added all at once, as they reach adulthood, or according to some other criterion of readiness and appropriateness. When parents involve their children for the first time, after years of exclusion, the process by which the first next generation members are invited is very important. Sometimes the parents are unaware of how closely their children will watch their actions at that moment. All the kids, or only some? All at once, or one at a time? In what order: age, gender, role in the family company, geography, personality? Will rules of equality and balance be applied, or will the invitations follow interest, ability, preparation, commitment, or convenience? The parents may approach the decision in an offhand way, or use some "objective" criteria for choosing. The offspring almost always experience it as a personal, emotional, and meaningful act.

This foundation was governed for twenty years as a business-focused community service organization. When the nonfamily trustee died, the couple decided to add one of their four children to fill the vacancy. Two of the offspring had moved away. One was working with the father in the company. The other son, a middle child, was between careers. The parents invited that son to join them on the foundation. They were unaware of how important a gesture it was to their sons. The chosen one decided his parents were "reaching out to a certain side of me, encouraging me, and the chance to be involved with Dad was so important." The other son, working closely with his father in the company, wondered why he was not chosen, but felt it would be wrong to ask.

In general, among the cases that moved from Controlling Trustee to the Collaborative Family Foundation in this way, the "glacial pressure" built over time, through the aging of the founders and their gradual realization that the next generation, if present, had a very limited sense of commitment or responsibility for the foundation.

The "trigger" was most often an event in the lives of the senior generation that gave them a sudden sense of limited time and an unfulfilled family continuity agenda. The "disengagement" most often entailed some specific changes in the makeup of the board and the grantmaking process, but it was typically compromised by the seniors' ambivalence about stepping away and the juniors' reluctance and unreadiness to take over too quickly.

The "exploration," when it was done well, included retreats, the hiring of consultants, the involvement of nonfamily staff, and a new level of deliberation throughout the entire family. Finally, the "choice" and "commitment" led to some form of collaborative process, often involving many new trustees and additional professional resources for grantmaking. We will look more closely at these cases later in this chapter.

The Second Window: The Sudden Withdrawal or Death of the Controlling Trustee

When a strong controlling parent dies relatively suddenly, without having initiated a governance transition, the remaining family are confronted with an entirely new world. The surviving spouse may have been involved in the past, but in a subordinate or peripheral way. In some cases, there is no surviving parent or anyone else from the senior generation to take over, and the responsibility for the foundation is very abruptly passed to an unprepared group of siblings. The captain has gone, the ship is adrift, they don't have a map, and they have spent their lives reading in their cabins or playing on the foredeck rather than apprenticing the craft of sailing.

The founder in this small foundation did all the grantmaking. Once a year he called everybody together and told them to whom the foundation was giving money that year. When he died very suddenly, his widow was persuaded to continue as president to continue his work—he had left one-third of his estate to the foundation. She wanted to honor her husband's legacy, but neither she nor any of the family members were prepared to manage a grantmaking operation. They engaged the first in a series of professional executive directors, who have guided the foundation for thirty years.

In another case, three siblings, who were not previously involved, inherited responsibility for a foundation at their father's death. Their mother was the titular head, but with little energy and failing health. The brother, most like the father, assumed leadership but did not have the skill, interest, or time to do it with much enthusiasm. His sisters, always mildly resentful of their father's assumption that they were not appropriate heirs to his career, began to voice increasing frustration with their brother's leadership. Finally one of them took over. They struggled as a group to find a procedure that could work. They decided that the foundation was not large enough to justify professional staff, but none of them had the time to do the grantmaking the way they thought it should be done. They tried reducing the pressure on collaborative grantmaking by putting most of the money into discretionary funds, but all of them had trouble making adequate grants. In the end they gritted their teeth and accepted the burden and the responsibility of running the foundation, each in his or her own world, all feeling incompetent and frustrated.

There are some cases when successors respond to the sudden and unanticipated departure of the Controlling Trustee by immediately engaging the broad family in sharing governance responsibility. In a few such cases, the transition was facilitated and sponsored by the surviving spouse.

When the Controlling Trustee died suddenly, 90 percent of his estate went to the foundation, immediately expanding its endowment and its grantmaking obligation several times. His widow told their offspring, already in their thirties and forties, "You're going to help me with this now." She rotated them through one-year appointments as president, to work with her. Within a few years, the second generation began telling their own children that they would attend meetings and be involved as they became adults (16, 18, or 21). The grandmother was the leader, and her children and grandchildren all joined together.

In a few other cases, it was the sibling group itself that moved quickly to the broadest possible democratic involvement of the entire family. Perhaps as a reaction to the Controlling Trustee's authoritarian style of leadership, these families designed systems with minimal authority in any individual. They attempted grantmaking by consensus, volunteering for tasks, and rotating responsibilities.

This foundation, founded at the death of a childless donor, began with a brief Controlling Trustee period, the tenure of the oldest nephew. After only a few years, a second nephew took over, who believed that the whole family needed to be involved. He began to act as a "first among equals," purposefully limiting his own discretion and actively inviting collaboration. Over the years and decades that followed, the circle of involvement and leadership got larger and larger, until today fifteen of the nineteen adults in the extended family have an active role in the foundation.

In contrast, some examples bridge the area between this "window" and the next, when the transition is delayed into the third generation or beyond.

This foundation was started for tax avoidance by a successful businessman, who ran it as a Controlling Trustee for ten years with an attorney friend. When he died, he left nearly all of his money to the foundation. He named his two nephews as cotrustees with his friend. The founder had no conversations with anyone about the foundation before his death. The three men continued his institutional giving to a few selected organizations for the rest of their lives, followed by the entry and succession of their younger sisters. The design of a collaborative system took the next twenty years. Under the guidance of the sisters the foundation gradually became more inclusive and more formalized. They adopted bylaws, discretionary funds, succession rules, and began to talk about grantmaking priorities.

One of the interesting findings across many different particular situations in the sample was a period of paralysis following the death or withdrawal of a Controlling Trustee founder. This was a common phenomenon even when the second generation was supposedly prepared for the transition, but it was especially powerful when the founder died suddenly.

There was rarely a power struggle for control of the foundation immediately after the founder's death. Most often the board tried to make as few changes as possible to the structure or process. Grantmaking during that period continued traditional obligations—under pressure from longstanding grantees and to the reassurance of the community. There was not much change in makeup of trustees, professional staff, or advisors—asset managers, attorneys, accountants, and so forth. It is as if the shock of the loss of the founder had left the system teetering, and everyone involved responded by making every effort not to add to the trembling and to let it settle down.

The senior founding couple had made all the grantmaking decisions themselves during their lifetimes, and the widowed father continued for the six years after his wife's death. When he died, the foundation suddenly doubled in size and all the grantmaking responsibility fell to their four children. Their first reaction was to replicate the exact granting pattern of the last years of their parents' control, and to simply enlarge the amounts and add a few of their own special interests. After a few years, however, they found that this "avoidance" solution was not viable. Feeling very inadequate about designing a truly collaborative process, they found a nonfamily executive director and turned the responsibility completely over to him.

This "posttraumatic shock" does not mean that the grantmaking comes to a halt. The typical pattern is for a period of continuation of the parents' grants, followed by the development of some extensive discretionary process. That may be formal, with individuals or branches having unreviewed authority to give away percentages of the funds, or de facto, with a kind of quid pro quo process of "you don't question my grants, and I won't question yours." But either way the foundations avoid truly facing the vacuum created by the departed leader and doing the constructive work of creating a collaborative system.

This "transition paralysis" period typically lasted between one and five years, although in a few cases it seemed to drag on for another decade. Several triggers typically brought this drift to an end.

The endowment may grow to the point that the trustees cannot give away the money fast enough. Or, most commonly, the "automatic heir," who was chosen by birth order or gender or role in the family company, runs into trouble.

Especially in cases where the second generation were not well prepared to run a foundation, this assignment of a successor may initially have been reassuring. Over time, however, reassurance gives way to frustration. The successors often try to replicate the Controlling Trustee model. They are misled by the acquiescence of their brothers and sisters for the first years. They often do not see the signs of increasing confidence in their siblings, and instead interpret it as meddling or resistance. Ultimately, the siblings or cousins interrupt the routines of grantmaking to openly challenge the governance process.

Once the shell is broken, the paralysis period comes to an end, and a whole generation of unexpressed dynamics can bubble up. Leadership is challenged. Marginalized or excluded siblings and branches ask for admission. Complaints about the meetings come in an avalanche. It is as if the founder is finally gone psychologically as well as physically, and the successors are suddenly free to challenge the status quo. Although it may feel chaotic, it is with this burst of energy—sometimes laced with rancor—that the transition to the Collaborative Family Foundation actually begins.

In a few cases, the successor at this moment realized—like Jack Ostrove in the example that opened this chapter—that the models of the past would not work in the second generation. "First among equals" leadership in a sibling partnership is a delicate dance.[2] The "first" needs to balance taking charge with being a team player. The transition is not just from one generation to another, it is from one system of governance to another. Not all sibling leaders realize or accept that reality, but those that do stand a better chance of shepherding the transition to collaboration, learning with their relatives as they go along.

Sometimes the new leadership hangs on to the old model tenaciously, never "disengaging" from the old template. The meetings may get so uncomfortable that the family turns for the first time to outside help. Eighty percent of the foundations in this sample had their first retreat to reconsider strategy, organizational structure, or mission between one and three years after the death of the founder. Others decided to bring in a nonfamily staff person, who began to formalize the process and mediate the interactions. Or a family member from the periphery, often a spouse or grandchild, became first a communication hub and then a management force in the grantmaking.

Alan Oliver established the foundation and ran it for twenty years with no involvement of his children at all. He didn't have any confidence in his children, and had been minimally involved in their upbringing. In fact, he vacillated between endowing the foundation with his children as trustees, or passing his estate to a community foundation.

In the end he did create individual inheritances for his children (then aged 27—35), endowed the foundation, and named them all trustees. But they were totally unprepared for the task. Barbara, the eldest, had some experience with charities, but the rest knew nothing about grantmaking, had never volunteered in nonprofit organizations, and had not been successful in their education either. Making matters worse were raging sibling rivalries and the siblings' personal feelings of insecurity and inadequacy.

First Barbara, then her brother Rick tried their hands at running the foundation, but neither could control the family wrangling or escape the criticism of their siblings. Throughout the entire decade, the foundation was a "theater," housing and stimulating the family conflicts that had been unaddressed since childhood.

But they were gradually learning. With the firm guidance of a long-time family friend and advisor, they became more skilled at collaborative tasks. Now they review about fifty proposals per year. Reappointed as president, Barbara does site visits and prepares reports. She has toned down her authoritarian style: "I've changed. I'm more self-confident now and more sensitive to my brothers' and sisters' feelings. When I changed the way I acted with them, they changed how they reacted to me."

Together the siblings have designed a way to begin to invite the next generation to participate, instituted policies and bylaws, and made use of a generous discretionary giving program to buy them time while their collaborative skills slowly develop. It is possible that in running the foundation with the help of a caring nonfamily guide, the Oliver siblings will mature together and become the collaborative family that their parents were unable to create while they were alive.

In summary, in these cases the pressure may be building during the Controlling Trustee stage, but it is not sufficient to change the foundation during the founder's life. The departure of the founder is enough of a trigger in some of the cases; in others, the early post-founder years are spent in paralysis and a continuation of the old patterns. The trigger, when it comes, typically is accompanied by a period of conflict. The "exploration" work is often prolonged. It requires essentially redesigning the foundation from scratch, especially if the Controlling Trustee did little to prepare the successors for governance. However, if the system is fortunate to find a skilled leader, either from within the family or in the form of a staff member or consultant, the work may ultimately be successful. Easy or hard, quick or slow, the Collaborative Family Foundation that emerges from the transition can be the blueprint for continuity through future generations.

The Third Window: The Delayed Transition to a Collaborative Family Foundation

In some foundations, the transition from Controlling Trustee to Collaborative Family Foundation did not occur in the last phase of the Controlling Trustee period, or at the death of the founder(s). Instead, the tradition of one dominant voice continued, with limited or no participation from others. In five cases, a successor Controlling Trustee emerged in the second generation; in two cases, the pattern continued beyond the second generation to the third.

A strong businessman created a foundation and ran it personally for twelve years until his death. His son took over both the family company and the foundation and continued as an individual Controlling Trustee for forty more years. During that period he added his children as trustees but with no actual participation. He involved nonfamily trustees as informal advisors. Then, at age seventy-five, he was persuaded by an advisor of the need to plan for the future. The advisor arranged for a retreat with the third-generation offspring. The father organized the retreat, but decided not to attend, feeling that he didn't know how to work in a collaborative process and they would all be better off without him there. The retreat marked a dramatic turning point in governance. The third generation designed a branch representation system with a rotating chair, some new strategic initiatives for the program, and an adjunct board for the fourth generation. Following the death of their father two years later, they are beginning to address conflict resolution and to create a more collaborative style.

Another foundation was managed by a sequence of Controlling Trustees, fifteen years in the first generation, twenty years in the second, and an additional ten years in the third. The third leader finally admitted other family members into influence. Within a few years the foundation hired its first professional executive director, held its first retreat, and derived its first mission statement. But it may have been too late—all those years of noninvolvement and autocratic rule led to fragmentation. Most of the family's philanthropy now happens outside the foundation. Some family members are trying to generate enough participation to transition to a professionally run foundation with steady but minimal family oversight, but it is not clear whether there is enough family goodwill to sustain it.

In a third example, the founder/Controlling Trustee died after ten years and a nephew took over both the foundation and the family company. The nephew purposefully excluded his siblings from the foundation to eliminate the potential for family conflicts. They knocked on the door, and he said "no, not now"—which turned into "not ever." They did a little grumbling, but accepted it as his decision to make. The new Controlling Trustee created a "distinguished" board of outside directors, and continued to support university capital campaigns for twenty years.

A potential "trigger" emerged: explosive growth in the family business, which was funneling dividends into the foundation faster than the Controlling Trustee and the board could disperse them. However, collaboration was not the first response. The second-generation Controlling Trustee consulted with his directors, and they all agreed that the foundation needed more professional management: a director to establish a giving program and money managers to invest the dividends. He hired a strong nonfamily executive director, and gave him free reign to develop a mission "that would allow the foundation to move forward in time and yet not disturb the dead." Although he also invited some of his children (already in their thirties) to join the board in a limited role, he was not prepared to work with them in transitioning to a true Collaborative Family Foundation.

After fifteen years of staff control, a second "trigger" occurred: the executive director's failing health. This time it led to one daughter taking over as president. Relatively unprepared for philanthropic leadership, she continued the departed executive's policies, relying on his advisors and staff to bring her along. Her father is still a presence, and the fourth generation is still young, but the third-generation siblings are for the first time thinking about putting their mark on the foundation.

It would be a significant culture change—perhaps not possible to realize while the second-generation Controlling Trustee is on the board. And there is still much uncertainty about collaboration. The third generation remains strongly influenced by their father's conception. As one of them put it, "This foundation is run as an independent foundation, not as a family foundation. The family just happens to be running it but their interests aren't influential. My father did this intentionally because he wanted this to be a professional foundation. We're here to do good work. We're not here to bond." The next few years should determine whether they complete the transition to a Collaborative Family Foundation, bypass collaboration and move to a Family-Governed Staff-Managed Foundation, or spend out.

In three of the Controlling-Trustee-to-Controlling-Trustee successions, there was a slight variation. A single founder or founder and his son began the foundation and managed it without input from any other family until the father's death. At that time, the person who entered the governance system and became a coleader with the successor son was his wife. In none of these cases was the mother a force in the foundation, but in all three it is the contribution of the daughter-in-law that brought new energy and helped the system continue after the loss of the founder.

A father/son team managed this foundation for its first fifteen years, closely integrated with the family business that was the preoccupation of both (the third trustee was a silent business associate). When the senior founder died, no other family members became involved, but the son's wife was brought in as the third trustee. She was quite involved in philanthropic activities before this so in many ways it did not seem like a memorable or eventful transition.

The couple acted as a remarkable partnership in developing the foundation and steering it through growth and formalization of its procedures. They talked easily of their work together, their shaping of the mission, and their pride in the foundation's activities. The husband's interest in historical and community activities seemed complementary to his wife's strong interests in the arts and culture. They each had their pet projects and interests, but they seemed to cooperate on setting agendas and conducting the work of the Foundation.

In a few of the cases, the transition to a Collaborative Family Foundation was delayed past the second generation not by a cycle of Controlling Trustees, but by the longevity of the founder. The first-generation leader stayed in control for such a long time that the second generation was already moving past middle age when he withdrew.

In some cases this was fully supported by the second-generation siblings. As the parent aged and withdrew from active leadership in the business, the foundation provided a place where he could remain active and somewhat "out of the way." By the time of his death, the third generation had reached adulthood, and they were the ones to restructure the foundation into a collaboration.

In other cases the second generation wanted to be more involved but were not allowed to, and that led to some elements of backlash in the family. The second generation's frustration or resentment was expressed in a number of ways that threatened continuity, such as lack of confidence in new leadership, or a general withdrawal of enthusiasm for the foundation.

In the Quigley Foundation the founder, E. G. Quigley, remained the dominant voice into his nineties. When he died his sons, who had been working in supportive roles in the foundation but were now already in their sixties, felt that the foundation needed an executive director. One of the third-generation cousins convinced them to give her a chance at the job, even though "they weren't very enthusiastic about it and my uncle didn't think I could do it."

The decision proved to be a good one; both generations are very pleased with the work Sarah Quigley has done in her brief tenure. In an inspired choice, she devoted her first years to an elaborate process of determining one major gift to honor members of the first and second generation. It kept the focus on the seniors but also gave her a chance to reorganize the structure and invite broad participation while protected from intense pressure of a quarterly grantmaking cycle.

Despite the success of that effort, the second generation are muted in their endorsement of Sarah as the cousin leader and equivocal about their commitment to continuing the foundation. As they move into their seventies, they emphasize that there are no term limits on their generation. One of the seniors said, "There were all kinds of options. We could sunset the foundation, split it, or continue. Maybe splitting is the best thing. My brothers and I don't want to see the foundation run by outside directors and have it be a family foundation in name only. After all, you can only do this for so long." In contrast, the third generation is enthusiastic about continuing, and they anticipate some difficult discussions ahead.

Passing All the Windows

In four of our cases the family chose not to, or found that it could not, form a collaborative family-operated foundation at all. In each of these cases, the second generation had dispersed geographically during the years when the founder tightly controlled the foundation. When the offspring were local, they were not involved. By the time a transition was possible, reconnecting in an intense way was extremely difficult.

In two of the cases the dissolution of the family business rendered the idea of collaboration even more peripheral to the lives of the siblings and cousins. The philanthropic opportunity was not enough of a lure to justify the logistical headaches of travel and the requirements to stay familiar with their former communities. In these cases, the family chose to evolve directly into a professionally managed foundation, with only a moderate level of family influence and a significant reliance on staff.

For the first thirty years of this foundation's operations, the founding couple were the only trustees, and the wife was active in name only. The foundation had no staff and operated as a tax umbrella for the founder's personal giving. By the time he invited his three oldest offspring to serve on the board, they had each established their own foundation. They rubber-stamped their father's wishes during the last ten years of his life.

After his death, they strove to honor his interests—interests they did not all share. A strong family culture of conflict avoidance, however, prevented them from having frank discussions about their differing priorities. Moreover, their "philanthropic dream" was invested in their individual foundations. They found a series of experienced executive directors to manage their parents' foundation, but the board—now joined by the third generation—continue to avoid addressing fundamental disagreements about mission and strategy.

DEVELOPMENTAL CHALLENGES FOR THE COLLABORATIVE FAMILY FOUNDATION

Because the development of family collaboration emerged as a critical theme of the study, we looked closely at the key challenges that families had to meet to achieve their desired form of collaboration. In the remainder of this chapter we will explore five of those challenges: leadership, formalization, strategies for inclusiveness, individual versus collective agendas, and the approaches of ownership versus stewardship. Of these, the single most helpful guide through the transition from a Controlling Trustee to a Collaborative Family Foundation is inspired, charismatic, process-sensitive leadership. Good leaders can create the conditions for families to navigate through all the other challenges of the transition.

Leadership

As the Controlling Trustee stage comes to an end and the bonds of individual control are loosened, the system may have to deal with an element of chaos. Many forces of individuality, personality, and priority are unleashed. It is the most challenging situation for leadership.

Too strong a hand, trying to perpetuate or re-create the centralized authority of the former Controlling Trustee, will anger and disengage many essential constituencies. Too loose a hand, trying only to placate without providing direction and clarity, will be equally frustrating. This is the moment in the foundation's history when, more than any other, the future is hanging in the balance.

LEADERSHIP FROM WITHIN THE FAMILY

We have discussed the variety of ways that authority is passed down in the family at the withdrawal of the Controlling Trustee. Overall, about one-third of these cases were able to form a successful sibling partnership fairly quickly. As the transition unfolded, a leadership solution emerged from within the second generation that brought a new level of organization to the foundation. Another third of the cases also have solved the problem, but it took them longer. They went through a series of unsuccessful arrangements before they found an authority solution—usually in the third generation. For the remaining third, the struggle with family leadership was more difficult, prolonged, and in some cases never satisfactorily resolved.

This may seem a poor performance, but it is characteristic of family enterprises in general. The demands on second-generation family leadership are formidable. In this way family foundations are quite similar to family companies. Like the Collaborative Family Foundation, the Sibling Partnership form of family business is the hardest to structure successfully.[3]

Collaborative governance among siblings has to tread a delicate line between autocracy and chaos. On one hand there is the strong pull to replicate the individual control and hub-and-spoke structures of the earlier stage of one-person rule. Countervailing that is the push toward democratic equality among offspring. For a Sibling Partnership to work the parties have to negotiate a middle ground of participation and hierarchy. They have to solve the dilemmas of authority, differentiation, respectful disagreement and conflict, and of simultaneously looking backward and looking forward. It is a daunting challenge. Only a minority of family businesses accomplish it.

The critical process issue in Sibling Partnership businesses is equity. Whatever the division of labor, talent, interest, and authority in the sibling group, most sibling-run organizations are constantly renegotiating the fair distribution of resources, responsibilities, and rewards.

In foundations, most often the expression of that issue is in representation on the board. Siblings may have very unequal reservoirs of passion for philanthropy, time to spend, familiarity with the traditional program areas or the geographic service area—but that does not alter the strong bias in favor of equal representation on the board.

Three siblings joined the board of the foundation as their parents became frail and withdrew. For several years, each simply did what she or he wanted with one-third of the grant money. One of the next-generation cousins recalls, "There was constant needling, bickering, and belittling of one another's agendas. My aunt acted like the heir-apparent. My uncle was very contentious. My mother rode it out on the back of a few extra Bloody Marys." The aunt added her husband to the board, which livened up the meetings even more and caused some concern about a "branch takeover." As a result, the board was enlarged to include oldest cousins, and then some younger ones, to re-achieve equity across the branches.

The family's financial dependence on the business helps support the stability of the Sibling Partnership to some degree. There are tremendous pressures in a family company toward seeking the most talented successors and assigning roles according to performance. Parents who want to demonstrate that they love and value their children equally may make them all inheritors of the wealth and ownership in the company, but they usually try to develop and choose leaders who they believe will be most successful.

This often leads to what is called a "First among Equals" structure, where one sibling is given more authority in the business system, but requires the support and concurrence of the others for important actions. While it is true that the initial selection of the leader in sibling partnerships may be based on nonrational criteria (gender and birth order are the primary ones), those arbitrary characteristics are almost always augmented by meaningful ones over time.

For example, the opportunity to enter the business and apprentice under the Controlling Owner is part of the development package for the successor-designates, no matter how they are initially chosen. By the time the sibling generation rises to control, the "first among equals" leader has a real advantage in stature, experience, and ability. The rest of the group are very reluctant to foment revolution and risk the company's financial performance just for the sake of retributional justice.

That is not to say that fear of disruption gives the appointed sibling leader a free ride. The family business literature is full of stories of Sibling Partnerships that dissolve into chaos. Once given the opportunity, the sibling leader must show great sensitivity to group process. Even in very hierarchical systems where the successors are anointed and protected, if they do not have the skill to make the company succeed, the other stakeholders will not tolerate their leadership indefinitely without resistance. The great test is results—all leaders look brilliant when the system does well, and incompetent when it does not.

However, in the foundation the requisite leadership skills are seen as more democratically distributed and more easily learned, and the consequences of mediocre performance seem less devastating. Defining successful operation is much more complicated. No one's dividends are dependent on excellent leadership and organizational profitability.

The family culture may induce siblings to work out their competitive frustrations passively or actively. In about half of the sample cases where significant dissatisfaction emerged among the second generation, the response was not revolt, but disengagement. That means that poor leadership is tolerated for a long time, especially if the family has other business interests and the foundation job was seen as a "consolation prize" for offspring less talented or more troubled than the ones chosen for the company.

Siblings may grumble or complain outside the meetings to each other, but overall they respond to poor foundation leadership with withdrawal rather than objection. There were several cases in the sample where the siblings kept their frustration under wraps until the next generation entered the process. Then the most outspoken members of the cousin group sometimes began to suggest that the emperor had no clothes.

In the other half of the cases, the sibling generation had the opposite response. The lack of objective performance measures in the foundation, compared to the business, made the siblings more willing to challenge "first among equals" leadership on equity grounds. This was more common when the same sibling was anointed as leader in the business and in the foundation, and when the others—excluded by birth order or gender—took the opportunity to object to the whole parental logic of authority. Especially in families with high-conflict interactions and unresolved disruptive family dynamics, the foundation can become the arena for finally voicing the core antagonisms about sibling competition, parental favoritism, and exclusion from authority.

This foundation represents a case of a delayed transition out of a Controlling Trustee stage. The father/son cofounders ran all grantmaking themselves for the first twenty years. As in all of the father/son cofounders, at the death of the father the son continued on his own, delaying the transition to a Collaborative Family Foundation for a generation. Twice a year he would call his sister, his co-trustee on paper, and say "It's time to give away some money." When he received a request for a grant, he would send back a check in the same envelope. He would occasionally do his own site visits and was very fiscally responsible, but most of his donations were spur-of-the-moment personal impulses in response to direct requests.

Although he discussed the value of philanthropy with his family often, he did not invite any of his offspring to join him in the foundation. All six of his children, ranging in age from thirty-six to fifty-two, joined the board at his death, but none was prepared to lead a foundation. Among the older group, only one was not currently involved with the family company, so the siblings decided to "give the foundation to her." It did not work at all. She reacted to her lack of experience and knowledge by attempting to replicate her impression of her father's style: autocratic, private, and disdainful of input or criticism. After a year she resigned in anger, the rest of the siblings hired a nonfamily executive director and another sister took over as chair.

The same resistances that delay the transition to the Collaborative Family Foundation as a governance model until late in the era of the second generation or beyond may also delay the emerging leadership of a sibling in managing the grantmaking. There is evidence in this sample that it is easier for families to accept a professionalizing leader from within the family if she or he comes from the third generation rather than from the second.

Actually, this confirms a general conclusion from work with family businesses: second generations are the prime holders of grievances, and third-generation cousins are more inclined to forget them. If siblings can avoid making it a matter of loyalty to perpetuate old grudges, their offspring are typically motivated to bury them and seek collaboration across the entire generation. In this sample there are eight cases of generally positive experiences of a cousin or the spouse of a cousin gradually working into a coordinating role in the foundation. Often at first it is a volunteer role, without a title. Then the role is defined a little more formally. Finally, a full title with a salary (usually very small at the start) is approved by the board.

LEADERSHIP FROM OUTSIDE THE FAMILY

For many of these foundations, the leadership that pulled them through the transition came from outside the family. An inspired nonfamily executive has many advantages in trying to manage this pivotal moment. She or he can be free of family history and culture, unaligned with one branch or another, and able to rely on a more general, conceptual or experiential expertise in philanthropy. Families are less willing to behave badly in front of a respected outsider. For those families who are determined or lucky enough to find the right executive, it can make all the difference.

Three of the foundations had a guide who had been close to the Controlling Trustee and who was also able to build relationships of trust with the second generation. These gifted and dedicated individuals are truly treasures. If they can make the psychological transition from personal loyalty to the founder toward a generalized commitment to the succeeding family as a whole, they are in an excellent position to help the foundation move from the past to the future.

This attorney and lifetime friend of the founder was an original trustee of the foundation, but always in a facilitative role in relation to the founder. When the founder died, he intensified his role as legal and family counselor to the second generation. As the founder's lawyer, his primary relationship had been with the father. He did not know the children intimately and, as a result, he initially recommended governance policies that required more maturity and cooperation than the siblings were capable of. He stayed closely involved, however, and began to coach and teach the siblings about collaboration. His policy was to gently nudge the board in the right direction, letting them handle as much as they could on their own. He stepped in only when emotions got out of hand, or when serious problems arose, but on those occasions he was willing to take a firm hand and act decisively to implement the majority will. "My goal is to come up with solutions that reduce family tensions and increase flexibility," he said. "I try to help them balance competing interests and avoid strife." The biggest source of anxiety in the sibling group now is how they will manage without him in the future.

In another case, when the second-generation Controlling Trustee reached seventy-five years of age after managing the foundation for forty years, he recruited the first nonfamily executive. The new executive faced the typical challenges of preparing for a generational transition: redesigning the governance system, deciding on a strategic focus for grantmaking, anticipating and smoothing out potential family rifts. He was successful on all fronts. A rotating system of leadership was designed and agreed upon, and an adjunct board was created for the next generation. With the help of an outside consultant, the family used a retreat to chart a better-articulated program focus and grantmaking process. The nonfamily executive is realistic about his pivotal role, but also aware that in this family he needs to be careful not to raise his own profile too much or appear to be taking control away from the family trustees. He seems to be a perfect fit for this system.

Still another foundation began as the charitable arm of the family business, run by the company's vice president of advertising. When the company was sold, the founder brought in a highly qualified professional grantmaker. He has been managing the foundation for the past fourteen years. One third-generation family member observed, "The executive director and the trustees were a good match; they wanted to learn and he wanted to teach."

He designed a program to gradually wean the hundreds of small agencies that had grown accustomed to unreviewed annual continuation grants from the foundation, and asked the board to approve an organizational development mission. Once the board targeted the program areas they wanted to fund, he educated them about each area, writing concept papers, bringing in experts to talk to the board, and arranging roundtable discussions about the key issues in each area and how they were addressed by other foundations.

He also dramatically increased the staff (from three FTE to thirteen), formalized all their governance procedures, and in general oversaw the professionalization of the foundation. Within only a few years, a foundation that had operated informally for fifty years had been dramatically transformed into a Family-Governed Staff-Managed Foundation, with an active, knowledgeable family board providing governance and strategic oversight.

In many more (24) cases, it is the second or third generation that decides to bring in the first nonfamily executive. In a few cases this was immediate, but more often it followed the "paralysis" period and the first attempt at maintaining the old structure, as described above. These first new executives were successes in about two-thirds of the cases. In the other third, the board had one or more false starts before they found someone who was compatible with the group. Once they found the right person, however, it was a great reassurance to the family and a stimulus for a more general reconsideration of the fundamental structure and process of the foundation going forward.

When the oldest sibling was unable to make things work by replicating her father's highly controlling authoritarian style, the sibling group decided to find outside help. In a short period, they added a nonfamily executive director, turned management of the endowment portfolio over to professional managers, and hired a consultant to guide them through program design and strategy and to plan for including the next generation. "There's no doubt about it. Those choices were the key to our success."

While an increasing role for nonfamily staff is often the consequence of growth, it doesn't always happen that way. Some foundations find nonfamily professional staff while they are still quite small. In some small families, there is no available family member to actually run the grantmaking, although the family is very capable and interested in setting program goals and overseeing the priorities.

Following the sudden death of the founder, the siblings and parent who made up the board felt that it would be helpful for the founder's widow to take over the presidency as a way to preoccupy and distract her from her grief. After a few years, the death of two of the four family trustees enlarged the foundation endowment—what had begun twenty years earlier with $100,000 was now responsible for dispersing $1 million per year in grants. Even with the foundation's local and specific program, the president was clearly not able to handle the new volume of grantmaking. The key stimulus was the Reform Act of 1969, with new compliance regulations. On the recommendation of a close advisor, the family hired its first part-time executive director.

FAMILIES STILL SEARCHING FOR A LEADER

Finally, in a small number of the cases strong leadership did not emerge from anywhere to facilitate the transition. (These included the four foundations that were rated "very low" or "low" on grantmaking vitality and "very low" on positive family dynamics.) They could find neither a strong successor nor a commitment to broad democratic participation.

In the world of foundations in general, some spend out at this point, or the funds pass over to another foundation with or without ongoing family involvement. Since all of the foundations in this sample have survived, it means that they found some way to continue operating. Things have gone well enough to maintain existing programs and to meet legal requirements, but the vitality of the foundation is gradually draining away.

This foundation has passed through a long Controlling Trustee stage and a passive, low-energy sibling partnership. As the third generation has taken control, leadership has fallen to the oldest cousin. Family members range in their private opinions from gratitude that any family member is willing to accept the role, to those who characterize him as "incompetent" and only filling the chair. In public, they all say nothing. The nonfamily staff director tries to organize the program but finds little enthusiasm in the trustees. A few fourth-generation cousins eagerly await their opportunity to join, but most are indifferent. The system is drifting forward, waiting for either more dynamic leadership or dissolution.

Formalization

The second core dynamic in the Collaborative Family Foundation stage is formalization. Here it is important for us to differentiate two interrelated but separate trends in the development of these foundations. The first is the involvement and relative authority of nonfamily professional staff. Over time nearly all of these multigenerational foundations came to rely in part on nonfamily human resources. In some cases this assistance has been minimal and in support roles. Other foundations have become essentially staff-run, as will be discussed in the next chapter. This involvement of nonfamily professionals is an important theme in this sample, but it is not the topic of the current discussion.

The second trend, which we are calling *formalization,* refers to the changes in procedure, policy, governance structures and processes, community awareness, quality control, asset management, and staffing that marked the development of these foundations from instruments of the founders' personal giving to free-standing philanthropic organizations. Formalization as we mean it may or may not include the use of nonfamily professional resources, but it includes much more than that. It is a way of doing the work.

This foundation has never hired a program officer. The family is committed to keeping operating expenses to a minimum and, more important, the family believes it is their responsibility to do the grantmaking by themselves. One of the siblings said that she likes not having staff because from what she has seen of other foundations, staff either have their own motivations or follow the guidelines too strictly. "Family members feel more ownership and can act more spontaneously when different situations arise." But their level of professional grantmaking is very high by the standards of this sample. Their materials and preparatory work are comparable to many of the staffed foundations.

This distinction between *professional* staff and *formalization* is important because in past decades there has been a pervasive and destructive undertone of deprecation between family members and nonfamily professionals. Both sides have been unfairly stereotyped. The skills, experience, judgment, and commitment of nonfamily staff are often undervalued and underpraised by many family members.

At the same time, the exact same qualities of many family philanthropic leaders—skill, experience, judgment, and commitment (in our word, professionalism)—are sometimes dismissed by nonfamily professionals. In this sample we saw many examples of highly professional behavior by both family members and nonfamily staff. We saw glaring examples of unprofessional behavior by both as well. Since it is obvious that no category has a special claim on excellence, it has proven more useful for us to look at the formalization of the organization, not by who is doing the work, but by how it is being done.

We found that adding staff was an important marker of the transition from the Controlling Trustee Foundation to the Collaborative Family Foundation, but not in a majority of the cases. Only thirteen of the thirty cases designated their first staff person within five years of the transition out of the Controlling Trustee stage. After that there was a dramatic gap. The remaining staffed foundations added their first staff person on average twenty-three years later, stimulated by the third generation.

However, there were other typical indicators of formalization during the transition to the Collaborative Family Foundation, and in the years that followed as the collaborative governance form took shape. They included:

- Reviewing and revising bylaws
- Refining the mission
- Clarifying program priorities and information for potential grantees

- Training on restrictions on self-dealing and constraints on disqualified persons
- Upgrading facilities and clerical support
- Hiring outside asset managers
- Improving communication both inside the family and between the foundation and the community
- Stepping up (even modestly) site visits and follow-up activities.

The process of formalization was varied in this sample, but there was evidence of at least one or more of these changes in all of the thirty cases at some time during the Collaborative Family Foundation stage.

FORMALIZATION IN STAFFING AND OPERATIONS

Three of our sample foundations had a designated staff director during the early years of the Controlling Trustee period. Nearly all of the rest found that, over time, they needed someone to take on staff functions—the actual logistical and managerial work of grantmaking. Sometimes only family members have held managerial positions. Sometimes a family member was the first executive director or program officer, and nonfamily staff were hired later. In other cases, staff positions were filled by nonfamily from the beginning.

It is very important not to characterize formalization as an "all or nothing" choice. As Judith Healey, a leading advisor to family foundations, has pointed out, most families professionalize gradually, or in discrete steps. First, as the workload increases, the family volunteers begin to feel unable to stay on top of the grantmaking. A first step is often to use a consultant, and that may continue for years. Or they may hire nonfamily staff to take over specific functions, and as the foundation grows and their confidence in the process of supervision increases, the staff take on more and more responsibility.

Sometimes the first step was for one of the family members to start spending more time on foundation work. In six of the cases there was a formal designation of that person as executive director, or a comparable title. Almost always the position begins as part-time, with a low salary or no salary at all. It is a milestone in the formalization process when the volunteer asks to be compensated for her work.

"When my brother retired from the business and lost his secretary, we agreed that we should hire someone. Up to that point, the letters and administrative tasks had just been done out of his office and grantmaking was rather informal. My niece said she wanted to do it, but she wanted to get paid. That was a shock, but we decided it made sense. In my experience, being a volunteer was noble and I had always been told that I shouldn't work because I would take a job away from a man. Times had changed." The staffing needs also coincided with some new program interests among the second and third generation that would require much more research and legwork in the community. As the senior leader describes it, "We brought my niece onto the board and paid her to be executive director. She's great, visits places, and sends us a whole stack of things to read."

For the first ten years the salary was very small and the assumption was that it was a part-time effort. Then one day, she said she needed a raise. "We told her to make a proposal. She researched what executive directors were paid and came back with a proposal which we approved. She considers it a full-time job and works nights and weekends." She instituted annual reports and the whole range of professional grantmaking procedures. One of the trustees added, "This has made her! It's given her so much self-confidence and pride, it's wonderful what it has done for her." The board consensus is that when she gets tired of this they would now be ready to hire an outside person, "though a family member would be given priority."

Another family has developed two subgroups, wide apart on philosophy and grantmaking priorities. They manage the balance well, but it puts pressure on the full-time family member executive director, the eldest cousin in one of the branches. For thirty years the foundation operated without any paid staff, and this family member has been its only staff for the past twenty. Now the family is moving to bring on a nonfamily professional, first as a program officer and eventually to be the successor executive director. With the person-by-person generational transition of family directors and a gradual adoption of a more strategic and focused grantmaking program, the foundation is professionalizing itself.

In other cases the inclusion of staff has been more "lurching," usually because of a persistent resistance or ambivalence in the family. Sometimes some members or branches are ready to move to a more staff-managed and family-oversight process while others prefer to maintain more of a hands-on family approach. The differences of opinion may be by individual, branch, or generation. In some cases they may represent the buildup of pressure for a transition to a new form of organization.

The decision to hire staff in this foundation was a complicated one, and each choice about adding staff requires a long process of negotiation in the board. The younger generation leaders feel that the executive director has brought the foundation to a more professional level and made it a national leader. But the remaining senior generation director has never accepted the authority of the nonfamily leader, and is "always wondering if she is acting according to the family's will or taking the foundation away from them." She acknowledges the contribution that the staff have made, but goes on to argue that they "sometimes push things the way they want instead of what the family wants. That is when the family has to be firm and make it clear whose foundation it is and what it should be doing."

The family may be unaware of the stress that this ambivalence creates for the executive director. She feels that no matter how hard she works or how much more smoothly the grantmaking now proceeds, the family does not appreciate her contribution and is grudging in its approval. She also thinks the family denies its own internal strains and is oblivious to how much effort and sensitivity she needs to devote to protecting the weaker family members while not irritating the more domineering ones. All together she wonders if it is worth it.

Sixteen of our sample foundations did not hire staff until after the second generation had established themselves—sometimes long after. In fact, in these cases it was often the third generation that raised the issues of evolution of the foundation. The second generation assumed that their obligation was to continue on the founder's path. Their most important innovation was to broaden the span of authority from the personal autonomy of the Controlling Trustee to the collaborative sibling partnership.

But second generations are traditionally conservative (in the classic sense of the term) in all forms of family enterprise. They are heavily influenced by, and often captive to, the original concept of the organization as determined by their parents. Most often that is the underlying source of organizational conflict with the third generation. That is, the second generation has more difficulty imagining a way to honor the legacy while dramatically restructuring operations. The third generation, on the other hand, with a more tenuous connection to the models of the founder and a different set of demands on their current lives, are freer to seek different organizational solutions.

Inclusion versus Selection

The third dilemma in the transition to a Collaborative Family Foundation is the tension between *maximum inclusion* and *criterion-based selection*. Should the foundation be seen as an opportunity for collective family action, or as a demanding task-based organization in which only the most skilled and appropriate family members should be allowed to participate? This is in part a dilemma of ability, and in part about the inevitable increase in diversity as the family grows across generations.

Foundations that tend toward the "inclusive" pole use a variety of techniques to recruit the broadest possible interest in the foundation. They let branches decide their own criteria for involvement, they invite observers and informal participation in meetings, they work hard on communicating both the outcomes and the content of discussions, and they make sure everyone's voice is respectfully heard. They may do a lot of work in committees with broad membership. They seek to be the "home" for everyone's philanthropy, however expressed, and they keep extending their flexibility so that no one is excluded.

Foundations that tend toward the "selective" pole focus on quality and consistency in their grantmaking. They want to do the work efficiently and to meet high standards. They tend to minimize branch discretion by establishing common criteria and taking parents out of the role of selectors. They prefer to exploit the accumulated learning of experience by keeping leaders in place for long terms. They accept that the foundation is not going to be the right place for all family members, or even for all active philanthropists in the family.

The dilemma about inclusion versus selection was most often confronted in these foundations when the families were deciding how to handle diversity in four characteristics: competence, gender, family role (blood descendants or in-laws), and geographic dispersal.

INCLUSION AND PERCEIVED COMPETENCE

One theme in the transition to the Collaborative Family Foundation that about half of the families described—but only a few admitted to—is that some of the individuals or branches were perceived as less competent, sensible, rational, collaborative, or dedicated than others.

It is hard for family leaders to acknowledge their concerns about giving equal access to all members of a category of relatives. When the founder generation make choices they are often reluctant to be open about their reasons. They avoid formal policies for as long as they can, to keep their hands from being tied about differentiating among potential successors. They stretch for rationales for including some individuals while excluding others.

Sometimes geography can be used, or age. Sometimes the limits on branch representation are set so that a potentially problematic individual can be avoided. In other cases none of these straightforward criteria quite fit the situation, so more subjective reasons are invoked: "We invited 'X' and not 'Y' because she was closer to her grandparents." "'Z' is so busy with her own career and her children right now that she doesn't have time for the foundation."

INCLUSION AND GENDER

Gender was a second special factor in the inclusion/selection dilemma in these foundations. Ten of these foundations began by including only the men on the board; another six included the primary donor's wife in name only.

Some founders clearly considered the foundation to be an extension of the family business, and the province of men. If the daughters felt resentment about their exclusion, for the most part they kept it to themselves, but they may have expressed it more easily in the foundation than in the company. There are several stories of daughters raising the question with their fathers, usually late in his life. There are even more stories of daughters and granddaughters raising the issue with their brothers.

The founder didn't encourage his daughters to pursue careers in the business or the foundation. This still rankles his oldest daughter in particular. She feels that her younger brother is now carrying on their father's patriarchal attitude. They have not found a comfortable way to discuss this issue directly. She is usually the voice of objection to his discretion as president; he reports that she needs to "enhance her leadership skills."

In those cases that continued a "men only" policy into the second and third generation or beyond, there was often a high price to pay in family collaboration.

After two generations of male Controlling Trustees, the eldest male grandchild was brought in as president. His leadership was characterized by resistance to formalization; he was nostalgic for a time when there was "more sentiment, less logic, more fun" in their philanthropy. When he stepped down his son took over. The seniors describe the transition as relatively smooth, but the female cousins are bitter that it was a "behind closed doors" decision and they were not even considered.

The history of bypassing the women in each generation is very much on the minds of the current cousins. Several of the senior male respondents referred to the women in the family as having "more passion and a deeper level of caring—you know, the female side of things." At the same time, they are referred to as "paranoid and obsessed with women's issues." The current cousins feel that they will need to design policies that reflect a more egalitarian invitation to leadership, and overcome the restrictive culture built by their parents.

The transition from Controlling Trustee structures to Collaborative Family Foundations very often was the opportunity for the first inclusion of women. Some families simply ran out of males and needed to turn to the women. In others, the sons were preoccupied with other interests and it was a daughter or daughter-in-law who became the founder's ally and successor. Whatever the reasons, the shift was dramatic. The first-generation leaders were 90 percent male. Currently the boards of these foundations are split almost exactly 50–50 between men and women, and the staffs are more than half female (including the senior executives). This is a much more dramatic change than is evident in the family companies.[4]

The inclusion of women seems to have a significant impact on the grantmaking process, especially if a woman is in the leadership position. This is a controversial topic and it is important to avoid stereotyping, but the patterns are too widespread across this sample to be ignored. It is not necessarily just gender at work. In some cases the male leaders of the foundation are also the leaders of the family's business, and they see the foundation as an extension of that enterprise. They use their business staff and colleagues for support, which reinforces the hierarchical tone carried over from the company. They also may be emulating the personal style of their entrepreneurial fathers: decisive, fast-acting, opinionated, efficient, and sometimes domineering.

The women of these generations were not so used to positions of unilateral authority in organizations. They looked for support from the group. They were more accommodating and better able to tolerate multiple agendas. They may also have been more in touch with different branches of the family, and more inclined to inclusion across branches and generations.

The first-generation Controlling Trustee was the husband of the donor. Following him, all the leaders have been women—daughters and sisters. Whether because of generational differences or gender, the process has been increasingly collaborative, diversified, friendly, and free of conflict as the daughters and granddaughters have taken control.

That is not to say they are passive or there is no sibling tension. Several of them commented that the sisters are very different—if it weren't for the foundation, they would have little contact. However, the family culture in the group of sisters allows interpersonal solutions to all conflicts, and a very ad hoc approach to procedure. As observed by one nonfamily trustee, "Watching this family work together, I've become a believer in what foundations can do to bring families closer."

That is not to say that the women who assume leadership in these foundations are weak or reluctant. In fact, it was remarkable how eagerly these women immersed themselves in the president and executive director roles. One reason could be that many of them were not invited into the family companies at earlier ages. When they have authority, they certainly use it.

The two brothers in the second generation took over from their father and ran the company and the foundation together for twenty years. When the older brother withdrew, his wife took his place on the foundation's board and immediately made an impact. "She has a strong personality and is really a force to be reckoned with. People are hesitant to challenge her at board meetings." The move toward strong female leadership was furthered when the first president chosen from the third generation was also a woman. A skilled leader, she also had a more accommodating and inviting manner, which worked well in the cousin group.

For some women in the sample, the opportunity to lead in the foundation was a life-altering experience.

In one daughter's words, her mother became "much more of a liberated woman after the children had left home." The men were preoccupied with guiding the business through a difficult period, so she quietly began to take an active role for the first time in the foundation.

She started going to Council on Foundations meetings and began learning about foundations. "She heard what was going on and came back with ideas about how we should change. We got tired of writing all the letters and not knowing what we were doing. So we cut out the local giving and the little donations. She tried to stress picking a focus right off the bat."

Her brother remained as president, but she took on the executive director role and loved it. Her daughter was so impressed with the change in her mother that, in her mid-twenties, she joined her in working on philanthropy, and eventually took over as executive director. The daughter's pride is very evident: "These leadership experiences within the foundation were powerful for both of us. And it's an exciting time in the field because so many directors are women."

INCLUSION AND IN-LAWS

A third special issue in the inclusion/selection dilemma is the role of blood descendants and in-laws.[5] The transition from the Controlling Trustee to the Collaborative Family Foundation is an opportunity to revisit the policy about the inclusion of spouses.

At the death of the founder, the three siblings in the second generation took over the foundation. They decided not to include their spouses, and they still remain adamant about this decision. They give their reason as primarily that the spouses "are very strong characters. . . . We're peacemakers. They would have fought, they didn't know what my father wanted, we wouldn't have spoken out, and they would have taken over." The siblings have tried to placate their spouses. "They give us some opinions about where they would like the dollars to go, we listen, but we do what we want. But frankly, they're still all bothered a little by this."

Another foundation defines its "foundation family" as blood descendants of the founder, because they want to keep the philanthropy as "their thing." In-laws are also excluded because of the family's concern that if the meetings get too big, little will be accomplished. The trustees feel that their spouses do not resent the exclusion and, if they are interested in securing grants for certain organizations, they can do it through their husbands or wives.

"In-laws are a sticky issue. Our parents think it would be too complicated because you would need to invite all of them to participate, and some of them are just not qualified to sit on the board. Most of them are not interested anyway."

It is possible that the policies about spouses differ depending on whether the family is focused on sons-in-law or daughters-in-law. It appears that first-generation founders may be more open to admitting their sons' wives to participation in the foundation than their daughters' husbands. This idea is supported by the fact that in five of the cases, a daughter-in-law became the first family staff person, while only one of the cases had a son-in-law in that role.

A key influence over the past decade has been the founders' only son's wife, who is the foundation's sole staff member. As Director of Grant Services, a part-time, unpaid position, she runs the foundation out of her husband's law office. She has brought a degree of organization and professionalism to the foundation, and, with her husband and sister-in-law, has facilitated a new focus in the city where they live, far from the original location. Although she maintains a kind of bemused tolerance of her father-in-law's eccentricities, she has on a couple of occasions threatened to quit after run-ins with him. The rest of her generation suggest that none of the founder's direct offspring would have been anywhere near as successful in managing him and creating enough space for the needed changes.

One interesting twist is that several foundations became more restrictive on direct descendants rather than more inclusive. That is, although the first generation often included the participation of both spouses, and the second generation may have included in-laws as well, the family agreed in the third and later generations to invite only direct descendants of the founders.

There was rarely an open discussion of the policy; rather, it was assumed and not challenged. When asked, the reason given was usually that the numbers were too large, or that the spouses had never expressed any interest. In the interviews, however, the issue of "too much diversity" was often raised. As divergent as the cousins themselves were seen to be, their spouses were perceived as truly "different"—and, by implication, unmanageable.

In this sample, thirteen of the thirty cases have bylaws which permit the inclusion of spouses as trustees or directors, although only seven actually have an in-law currently serving. Those foundations that exclude in-laws almost always voice the same rationales:

Openly and officially:

- The pool will be too large.
- The donor's preference would be to limit the foundation to descendants.
- The in-laws are too busy and would not be interested.

Privately and confidentially:

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

We estimate that half of the families who specifically or traditionally exclude in-laws do so out of inertia—that is the way it has been, and nobody is clamoring to change it. In another quarter, it is a positive valuing of the particular interaction among siblings, and the desire to protect that process. And in the final quarter, it is because of negative feelings toward one in-law (or more than one), so that the family leaders would rather exclude the whole category than have to deal with the rejection of an individual.

INCLUSION AND GEOGRAPHY

Geographic dispersal is the one nearly universal challenge that these foundations face, typically when trying to make the transition from the second generation to the third.[6] Eighteen of the foundations had geographic restrictions on their grantmaking in the Controlling Trustee stage, and nineteen maintain some restrictions currently—although the geographic areas may have changed or expanded over the years.

The siblings in the second generation all once lived near each other in the founding city. As members of the principal branches have moved away from that area, the foundation has supported projects in the different areas where they live. The pressure to spend more funds outside the original home is creating the central tension within the family and the foundation.

On the one hand, the families living in other cities think contributing to projects in their area will help to get their children interested in the foundation. On the other hand, there is the feeling that the family's wealth was created in the home county and that's where the founders would have liked it to remain. Social service agencies there sense that the foundation may be packing up and going elsewhere. The three outsiders on the board staunchly resist the trend; they are the most unambivalently committed to the original geographic limitations.

As the family disperses and tries to form a policy for inclusion, they have limited choices regarding geography:

1. Maintain a focus on the original geographic service area, and limit family involvement to those members who still live in the area and can be actively involved.
2. Maintain a focus on the original geographic service area and allow family members from all over to serve, but minimize the requirements for community knowledge and site visits so they can stay involved.
3. Maintain some focus on the original geographic service area, but also divert some percentage of the funding to areas where family now live (often via discretionary funds).
4. Eliminate any focus on geographic service areas.

Solution #1 is the most "backward looking," traditional approach (only two foundations in the sample operated this way). It emphasizes donor control and the link between the present philanthropy and the past wealth creation. It generally requires a large, nonmobile family or the willingness to let control pass to nonfamily directors. Otherwise it creates a "foundation insider subfamily."

Solution #2 is a combination of a traditional mission with what typically becomes a highly professionalized, staff-driven process (seven cases in this sample). If the family is comfortable with this evolution, the foundation is on the path toward the third type, the Family-Governed Staff-Managed Foundation. However, those foundations that try this approach without investing in adequate staff resources find themselves unable to do much program monitoring, and therefore tend to be the least adventurous or strategic grantmakers. They also may find it very difficult to maintain trustee enthusiasm and involvement, especially for more than one generation.

Solution #3 is the most popular (nine cases) but it is often dealt with as a policy issue without adequate consideration of the procedural and governance implications. This model requires high effort on the part of both trustees and staff. The limited availability of staff to service grantees and applicants from other areas almost always means the grants in those areas come from a discretionary fund, rather than the collaborative docket. While designed as a way to keep family integrated, it can in fact become a force for disintegration if it is not managed very actively.[7]

Only one foundation has adopted Solution #4, to eliminate geographic considerations completely (11 never had a geographic restriction). They have developed a very well-articulated programmatic focus and support programs on a national scale.

SUMMARY OF INCLUSIVE VERSUS SELECTIVE APPROACHES

In moderation either style can lead to continuity. Inclusive solutions work well in small families with easygoing styles and good interpersonal relationships. It helps if the range of diversity is not so great that it creates a collection of very different individuals all trying to play on the same team.

Inclusive foundations have to be careful to not let broad acceptance slide into mediocrity or worse. The great danger of the most inclusive policies is that they can compromise quality to the point that no one is proud of the foundation. Even if the “welcome” mat is always out, a shabby home is not an attractive refuge.

The selective solutions lead to less concern about maintaining quality. On the other hand, they risk becoming more trouble than they are worth for potential successors. If high standards and a focus on quality become excuses for people in power to self-righteously pick and choose participants, there is little chance for long-term continuity.

The evidence from this sample suggests that high quality performance is extremely important in fostering enthusiasm and positive emotional experiences for family participants. If clear rules and expectations are combined with flexibility and a truly welcoming atmosphere, then the likelihood for both collaboration and continuity are maximized. The relationship between organizational policy and successor development is discussed further in chapters 8 and 9.

Collective versus Individual Philanthropy in the Foundation

Is the family dream a collection of individual aspirations, or is it truly a collective vision? To understand this aspect of the transition to a Collaborative Family Foundation, it is necessary to consider the developmental dynamics of the family itself. In every family, as each generation rises to adulthood and independence, there are two opposing forces at work.

On one hand is the centrifugal force of *individuation.* As offspring move through adolescence and into adulthood, they begin to find their individual identity. Strong or weak, smooth or lurching, each young adult must move at least somewhat away from the center of the family, represented by the parent(s). Entire theories of psychology and family dynamics are based on this concept of individuation. It is everyone's lifetime task of discovering what is unique and different about oneself, and then finding a place in the world to be that person as authentically as possible.

At the same time, there is an opposing, centripetal force of *connection*, which is the tether that binds the individual to the family. It is made up of the strands of affection, obligation, history, authority, and identification that are woven into the ropes that hold a family together. The family network, tied together by all these interpersonal tethers between individuals and generations, makes collective action possible in the family foundation.

Since all families must face the dilemma of fostering both individuation and connection in their members, all family organizations—including the foundation—must do the same. When family members get together to do collaborative work, one of the most powerful underlying dynamics is the pull of individual agendas versus the push of the collective task.

If a lot is at stake and a single course of action must be found, as is common in the board of a family business, there is strong bias toward the connection side of the dynamic. Individuals who want to change the core business to fit their particular interests, or who have points of view on ethics or management or marketing that are idiosyncratic, have to contend with reality in pushing their personal views. It is assumed that the overall best interest of the system, not self-expression, will lead to the most prudent course.

But in the foundation the process can be very different, because its purpose as an organization is so different. Earlier we discussed how family companies must succeed in the marketplace to survive. Their performance is measurable by quantifiable metrics (sales, profit, market share, stock price). But the foundation sets its own criteria. "What I want to do" and "What we can do" are the same as long as the legal requirements are fulfilled. This provides enormous encouragement for the "centrifugal" side of the force field in the foundation. Each individual can see the foundation as potentially the enabler of her or his self-image and social agenda—a chance to use large resources to demonstrate "who I am."[8]

For example, a disagreement in a foundation board that appears to be about program priorities may in fact be about personal identity. One trustee may see the foundation as a defender—in some cases, the last, best hope—of our most traditional cultural establishment. She observes the pulling back of the public's ability (or willingness) to support core cultural institutions, and she fears that our basic cultural legacy is in danger.

Another trustee takes exactly the opposite tack. She sees the foundation as an opportunity to be the spearhead of social change. She argues that the foundation is the best opportunity for bold, creative, groundbreaking leadership.

One person sees herself as a patron of the arts: the foundation is not just a funding source, it is the enabler of a social role that means a lot to her. The other feels the same way about the opportunity to be a revolutionary social engineer. There are an infinite number of other identities. Some people want to use wealth to be flamboyant leaders. Some want to be invisible. Some want to be deeply spiritual, or even pious, while others want to immerse themselves in the neediest segments of their very real worlds. The potential for self-definition, in turn, generates enormous potential for individual conflict, as each participant fights for the ability to realize her or his own goals.

The problem is not that there are different individual priorities. All groups must deal with differences of opinion and preference. The problem here is that there is no objective standard or process by which to choose whose point of view to follow. All of them are worthwhile. All of them have willing "customers." All of them are logistically possible. This makes individual expression very strong. But if the foundation aspires to achieve collaborative philanthropy, it must find common ground.

Another factor in the powerful centrifugal force that threatens to fragment family foundations is the individual rewards that can come from large-scale philanthropy. Without denying the altruism and generosity that is the essential bedrock of charitable behavior, there are also very attractive benefits for participants. Grantmakers may receive the gratitude of their communities, have access to powerful and glamorous leaders, and be given the opportunity to designate how some aspects of community or organizational life will be designed.

Especially for later generations, who do not receive much credit for starting or growing the family enterprises, philanthropy can be their best opportunity for recognition. There is nothing inherently negative about enjoying being appreciated. But "the foundation" cannot stand on the platform, or receive the proclamation, or shake the hand of the mayor, or be hugged by the students, patients, beneficiaries, and contest winners—only individuals can. Choosing which individuals, and which platforms, is one of the dilemmas that emphasize the "me" and challenge the "we" identity of the foundation.

How can the foundation possibly counteract this potential? The centripetal, collaborative side of the equation, bereft of external support, has to rely on historical and normative controls: Legacy, tradition, cooperative spirit, family identity, and sometimes donor intent. The work of maintaining a "we" mentality in the face of such pressure favoring "me" agendas is never-ending. Even if one generation finds a resolution that works, through authority, quid pro quo arrangements, pruning the tree, discretionary funds, rotating leadership, or passing the baton to professional staff and consultants, the entry of each new generation reinitiates the struggle.

Ownership versus Stewardship

Few foundations ever fully resolve the ongoing challenge of simultaneously honoring tradition while operating in the present.[9] In the transition from Controlling Trustee to Collaborative Family Foundation, the issue is sometimes framed in terms of *ownership* versus *stewardship.*

One of the most interesting aspects of family foundations is the way they illuminate the issue of ownership. In a capitalist economy, individuals can own things if they provide the capital that leads to possessing them. You buy an object by paying for it, and then it belongs to you. For an enterprise, you buy it by exchanging your capital for the buildings, materials, and inventory, and you own the products by exchanging your capital for the labor required to create them.

Given that simple definition, can you own a foundation? If a donor provides the capital that creates the product (the grants) and that capital is used to pay for the labor that does the work (the staff and costs of grantmaking), does the donor own the foundation itself? The quick answer is "no," but why? Because the donor does not buy the foundation; he does not even invest in it. He gives away what is his, and the foundation is the recipient. All organized philanthropy, where foundations give away resources to grantees, begins with this original gift—from the donor(s) to the foundation itself.

As we discussed in chapter 3, there has been increasing debate in recent years about "Whose money is it?" Some point out that the family members often act as if it is still theirs, while others counter that it is now "the public's" money. Clearly, by law and by logic, neither of those is correct. Private bank accounts are personal money. Taxes are the public's money. The endowment of the foundation is specifically *the foundation's* money. The law clearly gives the authority and responsibility for those assets to one group—the board of directors or trustees of the foundation. They are the governing body. Everyone else is a stakeholder, but that is not the same thing as being a stockholder.

But then what of the descendants' feelings that the money could have been theirs? Does that lead to feelings of resentment and guilt?

If the family continues to generate wealth, and the family stays as rich as the foundation, this response is less likely. But if the business is gone, and some branches of the family are poor, then the sense of having been an involuntary donor can be very strong.

At the transition from the Controlling Trustee to the Collaborative Family Foundation, some families begin to struggle more directly with the dilemma of ownership versus stewardship. Sometimes it arises as a specific discussion about discretionary versus program-focused funding, or about adding community representatives to the board. It may also be stimulated by research and discussion on the question of the public's interest in private philanthropy.

This foundation, run by a Controlling Trustee during its first phase and a disjointed sibling partnership during its second, is for the first time struggling to form a collaborative identity.

Members of the third generation, with the support of the nonfamily staff leader, are beginning to actively voice the view that "inheritors of wealth that has accumulated tax-free have an obligation to use it for the benefit of society." Another cousin made the suggestion that the family should only have control over the funds for five or ten years, and then the fund should evolve into an independent foundation, professionally run with little or no family control, or be dissolved. "The work of foundations can produce arrogance and intellectual corruption. We all have to be aware of that."

The issue is on the back burner while the board is still dominated by second-generation members, but it will undoubtedly arise again when they depart.

As we have seen, some trustees—who define themselves as *stewards* of a legacy—are very focused on understanding and connecting to their interpretation of the philanthropic agenda of the founders. They do not get much help, since most of the founders were not very concerned with mission. In addition, those who had a deep personal agenda rarely articulated it for the foundation. Of those six foundations where the founder was specific in stating a mission, none of them are among the group with the most specific and focused strategy-driven grantmaking programs today. In contrast, the group of foundations with very highly focused current missions are predominantly those where the founder stated no mission at all.

A big issue in this foundation is who speaks for the founders. This is a common situation when donors don't put any foundation mission in writing. In this case, a mission was crafted on the basis of the founder's record of giving during his lifetime and the second-generation's reading of the founders' values and interests.

This manufactured mission is at various times regarded as strict donor intent by the board. At other times it is bent to fit their individual agendas. For example, the donor's pattern of supporting universities was modified to justify responding to the interests of several current trustees in public elementary school education. On the other hand, when traditional granting in another area is challenged, the same trustees will bring forward the donor's intent as sacrosanct.

Participants on the more evolutionary side see themselves as the current *"owners"* of authority and responsibility. They speak of ownership not in the legal/economic sense but in terms of psychological and emotional commitment. They argue that the success of the foundation is not in its adherence or its faithfulness to the legacy, but rather in the quality of its performance.

Foundations are not only expressions of family values, they are organizations with work to do. Their ability to do that work well will depend more on the personalities, histories, talents, rewards, and motivations of the current players than on the clarity of the legacy from the past.

Of course, the legacy and connection to ancestors can be a motivator—a current force in the day-to-day decisions made by current participants on whether to read a proposal, to attend a site visit, to take advantage of a matching fund or discretionary program, and so forth. But it is the decisions and the actions themselves—not the motivations—that determine a foundation's current success and viability for the future.

Foundations that take an evolutionary approach tend to negotiate constantly between programmatic choices and the core identity and intent of the foundation. They believe they are honoring the priorities of earlier generations without abdicating their own ownership (governance) responsibilities.

The newest trustee in this third- and fourth-generation foundation said, "I knew in the past that my dad and my aunts and uncles had put a focus on private schools because their kids were in that phase. So when I came on board there was still a lot going to private schools. But gradually we became more focused on impacting a lot more people. We still do some private school giving, but as our generation graduated, it didn't become such a tight focus. We saw a great need in the public sector, so we fund programs mostly in public education now." When asked about the founder's intent, she repeated that she didn't see the problem. "This is our way of doing our giving—bringing family members together for a cause outside of themselves." She did not know her grandfather. She thought it was the right focus now.

Ownership versus stewardship is not a dilemma for resolution, it is a theme for ongoing reexamination. As some families reconsider it from generation to generation, their debates may figure among the early signs of a transition to the next type of foundation, the Family-Governed Staff-Managed Foundation.

CORE DILEMMA: TRUE COLLABORATION VERSUS COEXISTENCE

There may be nothing more difficult to create than true collaboration. It requires such a delicate balance in so many areas: authority, discretion, competence, respect, differentiation and identification, leadership and followership, and priorities. It also requires procedures and policies which can protect that delicate balance and turn intentions into actions. But more than anything else, it requires a viable collective dream.

We have detailed the process through which each of these families evolved from their initial Controlling Trustee form into something else. There was ample evidence that nearly all of them followed the transition steps of triggered change, disengagement from the past, exploration of options, and eventually a commitment to a new way of governing their philanthropy. They needed to find a new system that was broader, more diverse, and more complex, because families inevitably become all of those things as they move from generation to generation.

The fundamental choice that these families faced at this moment is essentially the same as the one that the founders confronted a generation or more before. At that time it was "founder's purpose versus family dream." At this time, with multiple individuals and families involved, it is between "true collaboration" and "coexistence."

Some of these families chose to follow a path of coexistence. They did not try to, or were not able to, find unitary leadership that integrated all their parts. For some, the foundation was not a high enough priority to compel the work of negotiation that such integration would have required. For others, they were simply too different, and the potential or reality of conflict was too high. The best implementation of the coexistence choice is a process of mutually respectful, individualized grantmaking—either through discretionary systems or procedural understandings among the current participants.

Other families took a different path, and pursued true collaboration. They found someone from the family or from outside who could guide them through the sensitive construction process. They found a common approach to inclusion and a comfortable level of formalization. More than anything, they discovered—sometimes in the second generation, and sometimes not until the third generation or beyond—that they could construct a common dream. For this group, and for many reasons, the sense of passion, commitment, and joy that the participants feel about their philanthropy is best served by a collective effort.

Obviously, powerful grantmaking can be done in either way. Family foundations can also survive with either model. But to be true to our experience with these foundations we must comment that the most dramatic cases of real joy in the work were among the truly collaborative families. It went beyond satisfaction with their accomplishments. They had found a level of fulfillment and pleasure that was unmatched in either the Controlling Trustee or the Staff-Managed foundations. The common dream that we described at the beginning of this chapter found realization in these cases, and they would not trade their experience for anything.

NOTES

1. This concept is from Levinson's description of the "Dream" that guides our adult development. See Levinson (1978, 1996). The "Dream" is discussed in more detail in chapter 6.

2. See Gersick et al. (1997) and Lansberg (1999) for a discussion of the different models of sibling leadership in family companies.

3. For further discussion of Sibling Partnerships, Controlling Owners, and other stages of family business development, see Gersick et al. (1997).

4. Our sample fits well with the industry norms. The *Foundation Management Series,* 11th edition (Council on Foundations, 2004b) reports that, among the 1,392 trustees from family foundations responding to that survey, 782 (56.2 percent) of family foundation trustees were male and 610 (43.8) were female. Interestingly, this was by far the highest percentage of female trustees for any foundation type: among all foundations responding to the Council on Foundations survey, females made up just 35.0 percent of community foundation boards; 29.9 percent of independent foundation boards; and 35.2 percent of public foundation boards. An even more striking statistic comes from the *2003 Grantmakers Salary and Benefits Report* (Council on Foundations, 2004a), which reports that, among the 862 staff from family foundations responding to that survey, 622 (72.2 percent) were female and 240 (27.8 percent) were male.

5. For additional information on this topic, see Stone (2004).

6. One of the best discussions of this challenge is in Stone, *Grantmaking with a Compass: The Challenges of Geography* (1999).

7. See Born (2001) and Goldberg (2002).

8. Ylvisaker (1990) has some thoughtful words on this point.

9. Some of the most thoughtful work in the field has been on this topic. For example, C. Hamilton's excellent compilation *Living the Legacy* (2001).