



NATIONAL CENTER FOR  
FAMILY PHILANTHROPY



ASSOCIATION OF  
SMALL FOUNDATIONS  
*for foundations with few or no staff*

## **Making Plans for Succession: What Founders Need to Know**

*Prepared by the National Center for Family Philanthropy  
for the Association of Small Foundations*

*If you envision your foundation lasting for a long time – and, according to the Association for Small Foundations's 2003 member survey, approximately 2/3 of ASF member foundations indicate that existing in perpetuity is very important to the donor or the board – you've probably thought about the issue of succession. Who will take over when the current leadership has served its time? How will the foundation select those people? And what training will they need to do their jobs? If you're like most founders, you've probably considered these and other questions.*

*This primer provides guidance and practical suggestions for creating a successful succession planning process. It will help you to overcome the natural resistance you might feel for beginning the process of passing along leadership to future generations. This process should be tackled sooner rather than later – and you, as the founder of your family's philanthropy, have a crucial role to play.*

### **About the Association for Small Foundations**

The Association of Small Foundations builds and strengthens small foundation philanthropy by providing quality programs, products and services to foundations with few or no staff. For more information, please visit their website at [www.smallfoundations.org](http://www.smallfoundations.org).

### **About the National Center for Family Philanthropy**

The mission of the National Center for Family Philanthropy is to promote philanthropic values, vision, and excellence across generations of donors and donor families. For more information, please visit their website at [www.ncfp.org](http://www.ncfp.org).

# Making Plans for Succession: What Founders Need to Know

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If you envision your foundation lasting for a long time – and, according to the Association for Small Foundation’s 2003 member survey, approximately 2/3 of ASF member foundations indicate that existing in perpetuity is very important to the donor or the board – you’ve probably thought about the issue of succession. Who will take over when the current leadership has served its time? How will the foundation select those people? And what training will they need to do their jobs? If you’re like most founders, you’ve probably considered these and other questions. According to one study, founders consistently rated succession as their top priority concern. But it’s also one of the hardest concerns to address. If you’ve had trouble bringing up questions about succession with your family or board, you’re not alone.

There are many reasons succession can be a sticky topic for founders. Here are a few of those reasons, drawn from the National Center for Family Philanthropy’s new study, *Generations of Giving: Leadership and Continuity in Family Foundations*:

- **Unwillingness to disrupt the current system.** When the foundation works well, it may be hard to discuss introducing new players – particularly from a complicated family pool.
- **Desire to hang on to enjoyable foundation work as long as possible.** Managing a foundation can be fun, and founders may not want to talk about giving up positions they find fulfilling.
- **Status differences among family branches.** When some groups within the family have different histories or economic situations, the potential conflicts can make succession difficult to talk about.
- **Uncomfortable issues.** Just like planning a will, planning succession can involve some issues, such as the passing of a family member, that are uncomfortable or distressing to discuss.

This primer provides guidance and practical suggestions for creating a successful succession planning process. It will help you to overcome the natural resistance you might feel for beginning the process of passing along leadership to future generations. This process should be tackled sooner rather than later – and you, as the founder of your family’s philanthropy, have a crucial role to play.

## Why Plan For Succession?

While human nature may cause some founders to be apprehensive about beginning a succession process, there are many benefits to tackling this issue. Reasons to plan for succession include the following, also from *Generations of Giving*:

- Any organization's particular strengths are best passed on to future leaders while the seniors are still active.
- Successors need training and competence building to minimize "transition deficits"—the dip in operational efficiency that happens inevitably when experienced leaders withdraw.
- New leaders need the legitimacy that completing a rigorous development program provides, so that the entire family will empower them to act on behalf of all stakeholders.
- Successor development programs are also assessment and selection opportunities. They allow existing and potential leaders to see what works, who excels, and how it feels to participate.
- If no planning occurs, foundations may be left without contingency options in the event of a crisis.
- Discouraging the participation of potential successors for too long is dangerous. By the time the parents are ready to be more inclusive, the offspring may have moved away or invested their philanthropic interests elsewhere.
- The very issues that the family is trying to avoid by postponing successor development may be the most important ones that need addressing: disputes over mission, the pressure of geographic dispersal, uneven competencies and commitment across branches, poor leadership, or inadequate staff support.

As complicated as it may appear at first glance, succession planning is extremely important. And the time to start is sooner rather than later. Getting an early start will give you and your family time to deal with problems that arise – and to get the younger generation involved in the foundation they may one day run.

## Getting Started

Before you make any of your decisions regarding succession, there are a few things you can do to make the whole process easier. A foundation that runs smoothly, with good communication and understanding across generations, will have a much easier time weathering any conflicts that might arise.

- **Think** about your goals. Do you want your foundation to exist in perpetuity? If so, is it a priority for you to see your children take over when you're gone? What role do you see the foundation playing in your family? In your community? What parts of your foundation's mission and grantmaking priorities need to remain constant for the foundation to retain its character and connection to the founder? What parts have the potential to evolve? <sup>1</sup>

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<sup>1</sup> For an example of one founder's goals, see "The Leighty Foundation – Founder Intent," available online at: <http://www.smallfoundations.org/webpage/leightyhome>.

- **Talk** to your family. Don't wait until you have a pressing issue to discuss. Keep your family updated at regular intervals on the foundation's activities – and ask for their input. This will help prepare future foundation leaders for their roles, but it will also provide you with fresh perspectives from a variety of sources. And it will give everyone a chance to feel involved in and fulfilled by the foundation.
- **Know** how your family works. Are there certain issues that always produce conflict? Are there certain people who seem to rub each other the wrong way? Develop a plan for resolving conflicts, and discuss ways to keep personal and family issues from interfering with the foundation's work. Being prepared for these potential conflicts will help you tackle sensitive issues like succession with the confidence that you know how to deal with problems if they arise.<sup>2</sup>
- **Keep track** of your history. Having a record of the past of both your family and your foundation will help you lay the groundwork for the future. Family photographs and stories, as well as a record of the foundation's beginnings, can help build a family tradition that your children and grandchildren will be proud to be a part of.<sup>3</sup>
- **Learn** from other families. Many other families have been through transitions and succession within their foundation, and there are a number of models that you may follow. Contact the Association for Small Foundations ([www.smallfoundations.org](http://www.smallfoundations.org)), the National Center for Family Philanthropy ([www.ncfp.org](http://www.ncfp.org)), or the Council on Foundations ([www.cof.org](http://www.cof.org)) for suggestions of families to talk with.

### Three Simple Steps to Successful Succession

Many decisions go into an effective succession plan. At first, the sheer number of issues to consider can seem daunting. Breaking these issues into three main steps may make the process a little more manageable.

#### Step 1: Paving the Way

No one is born knowing how to be an effective trustee. And growing up around a family foundation is no guarantee that a child will be ready for, or interested in, governing it when the time comes. Fortunately, there are many ways to prepare younger family members for foundation work down the line. Involvement in the family's foundation can be extremely rewarding for young people, and it's best to make them a part of your philanthropy as early as possible. Depending on your age, you may be raising children whom you hope will one day take over the foundation. Or you may have grandchildren or other youth to whom philanthropic experience would be valuable. Either way, an important part of any succession plan is making sure that potential successors are well prepared for their roles.

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<sup>2</sup> For help with conflict management, see *Passages*, "Managing Conflicts and Family Dynamics in Your Family's Philanthropy," from the National Center for Family Philanthropy.

<sup>3</sup> For a sample foundation history, visit the Charles D. Jacobus Family Foundation website at <http://www.cdjff.org/cdjff.nsf/history.html>.

## **Ways to Involve Children in Philanthropy**

These suggestions, drawn from The Philanthropy Initiative's paper "Raising Children With Philanthropic Values," may help you get the children in your family excited about giving.

- Consider giving a three-part allowance, with one part to spend, one to save, and one to donate. Moonjar offers a three-part piggy bank to help kids with giving and saving; for more information, visit [www.moonjar.com](http://www.moonjar.com).
- Develop family giving rituals, perhaps structured around holidays, in which children can participate. You might adopt a needy family for the winter holidays – many homeless shelters offer this program, which affords great opportunities for kids to get involved.
- If you have young children, consider joining a parent-child philanthropy club. Some parent-child book clubs have begun to include a giving component. Perhaps your local book club – or another group to which you and your child belong – would consider adding philanthropy to its activities.
- Create an informal "family fund" or "grandchildren fund" and invite children to nominate their favorite charities.
- Volunteer with children in ways that stimulate their interests. You might even consider taking them on foundation site visits, and asking them to write a brief report on the work of current or potential grantees.
- If your time is limited, or if you live far away from the children in your family, consider using birthdays or holidays to get them excited about giving. Give them a book with a philanthropic message, or make a donation in their name. Talk to them about what philanthropy means to you. Share examples of why you support particular causes or institutions.

## **Suggestions For Involving Young Adults**

In addition to children, your family may include young adults who could benefit from involvement with the foundation, but may not yet be serving directly on the foundation board. Often, these young adults are eager to participate in the family's philanthropic work. Here are several ways you can help them:

- Listen to and respect their input. Don't talk down to them because of their age. Instead, ask questions and encourage them to offer ideas. (And give them the power/authority to implement some of their ideas.)
- Encourage personal philanthropy. Support young people's grantmaking in the areas of their interest. Depending on their resources, some foundations may choose to provide matching grants to programs selected by younger family members.
- Consider allocating discretionary spending for the younger generation. Some foundations have "next generation" funds managed by potential trustees. These funds help younger people understand – and get excited about – grantmaking.
- Think about developing a training program for potential trustees, or matching them up with more experienced mentors. If your foundation's small size makes providing these resources difficult, you might seek help from outside organizations, such as those listed at the end of this Primer.

- Help your family members network with other young people in philanthropy. This may be particularly useful if your foundation is small, and doesn't provide its young adults with many peers to discuss issues common to their generation.<sup>4</sup>

Involving young adults in philanthropy will help them make better trustees someday. However, it will also provide your foundation with new ideas – ideas that can be useful in the next step of your succession plan.

## Step 2: Asking the Right Questions, Getting the Answers

In planning for the future of your foundation, you may find that your concerns boil down to a few key questions. Answering these questions will take time. The good news is that you don't have to do it all at once. If your board meets infrequently, you can spread the succession planning process out over several years, working out the kinks as they arise. The important thing is to get started in a timely fashion and keep the issue under discussion when you can – don't push it to the back burner. You can also seek the help of outside consultants as you think about succession issues. Sources like the Association for Small Foundations and the National Center for Family Philanthropy, Council on Foundations, and your regional association of grantmakers can help you find appropriate advisors, mediators, and consultants to make your decisions easier. You might also turn to print resources, such as *Splendid Legacy: The Guide to Creating Your Family Foundation*, for help with your concerns. Some of the questions you are likely to face along the way include the following:

### **Which of your children, nieces, nephews and other relatives – or non-family members or associates – will be given the opportunity to serve on the board?**

To answer this question, think about two factors: what is best for your family, and what is best for those you serve. The foundation is a labor of love for you, and a great way for your family to come together around projects and organizations you collectively care about. It is also a public institution, and as such it requires a qualified and committed board of directors, whether they be family members or other individuals.

Some of the most common – and important – questions to consider when setting a policy on eligibility for service include:

- If there are there multiple branches of successors, how will they be represented? Are these branches of different sizes? If so, will smaller ones feel disenfranchised if they have fewer representatives on the board?
- Must family members meet specific criteria (age, education, volunteer service, etc.) before becoming eligible to serve?
- How do spouses fit into your family, and how might their involvement on the board affect others?

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<sup>4</sup> For a more complete listing of resources for young adults in philanthropy, visit Resource Generation at [www.resourcegeneration.org](http://www.resourcegeneration.org) or Emerging Practitioners in Philanthropy at [www.epip.org](http://www.epip.org).

- Must family members live in the geographical region where the foundation funds to be eligible for board service?<sup>5</sup>

Assuming that you do wish to encourage the continued involvement of your family members, it's important to make sure that the foundation remains fulfilling for them in some way or another. This doesn't mean pleasing everyone all the time. But it does mean making sure everyone has a voice. Good communication with your family will ensure this, but even in the most open dialogue problems can sometimes arise. In these situations, it may be helpful to hire a family counselor or facilitator. An outside expert can help you understand the dynamics of your family, so that everyone's voice can be heard in a productive way.

While the foundation is an important family institution, it's also an organization with real work to do. Because of this, it's important to develop a succession plan that allows the board to function effectively through its leadership transitions. One way to do this is to develop a job description, or list of criteria, for board membership. Benefits of trustee job descriptions include:

- Helping potential trustees understand what they are getting into. If responsibilities are clear from the start, successors will be more ready and able to do their jobs when the time comes.
- Helping those family members who lack the time or energy for trusteeship to recognize this and seek alternate roles.
- Providing a guide in those tough situations where a family member may not be board material.
- If your family is small, a job description can also aid in the process of seeking non-family trustees. Non-family members may be beneficial to foundations, as they can provide family-neutral perspectives and diverse experiences.

*Sample trustee job descriptions are available in ASF's Foundation in a Box, at [www.smallfoundations.org](http://www.smallfoundations.org).*

### **How will your foundation choose its leaders?**

Until now, your foundation may have had only one leader – you. As time goes by, your family will need a good system for choosing new leaders from the available pool. Sometimes, the choice may be obvious. As families grow, however, there may be many likely candidates. And small families may have to engage in active recruitment, potentially seeking outside leadership if necessary.

As in selecting board members, making a job description can be useful. Decide what qualities are important in a chairperson of the board, and what duties this person will perform. Be aware that these duties may change as your foundation grows, and consider developing a process for reviewing the chair's job description at regular intervals.

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<sup>5</sup> For a complete checklist and discussion of issues related to involving family, see *Passages*, "Families in Flux: Guidelines for Participation in Your Family's Philanthropy."

**What parts of your philanthropic legacy should be kept constant? What parts should change over the years?** You started your foundation with certain goals in mind. No doubt, those goals are still important as you think about your foundation's future. Here are some ways to help ensure that this happens:

- Develop a clear mission statement to share and discuss with your family. This will help them understand what matters to you, the deeper reasons behind the everyday activities of philanthropy.
- Talk with potential successors about the history of the foundation. Share how you got involved in giving, and how your goals relate to your ancestors and community.
- Involve successors in grantmaking activities to help teach your history and philosophy firsthand. Use a site visit to explain to your children what matters to you.
- If your young adult relatives have expertise relating to a particular grant applicant, seek out their advice. Explain why you are considering the applicant in the first place, and discuss how this grant fits into your foundation's larger program of giving.

Though many foundations plan to exist in perpetuity, communities and needs change over time. If you allow your foundation to adapt to these changes, you will serve grantees better. And you may help new members of the board, who grew up in different times, feel more fulfilled by their work. Other ways of accommodating change in your foundation's focus include:

- Consider structuring your mission statement with short-term and long-term goals. This will allow your larger mission to remain constant while some aspects of your grantmaking change to reflect shifting needs.<sup>6</sup>
- When reviewing your mission and guidelines, consider consulting with younger members of your family not currently serving on the board. Their perspectives on current events can be valuable and surprising.
- If you have not done so already, you may want to develop an amendment process for your foundation's bylaws. Such a process will allow for controlled evolution in how your foundation is run.

**How much will your foundation reflect the shared interests of your whole family, and how much will it allow for individual interests?** For many founders, particularly if their foundations are small, grantmaking has been a personal labor of love. As families grow, however, philanthropy becomes more of a group effort. This can bring unity, but it can also cause conflict. Having a conflict management plan in place will help keep organizational disagreements from becoming personal. However, it won't keep such disagreements from arising.

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<sup>6</sup> See [www.kirschfoundation.org](http://www.kirschfoundation.org) for an example of short-term and long-term mission planning, by the Steven and Michele Kirsch Foundation. For an example of a foundation that retained its legacy while adapting over time, see "Change Within Tradition: The Hattie M. Strong Foundation," from *Living the Legacy: The Values of a Family's Philanthropy Across Generations*.

To make a plan for resolving these disagreements, think about culture divisions in your family. A simple process to consider might be as follows:

1. Determine whether there are different generations whose views may clash, or different branches whose geographical locations generate separate priorities?
2. If necessary, develop compromise practices for bridging these divisions. Some families prefer to arrive at unanimous decisions. Others use a turn-taking system, with the “losers” of one decision getting to make the next one.
3. Together with your family, arrive at a system that works best, and create simple written guidelines. This will make decisions easier for everyone to accept – even if they don’t always agree with them.

Of course, family dynamics change over time like anything else. Because of this, include a process for amending your compromise practices when necessary.<sup>7</sup> You may find that in some situations you will want to give individuals or groups discretionary grantmaking power separate from the foundation as a whole. Opinions are divided on discretionary grants – some think they spread a foundation’s resources too thin and take the “family” out of “family philanthropy”. However, discretionary grants can be a way of allowing for a diversity of approaches and interests. Decide if your foundation – and those it serves – will benefit from the level of individual decisionmaking that discretionary grants provide.<sup>8</sup>

### Step 3: Stepping Aside

For many donors, philanthropy is an enormously fulfilling part of life. Leading a family foundation can be a wonderful experience – and one that is difficult to give up. However, there are benefits to letting your successors assume leadership roles sooner rather than later. Potential leaders are likely to feel more involved with the foundation if they know they won’t have to wait until their fifties or sixties to assume their roles. Consider setting term limits for board members and for the position of chair. If your family has many capable members, think about establishing a rotation policy so that everyone has a chance to serve.

Giving up a position so that a successor can fill it doesn’t mean giving up the foundation, however. You can design roles that allow senior family members to use their wisdom and experience while at the same time making room for the next generation. Consider developing mentor and advisor positions that will allow you and future senior members to stay involved – while letting others get involved too.

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<sup>7</sup> For a detailed discussion of decision-making practices, see *Passages*, “Demystifying Decisionmaking in Family Philanthropy.”

<sup>8</sup> For further help with this decision, see *Passages*, “Discretionary Grants: Encouraging Participation ... Or Dividing Families?”

## Things To Remember

These three steps do not cover every conflict you may encounter in the succession-planning process. However, keeping these few key points in mind will help you deal with these conflicts as they occur:

- Understand your goals, your family, and your history.
- Involve children and young adults as early as possible, and let them know that their perspectives are important.
- Consider both family and community in the makeup and leadership of your board.
- Preserve your mission while allowing for adaptation.
- Know that differences of opinion will happen, and decide how the foundation will solve them.
- When the time comes, give the next generation a chance to lead.

As a founder, you probably feel that philanthropy is a very important part of your life. Some of your most rewarding experiences may come from the foundation you created. Planning for your foundation's future can be a rewarding experience too. Of course, some difficulties will arise in the process. But these difficulties go along with a great joy – that of passing on your legacy to your descendants. You are giving your successors an enormous gift: the opportunity to make a difference.

## Additional Resources

In addition to the publications cited in the text, many of the ideas in this primer are derived from the following resources from the National Center for Family Philanthropy. They are a great place to look for further information on the topics discussed, and may be ordered online at [www.ncfp.org](http://www.ncfp.org) or by calling 202.293.3424.

- *Generations of Giving: Leadership and Continuity in Family Foundations*, by Kelin Gersick, et. al. This new study describes organizational development in family foundations across time and generations, and includes many stories of succession in family foundations. Chapters 7 and 9 are particularly relevant.
- *Growing to Give: Instilling Philanthropic Values in Teens and Preteens*, by Darlene Siska. This *Passages* issue paper provides many suggestions for getting young people excited about philanthropy, and for motivating those who at first seem apathetic. It also includes a comprehensive list of resources.
- *Living the Legacy: The Values of a Family's Philanthropy Across Generations*, edited by Charles H. Hamilton. This volume of the NCFP Journal Series presents case studies and tools for helping families describe and pass on a philanthropic legacy over time and through generations.
- *Managing Conflicts and Family Dynamics in Your Family's Philanthropy*, by Deborah Brody Hamilton. The issue of succession can cause conflicts in even the most harmonious families. This *Passages* issue paper offers descriptions of different types of conflicts, as well as ways to resolve them.

- *Opportunity of a Lifetime: Young Adults in Philanthropy*, by Alison Goldberg. This *Passages* issue paper gives a variety of specific suggestions for involving the younger generation in your giving.
- *Splendid Legacy: The Guide to Creating Your Family Foundation*, edited by Virginia Esposito. This comprehensive book addresses a wide variety of concerns founders face, including issues of succession and board composition. It provides advice for every stage of the succession planning process, beginning with the very inception of the foundation.
- *Successful Succession: Inspiring and Preparing New Generations of Charitable Leaders* by Virginia Esposito. This *Passages* issue paper offers twelve helpful tips for a smooth transition to next generation leadership, including advice on mission statements, governance structures, and involving younger family members.

The following publications from the Council on Foundations also provide useful information on succession issues, and may be ordered online at [www.cof.org](http://www.cof.org):

- *Family Foundations: Now... and Forever? The Question of Intergenerational Succession*, By Paul Ylvisaker. A great resource for help with the transition between generations. May be purchased online at [www.cof.org](http://www.cof.org).
- *The Giving Family: Raising Our Children to Help Others*, by Susan Crites Price. Price offers eight steps for involving children 5 to 18 in giving and volunteering. May be purchased online at [www.cof.org](http://www.cof.org).

## Helpful Organizations

- **Association of Small Foundations.** [www.smallfoundations.org](http://www.smallfoundations.org). ASF specifically addresses the needs of foundations with small staffs or no staff at all, providing publications, online resources, and a variety of gatherings that facilitate networking and learning.
- **Council on Foundations.** [www.cof.org](http://www.cof.org). The Council on Foundations offers leadership expertise, legal services, and networking opportunities, as well as a variety of publications and conferences on many issues that may be relevant to your foundation's succession planning.
- **National Center for Family Philanthropy.** [www.ncfp.org](http://www.ncfp.org). NCFP offers presentations, research services, a monthly newsletter, and an online knowledge center including the articles cited in this primer as well as many other materials on the topic of succession.
- **Resource Generation.** [www.resourcegeneration.org](http://www.resourcegeneration.org). Geared toward the 18-35 age group, Resource Generation helps young people with wealth to bring their values and vision in line with their financial resources. This group can help the younger generation in your foundation contact peers and get advice about giving.