

Who's On the Board?

CHANGING DEFINITIONS OF WHAT CONSTITUTES "FAMILY" MAKE IT HARDER TO

DRAW THE LINE ON BOARD ELIGIBILITY

By Deanne Stone

In many family foundations, the issue of spouses' participation on the board never comes up. It is simply understood that anyone who marries into the family can be considered for board membership. But in other foundations, setting policy regarding spouses is a source of emotional turmoil that pits one family member against another.

Today's incidence of divorce, multiple remarriages and diverse living arrangements has expanded the boundaries of the traditional family unit. Like it or not, there is no longer a common definition for foundations to follow. Does "family" include stepchildren? Do live-in partners count, and, if so, how long do they have to live in to be regarded as family? Must spouses serving on boards resign after they divorce, even if they are valuable members? What happens when a family member remarries and wants the new spouse who is unknown to the family to replace the former spouse who was well-known and well-liked by the board?

"Each family has to set its own rules of membership," says John Davis, president of OMBI (Owner-Managed Business Institute), an executive education and consulting center for family businesses and foundations in Santa Barbara, California. "If a foundation doesn't settle on a definition of family early on—before the discussion gets

dominated by personalities—it will pay for it later."

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Davis recommends that all family foundations, whether or not they are currently drafting policy on this question, have a group conversation about defining their own family. A family gathering where everyone—blood relatives, their spouses or partners, and offspring—can participate in the discussion is one way to get the subject out on the table.

A sampling of foundations indicates that many families are doing exactly that. Although some reported that the process of reaching consensus was at times rocky, most agreed that broaching the topic of who was eligible to join the board was helpful in identifying family concerns.

SHARED VALUES

The Namaste Foundation decided to make spouses eligible for membership despite the possibility of their board reaching an unwieldy size. The founders have six children. If all the children marry, the board, which currently is composed of seven family members and two non-family members, could grow to six-

teen. "The key issue for us," says Wendy Graham, "was that the spouses would be involved in raising our grandchildren, and we wanted them to share our values. The foundation is a natural place to do that."

By contrast, the newly formed Remmer Family Foundation, whose board consists of a mother and three daughters, chose to exclude spouses—at least for the time being. Ellen Remmer explains, "We are still healing our wounds from when we sold our family company. My sisters and I were often torn between loyalty to each other and to our spouses. When we set up the foundation, we decided we needed more practice in working out conflicts among ourselves before we thought about bringing in our spouses."

The Fondren Foundation took a different path. It used to include spouses but changed its policy when it brought the fourth generation onto the board. "We thought that it was not a good idea to invite spouses when we have enough blood relatives to fill the seats," says David Underwood. "We view the foundation as something to benefit the family, and by limiting membership to direct descendants of the founder we can stay cohesive."

QUALITY CONTROL

“The real concern for family foundations,” says John Davis, “is how to find the right talent to fulfill the mission of the foundation.” Davis offers a few rules for building a strong board:

1. *Factor in time and resources for training, and consider the option of looking for competent outsiders who can help the foundation achieve its aims.* Not all family members have the competence or experience or even desire to serve on the board.
2. *Set qualifications and terms of office for all board members—family and nonfamily alike.* After three to five years the effectiveness of most board members declines, so rotate members periodically.
3. *Avoid constituent boards in which each board member represents a family branch or faction.* This is destructive for board dynamics. Far more effective is to elect a few family members who represent the entire family’s interests.
4. *Don’t use the boardroom as a forum for family matters.* Instead, create a separate family council that meets periodically, perhaps annually or semi-annually, and at which the whole family can participate in discussions of family relations as well as the work of the foundation.

Some foundations that exclude spouses from board membership involve them in other ways. For example, they may invite spouses and other relatives to family meetings to participate in discussions of foundation issues not dealt with at formal board meetings. Others give spouses a voice in nominating family members for board service or offer them seats on advisory committees. Still others set aside discretionary funds that different branches of the family can use as they wish.

‘TIL DIVORCE DO US PART?

When a divorce occurs most families automatically exclude ex-spouses, although one foundation voted to keep a spouse on the board who maintained amicable relations with his ex-wife and other family members.

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Most foundations also draw the line at live-in partners, but a few will make live-in partners eligible

after a certain time period, say two years.

One trustee who asked not to be identified had other reasons for wanting to exclude spouses from the family foundation. “Our family has a history of animosities among the different branches. We have enough problems trying to keep peace among the current members without adding spouses to the mix. A few years ago, the divisions among the trustees took on a new dimension when the third generation came on board. The younger generation has been pushing to change our funding areas. If we included their spouses, they would vote as a block against the older generation.”

PHILANTHROPIC POTENTIAL

But Robert Gries of the Gries Family Foundation thinks that foundations are asking the wrong question. “The issue is not marital status but a person’s potential to be a good philanthropist. It’s ridiculous not to include someone who is qualified.” His foundation welcomes spouses who meet its criteria of living in Cleveland, being active in the community and sharing the family’s goals.

“What’s the big deal?” asks Gries. “It’s not a lifetime appointment. You bring spouses on board, teach them what they need to know, and if you don’t like their performance you vote them out—just as you would in a business.”

Jaylene Moseley, who is married to the president of the Flintridge Foundation and is its managing director, takes Gries’s argument a step further. “The mistake some people make is thinking of the foundation as a family possession—part of their

inheritance. If they thought about it as a public trust, which it is, they wouldn't be worrying about spouses. Instead they'd be looking for the best people to help the foundation reach its potential. Few families possess all the knowledge, skills, experience and creativity a foundation needs."

"One problem with all-family boards," says Moseley, "is that when they get together they act like families. The focus is on the family dynamics—who has the control and who gets their way—and not on the foundation. Also, many family members are naive about grantmaking when they join the board. I think we have to ask ourselves why people should be allowed to come to philanthropy without qualifications, and if it is

ethical to have boards composed of family members who don't represent the constituency they serve?" Moseley speaks from experience. Besides serving on the Flintridge board, she manages and is trustee of two charitable trusts that make grants to grassroots organizations in the inner city. Working with local activists who understood the community's goals

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convinced Moseley of the value of bringing together people from diverse backgrounds. This year the

Flintridge Foundation is bringing on two nonfamily board members and it plans to add a third next year.

Crossing the line from being an all-family board to including experts with no family ties is a big step for most foundations, and is another topic altogether. More important, though, is that family foundations consciously take the time to periodically define what they believe their own family foundation board should look like.

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