NOT IN THE FAMILY

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It's quite common for family foundations to have at least one board member who is not a family member. In fact, results of the Council on Foundations *2000 Foundation Management Survey* showed that 126 (58%) of 218 family foundations that responded include nonfamily members as part of their boards.[1] While family foundations have paid much attention to issues such as whether or not to include "outsiders" and how nonfamily members should be selected for board service, they seem to have given less consideration to methods for involving nonfamily members once they're elected.

Interviews with trustees and staff from several family foundations indicated that many family foundations are still struggling with how nonfamily trustees should be involved with foundation work. Most foundations do not have formal procedures addressing this issue. They have, however, by trial and error, found some strategies that work for their boards.

Select trustees who can inform the board about a specific geographic area. Since its inception in 1949, the Patrick and Anna Cudahy Fund in Milwaukee (with assets of about $24 million) has opted to include nonfamily members on its board. The foundation funds in a variety of areas including social services, homelessness and the arts in Chicago and Wisconsin. The family members come from Chicago and the nonfamily members from Wisconsin. In this case, nonfamily members serve the important purpose of keeping the family in touch with the programs and needs of Wisconsin.

The Cudahy fund has ten board members, four family and six nonfamily.

Family foundations tell how they work best with trustees who aren't family members.

The family members consist of the donor's son and his wife (permanent board members) and five adult children who rotate on the board for three-year terms. The nonfamily members are elected for three-year renewable terms. According to Executive Director Judith Borchers, "The family feels the nonfamily members have the expertise in the Wisconsin nonprofit sector. These individuals are retired counselors, social workers and attorneys." They are all people well known to the family through their careers as well as their volunteer and civic work.

Go outside the family for compensation decisions. The Frank Stanley Beveridge Foundation in Boca Raton, Florida (with assets of about $42 million) decided to involve nonfamily members on the board when it was grappling with the issue of compensating a family member who functions as the foundation staff in addition to being a trustee. The family did not want to be in the role of evaluating another family member's performance and salary.

The five nonfamily members who serve as the compensation committee are also full board members with the same terms and powers as the family members. However, the nominating committee is composed of only family members. The family wants to continue to have the numerical advantage over nonfamily members and hopes to accomplish this through the nominating committee.

Select the best people you can and be clear about their roles. According to Beveridge foundation President Philip Caswell, family foundation boards should elect the best-qualified nonfamily members and then clearly delineate what their function is and why they are on the board. The family should also create an environment in which non-family members can speak openly. He feels many nonfamily board members are afraid to go against the family

[1] These figures were taken from the *2000 Foundation Management Survey*. The original figures presented in the article were from the 1992 Foundation Management Survey and read as follows "…results of the Council on *Foundations 1992 Foundation Management Survey* showed that three-fourths of the 227 family foundations that responded include nonfamily members as part of their boards."

majority or simply feel it is not their place to do so. Like the Cudahy fund, the Beveridge foundation is run from a different state than where it was founded—it is located in Florida but has roots in Springfield, Massachusetts. One critical function for nonfamily board members is to help bridge the geographical gap.

Elect nonfamily members to expand your board. Involving nonfamily board members can also be of critical importance to small family foundations with a limited number of interested or qualified family members. The Berg Family Foundation in North Dakota currently has about $300,000 in assets but is expected to grow to a few million when the founder dies. The board consists of the founder, Elmer Berg, and his grandson, David Berg.

According to David Berg, the family is considering a range of options. Two of them: including adding nonfamily trustees to take on specific asset management and grantmaking roles, or turning the assets over to the local community foundation.

Welcome a different perspective. The New Horizon Foundation, a small family foundation (with assets under $ 1 million) in Tacoma, Washington has a board of three family members and one nonfamily member. According to board member Ralph Hadac, the nonfamily member is a long-standing friend of the family. "He asks questions that the family might not have thought of," Hadac says.

Give equal status to nonfamily and family trustees. The board of the Seattle-based Nesholm Family Foundation (with assets of about $12 million) consists of three members, one family member and two nonfamily. The family member's wife is the foundation's unpaid executive director. The board meets monthly and makes grants in the areas of health, education and the performing arts. One nonfamily trustee is a pediatrician and offers especially valuable insight in the area of health-related grants. According to trustee John, the board has been successful because "each trustee has an equal voice."

Jim Shannon, a former foundation executive and trustee of both the General Service and Compton foundations, offers the following advice to families managing mixed boards: Pay attention to how you listen to and involve the nonfamily members. It often helps to seek input from them between board meetings by telephone or letter."

While families can't choose their relatives, they do choose nonfamily trustees.

Just as some families make the mistake of not listening to nonfamily members enough, others do the opposite. In one instance, family members let the opinions of nonfamily members dominate because the nonfamily members had more professional credentials.

Set term limits for all trustees. Jim Shannon also urges family foundations to consider term limits for all trustees—not just the nonfamily ones, as many foundations do. Some larger family foundations rotate family members on and off for several-year stints, offering "turns" to serve. "I have never heard of a family foundation that did not limit terms for outside board members," says Shannon, "but it is rare that terms for family members are limited." Term limits provide the board with a structure for rotating talent and preventing burn-out.

While families can't choose their relatives, they do choose nonfamily trustees. And they must decide how to involve them. Having a clear mission for the foundation, job descriptions, selection criteria, term limits and open communication can go a long way to ensure that everyone's time is well spent and that grantees are well served.

Writes John Nason, a former trustee of several family foundations, in *Foundation Trusteeship*. "In the last analysis, foundations should be judged on the good they do rather than on the structure or methods by which they achieve their results. After nearly 100 years of foundation experience, however, it is now becoming clear that some methods produce better results than others."