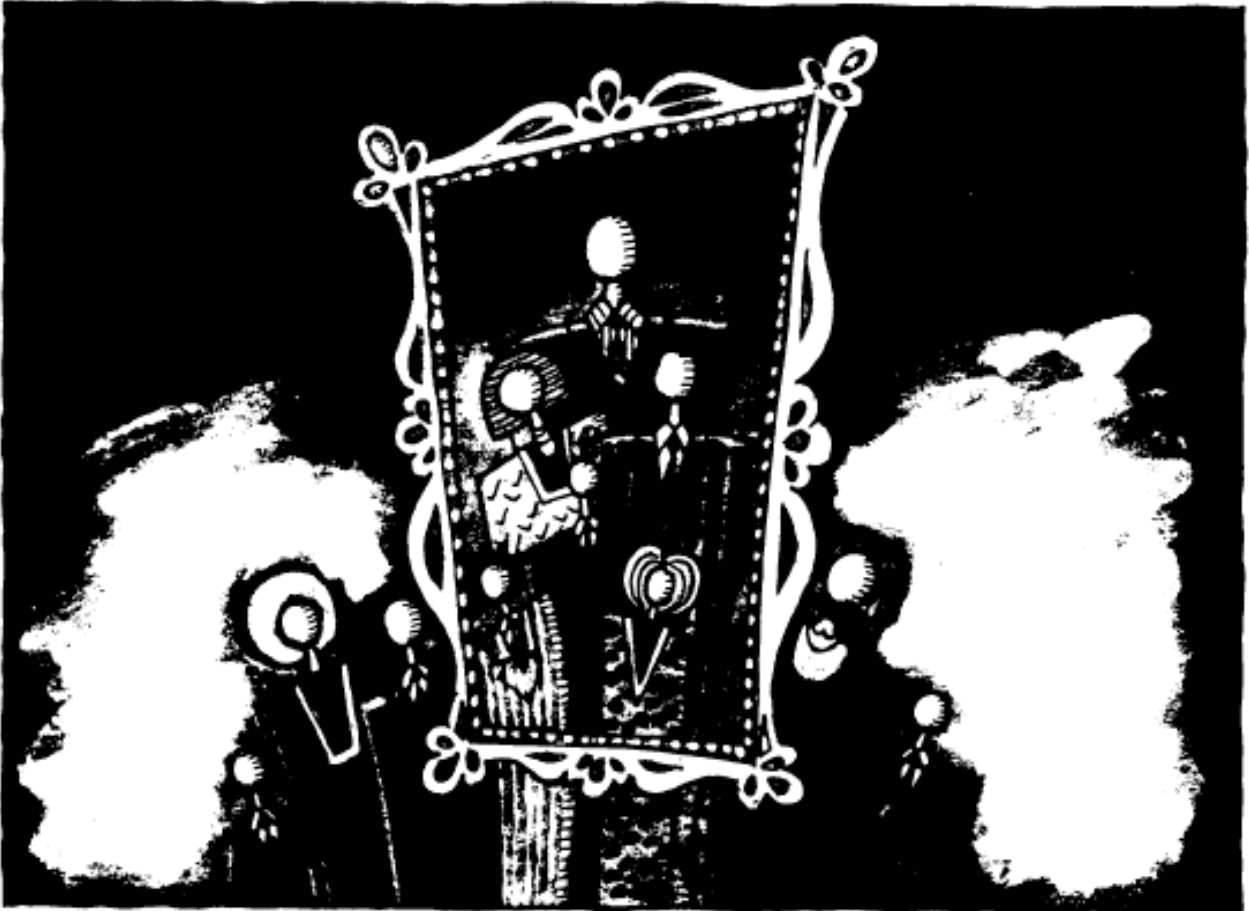


Always in the Family?

Not Necessarily. While Some Family Foundations Prefer That All Trustees Be Family Members, Others Find That A Few Outside Voices Can Enrich the Process

By Cissie Coy



The composition of family foundation boards is understandably a ticklish topic. After all, it often involves the tension between siblings or clashing generations, the complications of great wealth and unequal relationships, or the intrusion of outsiders.

Some of the buzzwords used to describe family foundation boards are loaded: Do you “dilute” the foundation’s purpose by bringing in outsiders? Does the addition of outsiders shatter the closeness

of all-family boards? Or does “diversity” of outside views enhance grantmaking and elevate discussion?

Simply because there are so many variables—including the foundation’s location, purpose, size, and history—there clearly is no one right formula for the composition of a family foundation board. But there are many useful examples.

Family Only

Smaller foundations often choose a family-only board

when family members have the time and interest to direct it. The Albert Kunstadter Family Foundation of New York City has seven trustees: one son of the founder, John W., his wife Geraldine, and their three children who live nearby and are all actively involved; and another son and his wife who are less active in the foundation. As there is no staff, the Kundstaders personally supervise annual grants of about \$285,000 (“I’m the file clerk,

secretary and check writer,” says John).

John Kundstadter describes two advantages to a board like his: maintaining a closeness to the grantees and their interests as well as the having the ability to respond quickly to requests “We can pick up the phone and ask the kids about something and *get* it done in 24 hours. We can accomplish a great deal with a small amount of money in a very short time.”

Immediate-family boards, and boards containing in laws and extended relations, are also particularly suited to foundations that focus grant making on a fairly narrow field, or that fund areas of personal interest of the founder. The Springs Family Foundation in Lancaster, South Carolina grants about \$2 million to organizations within a three county area where the family textile business began in 1942, and where the family subsequently planted roots.

Springs’s 12 board members include the founder’s daughter, Ann Spring Close, and her eight children. The board is the one entity that involves the full family as a unit, says daughter Crandall Bowles, who runs a family company and is the most involved of the siblings in the foundation. Adds her mother, “As the next generation takes over, the board composition will depend on whether their children live in this area and are concerned with this area, as the foundation’s goals will remain the same.”

Recruitment for family-only foundations is naturally limited, but can still take several forms. Some families actively recruit extended family members, while others routinely appoint

younger family members to adjunct boards for training.

The Patrick and Aimee Butler Family Foundation in St. Paul, Minnesota, which annually grants nearly \$850,000, has six second-generation and one third generation trustees, and will add four more from the third generation in the next two years. With 14 eligible individuals to choose from (ranging from age 20 to 31), Trustee/Program Officer Sandra K. Butler created and sent a one page questionnaire to them to determine who has a real interest in, and will bring something to, the foundation. Among other things, Butler’s questionnaire asked for information on education and training, special interests, and professional memberships, and included a checklist of areas of expertise (investments, public relations, legal affairs) and funding areas (Catholic institutions, museums, health). So far, five have expressed interest in serving on Butler’s board.

Outsiders In

There are, of course, ways to bring outsiders into the foundation without relinquishing control. The two-tier structure of the Bert and Mary Meyer Foundation in Orlando, Florida, was designed to fulfill twin purposes: to educate the family members on the problems facing southern rural communities (the foundation’s \$3.3 million-per-year funding interest), and to maintain family control of the organization.

Meyer’s two-tier board is comprised of three family members, who are white, and four outsiders, who share the same ethnic and community

backgrounds as most of the non-white grantees (currently, there are two blacks, one American Indian, and a Salvadoran; women are in the majority on the board).

“Our seven board members make the decisions about policy and grant-making, but the three family members elect the board and amend the articles and bylaws,” explains Barbara Portee, who established the foundation six years ago in her parents’ names. Another check: outsiders serve one-year terms, limiting the potential for sustained discord and continually reinforcing the board’s desire for diversity.

The Gates Foundation in Denver, Colorado, which grants about \$5 million per year, decided to rotate off two family and two outside board members for at least one year after every nine years served. (An exception was made for Charles Gates, Sr., president of the board, who was “grandfathered.”) Foundation Director Charles Froeicher says outsiders were added in the late 1950s because “the trustees felt the foundation’s purpose was to benefit the community, and they didn’t think they had a monopoly on every good idea.”

Making the decision to add outsiders can be a lengthy process. Paul Ylvisaker, Mary Reynolds Babcock Foundation trustee and longtime foundation mentor, acted as a facilitator for the Woods Charitable Trust, a Chicago-based foundation that annually grants \$2.4 million in its home city and in Lincoln Nebraska, when that foundation was in the process of bringing on non-family board members in 1987.

“I try to use a non-threatening way of raising

threatening questions,” says Ylvisaker of his mediating technique. “The most persuasive argument for bringing on outsiders is, without question, diversity. The second, a more subtle one, is that an outsider helps focus discussion on issues beyond family concerns. It’s like inviting guests to the dinner table; it elevates conversation.”

In Ylvisaker’s estimation, family foundations are tending to move toward the goal of diversity, “but it’s not happening nearly as fast as some would like to see it happen.”

Ylvisaker stresses that it’s important to choose carefully the first outsider to join a family board, since that first person to “get beyond the inner circle,” will represent a change that can feel quite dramatic. For example, the most recent outside addition to the Woods Charitable Fund’s board is Sidney Beane, a American Indian who heads the Indian Center, a Lincoln-based community development corporation. “He’s been to exactly one meeting so far,” says Jean Rudd, executive director, “and he’s already made a profound impact.”

Another way to strengthen a family foundation’s diversity is

to created advisory committees that carry real clout. A group of advisory committees to San Francisco’s Zellerbach Family Foundation initiate most of the fund’s projects. Jeanette Dunckel, the latest non-family member to join Zellerbach’s full board, had previously served on its child welfare advisory committee. Zellerbach has grown very comfortable, says Dunckel, with “giving away some of their power.”

Tension and Togetherness

John Kundstadter says that in the past 12 years his board has had maybe only three “up and down votes”— where a show of hands recorded in the minutes was called for instead of the usual a unanimous agreement. “That doesn’t mean we haven’t had very strong discussions. Family dynamics cause most of the problems. Of those three votes, at least two had to do with family matters, not grants.”

His daughter Lisa Kundstadter, a financial manager with an MBA who is taking time off to raise two young children, takes a pragmatic view of her role: “My parents have a major voice in what the foundation does. Those in my generation are busy with a lot of other things and just

don’t have a lot of time to devote to it. If one of us suddenly came up with our own agenda and got more involved with the foundation, there might be more tension.

One all-family board deliberately uses the foundation for philanthropy and togetherness. Says Sandra Butler, “If you want the family to be together, you can’t use the foundation as a battling ground. We’re all committed to keeping generations together and eager to talk to each other,” says Sandra Butler.

Says Crandall Bowles of the Springs Foundation, “We all have assets and most of us contribute to our personal things separately. And one of the things that is an advantage to us is that the geographic area is set forth in our charter, so there’s not a lot of leeway for someone going off on a tangent.”

When there are strong disagreements, a vote is called. “Rarely does it cause any animosity,” she says, adding with a smile, “Knock on wood!”

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