

Succession Planning and Family Transitions

A Fundamentals of Family Philanthropy webinar recorded on December 9, 2021.



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FAMILY PHILANTHROPY

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Featuring:



Peter Myers
Virginia Wellington Cabot
Foundation



Mary Phillips
GMA Foundations



Mary Sobecki
Needmor Fund

Succession Planning and Family Transitions

Transcript of the *Fundamentals of Family Philanthropy* webinar, Succession Planning and Family Transitions. Recorded on December 9, 2021.

Nick Tedesco:

Well, welcome again everyone. Thanks for joining us today and happy holidays. I hope that you're all having a joyous season that will provide some rest and time for reflection. We're so thrilled that you're able to be with us this morning or this afternoon, depending on where you are. So welcome again. My name is Nick Tedesco and I'm the president and CEO of the National Center for Family Philanthropy. And thank you for joining us today for our monthly Fundamentals of Family Philanthropy webinar. As a reminder, this series provides guidance on the core tenets of effective family philanthropy—from motivations and values, to governance, grantmaking, and succession. The series is designed to equip philanthropic families with the latest information on evergreen topics in the donor lifecycle, through practical takeaways and diverse family stories that illustrate important practices. Before we begin, I want to thank our partner, GMA Foundations, for sponsoring this webinar and Mary Phillips for moderating the session. So thank you GMA, and thank you Mary.

Today, we are reflecting on succession planning and family transitions. Change is inevitable and can be especially complex in family philanthropy, as I'm sure we all have experienced. Families must think critically about succession planning and how to best prepare the board and staff for these anticipated moments of transition. And it's important for all of us to identify who is best suited and prepared to lead the family philanthropy effort moving forward, and to name a clear plan for succession and healthy transitions. And that's exactly what we're going to explore in today's conversation. So in today's webinar, we're going to explore three critical questions. The first, how do you develop a succession plan and what should a succession plan include? The second, how do you incorporate legacy, next generation engagement and foundation lifespan throughout the succession planning process? And lastly, how do you prepare the family for an eventual transition in leadership at the staff and the board level?

Before we begin, let me briefly share about our webinar technology. We want this webinar to be interactive so please submit questions for the panelists. To ask a question, please use the question box as indicated on the current slide. When sending in a question, if you wish to remain anonymous, please indicate that. As a reminder, this webinar is being recorded and a replay will be made available to all attendees. If you experience any technical issues, please reconnect to the technology or email Jen Crino at jen.crino@ncfp.org. And as always, you're welcome to chat with us on Twitter about today's webinar using the #ncfpweb. So let's get started with the program.

I'm so thrilled that we are joined by three esteemed colleagues today. We have Mary Phillips, co-founder and president of GMA foundations, we have Peter Myers, the board chair of Virginia Wellington Cabot Foundation, and Mary Sobecki, the executive director at the Needmor Fund. Mary's going to start with an opening presentation on succession planning, and then we'll open it up for a full panel discussion. And again, we invite you to submit your questions, your comments, your exclamations and we really do want this to be an interactive discussion. And so with that, I will turn it over to Mary—and Mary, thank you so much for leading this discussion and for your longtime partnership.

Mary Phillips:

Thank you very much, Nick. And thank you for that nice introduction. We are here to try to answer all of the questions and we're going to answer those questions actually by telling stories—practical stories, diverse stories—with the two different foundations that we have. And we'll hope to answer all of these questions in terms of what a succession plan should address, and then how some of your peers have addressed all of these issues of lifespan, legacy, family engagement and communications. I'm going to actually start with some basics. I'll talk to you about some basics first, before we get into introducing our panelists. If we go to the next slide, we might actually be able to introduce our panelists. First, I'm Mary Phillips as mentioned, and Mary Sobecki and Peter Myers, would you mind just briefly introducing yourselves and your foundations? Hi Peter. Why don't you go right ahead since I see you.

Peter Myers:

Sure. Hi everyone. Thank you so much for inviting me. I'm very excited to be here to have this conversation. So my name is Peter Myers and I am the board chair for the Virginia Wellington Cabot Foundation, which is a small family foundation whose mission is to instill a sense of responsible philanthropy within the greater family.

Mary Phillips:

Thanks Peter. Mary?

Mary Sobecki:

Hello, good afternoon and thank you for having me today. I am Mary Sobecki. I am a non-family staff member. I'm the executive director of the Needmor Fund. We're a private family foundation based just outside Toledo, in Perrysburg Ohio. And our mission is to support social justice causes around the country. Well now, specifically in the Midwest. So I look forward to chatting with you later.

Mary Phillips:

Thank you, Mary. We're going to just do a little participant poll first so we know who we have here and what is on your mind in terms of a particular interest in succession and succession planning. Jen is going to run the poll and then I will report back. So should we do what role best describes you, board member or trustee, some executive role as staff, another staff member, philanthropic advisor or consultant, or maybe just an interested engaged family member who's not on the board, and maybe other. I don't know what other might be, but you can tell us if you wish. Okay, Jen is going to put up those results when we have them. All right, a lot of CEOs, presidents, executive directors and staff members, some trustees as well, about 19% trustees, but mostly staff. Okay, terrific. Glad to have you with us.

Can you answer one more question about out the foundation: how many generations are involved? 1, 2, 3, 4, or more? We're interested in knowing how successful you've already been with succession. Okay, Jen, we'll put up those results when they're ready. I have a lot of folks on the call. So 44% with two generations, but there's 47% with three or more. And then we have some nascent, I would call it, family foundations with one generation involved. One final question before we get on with the show: do you have a particular transition? Do you have a particular succession question or succession topic that is front of mind, whether it's CEO, executive succession, board chair or board member succession involving

the next-gen, bringing on non-family board members, or other? We had a couple of early questions, but I hope we'll have lots more questions as we move through today's webinar. I'm excited to see what your interests are. Oh, wow. All over the place. Okay. But 68% involving the next generation. Well, okay, super. We'll keep that in mind. We're going to try to touch on everything.

As I mentioned, I'm going to talk a little bit about the who, why, where, what, and how of succession planning. And then we're going to get into the conversation with Mary and with Peter. This could be a rhetorical question, but the question I ask is why? Why do we need succession planning? And the reason I say, perhaps rhetorical, because I see we have 100 people who signed up and I think more signed up, but 101 now in attendance. So you are all interested and understand, I think, the why of succession planning, or perhaps you need to convince someone else why succession planning is important.

So, first of all, ensuring continuity. Unless your family foundation is at the end of its lifespan, you are going to need board executive leadership moving into the future. So you want to plan for continuity. And you also want to have the had plan in place so as you don't have to stop the presses on everything, stop your grantmaking, or interfere with your mission while you plan for succession. So if you have that plan in place, things should move smoothly and no disruption of your impact should take place. And that honors your grantees and applicants. And of course, honoring legacy. Succession planning gives a wonderful opportunity—a structured opportunity—to plan, to discuss legacy, and to plan for honoring donors and founders if you wish to do so. Preparing for transitions and codifying those preparations creates common expectations for the family, for the community, and for the board.

We know that transitions are going to happen, right? They're inevitable. I think Nick said that as we got started. So if you have a plan in place, a written plan, then all board and family members know what to expect and they can be advised of this agreed upon approach so that when transition is imminent or takes place unexpectedly, everyone knows what their role is and what to expect in terms of moving forward and not delaying the foundation's work in any way. Succession planning also gives you a chance to consider the foundation's lifespan—it's something that probably boards should talk about every so often. You may have made the decision, but five years later, people may be thinking differently. So consider the lifespan. Even if you are a limited life foundation, there may be an emergency transition that you have to prepare for.

And then engaging the family and connecting with the community really should be the first thing that happens in terms of the family. Making sure that you have a pipeline of engaged and aware and educated family members who stand ready to serve the board, if and when that opportunity presents itself. And you want to also make sure they know when that opportunity might present itself, because you don't want to prepare for that transition or engage family members, especially the next generation of family members, and not have a pathway for them to be involved with the foundation. And then connecting with the community. Some family foundations do have community board members; even if you don't have community board members, you may be an active community partner as most family foundations are. And if we're you're planning around executive succession, then keep the needs of your grantees in mind. And then if we take a look at the next slide, we'll talk a little bit about the components of the succession plan, the who, what, how and when. The steps, if you will, in succession planning.

So a succession plan is a written governance document. It's not something that you do on the fly. It's really an important part of governing your foundation, as important as any other go governance process or procedure. So you really should have one written down somewhere. The writing part is easy. It's deciding what to put in the plan that is challenging. So the first thing you want to always be thinking

about is doing good work and generating excitement for the foundation, both within the family and also within the community. You want to have those pipelines. You want to have a pipeline of people, interested people, either to serve on the board or perhaps to apply for the position of executive director for those of you worried about executive succession.

I talked about discussing perpetuity and legacy. It should be part of the succession plan. Your succession plan should state what the considerations are around the foundation's lifespan and its legacy. What might change and what might remain the same. And anticipate these transitions. If you know your family, you may not know when transitions are going to happen, say on your board or with your executive director or your board chair. You may have term limits. You may have a plan in place already as our panelists do, but you can predict. For example, if you have a very large family, you may have a lot of folks who are interested and you may need to think about, or you may need to anticipate the need for terms so that all family members can be involved over a certain period of time. If you have a small family and you have no one interested in being involved, then you have another concern to address and we'll hear about how the Needmor Fund addressed that concern.

And then when you begin to define what you're looking for in a succession plan, check your bylaws. Your bylaws, your founding documents are going to give you some guidance. They may actually give you requirements for terms, for age requirements, for retirement age. Sometimes they say nothing, but sometimes they do give you good guidance, and also if you are a foundation under trust, your trust instrument and perhaps even your articles of incorporation for an incorporated charitable foundation may give you some guidance as well. So you want to make sure you understand your founding documents and think about who is eligible. Is it just for your board succession? Is it family members? Are there community members eligible to serve on the board or just on some sort of advisory committee? What is going to be the role of the family in selecting board members, if any, at all.

Then setting your goals and eligibility criteria. Some boards, many boards have a matrix of board members. They select board members based upon specific skills, levels of experience or other criteria that they feel they need on the board to get the work of the board done. A little bit different with staffed foundations, but with non-staffed foundations, there's a lot of work to be done and you need board members who are able to do that work or contribute equally. So for eligibility criteria as well for family foundations, thinking about, do you want equal branch representation? Do you want equal generational representation? Et cetera. So a lot of questions there. And then job descriptions. Yes, job descriptions for board chair, job descriptions for board members and of course, job descriptions for executive staff. If you have these already developed, then you have your eligibility criteria and you know the roles, everyone knows the roles and responsibilities of board members.

And then as you get ready to implement and act on your succession plan, decide on a process. Who's going to be involved? Who's going to be doing the selecting? Is it going to be the board as a whole? Is it going to be a governance or nominating committee? Is there going to be a search committee? Are you going to use a search firm in the case of executive succession? And how much is this going to cost especially if you do use a search firm? Will there be staff overlap perhaps? And then once you have made all these decisions, just write them all down. The who, how, what and when of succession and get the board to adopt it as a formal succession plan. That doesn't mean it's a static succession plan. As you review all of your governance policies every so often, you should review your succession plan so that it's there and fresh and ready to implement as needed.

And then when you find the right people or person, don't ignore the educate/orient part, because you can't expect someone who's never been on a board before to just sort of come in and take off without education. And orientation is important and it's important for executive succession as well for orientation to the foundation, to the board members, to the community, et cetera. So that's my spiel. And now we're going to get into the interesting part, which is to talk to Mary and Peter.

I'm just going to take a quick look in the chat to see if there are questions on... In the third generation, how do you move from family CEO to non-family CEO if another board member wants the CEO position, or want to have their child in that role? Okay. I think we maybe we'll address that when we have an open question session, we might need a family counselor for that one, but we'll do our best. All right, let's move to the next slide. And then we'll take down the slide so we can really have a good discussion and conversation and a back and forth, just a little bit of data on the two foundations you're going to be hearing from: the age of the foundation, the number of generations involved and the assets. So these are pretty good size family foundations as family foundations go.

Mary Sobecki is going to talk a little bit from the Needmor Fund perspective, and Peter will talk from the Virginia Wellington Cabot Foundation perspective. Can we just take those slides down and let us see each other? Okay. Here we are. Great. Hi Mary, hi Peter. And please do feel free to put your questions in the Q and A, because we get a little red blinking notification when there are questions in the Q and A. We don't get any blinking when the questions are in the chat. So it's hard to have this conversation and also watch a few other different places. So Mary, let me just start with you. A few years ago, the Needmor Fund, and you as executive director really, were faced with the need to restructure the board of the Needmor Fund. Can you tell us what drove that need and how you and the family approached that restructuring process?

Mary Sobecki:

Okay. Before I answer that question, I'm just going to provide a little bit more historical information about the Needmor Fund to set the context. You saw the slide that it was formed by Virginia and Duane Stranahan in 1956. Prior to that, Virginia and Duane were engaged in the work of the Stranahan Foundation, which was the whole large extended family of the Stranahans. And for those of you who don't recognize the name, the Stranahan family, their wealth was derived from Champion spark plug that was established at the turn of the 19th century and existed here in Toledo until the mid-1980s. And so like I said, Duane and Virginia were involved in that larger family constellation of philanthropy. And then they decided that they wanted to branch off and form a vehicle to really educate and engage their children. So Virginia and Duane are our first generation and founder donors. Their six children are our second generation folks. And they are now folks who are in their seventies and eighties and unfortunately, quite a few of them are already deceased. Their children would comprise our third generation and then of course the children of the grandchildren are the fourth generation that I'll be referring to. So when I came into the Needmor Fund, we had already been through a rather lengthy process under our prior executive director of deciding the fate of the Fund, because it was pretty clear when we moved from Virginia and Duane down to their children, there was a lot of engagement. All six of those children were very involved in Needmor as adults. Legendary tales are told about how those six children had the board meetings and their children would be crawling under the table and engaged really from the crib in the work of Needmor.

And so generations one through three were all pretty highly functioning and engaged, but then of course things happen. And even with our third generation, this generation, many, well actually all of

them at this point opted not to remain in Toledo and have branched out all over the country, and then their children of course have continued that pattern. So about 10, 15 years ago, we had called our first major question, which was what is going to be the fate of the fund. Do we spend down or do we strive for perpetuity?

The decision that was made was that we're going to extend the life of Needmor, at least for the next 20 to 30 years—what happens beyond that remains to be seen—but that decision had been made and then I became the executive director. And as I'm sure judging by some of the questions and I know the questions that were submitted in advance, I think all of you are struggling with this—how to get the next generation involved.

And we'll talk more about that specifically later, but we came to the realization that, that fourth generation, they're all over the place, the wealth is diminishing to some degree. So some of these people, although they certainly have assets remaining, they're engaged in college and career building and family building and their time and energy just isn't available right now to engage in work of Needmor, like the prior generations. And so that was a real awakening and knowing how our board was structured, like many, a required majority on the board had to be family members, but early on the Needmor Fund did begin engaging what we call our civic members. So back then the ratio would've been like 10 family members and maybe three civic members. Well, as we began to see the older generations age out, pass on, it became apparent to us that their empty chairs were not going to be populated by Gen four folks.

We still have some Gen threes involved, thankfully, but that put us sort of in a crisis. And so several years ago, actually with the help of GMA Foundations, we did a major upgrade or revision to our operating guidelines. And that is what really called the question about what do we do about diminishing family engagement? And I was so lucky in that I had...she is now considered the matriarch of the family. She's 86 years old. She was very involved with Needmor. And she was a great ally to me during this process because we realized if they want to continue the life of Needmor, they need to find a governance structure that isn't strictly based on family. And like I said, this one woman, Ann Stranahan, was very supportive in saying to us, "Well, then we need to find other people outside the family to run the fund or to govern the fund." And so that made the change. She was a real advocate. And so we went from being majority family members—we flipped it completely. We now maintain a board of seven to nine members and only three of those seats are reserved for family members.

Mary Phillips:

Can I just ask you a quick question on that Mary? Who made the decision on the transition to the new governance structure? Was it the family as a whole or was it the board?

Mary Sobecki:

It was the governing body, the board. That was there, yes. We certainly announced far and wide because we didn't want to get... We didn't want people to come in after the fact and be complaining, well, you took away our whatever, or you took away our children's legacy or things like that. We made it well known within the family that this was the structure we were moving towards. Like I said, Ann really was the one who, if there were family members who questioned it, Ann really did a lot of hand holding and talking them through the why this has to be. And so we took the vote, was taken by the board. We required a unanimous decision and in this case it was. And the other thing that happened, like I said, we

for many years had already had civic members. So introducing new folks to need more really... I could talk about that more later, wasn't that difficult.

But what we found was some of our civic members were the ones that were most likely to get on board and not leave. Whereas family members felt it as a duty or obligation to serve Needmor, our civic members viewed it as a privilege. And so by the time I became executive director, we had board members who had been on 15, 18 years. And so at the same time that we said we were going to do away with the family majority requirement, we also put in term limits for the first time.

And there was some pushback from some family members and board members. But again we worked it through based on...we have very clear decisions that had been made to extend the life of the fund. And so that means we need to create a pipeline or a channel to engage other people. And we can't do that if we have board members who won't leave. I once read a very excellent book on board governance by Maureen Robinson. And I think one of her chapters was entitled, "Thank You and Goodbye." Yeah, knowing when and how to say thank you and goodbye.

Mary Phillips:

Okay, I think, I might say thank you and hang on so we can move to Peter and hear about the different board structure that he has and then I'll come back to you Mary and we'll talk a little bit more. Thank you for that great summary. Peter, can you tell us about the Virginia Wellington Cabot Foundation's board structure and how it came to be?

Peter Myers:

Yeah, happy to. So right now our board is comprised of 10 family members, two from each branch. So there are five branches of my family, as we're defining it. And each branch is able to elect two members from its branch to be on the board. And then there's me as the chairperson who is not a voting member; however, sits in, tries to make sure things are running all right. So that structure came to be because originally when the foundation was founded, there were five trustees. And those five trustees were five siblings who were representatives, who were the children of my great-grandfather, I believe. And so they were the five trustees and they were, I guess we would consider them the second generation. And as they were going through the process of figuring out how to run the foundation, they were also starting their own families and trying to get their kids involved.

And so they made a decision to broaden the number of board members so each branch would have an additional board member so that they could bring on their kids and start teaching them about philanthropy and about the foundation's processes. And so we've stuck to 10 ever since then. And in terms of how it works succession wise, each board member is or each trustee is allowed three years per term, and then they are allowed to elect to do a second term. So they can be on the board for a total of six years and then they are asked to step down at least for a year before they can rotate back on. And remember each branch has two positions or two seats available to them. So it is possible that Peter occupies one seat for those six years, takes a year off and then would actually step into that second seat.

So there's a fair amount of turnover overall with our trustees, depending on the branch and how big that branch is. I know from my experience as a member of one of... I'm a fourth generation member of one of the larger branches of the family, we have a fair amount of eligible individuals who could participate on the board. You may be 21 years old, then that's pretty much the only requirement. So we

have a fair number of eligible people. So I actually don't get to see too many repeated trustees, however other branches, they're smaller and so we see a lot of that do six years, take a year off, do six more.

And then I think it's also important to note with our foundation, one of the interesting things about it, we don't have any community members, rather because of the mission of the foundation to really work on instilling responsible philanthropy within the family. Individual family members are not only able to serve as trustees, but in order for our foundation to get funds out, a family member has to sponsor a grant to an organization saying, "I really care about this organization's work. I would like to sponsor them for this grant." And that is one of the ways that we're working on instilling that responsible philanthropy in the family members.

Mary Phillips:

So Peter, with so many family members eligible to serve, how does the foundation engage family members who are not on the board and interest them in potentially raising their hand at some point in the future? The large family.

Peter Myers:

It's a large family. We have, I believe about a hundred-ish, give or take, who are eligible; that does not include the ones who have yet to come to the age of 21. So there are a few of those, my nieces and nephews, but we're taking many approaches and hoping and kind of seeing what sticks. So the more traditional methods we've been using are like a family newsletter, we also have a website where there's a private portal that family members can log into and see some of the activities of the foundation that are not necessarily public, like when are term rotations happening, when are there calls for new chairs. We have that portal. We also have an amazing executive director who really works on her relationships with the individual family members. She's been with the foundation for a few years.

I don't want to date her, but she's been with the foundation for a few years and she is amazing at connecting with family members. And so that personal touch to reaching out has been really effective from my foundation's perspective. And then we also have multiple granting mechanisms. And so there's different levels at which a family member can sponsor a grant. And one of those mechanisms is a intro, get getting the feet wet in terms of philanthropy, which is a matching grant. And so there are different minimums depending on how old you are to which you need to donate. But it's a way of saying, you as a member of this family have some power and privilege. Here's an introduction to how that power and privilege can be used. So if you were to donate a hundred dollars to this organization, you will also donate a hundred dollars so that now you can see how your actions can have twice the impact and starting to get people kind of interesting for them to be that way.

Mary Phillips:

So, Peter we have just a couple of questions in the chat for you, particularly with so much board turnover, how do you keep consistency and mission and focus? Another question which is, are spouses able to serve on the Virginia Wellington Cabot Board?

Peter Myers:

Yes. So in terms of spouses, yes. Spouses, life partners, I believe stepchildren and adopted children are all eligible to be on the board as long as they're 21. And then in terms of that turnover and consistency, I think it's actually a struggle. It is something that we struggle with and we always return back to the mission of instilling responsible philanthropy. However, I'm realizing now, I'm wrapping up my first year as chair now. So I've been in this position for one year and been trying to figure out the dynamics and figure out where the foundation may want to go or explore other areas. And consistently we do find the question of like, what are we grading on? If that makes sense. If we're looking at a grant, what's the criteria?

Is it the grant that we're grading? Or is it the sponsor that we're grading? And we do go back and forth about that a lot and there's just constant conversation. One thing that I recently implemented were just a simple document of guidelines. They're not hard set rules, but they're guidelines around like, these are things that the board has expressed interest in and/or concern about when it comes to grants, nothing specific about specific grants, but just things to think about when you are bringing a grant to the foundation. And that document is a living document. It might change cycle to cycle, given feedback from a particular board. And we release that every time we send out a new call for grants.

Mary Phillips:

Let me jump to Mary because I want to hear how the Needmor Fund, you have three seats for family members. Are there ways in which you can engage family members to serve in those seats? And then how do you select your civic members?

Mary Sobecki:

Before I Answer that question, I just want to say how lucky the Cabot Foundation is to have a younger person, and I can say that cause everybody's younger than I am, but to have a younger person who is so engaged and energetic about and enthusiastic about the work of your family foundation. That is just, they are so lucky to have you.

Peter Myers:

Thanks.

Mary Sobecki:

How do we select our board members? We do have a board development committee that is composed of both family and civic members. We often engage one of the family members on that committee as our family wrangler that is out there trying to engage their fellow family members, their cousins around the work of the fund. And so when we get to the point in the summer that we are beginning to look at the slate board and officers that we want to put forth in November, we put out a call to the family, as we refer to, they have the right of first refusal.

Again, this year we had no takers other than a returning family member who decided to come back. But we were fortunate that we have our three family seats filled right now. And so then it's a matter of identifying the civic members. And Needmor considers itself very relational. We're involved in a number of affinity groups that are engaged around issues or missions that are similar to ours—social justice, community organizing. And so through those we come in contact with some of the brightest minds

around the issues and the type of work that we care about. So oftentimes I'm able to suggest to them, people that they have met through those networks. We have one board meeting a year that's called a learning tour and we bring people in to talk and meet with the board because it's hard to bring a total unknown into a family foundation.

So before we get to that point with somebody and no, I'm thinking like three years down the road usually about, okay, who are we engaged with out there? It could be a former grantee. Someone, like I said, I met through the affinity groups and gradually start to introduce them to the board and to the family, build that relationship a bit. And then when the board meets them, it's a matter of talking through some of those things. "Remember you met with Kirk back in Ohio a few years ago and we're so impressed with him." So that's the way we approach it. We did at one time actually have grantees serving on our board. That caused some problems. I know now participatory grantmaking is a big discussion within the field. Maybe someday we'll go back to that, but we would have to work out the kinks, first around conflicts of interest and in fighting a competition among the groups that might be serving or represented on our board. We might get there or my successor might get there. But yeah. So that's how we do it.

Mary Phillips:

That's a good segue, but let's take some of these questions before we move to talking briefly about chair succession and executive succession. So let's see here, Peter, if a smaller branch chooses not to use a seat for a three year term, can it be filled by another branch? It's a quick answer.

Peter Myers:

Yes. Yeah. So in general, the process for succession is there's a call put out to the branch members saying, "Hi, you have another seat coming open in the next year. Call for nominations." If for any reason, a branch chooses not to put forward any nominations, no one wants to come forward, then we do have it in our bylaws that they can elect to choose a family member outside of their branch to represent their branch for that three year term.

Mary Phillips:

And Peter with so many family members involved, how do you keep track of disqualified persons?

Peter Myers:

We have a lot of questions in our forms that try to catch that issue all of the time. And because of that question, one of the biggest areas that we see disqualified persons come up is around academic institutions and where people are going to school. And so we actually have, perhaps some of the strongest guidelines I'll say around academic institutions. If you have an application in for any family member, disqualified person, that organization, that institution is not eligible for grant at this point in time. If someone is currently there also not eligible, unless it's going to a program that that individual isn't benefiting from directly, but it is a constant conversation. Thankfully we do know a... Our executive director does a lot of research in terms of each organization and is often able to fair it out when there might be a conflict of interest.

Mary Phillips:

Yes. And the foundation, the board has decided that all family members are disqualified persons.

Peter Myers:

Yes. All, because it gets too complicated.

Mary Phillips:

Because they're all 21 and over, eligible potentially to sponsor a grant. Mary, are there any benefits that Needmor gives to its civic board members such as option to make discretionary grants or any compensation of any kind?

Mary Sobecki:

No. No. They are all volunteer in service. They know the field. So it provides them an opportunity to keep abreast of what all's moving in the field, what's operating, who the major groups and players are. So I think they learn a lot, but no, they're not in any way compensated.

Mary Phillips:

And so no board members or chair would be compensated?

Mary Sobecki:

No.

Mary Phillips:

The same for your family foundation Peter, correct?

Peter Myers:

Correct.

Mary Phillips:

Okay. There is a question here about when and how to bring in a consultant or facilitator to help the family decide the future when very few family members are interested in being on the board. I think Mary that's kind of your Needmor situation, and will the engagement primarily be with the current family on the board, the entire are eligible family members and or non-family board members? Do you have or anybody have a quick answer?

Mary Sobecki:

I'm probably going to go against the grain here and tell you that throughout the years—I've been with Needmor more than 18 years, the past five as executive director. And we went through so many conversations and engaged so many consultants around the area of spend down, remain viable, continue the life of the foundation and all of those types of things. When we got down to making the

tough decisions, we didn't use a consultant. It was a room where I think everybody trust and could speak freely and it was all family, including myself. Even though I am not a family member, I've been around them long enough. And so when we had to make the tough decisions, we needed to just be ourselves and not have someone else in the room. That's sort of the way the family operates. Sometimes you just have to get together.

And so I think certainly for example, as we prepare for my transition, we are getting ready to hire a search firm and a consulting firm that will lead the process. But sometimes when you have to have really difficult conversations and that's where hopefully if you have paid staff who's been with you a while or maybe a family member who is well versed in facilitating discussions or things like that. I used to be a social worker. So sometimes those skills come in really handy. It makes it easier to facilitate those discussions amongst themselves.

Mary Phillips:

And do either of you have, I'll ask the question, do either of you have family members serving in compensated roles as staff?

Mary Sobecki:

Not at this time. We did it one time, and that goes back 30 years though.

Mary Phillips:

Okay. There's a question actually in the chat, that is a challenge in terms of how do you move from a family CEO to a non-family CEO if another board family member wants that CEO position and maybe lots of others want that CEO position. So, I mean, I think you've got to do a straight forward search and you've got to try to neutralize it in some way, but what would you say Peter or Mary?

Peter Myers:

I'll say that when that has been brought up in the past with our foundation, the decision was no. Whoever we're bringing on should not be a family member.

Mary Sobecki:

Yeah. Our experience was when we had the family member heading the foundation, it was a very good experience. Unfortunately, she became very ill and since passed away and had to leave the work behind. But that question about what if family members come in and seek to assume my position once I retire next year, that's why we're using the consulting firm, because we feel that it will in some way really make the process very objective and based strictly on criteria and skills and those things. And we want to have a broad pool to look at and if there's a family member, they'll be in the competition. It's not a given.

Mary Phillips:

Great. I want to segue now, believe it or not, we're going to be out of time before too long. But I want to segue now to Mary, you're alluding to this big announcement of yours. You want to make that

announcement now and then we can talk about executive succession? You and Needmor are in the thick of it right now.

Mary Sobecki:

Yeah we are. I have announced my intention to retire the middle of next year. And so I've joked with Mary before that really, I feel like I've been the longest serving interim executive director that's ever existed, because I've really spent a lot of my five years guiding them through transitions to becoming a Midwest funder, getting internal policies updated, making those changes to the board, all the kinds of things you usually... Usually interims come in and shake it up. Well, I've been shaking it up for five years. I think I've shook all and I think it's fallen into the right place and now it's time for me to go, hopefully bring in someone younger and more energetic and who has a forward thinking vision for Needmor. So that's my sincere desire. We have created already a search committee of the board composed both of family and civic members.

And we are in the process of sorting through and issuing RFPs to some consulting search firms. So that's where we stand right at this point. We've already developed a plan though for the transition in that I hope to be out of the day-to-day functioning of Needmor by July 1st, but I will be staying on salary through the end of the year as a transition manager. My intention is help that new person get through some of the annual or cyclical firsts, get them through their first financial review, get them through their first board docket. The level of assistance they want to me is up to them, but I will remain available to help with that process. Plus there's a lot of legalities and logistics, got to get the authorizations and all that stuff. So the board has generously agreed that I should stay on in that capacity. So that's how we're planning the transition.

Mary Phillips:

As you started doing the succession planning, any surprises? Or anything come up that you thought, "Oh gee, I should have thought of that or we should have thought of that," from the board perspective?

Mary Sobecki:

I think because I came into the executive director job later in my career, I think we all knew I was going to be short lived. I wasn't planning to work for...

Mary Phillips:

Short lived in your role, not short lived.

Mary Sobecki:

Right. But I think, we knew. And so I think really my head since day one has been about teeing this up for the next person and thinking about that all the time. And I have to say it's given me an additional purpose to my work. And so that's why I think succession planning is a wonderful thing. I really believe that anyone who's going in new to a job or to a position in a foundation should be thinking about when they go to leave and what do you want to leave behind?

And so for me, it's added another dimension to my work that I think will benefit Needmor in the long term because we have thought through all the contingencies and all of those things have always been sort of up here for the past three to five years. And I think that's been a good thing for us. So I can honestly say at this point, we have no surprises. The surprise will come maybe later when we look at candidates, I'm waiting for it, and the other... And I don't know if we're to that question yet, but you always have to have a backup plan to your plan, because things will happen. And I think we're going to talk about board chairs later and I'll share that story later.

Mary Phillips:

Yes, yes. Let me just move to Peter because he mentioned that he is the finishing up his first year as board chair, having been a trustee several years ago. And tell me Peter, what was that process like? How did it happen? And maybe some of the highlights of things that went well and what you might suggest be done differently in the future.

Peter Myers:

Yeah, so first I am the fourth chair of the foundation. So that means we've gone through three search processes or three transitions, I'll say. From the first chair to the second chair, that was just a simple election by the five siblings, the second generation just elected the second chair and that individual decided maybe we should figure out a governance system. Maybe we should figure out a governance document. And so she worked hard on creating a governance committee to help lay out like, what's the chair supposed to do and what are the qualifications? And that committee put all of that together, led with designing processes for succession. And then the transition from the second to the third chair, essentially there was one nominee. So the processes didn't really go through the way that we thought that they would.

So we had a really easy transition from the second to the third and then from the third to the fourth, I still think it was pretty easy, but we certainly had some bumps along the way because the succession plan that had been created by that second chair wasn't really followed through or tested until this fourth, or until this search that led to my election. So I think overall, we got here. Here we are. One thing that I was checking in with Mary Phillips earlier was in my memory I realized, I think that what the nomination process that eventually led to my election to chair was actually the second call for nominations, because we hit a bump in that first call where family members didn't feel like they had the opportunity to get involved with the foundation to nominate each other or nominate themselves.

And so the nomination committee that had been formed and had put steps forward towards nominating a new chair, had to take a step back and kind of start over. And I know that that was a very conscious choice on the nomination committee's part as valid on the board's part to like really be, we need to be as transparent as possible. If we're getting feedback right now at this point, then let's step back and let's start over. And so they start over with a very clear nomination and Mary Phillips, I believe you helped create the document that put out that call for nomination. So thank you for that. And it laid out who can be a chair, what their qualifications are, what they're looking for, and very importantly, they also emphasized the desire—not a need—but a desire for an individual from the fourth generation or my generation to at least enter into the nomination process.

And so that's how I got here. Admittedly still don't know who nominated me, because I did not nominate myself, but somebody nominated me into this position and I decided it was a great

opportunity and so here I am. I think overall what's important or what's coming out of this process is a clear decision on the family's part on the boards, the foundation's part, to think about that next generation and realizing, getting someone in the fourth generation to step forward would be fantastic and be a really strong symbol to the family that we're moving forward. We're going to keep on going forward. We're ready for change and we're ready to shake things up as you were saying, Mary. So I think that was a very intentional action on the board's part. I think I've certainly started taking things off, whether or not they like it or not, who knows? We'll find out, but it is a clear statement that we're looking towards transitioning not only in generations but also in terms of what we as a foundation look like.

Mary Phillips:

Yes, Mary, go ahead. Please.

Mary Sobecki:

The whole shaking things up conversation, well...and you're family. I'm a staff person. So when I'm shaking things up, I think it's really important to realize you've got to have allies and really strong relationships with key members in the family to get those conversations to be held and make decisions and all of those things. I also wanted just to talk about the next-gen because I see that as a question. It's probably the eternal question for family foundations.

Mary Phillips:

And also please talk about how Needmor Fund is selecting its board chair. And is it important that it be a family member, and how-

Mary Sobecki:

It's all tied together, Mary.

Mary Phillips:

I'll let you go.

Mary Sobecki:

We actually, for several years—probably at least the past five years—there has been one fourth generation family member who's been really stellar in terms of her engagement. She has joined us on site visits. She has joined us for our learning tours, where we take family members out into communities around the Midwest to observe and meet the folks that are conducting the work that they support. And she was really engaged and she was also working really hard to lure her cousins. We actually had a couple of Zoom calls, especially over the pandemic, but she knew everybody was home alone and isolated. And so we used that as an opportunity to try and get some of the younger generation. They're talking to their cousins, but we just happened to be in the room with them.

And then also talking about Needmor. So we have this fabulous...we put her on the track because she had an older cousin that was... It's one of those where third and fourth generation sort of blur in terms

of age. But she had someone who was sort of grooming her. Our then board chair was sort of grooming her to be her successor. And then that fourth generation person two years ago decided to move to Germany. And so that makes it hard for her to, and she acknowledged it would be difficult to be board chair while she's pursuing additional education in Germany. So we were really lucky in that we had a civic member who had a long history with the Fund. She was also a woman of color. And so we were able to pull her in at the last minute, so to speak, to accept the nomination to become our new chair and she was just appointed.

So we had, and that's why I say always have a plan, but your backup plan to your plan because we thought we had our lane on a great track and then everything changed because her life circumstances changed. And you have to honor and appreciate that. And she still continues on our board even from Germany, but she won't be ascending to chair. So we have a civic member as our board chair right now, but also speaks to the way engaging with Gen four, we find that what really captures them—and the pandemic has really hindered us—is getting out in the field with us, going to meet our grantees, meet the people they work with. That really lights a fire. I saw someone who was here from New Orleans today on the call and we did a site visit with our next-gen folks to New Orleans many years ago and boy that lit a fire under quite a few people for a while.

Mary Phillips:

Well, let me take a couple of questions because one is actually related to engaging the next generation, which was going to be where I was going next. Do you do things, each of your foundations, do you do things to engage the younger kids and teens intentionally so they learn more about the processes of the funds and get excited about being part of it one day? Any next-gen boards? Or other ways that you... I know, Peter you're matching gifts start at the age of 16 I think, don't they?

Peter Myers:

I believe you are correct. It starts at 16 and there's a lower gift threshold in order for the foundation to start matching. So we do the matching grants. We are also doing a lot around trying to take advantage of this new Zoom world, technology world that we're in. So we're trying to do some virtual site visits to get people interested in like, "Oh wow, my family member sponsored this amazing organization. They're doing some fantastic work. How can I get involved in my community?"

We're trying to talk more or leverage the family a little bit more and the knowledge there by doing some interviews with, we'll say more seasoned family members who have been engaged with the foundation a lot, are fantastic sponsors who always bring interesting grants. And then we are starting to think about like, what if we just put aside some funds and created a next-gen board where it is an opportunity for individuals of unknown age range so far to get together and say, "We have a pot of money. How do we go about giving it away in an equitable way, in a thoughtful way, and in a way that will really promote the sense of responsible philanthropy?"

So we're definitely working on that. And then finally, I'll mention we're working on a mentorship program where as people, as family members come of age to either submit grants or to serve on the board. We have, again, a more seasoned family member who's gone through those processes before, match with them and help guide them along their decisions of whether they do want to be on the board or whether they want to explore this organization over that organization. So we're trying to engage that way and juries out, we'll see how well those efforts go in the coming years.

Mary Phillips:

Thoughts Mary?

Mary Sobecki:

Well, I already mentioned some of the techniques, methods we've tried engaging them in the site visits. We also publish several times a year our news flash that contains articles and visuals and all kinds of good things about what's happening at Needmor. Like I said, that one fourth generation family member who is very engaged is always talking to her cousins and trying to engage them. But she's given us a very clear message. It will probably be another 10 years before her generation is ready to step up in full. And I understand, and you have to accept and appreciate that.

I fail mentioned something earlier that I know is also kind of unique to Needmor in terms of having special projects or initiatives or those types of things to try and get family members—I mean, we try to create opportunities for people to become involved, but our guidelines and our documents all clearly state that the family is here to serve Needmor, Needmor is not here to serve the family. And I would also add to that, that really you have to engage someone in the family to be the one recruiting the family. We have, like I said, a family wrangler that serves on our board development committee. Lane has been trying to wrangle her generation and you plant seeds and it takes a very long time. So patience is really important.

Mary Phillips:

I think we're going to have one more question. It might have to be the last one unfortunately unless Jen tells me otherwise. What responsibilities and workload expectations do your board members have? Peter, want to start?

Peter Myers:

Sure. So, great question because I have been slowly evolving those in my time in chairs. So in terms of trustees, prior to me, it was you have two annual or two semi-annual meetings, one in May and one in November-ish, and you'll have a state of grants review those, come to the meeting and we'll have a discussion. And that was pretty much the role of the trustees at that point. Since I've been in this position, I've been trying to get the trustees a little bit more engaged in, I wouldn't say the day-to-day, but in terms of like more of the governance and the functions of the foundation and trying to get their input on where are we going. What is the plan for our foundation?

We could continue forward in the way that we have been, but as our assets are growing and as our family is growing, that's going to be more grants coming in, potentially, hopefully, and also more funds going out. Do we want to start shifting the directions in which we do that or we're funneling in certain ways. So I've been trying to engage the trustees a little bit more. We now have four meetings, two are still those grantmaking meetings. And then in between those meetings, we have, I guess, more administrative meetings that are about two hours. So overall I would say reviewing grants, maybe 20 hours or about 40 hours a year and then meeting time, probably total of two business days.

Mary Phillips:

Yeah. They're reading all of the proposals.

Peter Myers:

All of them.

Mary Phillips:

Yeah. So depending upon how much due diligence they take it upon themselves to do, that could vary. Mary?

Mary Sobecki:

We actually have a written job description for board membership. And I think something you said earlier Mary, was very important. Over the past summer or last summer I should say, we developed a very robust board orientation packet and materials. And I actually include that in every board packet that I send out. Easy now that we do it electronically because it's really meant to be a go-to document. If you have a question about procedure or policies or any of those things, it's contained in the board orientation materials and we do have it written, and I'd be happy to share that with Jen to disseminate to the group that is participating.

Mary Phillips:

I think I am going to have to turn it back to Jen or Nick, I guess. We'll try to get to those other questions that we didn't get to. I'll follow up with Jen and just before you hang up here, think about one thing that you're going to do after this webinar. Maybe it's just to make a checklist of things that you want to do. Maybe it's to read your bylaws, maybe it's to talk to another board member about next steps. I'll leave it at that and send you back to Nick. Thank you to Mary and Peter.

Peter Myers:

Thanks so much.

Mary Sobecki:

Thank you.

Nick Tedesco:

Thank you. Thank you Mary. And thank you to Peter and Mary. You all were extraordinary and Mary Phillips, love the action item, for everyone to really take a moment and reflect on those next steps. So thank you for a great conversation. Really appreciate it. A couple of announcements before we let everyone go here. Next month we have our first 2022 Fundamentals of Family Philanthropy webinar. We all can't believe that it'll be 2022. And this is "Reflecting on Your Origin Story: Understanding Wealth, Legacy, and Equity," and that will be held on January 13th at noon Eastern. And in this webinar, we are going to explore how families have successfully examined their histories to move forward with a more equitable and just philanthropic effort in the future. So a timely topic. We are also hosting...

Mary Sobecki:

I'm sorry Nick. Can I just mention, that was one of the topics we covered with our fourth gen and they were into it. So I would highly encourage you to talk to your fourth gen folks—our folks ate this up when we did it.

Nick Tedesco:

Oh, I'm so glad, we're hearing a lot of requests for it. So, we're excited to lead the year off with it and thank you for that Mary. We're also hosting our Racial Justice and Family Philanthropy Symposium next week, December 13th and the 14th. This is a two-day virtual learning opportunity for family foundation board members, CEOs, senior staff and next-gen family members to deepen their knowledge around racial equity frameworks and practices. So please join us for that. And finally, we're also pleased to offer our peer networks for those interested in connecting to colleagues with similar objectives, challenges and shared experiences.

And we will leave you today with our wishes for the happiest of holidays and our deepest gratitude for your partnership and engagement in the network and to our speakers. So thank you all so much for a great conversation and thank you to everyone attending for being part of this network and sharing your time and your wisdom. So safe holidays everyone, and thank you again for being part of this wonderful family. Be well.