



# *PASSAGES Issue Brief*

EXPLORING KEY ISSUES IN FAMILY GIVING

## A Steadying Hand: The Critical Role of Non-family Board Members

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by Susan Packard Orr

After serving for more than 45 years on our family foundation board, I am sometimes asked for advice by other families, families who are just starting on this adventure as well as those who have a much longer history than we do. One piece of advice I always offer is to include non-family members on your board.

“We had to step back to take the time and to invest in a process to build trust on the board and a culture that allowed us to work together. Trust is the lubricant that makes everything else possible. Without that, nothing else works.”

—John Flicker, Non-family Trustee,  
The Storer Foundation

This is largely because non-family trustees have provided a wealth of knowledge and advice and have greatly enhanced our work as a foundation. But it is also because of our family’s experience after both Mother and Father had passed away. The non-family board members provided the critical steadying hand that we needed as we dealt with the future of the foundation without our parents. It was a rocky transition, and we were very grateful that they were with us at the board table.



By the time of Father’s death, we had been working with non-family trustees for decades. A deep level of trust had been built up between the family and these “outsiders.” We knew they had in mind the best interests of both the foundation and the family as they offered their guidance.

# Early Decisions

Like many family foundations, in our early days our founders made a number of decisions that would impact us over many years to come. They did not discuss with their children why they made some of these decisions. I suspect in many cases they did not give much thought to some of these choices.

One of those early decisions was to invite non-family members to join the board. The foundation was started in 1964, and by 1967, when I joined the board, we already had our first non-family trustee. We children were still all in our twenties, and I imagine my parents thought it would be a good idea to have some additional adults in the room. And, perhaps, my father wanted to give some of his friends the opportunity to participate in his philanthropy.

While Father was alive, non-family trustees were indeed his colleagues. Over the years they included two family attorneys, several Hewlett-Packard executives, and a pair of former Stanford deans. None of these gentlemen brought specific content knowledge about our grant-making programs, but they all brought wisdom and experience to the board room. We welcomed their participation.

Non-family trustees continue to play a vital role in the work of the Foundation. Over the years we have diversified beyond the white-male-friend-of-Dave cohort, adding people from a variety of backgrounds and geographies. Of course we all share a common vision and appreciation for the program areas that



David and Lucile formalized their passion for philanthropy in 1964 when they established the David and Lucile Packard Foundation.

the foundation has chosen, because everyone has participated in making those decisions.

We have instituted terms (three years) and term limits (up to three, with a possible extension). We have developed written criteria for selecting non-family trustees, and have added an orientation program. We have written our bylaws to ensure that the family maintains ultimate control even if the non-family trustees outnumber the family on the board (see sidebar).

Although our bylaws provide family control, the family trustees do not exert excessive control in the board deliberations. In fact all trustees are equal in the board room. Everyone's ideas are listened to and considered, and everyone has an equal vote.

“We expect a lot out of our community members. Their role as a community board member does not end at the annual meeting or the twice-annual meetings. We expect them to be engaged with the community, and, often, our community members are our eyes and ears around the state, and so they end up becoming ambassadors for us in their communities, and it's an important part of the job.”

– Adam Gibbons, Family Board Member, The Rasmuson Foundation

# The Value of Non-family Trustees: Skills and Expertise

Besides bringing general wisdom to the table, non-family trustees can bring specific skills that may be minimal or missing among the family.

- **Governance** – people who have served on multiple boards of various types can bring experience around governance issues, such as board size and terms, chair succession planning, committee structure, and meeting agendas.
- **Finance** – while the founder of a family foundation probably has, or had, good financial skills, those may not exist in subsequent generations whose members have chosen other careers. Understanding investment opportunities and trade-offs, for example, are vital to sound management of your endowment. While you can hire this expertise, it is important to be able to evaluate performance from the board perspective.
- **HR and compensation** – non-family trustees who have run major organizations bring extensive experience in handling difficult staff issues and understanding the implications of compensation and other HR decisions that the board makes.
- **Program content expertise** – finding someone who has deep understanding of your program area(s) without being a grantee can bring helpful insights into how to have impact. This could be someone from the academic world, for example, or someone with government and policy experience.
- **Mentor** – a non-family trustee can serve as a powerful mentor to a younger family trustee in ways that a family member cannot. It can be much easier to hear and accept advice from a respected non-family elder than from a parent, uncle or older sibling.
- **Family dynamics** – often having non-family trustees in the room can tamp down difficult family interactions. This is especially true if the trustees are respected and well-liked by everyone around the table.

“Our community board members add a lot of diversity, but they also really have a feel for what it means to be part of a family foundation. We don't want people just to say yes to us, but we want people who realize that while we're stewards for assets in the Weaver Foundation that go towards the public good, the Weaver Foundation also works to bring the family together and teach philanthropy to our younger generation.”

—Katherine Weaver, Co-founder,  
The Weaver Foundation

# Common Concerns

When I offer my advice about adding non-family trustees, it is not always well received. So what are some of the concerns?

- **Too strong a voice** – a non-family trustee with a strong voice may intimidate some family members, especially younger ones, into silence. In the worst-case scenario, a non-family trustee who was good friends with the founder may assert that he (and he alone!) really knew what Dad wanted.
- **Family dynamics** - non-family trustees must view themselves as colleagues of the whole family, not just one generation or one faction. There is a concern that a clique may form, perhaps between one family branch and the non-family trustees, which will outnumber other family voices at the table.
- **Board size** – non-family trustees take up board seats that could be allocated to family members instead. For foundations without enough board seats to accommodate all interested family members, this is a legitimate concern. However, the advantages that even 2 or 3 non-family trustees bring to the table may be worth expanding the board.
- **Program interests** – the presence of non-family trustees might cause a diversion of resources towards their personal interests and causes, which are not shared by the family as a whole. In order to keep non-family trustees at the table, or perhaps to thank them for their time, family trustees may feel compelled to accommodate their wishes for funding.



“Our family recognizes that it has a philosophy about grantmaking, but we certainly don't have a monopoly on how to go about doing it. And having a diverse set of voices, expertise, experiences, at the board level has absolutely made the foundation a better and more effective grantmaker.”

– Adam Gibbons, Family Board Member, The Rasmuson Foundation

# Setting Clear Expectations

While these are all valid concerns, most can be overcome by a well-considered process and a clearly communicated set of expectations for non-family trustees. If you are thinking about adding non-family trustees, what are some of the things you might consider?

- **Job description/role** – be clear about the role you expect the non-family trustee to play. Will she be a full member of the board with voting rights or more in an advisory role? If you write a job description, it allows everyone, both family and non-family trustees, to agree on expectations. It can be delicate to walk the line between being clear that yours is a family foundation, ultimately controlled by the family, and the desire to be open to ideas and direction from non-family trustees. It should be obvious that you are inviting a non-family trustee to join your family in its philanthropic work, and not for the purpose of funding his pet projects.
- **Criteria for selection** – make a list of attributes that you are looking for. This might include personal qualities, experience on other boards, and a passion for your program interests. If you are lacking specific skills on your board, like finance or HR, include those in your list. Above all, non-family trustees must embrace the concept of a family foundation and be willing to work within that framework.
- **Selection process** – determine your process for selecting new trustees. Do you have a governance committee or will this be handled by the full board? How will you generate names of potential members? Do you need a process for a family

member to veto a potential selection if they feel strongly? One method is to circulate a potential name confidentially among all board members, asking anyone with concerns or objections to contact the committee or board chair.

- **Terms** – determine how long you are asking a non-family trustee to serve. What is the process for evaluating performance and deciding if you want to ask a trustee to serve a second or third term? Consider a way to gather input from the non-family trustees about their experience on the board that you can use to improve board functioning.
- **Conflict of interest** – a robust conflict of interest policy is important for any foundation, with or without non-family trustees. But when you add non-family trustees, it is especially important that this policy is understood by everyone. For example, if a trustee is a board member of a grantee organization, she should abstain from voting on grants to that organization. You may wish to go further, and require that she recuse herself from the discussion.
- **Other policies** – if you have discretionary grant-making or matching grants for individual board members, you need to decide whether these will be extended to non-family trustees. Non-family trustees will likely not have a satisfying experience on your board if you leave them out of all grant-making decisions. If your grant-making is entirely discretionary, with little or no budget for the board as a whole to allocate, adding non-family trustees may not make sense for your foundation.

“I highly recommend adding non-family members to your board for the additional breadth of perspective they bring, and for their good ideas about how to improve grantmaking and foundation performance.”

– Mary Mountcastle, Family Board Member, Mary Reynolds Babcock Foundation

# Conclusion

Over the past 50 years, the Packard Foundation has had eighteen different non-family trustees, not including two Foundation CEO ex-officio members. We started with one. For a brief period the non-family trustees outnumbered the family. Currently we are even – seven family and seven non-family trustees. Family and non-family trustees are all committed to healthy discussion, respectful listening, and consensus building. The eighteen non-family trustees over the years have brought a wealth of knowledge, expertise, and wisdom. As we celebrate our 50th anniversary, we are very proud of where we have come, and we have benefited enormously from the participation of every one of them.

## **ADDITIONAL RESOURCES FROM NCFP'S FAMILY PHILANTHROPY ONLINE KNOWLEDGE CENTER**

- [Adding Non-Family Trustees and Community Voices to Your Family Foundation Board](#), Family Philanthropy Webinar, March 2013
- [From the Outside In: Benefits of Non-Family Participation in Your Philanthropy](#), *Family Giving News*, August 2006
- [A Place at the Table: Non-Family Membership on the Family Foundation Board](#), *Passages Issue Brief*, March 2012
- [Process for Selecting Non-Family Trustees \(Mary Reynolds Babcock Foundation\)](#), Sample Policy, November 2003

“It is important to find people who appreciate and support your concept of a family foundation. Our experience with the first two non-family board members far exceeded all expectations. We avoided a two-tier structure and they had all of the responsibilities and privileges of family members. In short, they have made us better in many ways, and we are all grateful for their participation on the Surdna board.”

—Elizabeth Andrus, Family Board Member,  
Surdna Foundation

# APPENDIX #1:

## Advice from the Family Philanthropy Ethicist

### Do we need to have non-family board members?

There is no legal obligation to include non-family members as trustees. Experience in the field is widely varied. Many foundations include only family members who are blood relatives, and others include family members by marriage. Many others will have one "outside" trustee, typically an old family friend and/or someone with legal or accounting experience.

Still others include as a matter of policy one or more trustee slots for non-family members and seek candidates who will add expertise and perspective to the Board's deliberation. In some cases, the number of outside trustee positions is greater than those for family members. And, some foundations with only family members on the board establish formal advisory committees of outside experts in order to gain perspective without changing board membership.

Unless the original terms of the legal documents establishing the foundation prohibit non-family trustees, attention to ethically responsible philanthropy would encourage consideration of adding non-family members either to the board or to an advisory committee. Doing so contributes to wider public accountability of the foundation by enabling family trustees to broaden their perspective in ways that might not otherwise be possible. Indeed, some of those interviewed commented that family trustees "behave better" when non-family members are included in the deliberations.

### What is the appropriate role for non-family trustees and how are they selected? Should they be treated any differently from family trustees?

Non-family trustee positions should be clearly defined, regarding both criteria for filling the position and the length, renewability, etc., of terms. Although nothing prevents trustees from simply appointing their closest friends and advisors without regard to other criteria, ethical responsibility considerations would suggest some more objective criteria related to the mission and purpose of the foundation and the rationale for having non-family trustees.

Equally important, family trustees should endeavor to provide good orientation to new non-family trustees and to treat them with full respect as fellow trustees. It is potentially very awkward for a single "outsider" to play a fully active trustee role if one is made to feel that one is merely a "guest" of the family. Responsible foundations will be quite intentional about ensuring that non-family trustees are fully included as equals in board deliberations. Indeed, some trustees have observed that one benefit to the family trustees of a non-family trustee is that their participation reminds the family members that they are acting in their organizationally defined trustee roles in meetings.

*NOTE: The preceding is reprinted with permission from Michael Rion's book, [Responsible Family Philanthropy: A Resource Book on Ethical Decisionmaking for Family Foundations](#), originally published in 1998 by the Council on Foundations. While the book is no longer in print, you may be interested in watching the replay of NCFP's August 2015 webinar, titled ["Passing the 'Mirror Test': Ethics and Family Philanthropy."](#)*

# APPENDIX #2:

## What do we call our non-family board members?

**Currently, we use the term “non-family” board member for board members who are not members of our founding family, but we would like to find another term for these individuals. What do you suggest?**

We agree that the default term *non-family* is not necessarily the most inspiring way to describe the valuable role that these individuals play (although neither is it typically intended in a disparaging way). There is no legal implication for what you call your board members who are not members of the family, so choose the term that feels best to you... and to them!

Here are a few examples of other terms used by family foundations around the country:

- **Community trustee or community board members:** Many family foundations – including the [Mary Reynolds Babcock Foundation](#) and [The Meadows Foundation](#) – prefer these terms, which reflect the idea that these individuals are leaders from the community the foundation serves.
- **Independent trustee:** Some families use this term to highlight the fact that the individual is a neutral but trusted outside advisor.
- **Diverse board members:** Some families, such as the [Jessie Smith Noyes Foundation](#), have focused on the essential importance of *diversity* on their board for facing the issues the foundation seeks to address: “Today, most of our debates are over strategies for preserving and improving the environment, about what a just society might look like, and about how the market economy can be reconciled with the natural world and with democracy. We can’t imagine debating these issues within a narrow slice of society, because the answers will affect and must involve us all.”
- **At large:** [The Nord Family Foundation](#) in Ohio uses the phrase “at large” board members to describe trustees who are not members of the family, and notes that the foundation “welcomes individuals whose backgrounds and experiences closely compliment the Foundation’s mission.”
- **General trustees:** [The David and Lucile Packard Foundation](#) refers to its non-family board members as *general trustees* and describe the terms for these board members in their bylaws: “General Trustees are nominated by the Board of Trustees and are elected by a majority of the Trustees then holding office. The term of each General Trustee is three years. A General Trustee may serve up to three consecutive three-year terms in office, unless a special exception is made.”

# APPENDIX #3:

## Retaining Control

One of the most common concerns among family foundations thinking about adding their first non-family trustee is the issue of control: How do we add new board members without risking loss of control and input into the long-term future of the organization?

There are a variety of strategies that family foundations around the country have used to retain control while engaging non-family board members in their work. These strategies may be used alone or in combination, and may include the following:

### **Strategy 1: Create term limits for current board members.**

A technique used by many family foundations, term limits can be a useful tool for:

- Clarifying the expectations of both family and non-family board members
- Encouraging current and future board members to see their role as stewards rather than as “owners” of the foundation, and
- Allowing younger and extended family members, as well as other outside voices, to participate on the board over time.

For sample policies on board term limits for family foundations, please contact the National Center at [ncfp@ncfp.org](mailto:ncfp@ncfp.org).

### **Strategy 2: Adopt a resolution requiring that family members shall always constitute a majority of the board of directors.**

In May 2005, the board of the Conrad N. Hilton Foundation met to review the future of the foundation’s governance structure in preparation for the retirement of long-time Board Chairman

and CEO Donald H. Hubbs, and the expected retirement of several other Foundation Directors over the next few years. For more than a half-century preceding this meeting, Hilton family members had constituted a minority on the board.

In preparation for the meeting, Steven M. Hilton, grandson of the founder and incoming CEO of the foundation, prepared a memo to the board on engaging the next generation of Hilton family members:

*“I sincerely believe there is something special about keeping the Hilton family engaged with this Foundation. To ensure that Conrad Hilton’s wishes continue to be reflected in the Foundation’s grantmaking and that his charitable legacy continues to inspire other members of the Hilton family, I believe we should think about how best to engage the family and help educate them in the ways of thoughtful philanthropy.”*

At the meeting the Board amended the foundation’s Articles of Incorporation to ensure that direct descendants of the Founder would constitute a majority of the Board going forward. The Hilton Board currently includes family members from both the second and third generation of the family, as well as several non-family members.

### **Strategy 3: Specify the number of board seats to be filled by family and non-family members and/or explicitly state the desire for continued family participation in the foundation.**

In more than twenty years of activity, The Nord Family Foundation has contributed more than \$79 million for charitable and philanthropic purposes in Lorain County and in several other communities of interest to the children,

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grandchildren, and great-grandchildren of Walter and Virginia Nord. On its website, the foundation describes its decision to specify the number of board seats to be filled by family and non-family members as follows:

*Members of the Nord Family Foundation board consist of the adult descendants of Walter and Virginia Nord as well as their spouses and adopted children. Now numbering more than 45 persons, they meet annually to participate in the development of the Foundation's policies and grant making strategies, and to elect the Board of Trustees. Nine of the Trustees are chosen from the Membership; three additional Trustees are drawn from the community at large.*

The Lumpkin Family Foundation centers its activities in East Central Illinois, where the Lumpkin family operated a business for more than 100 years. The foundation's board, now led by the fourth generation of the Lumpkin Foundation's donors, has documented both the importance of ongoing family participation in the foundation's identity, as well as its decision to involve nonfamily trustees:

*Family members currently fill six of nine seats on the Board of Trustees and serve on all grant-making and management committees. The Committee on Trusteeship was created to support the growth and participation of members in relation to The Foundation's need for leadership. At age 10, children begin their involvement with the Next (Sixth) Generation Committee. The Committee makes small grants to organizations whose mission and work the children think are compelling. Children become Foundation members at age 16.*

*While family participation is essential to our identity, our members value the involvement of others whose expertise and knowledge support the achievement of The Foundation's goals. Independent (non-family) members currently participate on our grant-making committees where most grant decisions are made. We also involve community leaders in ad hoc advisory committees and regularly consult community*

*members when we are developing new programs or evaluating existing ones.*

#### **Strategy 4: Create a membership structure whereby only family members are given the responsibility to elect or remove board members.**

The David and Lucile Packard Foundation uses a two-tiered governance structure in which only relatives of the founding donors, defined as the children of David and Lucile Packard, their spouses and children, are eligible to be Members of the Foundation. Members of the foundation, which currently only include the four children of the founders, are charged with electing the Trustees, who in turn govern the foundation.

According to The Packard Foundation's website,

*The Packard Foundation is governed by a board of directors referred to as the "Board of Trustees." The Board consists of three classes of Trustees: Family Trustees, General Trustees, and an Ex Officio Trustee. There are thirteen authorized Trustees: five Family Trustees, seven General Trustees, and the President, who is the Ex Officio Trustee.*

- 1. Family Trustees are elected by the Members of the Foundation. The terms of Family Trustees may be 1- 2- or 3-years as determined by the Members. There is no limit on the number of terms a Family Trustee may serve.*
- 2. General Trustees are nominated by the Board of Trustees and are elected by a majority of the Trustees then holding office. The term of each General Trustee is three years. A General Trustee may serve up to three consecutive three-year terms in office, unless a special exception is made.*
- 3. Ex Officio Trustee is a voting member, and is a Trustee by virtue of holding the office of President of the Foundation. The term of office of the Ex Officio Trustee is concurrent with his or her term of office as President.*



## About the Author

**Susan Packard Orr** is the board chair of the David and Lucile Packard Foundation and founder and CEO of Telosa Software, a company started in 1986 to provide fundraising and other software to nonprofit organizations. In May 2014, Ms. Orr was named the first Distinguished Fellow in Family Philanthropy by the National Center for Family Philanthropy (NCFP). In her role as Distinguished Fellow, she will work with NCFP to inform and shape resources for the field, including this special essay.

## *About the National Center for Family Philanthropy*

The National Center for Family Philanthropy (NCFP) is the only national nonprofit dedicated exclusively to families who give and those who work with them. We provide the resources, expertise, and support families need to transform their values into effective giving that makes a lasting impact on the communities they serve. Together, we make great things happen.

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