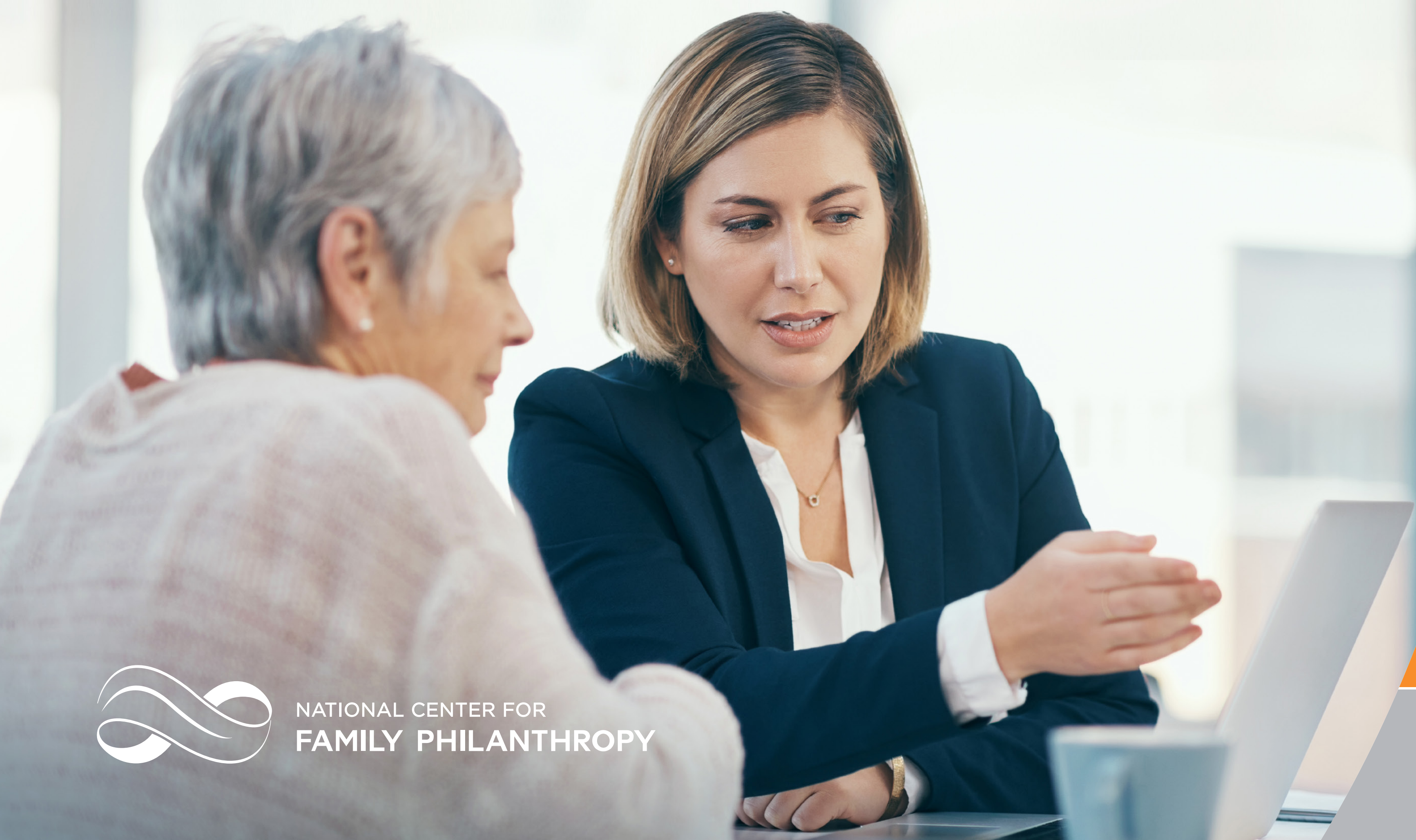
# Operations and Management

2ND EDITION

**Administering Your Philanthropy in Alignment with Your Purpose**



THE FAMILY GIVING LIFECYCLE

1 Philanthropic Purpose

2 Impact Vehicles & Structures

3 Governance

4 Impact Strategies & Tools

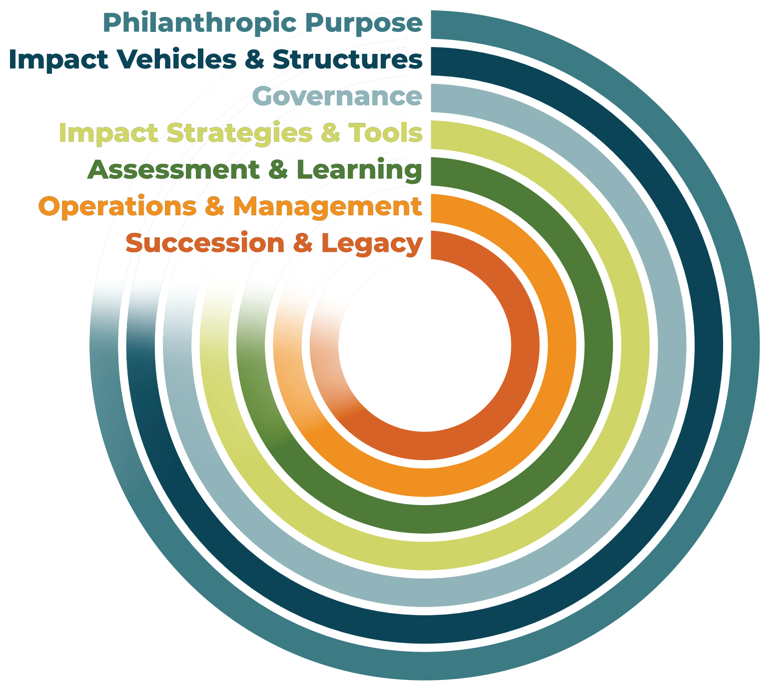
5 Assessment & Learning

**6 OPERATIONS & MANAGEMENT**

7 Succession & Legacy

NATIONAL CENTER FOR FAMILY PHILANTHROPY

# About the Series




**The Family Giving Lifecycle is a seven-stage framework that encompasses the breadth and inflection points of family philanthropy and orients donors to effective outcomes.**

***Operations and Management*** is the sixth primer of the series. The primers include worksheets to help you apply the concepts to your work as well as a playbook that you can create with your family to codify decisions and plan your course of action. The Lifecycle framework applies to families at all stages of their philanthropy, whether they are wealth creators just starting out or multi-generational families improving their practice. It is important for donors and their families to revisit the seven inflection points over time as their philanthropy evolves. Please visit the National Center for Family Philanthropy (NCFP) website for the complete series of primers and related resources.

# Table of Contents

# Overview

**Philanthropy takes many forms, and most require a certain level of administration. The work can include bookkeeping, tracking budgets and expenses, sending payments, filing government forms, and working with advisors. It may also require managing a board of directors or trustees, hiring and overseeing staff members, exploring grantmaking and investment opportunities, meeting with nonprofits and community leaders, and communicating internally and externally. There's no shortage of tasks to do!**

There's also no one way to manage your philanthropy. In fact, many donors experiment with different operational models as their strategies and available resources evolve. Factors such as the social impact vehicle you're using will affect operational needs, as will shifts in things such as your grantmaking budgets or family participation.

Ultimately, deciding how to manage your philanthropy rests in what you value and how much time and effort you and others want to invest. To help you draft a roadmap for efficient and effective operations, you must embrace three core commitments:

1. **Explore** important operational considerations.
2. **Define** what tasks you need to accomplish.
3. **Decide** who will do the tasks.

# Operational Considerations

**As you design your philanthropic operations, it's critical to align as many management decisions as possible with your values, priorities, mission and vision. (You may have created these in the *Philanthropic Purpose* primer.)**

Doing so allows you to focus on the function or purpose of your giving to determine the form or structure that will most effectively achieve that purpose. As you think about how to build or refine your operations, ask yourself the following questions:

## How might I rightsize my operations?

Rightsizing invites you to adjust your systems and structures to the appropriate size and scale needed to accomplish your objectives. It intentionally aligns your mission, resources, and capacity needs. Rightsized operations are efficient and effective without sacrificing quality or impact. They avoid overburdening the people involved so that their time isn't wasted, they don't burn out or lose trust. For example, a foundation that is just starting to give in one area might start with a small staff, outsourcing expertise. A more established entity might decide to expand its staff to deploy more capital. Over time, it's important to assess how well your structure is aligned with your goals and resources and to resize as needed.

## How do I ensure accountability?

Families with philanthropic vehicles are stewards of funds intended for public benefit. This stewardship is a position of extraordinary power and privilege—one that requires a recognition of the responsibility that individuals, family, and staff members have to each other and their community partners. Being accountable to family members, grantees, and others must include striving to keep agreements, treating them as your equals, celebrating their skills and accomplishments, sharing information transparently, and being honest about your mistakes. These actions improve the interpersonal trust necessary for effective philanthropy. In addition, when you make tax-deductible gifts or manage social impact vehicles, you are expected to follow local, state, and federal laws.

## How do we promote equity?

Equity is a core tenet of [effective family philanthropy](#) and is not limited to social impact strategies. To create more equitable and inclusive operating environments, families must adopt and embrace nondiscrimination policies and practices. A commitment to reduce or end inequities in your giving requires an interrogation of power and privilege and dedication to ongoing learning.

## What governance stage is my philanthropy in?

Family philanthropy often becomes more complex over time. Governance and decision-making practices evolve as more people become involved, which in turn affects the organizational structure. Understanding your stage of governance is a helpful tool in rightsizing your operations. The authors of *Generations of Giving*, a study commissioned by the National Center for Family Philanthropy, identified three stages of governance in family philanthropy:

1. **Controlling founder(s):** The founding donor or couple drive the decision-making. They often (but not always) feel little need or demand for formal structure so seek free or low-cost administrative options. They often manage the work themselves, ask family members or friends to volunteer, use family business staff members, or use a wealth, legal, or tax advisor. However, lean operations can lead to less clarity about policies and practices such as governance, recordkeeping, and grantmaking, which later ensure more productive involvement of new decision-makers and more measurable impact.

2. **Collaborative:** The philanthropy moves from serving the agenda of the founder to serving the collective agenda of a group (for instance, multiple branches of the family), and from hierarchical decision-making to group decision-making. Family philanthropies in their second generation often embrace a collaborative model of governance. It requires the family members to set aside their personal interests for a commitment to pursue the aims of the collective. The effort often reaches a point where it requires support from nonfamily partners. It might start with basic administrative or grantmaking support and then move on to an executive director. The staff members often split their time between managing the decision-making group(s), grant or other processes, and operations.

3. **Board or family-governed, staff-managed:** The third and final stage of development—board or family-governed, staff managed—is the most resource-intensive and happens when the group of decision-makers, the size of the family, or the social impact work becomes too large or complex to manage with simple administrative support. Families often transition to the staff-managed stage when the third generation (or later) takes on a leadership role or the family makes a conscious decision to step back from day-to-day activities. Founders and families might initially hesitate in the transition because it means giving up control or out of fear of unnecessary bureaucracy. However, families can structure the operations as they desire along a continuum of small and nimble to large and institutional. Ultimately, most realize that multiple staff members are necessary to prepare and involve decision-makers of diverse ages, experiences, geographies, and more, which results in a more informed and effective giving practice.

## What resources will we have—now and in the future?

Each person and organization has five types of resources—time, talent, ties, testimony, and treasure—to dedicate to their philanthropic purpose. Most impact strategies start with planning the uses of treasure (money and other financial assets) and the time and talent of people involved in decision-making about those financial resources.

## What vehicle(s) will we use?

Most philanthropic families channel their resources through charitable vehicles such as private foundations, charitable trusts, and donor-advised funds. An increasing number are also using private-sector vehicles such as impact investments or corporate social responsibility programs, public-sector vehicles such as 501(c)(4) organizations, and peer vehicles such as crowdfunding campaigns and social movements. (See more in the *Social Impact Vehicles* primer.)

## What strategy will we employ?

Philanthropic strategies range in complexity and require resources appropriate to their level of sophistication. Strategies often start with gifts and grants to nonprofit organizations and family volunteering. Over time, families often want to increase their impact through other activities such as values-aligned investing, convening, advocacy, strategic communications, or building the effectiveness of nonprofit partners. Moreover, some families choose to invest in people and solutions, while others choose to build interventions. Those choices increase the likelihood of enduring results and can make for the exciting and rewarding involvement of family members and other decision-makers. However, they often need time and expertise that extends beyond the family.

## What do we envision for the philanthropy's future?

Your stewardship roles and operational needs will change as your social impact strategy evolves, your resources grow, or the number of people and partners involved increases. It's important to think through possible ways your philanthropy can evolve and make sure you are setting up your operations now in ways that allow you to grow or shift.

# 10-Year Vision

This worksheet invites you to ground your operations in purpose and forecast changes that will affect the scale of operations you'll need. It sets the stage for the rest of the worksheets in the primer.

## 1. Purpose in Practice

Worksheets in the *Philanthropic Purpose* primer may help you answer these questions.

What three to five personal values guide your philanthropy?

## OPERATIONS AND MANAGEMENT WORKSHEET

How might you apply those values to the day-to-day management of your philanthropy?

## OPERATIONS AND MANAGEMENT WORKSHEET

What principles or priorities in your philanthropy might guide its operations? (For example, personal relationships, environmental sustainability, inclusion, commitment to learn.)

## OPERATIONS AND MANAGEMENT WORKSHEET

Along each continuum below, place a dot or 'X' that best represents how you hope your philanthropy looks and feels in the next 10 years.

### Timeframe

| | | | |
|---|---|---|---|
| Our philanthropy has the most impact in the present. | Our philanthropy has the most impact during our lifetime. | Our philanthropy has an impact several years after our lifetime. | Our philanthropy creates opportunities for perpetual impact. |

### Recognition

| | | | | |
|---|---|---|---|---|
| We stay completely anonymous. | We share a minimum amount info with the public. | We share our information with only a few trusted partners. | We publish info such as our purpose, grant guidelines, and contact info. | We actively use publicity to influence others. |

### Administering Your Philanthropy

| | | | |
|---|---|---|---|
| We are a volunteer-based operation; we borrow expertise. | We spend a little to gain some help or advance learning. | We employ part-time staff members or outsource services. | We have full-time staff or outsource a higher amount of help. |

# 2. Governance Needs

Worksheets in the *Governance* primer will help you answer these questions.

## Governance and Collaboration

| | | | |
|---|---|---|---|
| We act on our own, are independent. | We collaborate with family or a small group in some or all decisions. | We collaborate with a group; we turn some decision-making over to others. | We turn over decision-making authority to others. |

In the next 10 years, how might the decision-making and advisory roles in your philanthropy evolve? (For example, expanding the board to include children, developing a committee to advise on an issue.)

## OPERATIONS AND MANAGEMENT WORKSHEET

What operational support might help people succeed in their roles? (For example, money for training, new document sharing technology, administrative help to coordinate people.)

## 3. Future Resources, Vehicles, and Strategies

Worksheets in the *Social Impact Vehicles* and *Impact Strategies and Tools* primers will help you answer these questions.

In the next 10 years, how might the resources you commit to your philanthropy change? Your resources are your time, talent, treasure, ties, and testimony.

In the next 10 years, what changes might be coming in your current philanthropic vehicles? What new philanthropic vehicles might you be using? (For example, adding money to a donor-advised fund, launching a social enterprise, spending down a foundation.)

## OPERATIONS AND MANAGEMENT WORKSHEET

What changes might be coming for current social impact strategies and tools? What new strategies and tools are you hoping to add? (For example, widen a locally focused strategy to statewide, start a scholarship program, involve the family in volunteering and advocacy.)

## OPERATIONS AND MANAGEMENT WORKSHEET

What operational support might you need to support the evolution in your resources, vehicles, strategies, and tools?
(For example, grants management support, research and evaluation expertise, auditor or website developer for a foundation.)

# What Needs to Be Done?

**As noted earlier, the principle of form follows function should guide how you manage and operate your philanthropy.**

Functions are the purpose-led goals and tasks of your philanthropy, often translated to to-do lists, workplans, and written practices and procedures. As you formalize your philanthropy or use incorporated philanthropic vehicles, you'll make decisions about three types of practices and tasks:

1. **Administrative:** Routine management of compliance and recordkeeping, finance, technology, communications, and workspaces.
2. **Governance and people:** Scheduling and managing meetings, ensuring transparent decision-making processes, clarifying stakeholder communication, and educating current and future generations. Decisions in the *Governance* primer and *Succession and Legacy* primer guide these choices.
3. **Philanthropic giving:** Grant or scholarship application and administration processes, impact investment due-diligence processes, and regular assessments of your social impact strategies. Decisions in the *Impact Strategies and Tools* primer and *Assessment and Learning* primer guide these choices.

As you review the next section, you may feel overwhelmed by the myriad details to attend to in considering and setting up the operations for your philanthropy. Keep in mind, however, that you don't need to do everything at the same time, and each function requires different levels of effort and time depending on the philanthropic vehicle you are using. Remember that at the end of the day, carefully structured operations will serve the efficiency and effectiveness of your giving. So, taking the time to think through operational considerations is a worthwhile investment.

## ADMINISTRATIVE: Compliance and Recordkeeping

Social impact vehicles are regulated by local, state, and federal laws. The regulatory and reporting requirements differ by jurisdiction and for each social impact vehicle. But typically, you'll want to create systems for:

- **Compliance:** To remain compliant with the necessary laws and regulations you will need to track items such as state business entity renewals or annual reports, federal and state tax filings to the IRS and one or more states, payroll tax reports, and fundraising registrations. If you are operating a charitable organization, you are also required to establish practices and documentation to ensure the organization doesn't illegally provide benefits to individuals involved.

- **Storing and sharing documents:** You will need a secure place to store and share materials electronically, such as Dropbox or Google Drive, as well as safe places for paper copies of some documents. Essential records include meeting minutes, incorporation papers, policy manuals, tax filings, and other documents.

## ADMINISTRATIVE: Finance

Much of philanthropy centers on the use of financial assets. You'll need procedures for managing:

- **Banking and investing:** Common tasks include asking for regular reports from your financial managers or advisors, annual reviews of performance against an investment policy statement, and finding replacement investments when needed. Foundations and other nonprofits are encouraged to conduct a request for proposals (RFP) for investment advisors every three to five years and maintain an established investment policy statement to guide their activities. Your investment advisor or an independent investor advocate (see page 22) can help you draft and revisit an investment policy statement.

- **Bookkeeping and accounting:** Bookkeeping is the day-to-day management of financial transactions such as paying grants, sending invoices to vendors, and entering records into fiscal management software. Some foundations employ dedicated staff members to manage the bookkeeping and provide additional expertise in preparing and interpreting financial reports and forecasts.

- **Financial oversight and controls:** Financial oversight includes developing, approving, and managing operating budgets. It also involves setting up financial controls that prevent accidental or purposeful misuse of assets and ensure accurate and timely financial reporting. Financial controls include practices such as separation of duties, reconciling and examining statements monthly, controlling access to online accounts and use of credit cards, and expense reimbursement documentation. Many organizations desire or require an annual external audit or review, which creates the necessary safeguards to ensure all activities comply with rules and regulations.

## Leaning Into Investment Stewardship

When you or your family are stewarding assets in a vehicle such as a private foundation or charitable trust, laws in the United States and other countries hold you to a higher level of accountability. This legal responsibility for managing assets on behalf of others is called a fiduciary role or investment steward role. This fiduciary role includes ensuring financial assets are used in service of a philanthropic mission, not just in service of investment preservation and growth.

Most volunteer and paid leaders of philanthropic vehicles do not have a background in institutional investing, which requires different knowledge and skills than personal investing. Seeing the complexity of investment oversight and management, they defer to paid investment advisors or to board and family members with extensive experience or the loudest opinions.

Leaders who are less confident in assessing investment advisor performance or accountability can turn to independent investor advocates. These consultants and firms have investment consulting and management experience but aren't currently paid to manage money for others. Such providers can offer conflict-free guidance to nonprofits on investment policy development, investment beliefs, governance, RFP management, and assessment of current portfolios. Some have earned the Accredited Investment Fiduciary Analyst® (AIFA®) designation and are listed on the Fi360 website. Note that some AIFA® designees are not fully independent in that they also manage investments or retirement plans.

Volunteer and staff leaders can also be unsure of how to better incorporate values or mission-related priorities such as sustainable food and agriculture into their portfolios. NCFP members receive free access to ValuesAdvisor, a nonprofit resource developed to help move money into alignment with values. It offers a database of financial advisors specifically chosen for their expertise in values-aligned investing services.

# ADMINISTRATIVE: Communications

Why and how will you stay connected with other people and organizations? Answering this question involves revisiting at least four earlier decisions:

- **Philanthropic purpose:** What values and motivations shape your desire to share or withhold information?
- **Governance:** What tools and information do the people involved in making decisions need to stay connected between meetings, feel prepared for the meetings, and effectively take part in the discussions? What do they need to remain meaningfully connected to values, priorities, and the results you're attempting to achieve?
- **Culture and transparency:** How open and accessible should your philanthropy be to others? What tools and practices will help eliminate unnecessary barriers between you and the populations and communities you serve? What will help you be fairer and more inclusive in your work?
- **Strategy:** How can effective communications practices augment your ability to find good partners, influence the thinking and practices of others, make the most of resources, or encourage learning about an issue?

**Internal Communications:** Your communications needs start with the people in decision-making roles and your important advisors (legal, tax, financial). Standard tools needed include:

- Phone numbers and emails that are specific for foundation- or philanthropy-related communications
- Phone and video conferencing accounts/software
- Customer relationship management (CRM) or other contact-management system
- Online document sharing, a board portal, or an intranet site
- Online meeting scheduling and surveying tools

Your communications may also include an extended group of trusted partners (e.g., other family members, philanthropic consultants, or owners or employees of a related business). Consider their communications needs. For example, should they have access to online documents and meetings, receive regular communications such as an e-newsletter, or be able to stay in touch through a private social media group?

**External Communications:** You'll also want to consider how you wish to communicate with external audiences, including nonprofit organizations, advocacy groups, membership organizations, other funders, business or government partners, and the public. Donors often use a mix of websites, e-newsletters, blogs, press releases, printed reports, social media, video stories, and more to:

- Publicize their philanthropic purpose, guidelines, awards or investments made, and other basic information with organizations or individuals who wish to apply for funding
- Ensure elected officials and regulators know about the impact of their philanthropy (playing defense against new regulations)
- Share success stories of grantees, lift up important research, advocate, or otherwise engage audiences in thinking about an issue or community
- Share the history of a family, business, or group of people who created a social impact vehicle
- Solicit information about trends, challenges, and opportunities in issues, populations, and geographies that are philanthropic priorities
- Solicit feedback about philanthropic strategy, culture, processes, and relationships

## Technology

Technology is a critical tool to promote the flow of information. The Technology Association of Grantmakers offers several free resources for planning and evaluating technology options, including online grant application and reporting systems. It advises donors who are developing a technology strategy to consider questions such as:

- Can technology help us live our values?
- How can technology help us better achieve our mission?
- How will our philanthropy and social impact vehicle evolve over the next few years?
- Does technology help us collaborate better and work together?
- How do my colleagues and partners feel about our technology?
- Do staff members, leaders, and partners have the data needed to do their best work?
- What do we need to ensure business continuity?
- Does our technology ensure we are fully accessible to people with disabilities?

Private foundations and other nonprofits also turn to the international nonprofit TechSoup for helpful articles, sample technology standards, and discounts on software, hardware, and IT services.

## ADMINISTRATIVE: Working Space

The construct of the work environment continues to change and is an important question for many philanthropic families. Where will you receive mail, store documents, do work on your own, meet with others, and have others work with you? There are many ways to create effective workspaces—especially now that remote or hybrid workspaces have become the norm. Depending on your needs, you and/or your staff members may work effectively from home offices, using a post office box, co-working space, or office of a wealth or legal advisor to receive philanthropy-related mail. Many family offices or businesses provide free space to their social impact vehicle as well. (The IRS prohibits renting the space if the family or family business would financially benefit.) Some donors and foundations share office space with other nonprofits or philanthropies. And others opt to establish their own dedicated space.

## GOVERNANCE AND PEOPLE: People Management

In the previous sections, we outlined options for keeping various groups of people connected. Later in this primer, you'll decide what type of team you'll put in place to implement your philanthropic strategies and vehicles. Regardless of the size and scale of your operations, a thoughtful people-management plan is necessary for its success. Functional plans include definitions of principles to guide your activities as well as policies and practices to promote an inclusive, equitable, and efficient culture. Plans for effective people management address the roles and needs of a range of constituents, including board members or trustees, staff members, and other partners.

If you choose to hire staff members, you will need to dedicate resources to define cultural norms and expectations. Many families begin with an exploration of values. What guides your actions? What do you expect of yourself and others? As an employer, you will need an employee manual that establishes norms, policies, and procedures for performance and discipline, safety, time off, nondiscrimination and anti-harassment, and more.

Moreover, you will need to consider management of the board of directors or trustees and committees (when appropriate). You'll want to formalize procedures for identifying and recruiting potential members, nominating or electing them, onboarding them, identifying and documenting conflicts of interest, and assessing their performance.

## Philanthropic Giving Management

Philanthropic families have significant latitude in how they construct their grantmaking and awards processes to public charities; however, a defined and fair process promotes effective outcomes for all stakeholders. Moreover, families must employ a more structured process when using a social impact vehicle to award money to individuals, businesses, or organizations that aren't public charities. When creating a grantmaking or award process, consider the following:

1. **Operating principles:** How will you ensure the process reflects your values and the types of relationships you wish to have? Effective family philanthropy principles suggest that you:

    - Use inclusive, fair, and right-sized processes: The Trust-Based Philanthropy Project provides donors with practices that center equity, humility, and transparency. Donors are using tools from PEAK Grantmaking, Disability and Philanthropy Forum, and other resources to minimize bias, reduce disparities, and become more inclusive.

    - Ensure accountability: Some funders create an internal stakeholder service policy built on the Golden Rule or another set of principles to guide relationships. Others publish the policy, such as the William and Flora Hewlett Foundation's Seven Habits of Excellent Work with Grantees and Pride Foundation's Scholarship Applicant Bill of Rights.

2. **How to source opportunities:** If you're searching for new opportunities to support, who will help you create a pipeline of qualified ideas or organizations? What materials, if any, will you want to review? When and how will you receive the materials? Note that many family members may prefer to learn about new opportunities during calls, video meetings, or in-person visits rather than reading paperwork.

3. **How to evaluate opportunities:** What people, methods, and materials will you use to assess opportunities and narrow down your options? How are community concerns and voices informing the decisions? Remember that larger nonprofits often have the resources to pay skilled grant writers and marketers. They may have unfair advantages in application processes, even if they aren't more effective or aren't closest to the communities they serve. Think about how you can create fair processes for organizations with smaller budgets.

4. **How to make decisions:** Who will make the final decisions about deploying your philanthropic resources, and using what criteria? What process will they use to decide and resolve disagreements?

5. **How to make—and steward—the award/grant:** Who will communicate your decisions, distribute the resources (e.g., send payments), and maintain relationships?

6. **The tip sheets in the appendix** offer ideas for creating a grant or award program.

## Other Strategies to Achieve Purpose

Keep in mind that as your philanthropy evolves, certain strategies might require additional infrastructure and staffing, such as:

- Convening and collaborating
- Employing strategic communications to achieve philanthropic purpose
- Influencing local, state, or national public policy
- Influencing practices of businesses
- Engaging with communities most proximate to the work
- Building the capacity of partners

For example, it's important to think through what legal support might you need if you are influencing policy. What kind of capacity might you need on staff to convene grantees? Or help build grantee capacity? Your operational model can and should shift and adapt to your purpose.

## Sharing Decision-Making

One of the core tenets of effective philanthropy is listening to the people funders ultimately seek to serve. Participatory grantmaking (or community-led grantmaking) takes listening one step further to engage community members in the grant decision-making process. Donors, businesses, and foundations are increasingly inviting community residents and people who have first-hand experiences with issues to:

- Advise the development of philanthropic strategies and proposal review criteria
- Help with building the pipeline of good ideas
- Evaluate proposals and grant reports
- Join in the final decision-making

Many are creating decision-making opportunities that include people inside and outside a social impact vehicle. A few are giving complete decision-making authority to the community members. Philanthropists see benefits of participatory grantmaking such as more thoughtful choices, increased community involvement and ownership in results, increased equity and social justice, increased trust between the participants and funder, and increased excitement by younger generations of the family or business.

# Functions of Your Philanthropy

There are three main categories of operational activity: administration, governance and people, and philanthropic giving management. In the checklist below, mark the functions you currently have, the functions you do not currently have, the functions that are not applicable, the functions you expect to have in place in the next 10 years, and any considerations you may have including, thoughts about what you may need to take on these tasks, including people and other resources.

## Administration

| | YES | NO | N/A | In 10 years | Notes |
|---|---|---|---|---|---|
| **Compliance and Recordkeeping Functions** | | | | | |
| Providing legal support and overseeing legal filings | | | | | |
| Paying taxes, filing tax forms | | | | | |
| Maintaining, storing, and sharing documents | | | | | |

## OPERATIONS AND MANAGEMENT WORKSHEET

| | YES | NO | N/A | In 10 years | Notes |
|---|---|---|---|---|---|
| **Finance Functions** | | | | | |
| Conducting operational bookkeeping | | | | | |
| Setting and overseeing budgets | | | | | |
| Managing audits (if needed or desired) | | | | | |
| Managing investments | | | | | |
| Communicating with tax, and/or financial advisors | | | | | |
| **Communication Functions** | | | | | |
| Answering calls, email, mail | | | | | |
| Maintaining a website, publications, press releases | | | | | |
| Maintaining a board portal and other internal communications | | | | | |

## OPERATIONS AND MANAGEMENT WORKSHEET

| | YES | NO | N/A | In 10 years | Notes |
|---|---|---|---|---|---|
| **Office and Technology Functions** | | | | | |
| Maintaining office space | | | | | |
| Maintaining tech equipment and hardware (computers, etc.) | | | | | |
| Maintaining software and tech tools: | | | | | |
| Grants management systems | | | | | |
| Collaboration tools (Slack, Zoom, MS 365) | | | | | |
| Grants payment systems | | | | | |
| Constituent relationship management (CRM) systems | | | | | |
| Other | | | | | |

OPERATIONS AND MANAGEMENT WORKSHEET

# Governance and People

| | YES | NO | N/A | In 10 years | Notes |
|---|---|---|---|---|---|
| **Board (or Decision-Making Team) Functions** | | | | | |
| Managing board and committee communications | | | | | |
| Coordinating and managing meetings | | | | | |
| Managing board member recruitment | | | | | |
| Implementing board member orientation | | | | | |
| Managing performance review processes | | | | | |
| Coordinating ongoing board member education | | | | | |

## OPERATIONS AND MANAGEMENT WORKSHEET

| | YES | NO | N/A | In 10 years | Notes |
|---|---|---|---|---|---|
| **Family-Related Functions** | | | | | |
| Maintaining legacy documents and statements of donor intent | | | | | |
| Curating family archives related to philanthropy | | | | | |
| Communicating with family members (including those who do not hold formal decision-making roles) | | | | | |
| Implementing an education and engagement plan for younger family members | | | | | |
| **Staff/Consultant-Related Functions** | | | | | |
| Managing human resources policies and procedures | | | | | |
| Managing consultants and others | | | | | |
| Other | | | | | |

**OPERATIONS AND MANAGEMENT WORKSHEET**

# Philanthropic Giving Management

| | YES | NO | N/A | In 10 years | Notes |
|---|---|---|---|---|---|
| **Grants-Management Functions** | | | | | |
| Creating a pipeline of eligible applicants/partners | | | | | |
| Managing an applicant evaluation processes | | | | | |
| Coordinating decision-making with committee and/or board | | | | | |
| Sending award/decline letters, agreements | | | | | |
| Managing the monitoring of awards and ongoing communication | | | | | |
| Managing strategies to evaluate impact and implement lessons learned | | | | | |

## OPERATIONS AND MANAGEMENT WORKSHEET

| | YES | NO | N/A | In 10 years | Notes |
|---|---|---|---|---|---|
| **Other Strategies to Achieve Purpose** | | | | | |
| Convening, collaborating | | | | | |
| Employing strategic communications to achieve philanthropic purpose | | | | | |
| Influencing local, state, or national public policy | | | | | |
| Influencing practices of businesses | | | | | |
| Engaging with communities most proximate to the work | | | | | |
| Building the capacity of partners | | | | | |
| Other | | | | | |

# Who Does the Work?

**There are many ways to staff your philanthropic efforts, each with advantages and disadvantages.**

You can consider options along a continuum which includes all-volunteer, outsourced support, philanthropic advisory firms, and hiring staff members. The chart on page 47 compares the options, and you'll find more details below.

Most family-led philanthropic vehicles still have living founders and/or have less than $10 million[1] in assets dedicated to philanthropy. Accordingly, the most common operating models are:

- All-volunteer, perhaps with essential fiduciary and compliance support from an attorney, certified public accountant, or wealth advisor
- Family members as volunteers for some operations and paid support and office space from the family office or business for others
- Family members as volunteers for some operations and a paid outsourced services provider or philanthropic advisor for more technical or routine tasks (e.g., filing paperwork, running the mechanics of grantmaking and reporting)

Families often use a volunteer-based or shared-support model throughout the lifespan of their philanthropy to manage their work effectively and achieve the impact they desire. However, there are times when a more robust operating model is warranted.

[1] The less than $10 million range does not have legal implications. It simply indicates that the smaller the asset size, the less likely an organization is to require dedicated staff members.

## Moving from All-Volunteer to Needing Help

Donors who establish philanthropic vehicles often do so to help family members develop and practice a mindset of service to others. Some family members find meaningful service in volunteering for operational tasks. Others find meaning in volunteering to implement philanthropic strategies—meeting with nonprofits, advocating for a cause, researching trends, and more.

As family members continue to engage in the philanthropy in meaningful ways, you will encounter inflection points that might trigger the need for paid support. You are strongly advised to look to outsourced providers, consultants, advisors, or paid staff when you want to:

- Effectively involve three or more generations of family members
- Prepare decision-makers for more complex philanthropic strategies
- Make a large number of grants or make large grants that require negotiation of terms or involve the use of complex assets
- Manage multiple social impact vehicles or strategies
- Build and maintain programs or run a private operating foundation
- Seek to measure progress and success, especially in influence, leverage, and learning strategies. (See the *Impact Strategy and Tools* primer for more details.)

## Working with Outsourced Service Providers

Organizations of all sizes use outsourced service providers for accounting, tax, legal, and human resources functions. They do so to lower administrative costs, ensure compliance as regulations evolve, and tap into technology solutions.

Donor-advised fund sponsors offer essential giving and grantmaking support, as do firms that specialize in providing back-office services to private foundations and corporate philanthropy programs. Some offer more in-depth support for developing philanthropic strategies and assessing nonprofits. A few manage activities such as family involvement and training, impact investments, convening, donor collaboration, advocacy, and research.

## Working with Philanthropic Consultants and Advisors[2]

The field of philanthropy advisors and consultants includes individuals and firms paid to help donors and their philanthropic vehicles navigate the why, who, what, where, and how of giving and improving philanthropic outcomes. These professionals have diverse backgrounds—experienced givers, former foundation staff members, former nonprofit executives, wealth advising, family counseling, and more. Some are generalists, some are tacticians in a specific style of philanthropy, some are experts in a particular issue or geography, and some are a blend. A few also serve as outsourcing firms.

Unlike the legal or investment professions, the field of philanthropic consulting is not regulated. There are no universally recognized certifications, measures of best practice, or codes of ethics. So, the best way of identifying qualified advisors is often to work through trusted partners, including these resources:

- **National Center for Family Philanthropy** can refer members to consultants that other members have successfully engaged.
- **National Network of Consultants to Grantmakers**, a trade association with a searchable directory. Members, who pay an annual fee to join, have validated references from at least five clients and have pledged to uphold a code of ethical conduct.
- **Regional Associations of Grantmakers** maintain lists of consultants, typically based on referrals by their members with limited vetting by the association's staff. A few require the consultants to pay a fee to be listed.
- **21/64 Certified Advisors** received training to work with wealthy, multi-generation families. A few have additional training in facilitating family meetings and discussing money values.
- **Donor-Advised Fund Sponsors and Wealth Management Firms** often maintain lists of philanthropic consultants or have such experts on staff.

[2] Adapted from the *Resource Guide for Family Philanthropy* written by Tony Macklin for The American College of Financial Services' Chartered Advisor in Philanthropy® Program, 2020

## Tips on Researching Philanthropic Advisors and Outsourcing Firms[3]

As you research and interview potential advisors and firms, have available documents related to your philanthropic purpose and strategies. Then consider the following questions:

- **Ethos:** What code of professional ethics, if any, does the advisor follow? Does the advisor prefer to avoid clients with certain value sets (often related to politics or faith)?

- **Strategy:** What strategy does the advisor employ? Does the advisor have specific definitions for terms such as strategic philanthropy, effective grantmaking, nonprofit quality, and/or impact? Do their definitions resonate with you or your family?

- **Expertise:** Will extensive knowledge of a specific geography or issue be useful? Has that knowledge led them to develop biases or lists of solutions, and do those solutions align with your values and goals?

- **Client Profile:** Does the advisor have a preferred client profile, such as size of the foundation, etc.? How would the advisor define their own limitations? If needed, would they be willing to refer you to other experts? If applicable, to what degree is the advisor comfortable and experienced in working with complicated family dynamics or conflict?

- **Tools and Approach:** Does the advisor have multiple planning tools and techniques to match your decision-makers' different personalities and learning styles? Have they helped clients with vehicles other than private foundations or donor-advised funds (e.g., giving circles, advocacy groups, or impact investments)? Do they have certain biases about these tools?

[3] Ibid.

## Hiring Your First Staff Member(s)

Donors typically hire their first staff member(s) in one of four roles: office administrator, a grants manager who runs the program's mechanics, a program officer who helps think through strategy and decision-making, or an executive director. No matter the title, these staff members end up wearing many hats—administrator, mediator, confidant, and sometimes even unofficial therapist. There are six essential qualities[4] for these staff members, and especially for those serving in executive or senior staff roles:

1. **Honest and consistent.** They cannot tell one thing to one family member and something else to another. The professional must present all information with complete disclosure.

2. **Candid and frank.** They must not be afraid to state their beliefs. The professional should be a strong moral compass, not a distorted mirror image of board members' views and feelings.

3. **Grounded in a set of values and beliefs.** They must know what is and is not important to them and be aware of when compromise is not an option. The professional has to be willing to say no to a board member when necessary.

4. **Aligned with the family's beliefs and goals.** The professional can educate and lead but cannot have an agenda dissonant with the family's agenda.

5. **Willing to use outside help.** Sometimes consultants are needed to assess, review, and facilitate. However, such help should not be threatening to the professional, even when initiated by a board member.

6. **Simultaneously engaged and objective.** The boundaries between professional roles and personal relationships are often blurred and often shift. Therefore, professionals have to be able to navigate ambiguous interactions.

[4] Adapted from "The Mad Hatter: 13 Key Roles for Family Foundation CEOs" by Gary A. Tobin, and the NCFP webinar, "The Many Hats of Nonfamily Staff Members."

As you plan to hire your first staff member, consider these tips from other philanthropists:

- Create a job description to outline your needs, set expectations, and describe the desired qualities, skills, and experience you are seeking.
- Plan to assess compensation and benefits packages. The Council on Foundations, Exponent Philanthropy, statewide nonprofit associations, and some philanthropic service organizations offer peer benchmarks. You can also hire a professional firm that assesses and benchmarks compensation.
- Decide if you want to manage compensation and benefits on your own or outsource the work to a family office, professional employer organization, fiscal sponsor, or foundation management service.
- Publicize the job posting and description on social media, philanthropic service organizations, grant partners, community organizations, and among peer colleagues who support your priorities. For an executive hire, consider engaging a search firm that specializes in the philanthropic sector to help you find the right fit.
- As with philanthropic consultants, the new staff member may be deeply versed in an issue area or community and have their own point of view. You will want to understand their perspectives before hiring them, confirm that their vision aligns with yours, accept that they might challenge your thinking, or choose a different candidate. An ideal staff member will help you navigate a complex issue area and the philanthropic sector and chart a clear path forward. They'll also offer the skills, systems, and information to help you and/or a board make its best decisions.

NCFP's website offers resources for crafting a CEO's job description, the hiring process, ensuring the first year of a new CEO is successful, and managing performance reviews.

## Paying Family Members

The question of whether to pay family members for conducting tasks or jobs related to the philanthropy elicits another question: *Does the family serve the philanthropy or does the philanthropy serve the family?* Contributing in a professional capacity is yet another opportunity for family members who are committed its mission and vision to serve the philanthropy.

Families with successful, enduring businesses become practiced at embracing a similar ethos: the family serves the business. The answer provides the most explicit ethical guidelines for family members and nonfamily employees and volunteers. The practices and policies they use to balance family and business interests can apply to employing or contracting with family members in a philanthropic enterprise.

Family members who become employees or contractors can find both benefits and challenges in their dual roles.

### Family as Staff: Words to the Wise

The following reflections are from family members who have served as staff members of their philanthropies.

#### BENEFITS

**Connection to donors:** "As a third-generation family member, I am among the last to have had a personal connection with our original donors."

**Taking risks:** "As a family member, I am better positioned to take risks in our approach to grantmaking and investments than a nonfamily member, who may be concerned that the board may hold them accountable for 'mistakes.' There is great value in being able to push the envelope without fear of losing my job."

**Connection to community:** "Our board and extended family has expressed a great deal of satisfaction with the fact that there is a family member representing the foundation in its relationships with our long-time grantees. And, at the same time, our grantees love having a direct connection to the family."

**Understanding of family dynamics:** "Our board likes that the lead staff person has a deep understanding and knowledge of the family's history and dynamics; there is less time wasted on navigating these dynamics and more time spent doing the work."

**Expression of our family:** "A large part of our donor's motivation for creating the foundation was to provide a way for the family to express its values and interests. Having a family member lead this work allows us to use my personal relationships with my nieces and nephews and other family members to engage them in the foundation in ways a nonfamily administrator can't."

**Intuitive understanding of connection between family and strategy:** "Our philanthropy is informed by our family values and history and our overall strategy, and this overlap comes up often. As a family member, I can quickly and intuitively assess what my board and family members are trying to accomplish and how they wish to accomplish it."

## CHALLENGES

**Burnout:** "The flip side of having an intuitive understanding of the connection between family and strategy is that constantly considering both aspects of our work ends up 'frying my brain,' and at times I fear I may burnout."

**Accountability:** It can be hard to ensure performance when a family member is in the lead staff role; board members who are also family members may feel reluctant to provide honest feedback for fear of damaging their personal (family) relationship with the staff person.

**Deference (and/or disengagement) from other family members:** When a family member is the lead staff person and is deeply engaged in the work, other family members may become disengaged and defer to that family member in important foundation-related decisions. This, to some extent, defeats the purpose of a family foundation.

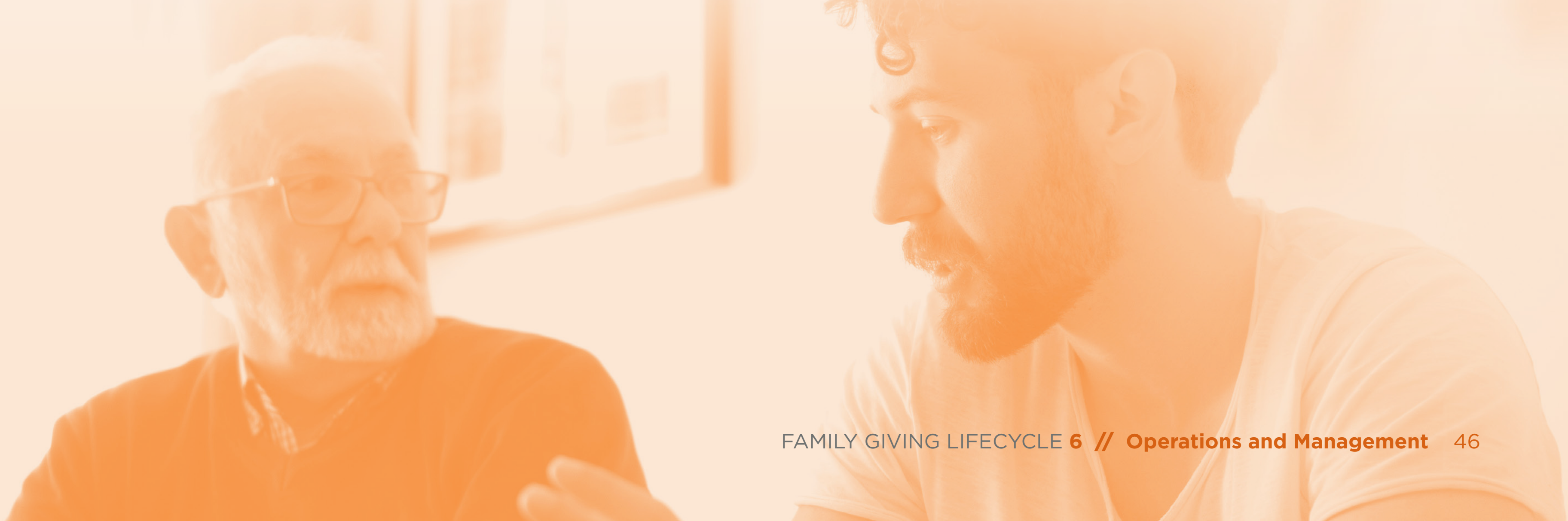
**Compensation:** It can be hard to handle situations where family staff members are compensated, but family board members are not.

**Multiple hats:** It is challenging to balance the roles of staff and family member; it's even more challenging if you are also on the board.

## Caution: Self-Dealing in Private Foundations

The IRS holds private foundations to strict standards in financial relationships between the foundation and people it labels as “disqualified persons.” These “self-dealing” regulations carry financial penalties if violated. The regulations and definitions aren’t intuitive so should be periodically reviewed and part of the training of new volunteers and staff members. NCFP’s [Avoiding Conflicts of Interest and Self-Dealing for Family Foundation Boards] issue brief is a good starting point. Look to that brief or legal counsel when considering:

- A financial transaction that will involve disqualified persons—a family member or spouse (going backward and forward for generations), substantial contributor to the foundation, family-owned business, or government official
- Compensation and contracted work
- Sales or exchanges of property; leases, loans, or mortgages of property
- Purchasing tickets to events
- Grants related to personal pledges
- Paying for travel, goods, or services for the disqualified persons
- Use of foundation assets for personal benefit



## Comparing Staffing Structures

There is never one right answer to the depth or mix of staffing you might need. However, there are common solutions for the stage of your governance (shown in the figure below), and common ideas for the strengths and limitations of each option (shown in the chart on the next page). Review the chart before you answer the worksheet at the end of the chapter.

**Controlling founder(s)**

- Volunteers
- Limited Staff

**Collaborative**

- Volunteers
- Outsourced Services
- Limited Staff

**Board governed, family managed (smaller scale)**

- Staff
- Outsourced Resources

**Board governed, family managed (larger scale)**

- Staff

| Staffing | Strengths | Limitations | Most Appropriate Uses |
|---|---|---|---|
| **Volunteers**<br>Family or board members administer the philanthropy | • Family and/or board take ownership of the philanthropy as a team<br>• Maintains direct relationships with partners<br>• Most cost effective | • Can cause tension if someone isn't doing the job in a timely or professional way<br>• Volunteers may burn out<br>• May have lower competencies with effective social impact strategies, policies, and practices | **Stage:** Controlling founder<br>**Impact strategies:** Personal giving or grants to organizations you know; scholarship program run in partnership with a school or service club; or impact investing with current wealth advisor |
| **Family Office or Business***<br>Use staff members, space, and expertise of an existing company | • Eliminates need to set up a separate office<br>• Can offer advice on marketing, finance, and other topics<br>• Can allow for flexible contraction and expansion of operating costs | • Blurred lines of accountability and authority between owners, employees, philanthropic decision-makers, and other family members<br>• May have lower competencies with effective social impact strategies, policies, and practices | **Stage:** All stages<br>**Impact strategies:** Grant or other programs aligned with family or business interests; impact investing aligned with internal expertise<br>**Other strategies:** Influence, leverage, and learning that could benefit from internal expertise or company volunteering |

* The IRS has specific regulations for how private foundations can hire family members and other disqualified people and the financial relationships between the foundations and family-owned businesses and offices. Consult with a qualified legal professional for advice on how to structure agreements and relationships.

| Staffing | Strengths | Limitations | Most Appropriate Uses |
|---|---|---|---|
| **Contractors and Advisors** Pay for part-time administrative support and/or a consultant or consulting firm that provides specialized expertise | • Eliminates personnel costs and reduces office-related costs<br>• Provides access to specific expertise (operations, grantmaking, legal, etc.)<br>• Allows for flexible contraction and expansion of operating costs | • Someone will still need to hire, contract, and oversee the contractor's work<br>• Philanthropy may be less visible without a dedicated office or staff member<br>• Fees vary widely | **Stage:** Controlling founder or collaborative<br>**Strategies:** Using multiple strategies (e.g., grants and influence); creating more focus in a strategy; occasional help in assessing opportunities, assessing results<br>**Family:** Occasional help in managing family or group dynamics |
| **Outsourced Services** Use a professional advisor firm; a sponsor of donor-advised funds or supporting organizations; a fiscal sponsor; or firm specializing in managing philanthropic programs | • Can eliminate the need to set up an office<br>• Some firms provide a full range of expertise and operations support<br>• Can help with meeting other donors, funders, and experts<br>• Allows for flexible contraction and expansion of operating costs | • Some firms don't support all types of social impact vehicles or strategies<br>• Some use templates, policies, and systems that won't fit family culture<br>• Not all firms have specialists in managing family dynamics<br>• Fees and terms vary widely | **Stage:** Controlling founder, collaborative, or staff-managed; when a lean staff and infrastructure is preferred<br>**Strategies:** Need a community liaison with experience; using multiple strategies and types of tools (though many providers only serve charitable vehicles) |

| Staffing | Strengths | Limitations | Most Appropriate Uses |
|---|---|---|---|
| **Paid Family Staff*** Hire one or more family members as paid staff—typically starting with executive, grants, bookkeeping/ administrative | • Volunteers freed from daily tasks<br>• Professional staff members can follow opportunities and network<br>• Family staff members have the trust of the family, and may represent the family's culture or brand well | • Staff members will need a clear supervisor; it may be awkward to be supervised by another family member<br>• Blurry lines of authority and challenging family dynamics can interfere<br>• In some cases, self-dealing may occur<br>• Paid staffing can be more costly | **Stage:** Collaborative or staff-managed<br>**Strategies:** Using multiple strategies, tools, and/or vehicles; consistent community presence and accumulated knowledge contribute to impact, influence, leverage, and learning<br>**Family:** When family oversight is desired and experience warrants participation |

* The IRS has specific regulations for how private foundations can hire family members and other disqualified people and the financial relationships between the foundations and family-owned businesses and offices. Consult with a qualified legal professional for advice on how to structure agreements and relationships.

| Staffing | Strengths | Limitations | Most Appropriate Uses |
|---|---|---|---|
| **Paid Nonfamily Staff**<br>Hire one or more paid staff member—typically starting with executive, grants, bookkeeping/ administrative | • Volunteers freed from daily tasks<br>• Professional staff members can follow opportunities and network<br>• Staff members can bring the community perspective and neutrality in the face of family dynamics | • Staff members will need a clear supervisor<br>• It may be challenging for a family to build trust with nonfamily staff members<br>• Paid staffing can be more costly | **Stage:** Collaborative or staff-managed; when assets are substantial<br>**Strategies:** Using multiple strategies, tools, and/or vehicles; consistent community presence and accumulated knowledge contribute to impact, influence, leverage, and learning<br>**Family:** When a neutral voice or philanthropic or issue expertise can help bring the family together |

* The IRS has specific regulations for how private foundations can hire family members and other disqualified people and the financial relationships between the foundations and family-owned businesses and offices. Consult with a qualified legal professional for advice on how to structure agreements and relationships.

# Creating Your Future Team

You envisioned the future of your philanthropy and the work that will need to get done in previous worksheets. How much of that work is beyond the time and ability of volunteers or your current team? As you look ahead, is it time to find more part-time or full-time staff members, a philanthropic advisor or consultant, and/or outsourced services? The following questions can help you choose the staffing model that is right for you.

## 1. Based on the previous worksheets, what changes in the next 10 years will create the most demand for increased operations and management?

- ☐ More resources for social impact
- ☐ New social impact vehicles
- ☐ New or expanded goals and strategies
- ☐ Compliance and recordkeeping
- ☐ Finance, bookkeeping, investing
- ☐ Internal/external communications
- ☐ Technology
- ☐ More family members or volunteers involved
- ☐ Human resources
- ☐ Other

**2. Do our volunteers have additional time and interest to do the work?** And/or are there staff members at our business or family office that we're willing to pay if they have time and interest? If so, who?

**3. If yes to #2:**

Do they have the skills and connections they need to succeed? If no, are we willing to pay for new training and/or memberships to philanthropic associations? Do we have time for them to acquire the skills that will be necessary?

## OPERATIONS AND MANAGEMENT WORKSHEET

Do they have the administrative resources they need to succeed (e.g., online grant application software, board portals, office space, and equipment)? If not, are we willing to pay for those resources?

Are there geographic requirements of the role? Are we willing to have them work remotely or pay for regular travel?

## 4. If no to #2:

Which staffing model(s) do we want to pursue (e.g., contracted office manager, outsourcing firm, philanthropic advisor, paid family staff, paid nonfamily staff)? Why?

What concerns do we have about implementing the staffing model(s) we chose? What information, practices, or policies do we need to address to alleviate those concerns?

## OPERATIONS AND MANAGEMENT WORKSHEET

For the staffing model(s) we chose, how much are we willing to invest in that team (e.g., hiring/search, salary, benefits, professional development, travel)?

How much are we willing to invest in office and other administrative expenses to help the team be effective?

## 5. Connecting the decisions above to our philanthropic purpose:

How might our staffing decisions affect our relationships with nonprofits, other partners, and the communities we serve?

How can we ensure our staffing decisions reflect our mission, values, and principles?

# Considering Compensating Family Members

Employing family members as contractors, part-time, or full-time members of your philanthropic operations can bring new challenges. Use this checklist to review gaps in your policies and practices and decide if any need to be updated. Most importantly, flag any that deserve a thorough discussion so that everyone in the family understands what to expect from the roles of family governance, employer, and employee. As you consider the issues, you may wish to consult with an attorney, human resources consulting company, or family business specialist.

| | Policy or Practice in Place? | Discuss and Clarify Soon? |
|---|---|---|
| **Code of conduct or family constitution:** Do your ground rules for behavior, communication, and decision-making cover the separation of family relationship from employer-employee relationship? Does the code commit them to serving the needs of the philanthropic entity over emotional attachments to family? | | |
| **Confidentiality policy:** Does it ensure the confidentiality of an employee's health status and other protected information? | | |
| **Conflict resolution:** Does your family have adequate policies and practices to resolve disputes or issues like sibling rivalries? This is often a good time to establish a family council or another committee to resolve emotional family matters in a forum separate from the philanthropic vehicle. | | |

## OPERATIONS AND MANAGEMENT WORKSHEET

| | Policy or Practice in Place? | Discuss and Clarify Soon? |
|---|---|---|
| **Student preparation:** Have you talked with younger family members about their career goals? Do those include your philanthropic vehicle? Have they had opportunities to learn about its operating needs? | | |
| **Young adult preparation:** Does the family favor young adults gaining employment experience in other businesses, nonprofits, government agencies, or foundations before seeking employment in yours? (Note that many family business owners favor this.) | | |
| **Transition plans:** Have current leaders (e.g., the founders or a board chair) been transparent about their long-term plans for volunteer leadership roles? Will family members expect opportunities to fill those roles if they don't choose, or aren't chosen for, staff roles? | | |

| As you plan the hiring process | Policy or Practice in Place? | Discuss and Clarify Soon? |
|---|---|---|
| **Benchmarking:** Have you researched the fees or salaries and benefits of comparable positions in your region or similarly sized funders? Are family members in agreement about what compensation is reasonable and fair and what employment perks are off the table? Are those decisions fair regardless of whether the employee is family or not? | | |
| **Clear job description:** Are the qualifications, competencies, responsibilities, and performance measures written so that everyone is clear about the duties and decision-making authority? Equally importantly, is everyone clear what the staff member should not be doing? Could the job description be easily filled if you conducted an open search? | | |
| **Resetting relationships:** Are family members clear about the reporting structure for the family employee (e.g., to a board chair or a committee)? Who will provide cover for the employed family member if other family members overstep boundaries? Are advisors and consultants clear about changes to reporting and decision-making structures? | | |
| **Peers and mentors:** Will the family employee have access to mentors who work with family businesses or foundations, or peer groups of family staff through memberships in philanthropic associations, family enterprise centers, or NCFP? | | |

# Next Steps

**In the next chapter you will use what you learned here to create a 10-year operational playbook. It will capture the principles guiding changes in your operations and envisioned changes in your philanthropy. It will also record the forecasted changes to your administrative practice, systems, and team to ensure your philanthropy remains effective and meaningful.**

A family foundation colleague once said, "Let's go as far as we can see, and then see how far we can go." That is true for all aspects of philanthropy, including a philanthropy's operations. As you look ahead, keep in mind these tips for long-term success:

- **Include other voices:** Consulting with others—family members, advisors, philanthropic peers, and people closest to problems and solutions—helps you learn about the evolving administrative options available. And including others prepares them for potential roles they may take in governing or managing your philanthropy later.

- **Create accountability to purpose:** Keep searching for ways to align your operations to your values, principles, mission, and changing community and family needs. Remember that less complex operations can always be useful, but cheaper may not be better.

- **Purposefully reassess and adapt:** The management choices you make today are not forever. You may find they work for a year or two, or ten, and then you will change course, along with your management style and systems. Most families find it helpful to revisit their operational roadmap every year or two.

Lastly, remember that how you've created your operational playbook may inspire you to revisit choices in the other Family Giving Lifecycle primers, ranging from your ability to use new philanthropic vehicles to how you implement and assess your social impact strategies.

# Operations and Management Playbook

NAME OF FAMILY OR SOCIAL IMPACT VEHICLE

UPDATED ON

NEXT REVIEW SCHEDULED FOR

FAMILY AND/OR BOARD/COMMITTEE MEMBERS INVOLVED

ADVISOR(S) TO THE PROCESS

# Instructions

**This playbook will help you and your family codify decisions related to the operations and management of your philanthropic goals, strategies, and vehicles, and plan your course of action. It synthesizes information you individually provided in the primer's worksheets, helping you to co-create near-term and long-term plans for operationalizing and managing your philanthropy. Family members should consider it a living draft to test as they practice philanthropy together. As such, some language will be imperfect, and some answers might be "to be determined."**

Before you begin, you'll want to clarify:

1. **Who will be involved?** In some families, a founding or controlling generation member completes a draft to discuss with the family. Other families develop a draft together or form a small group to do so. Larger families and families with more complex operational needs might involve a philanthropic advisor or consultant in helping them weigh options.

2. **How you'll make decisions.** For instance, will you work toward consensus or take votes? If you need help with the choices, review the *Fundamentals of Family Philanthropy* primer.

3. **Background information needed.** Ensure everyone involved can access materials related to your philanthropic purpose (e.g., values, principles, mission, donor intent, legacy letter), the founding of your social impact vehicle (e.g., bylaws or fund agreement), and your social impact strategy.

## Guiding the Conversation

The first section of the playbook ensures that the other decisions are grounded in your shared purpose. Ideally, your why shapes how you'll manage your philanthropy.

The second section invites you to consider changes that could affect your operational needs in the next 10 years. The section is a good place to involve younger generations of the family or others who might be future decision-makers. You may also want to check in with advisors to forecast potential legal, accounting, or tax changes.

If you have multiple people involved in completing the playbook:

- **Compiling everyone's top three to five answers** and then discussing that list can be helpful. Verbally acknowledge both similarities and differences, taking care to respect family members' unique personalities and experiences.
- **Ask about the assumptions and stories behind people's decisions.** Their answers might be based on a bad or good experience that may not apply to your operations.
- **Focus on what feels rightsized**—the operational capabilities and systems that are both effective and efficient without sacrificing quality, accountability, or social impact. Low-cost options may seem compelling, but they can sometimes limit your ability to meaningfully involve family members and develop trusting relationships with nonprofits and other partners in your philanthropic goals.

# Guiding Principles for Collaborative Work[5]

## Consider these tips as you facilitate family conversations about the template:

- **Take your time:** Know in advance that teasing out these ideas is a process that takes patience. Developing shared principles or giving priorities will often take more than one conversation.
- **Listen to stories:** One of the best ways to learn is by inviting each other to tell stories. You can learn much about others' motivations, how they live out their principles, and how they make choices in their philanthropy. For instance, younger generations can use questions from the worksheets to interview grandparents or aunts and uncles.
- **Identify conflicts and trouble spots:** Some families encounter tense conversations about subjects such as religion and politics. Set those aside for later and focus on the topics that unite you.
- **Talk with other families:** It can help to talk with families who've been through this process. NCFP can suggest donor families willing to speak with you. You can also contact your local community foundation or regional philanthropy-serving organization for sample purpose statements and to meet other families.
- **Document the process for future generations:** A video or audio recording of the stories and decisions will give valuable insights. And the results of your choices will have more staying power if placed in the context of the larger family story.

[5] Adapted from ***Splendid Legacy 2: Creating and Re-Creating Your Family Foundation***, National Center for Family Philanthropy, 2017

# Operational Vision

This is our vision for how our family hopes to manage our collective philanthropy effectively. We've forecasted operational needs to the best of our ability and know we'll revisit and refine the vision and plan over time. Some language will be imperfect, and some answers might be "to be determined." We've also documented things we want to learn and notes about our decisions.

OPERATIONAL VISION

# Shared Purpose

### Shared Values and Principles

Our most important beliefs and our moral compass

### Shared Priorities

The populations, places, issues, or institutions most important to our philanthropy

## OPERATIONAL VISION

### In Action

How our values, principles, and priorities should shape our operations

### Lifespan

The likely lifespan of our philanthropic vehicle(s)

### Recognition

How anonymous or public we'll prefer to be

OPERATIONAL VISION

# What Might Change Over the Next 10 Years

### Decision-Makers

Who will be making and advising decisions

### Resources

The time, talent, treasure, time, and testimony we can dedicate to our shared philanthropy

## OPERATIONAL VISION

### Vehicles

The legal structures used to manage our philanthropy

### Strategy

How we'll focus our philanthropy, achieve social impact, and assess progress

## OPERATIONAL VISION

### Other

Other things that may become more complex to manage

OPERATIONAL VISION

# Near-Term Operating Plan

These are the operational capabilities and improvements we hope to make in the next two to three years. We might add some capabilities while simplifying others. (Some spaces may be blank or identified as issues to research.)

## Administration

**Compliance and recordkeeping**

## OPERATIONAL VISION

**Finance**

**Communications**

## OPERATIONAL VISION

**Office space and technology**

OPERATIONAL VISION

# Governance and People

**Board or decision-making functions**

**Family-related functions**

## OPERATIONAL VISION

**Ideal staffing model**

**Staff and consultant functions**

OPERATIONAL VISION

# Philanthropy Management

**Grantmaking**

**Other**
For example, convening, advocacy, capacity-building.

OPERATIONAL VISION

# Other Operational Functions

# Notes for the Near-Term Operating Plan

Why were the choices above important to us?

What concerns were there about the choices?

## OPERATIONAL VISION

What new resources will we likely need to commit to implement this plan?

What do we want to learn next about our choices and who will do it?

## OPERATIONAL VISION

Other notes from the discussion

OPERATIONAL VISION

# Long-Term Operating Plan

These are the operational capabilities and improvements we believe we'll need in five to 10 years. We might add some capabilities while simplifying others. (Some spaces may be blank or identified as issues to research.)

## Administration

**Compliance and recordkeeping**

## OPERATIONAL VISION

**Finance**

**Communications**

## OPERATIONAL VISION

**Office space and technology**

OPERATIONAL VISION

# Governance and People

**Board or decision-making functions**

**Family-related functions**

## OPERATIONAL VISION

**Ideal staffing model**

**Staff and consultant functions**

OPERATIONAL VISION

# Philanthropy Management

**Grantmaking**

**Other**
For example, convening, advocacy, capacity-building.

OPERATIONAL VISION

# Other Operational Functions

OPERATIONAL VISION

# Notes for the Long-Term Operating Plan

Why were the choices above important to us?

What concerns were there about the choices?

## OPERATIONAL VISION

What new resources will we likely need to commit to implement this plan?

What do we want to learn next about our choices and who will do it?

## OPERATIONAL VISION

Other notes from the discussion

# Appendix

## Creating a Grantmaking Program

**Most of us start our philanthropic journeys by giving to and volunteering with nonprofits, and then awarding grants to them through a philanthropic vehicle such as a foundation, donor-advised fund, or trust. The charts below provide tips for creating or strengthening a structured grantmaking process.**

# Developing a Pipeline of Ideas and Partners

## People

It helps to have an informal scouting and referral network of people who know your interests and goals. They might include family members, trusted advisors, other funders, and staff of a donor-advised fund sponsor. Also seek recommendations from organizations you have supported and people who have direct experience with the issues or places you've prioritized. For instance, a philanthropic family is using a network of cancer survivors, doctors, and caretakers to find healthcare innovations and gaps.

## Methods

Use one or more of these processes to build a pipeline of good ideas to fund:

**Responsive open process:** Allow any organization to request money aligned with your broader philanthropic purpose. This process is useful for supporting a broad range of issues in a geography or responding to unanticipated opportunities.

**Targeted open process:** Allow any organization to request money by telling you how it will meet one or more defined social impact goals.

**RFP process:** Invite a group of organizations to send proposals which meet a social impact goal. This process typically results in more detailed requests and deeper relationships with the organizations.

**Closed, invitation-only process:** Don't accept unsolicited information. Donors use this process when they have a defined list of organizations they embrace as close partners.

If you use an open or RFP process, consider first asking for a one- or two-page letter of intent or idea paper. You can use this summary to quickly screen ideas that don't fit and then invite a smaller number of full proposals. This ensures nonprofits and you aren't wasting time on unnecessary work.

**Materials**

To reduce the workload for organizations and yourself, you can award grants based on a phone conversation, a visit to an organization's office or program site, and/or a review of its website. Or you can use accept materials nonprofits have submitted to other funders.

If you choose to ask for a proposal, start with the Charting Impact questions below. They are questions most frequently asked by donors and funders, and many nonprofits have answered them in their Guidestar profiles:

1. What is your organization aiming to accomplish?
2. What are your strategies for making this happen?
3. What are your organization's capabilities for doing this?
4. How will your organization know if you are making progress?
5. What have and haven't you accomplished so far?

## Screening Your Pipeline and Making Decisions

**People**

Some philanthropists use the same people to screen ideas, winnow the requests, and make final decisions. Others ask a grant committee or staff members to provide recommendations to the final decision-makers. The committee allows for a broader range of perspectives and can be a training ground for rising generations of family members and future board members. It can also include community members who have first-hand perspectives and experiences.

**Methods**

Philanthropists use a variety of methods to assess funding requests, including: a phone or video interview with the nonprofit, a visit to its office or site of programming, reference checks (funders, partners, clients, or customers), or a checklist of criteria to rate the organization and proposal.

If you have the time and you value personal relationships with nonprofits, you might choose to first meet with them and then decide if you need additional written information. If you have less time, you'll likely only meet with organizations whose proposals are close fits for your social impact strategy.

Consider these questions as you assess the organizations and any materials they've shared:

- What values and goals do the organization and we share? What could we achieve together?
- How well does it seem to understand the ecosystem it is working in and the range of effective solutions?
- Have we considered all the ways in which we can support its mission?
- Are we being fair and equitable in our interactions and assumptions about the organization's strengths and challenges? Are we giving it opportunities to address any questions or concerns we have?
- Is our "net grant" large enough? Will the grant size be worth the amount of time the organization and we spent on the process to get to this decision and any reporting expected later?

**Types of Decisions.** You'll make one of five decisions about each opportunity to support the organizations: 1) Yes, as requested, 2) Yes, with modifications you suggest to the amount or terms, 3) Postpone, pending receiving more information from the organization, 4) No, but the organization may re-apply with changes you suggest, or 5) No, don't re-apply.

If you decide to decline a proposal early in the process, notify the organization rather than wait until the end. Nonprofits appreciate a quick decline more than waiting for the decision.

## Materials

NCFP's website has examples of grantmaking guidelines and impact investing policies and practices.

# Implementation: Notifications, Payments, and Monitoring

## People

Many donors and funders enjoy calling organizations or individuals that receive money. Then, staff members or a contracted administrator follow up with more details.

## Methods

**Notification:** You'll continue good relationship building if you quickly notify all organizations of your decisions. A common practice is to call or send an email within two or three days of the decision noting that further information may be forthcoming.

**Terms:** Your award email or letter may include simple language that asks the grantee to use the money as proposed or with other modifications you request. There's no legal or fiduciary requirement for a formal grant or gift agreement. Tracking the extra layer of paperwork can be an unnecessary burden on your and the grantee's time. However, a formal agreement will be useful in these situations: the gift of a complex financial asset (e.g., using private equity stock or transferring real estate instead of cash), naming rights for a building or program, funding an endowment, or a grant that involves complex benchmarks and progress points.

**Funding:** Individual donors and some foundations still mail checks to grantees. However, sponsors of donor-advised funds, financial institutions, and the many online grantmaking systems have made electronic payments safe and easy for grantmakers and grantees.

The best practice is to send the total amount up-front so the nonprofit can quickly put the money to work. If you award a multi year grant, you might choose to send annual payments pending a check-in with or report from the grantee.

**Monitoring:** There's no legal or fiduciary requirement for a grant report. You've shown your trust by sending money so expecting detailed follow-up reports can send the signal that you distrust the organization. In addition, you'll likely learn more through a call or video meeting. If you do choose to request formal reports, consider allowing organizations to send photos, videos, or other formats that best tell the story of their work.

If you hope to fund an organization over time, you might combine a grant report about the previous year's work with the request for renewed support.

## Materials

At minimum, you'll want to save meeting minutes documenting the decisions you made and accounting records of the financial transactions. Software for grant management or customer relationship management help track the contacts you made and any expectations you shared. Any other paperwork—letters, agreements, or reports—can be optional, especially for grants to public charities.

THE FAMILY GIVING LIFECYCLE

1 Philanthropic Purpose

2 Impact Vehicles & Structures

3 Governance

4 Impact Strategies & Tools

5 Assessment & Learning

6 OPERATIONS & MANAGEMENT

7 Succession & Legacy

**The National Center for Family Philanthropy (NCFP) is a network of philanthropic families committed to a world that is vibrant, equitable, and resilient.**

We share proven practices, work through common challenges, and learn together to strengthen our ability to effect meaningful change. Our range of programs and services support family philanthropy at its many points of inflection and help families embrace proven practices and advance momentum. Explore our resources, all rooted in a Family Giving Lifecycle, by visiting www.ncfp.org.

Tony Macklin, CAP® wrote the second editions of this series based on materials drafted by Nick Tedesco, president and CEO of NCFP, and Elaine Gast Fawcett, principal of PhilanthroComm; materials and family philanthropy stories collected over NCFP's history; and resources from experts across the country.

The information in this primer should not be taken as qualified legal, tax, or wealth planning advice. Please consult qualified advisors with questions about the topics' legal, tax, or wealth planning implications.

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