



“In the traditional dream of family philanthropy... the [philanthropic] work enhances the family, giving it a purpose beyond the personal enjoyment of their time together. In return, the family enhances the work, as the familial relationships provide mutual support in fulfilling a challenging commitment. It is the dream of working together on this particular task that leads to the creation and perpetuation of the family foundation.” (Gersick 94)

Transitions in Family Foundations

Family inclusion: bringing everyone to the table

Founded in 1962, this endowed private foundation was originally funded by father and son. It is now in the hands of the fifth generation of family members and has distributed over \$22 million since its inception.

During its first decade of operation, the foundation was an articulation of the founders' interests and passions, with informal family consultations happening over Sunday dinners in the family home. In this first phase, the organization's "pre-history" as a family foundation was influenced in an enduring way by the founders. The "founder" phase can persist over a number of years, even beyond the active involvement of the original donors, particularly if the trustees of the foundation continue to act in the spirit of the founder, as the second generation did in this family foundation.

MODERNISTS VERSUS TRADITIONALISTS

The move to a different governance model often occurs at a key transition point: generational change, the death of the funder or other significant life events. In this foundation, a key transition point was the tension that developed between the second and third generation, in what could be described as the move from "the traditionalists to the modernists". According to the Executive Director:

“The key observation here is that the two generations tended to approach resolution to issues as family members rather than professionals; neither the board nor the family manager (appointed in 1983) turned to outside advice to assist with transition issues. Tensions became more acute in the early 1990s after the founder's passing. In its simplest terms the conflict can be seen as a focus on tradition versus a drive toward increasing professionalism and modernization. At its height the conflict became an issue that called the foundation's future into doubt. The ad-hoc, ill-defined nature of the leadership structure probably contributed to the difficulties.



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The traditionalists tended to see each grant as a ‘one off’. A charity would present a request to address a particular problem. If the directors valued the work of the organization and felt that the request was a reasonable one, they would fund it. Often their decision would be guided by what they felt the founders would have valued, particularly if the organization was one the founders themselves had supported. A bias toward honouring the founders emerged – to ‘building monuments’, as it were.

The modernizers were far more willing to learn from the broader philanthropic community. They were receptive to emerging thought on ‘best practices’ – in terms of foundation management generally and grant-making particularly. They were receptive to collaboration with other funders and to capacity building within the charitable sector. They pondered the strategic question of how the foundation might make a broader impact on the community.”

This conflict played out over several years in the 1990s, and significantly undermined the earlier collegial atmosphere that had prevailed at meetings. Issues were resolved internally by family members, rather than seeking outside professional services to assist with transition issues, although a new executive director was added in 1995. During this time of tension, the first members of the fourth generation to be appointed to the board were discouraged by this environment and served far shorter terms than had been usual up to this point, and recruitment of new family directors was hindered by the existing tensions.

In fact, serious consideration was given to either winding up the foundation altogether, or to dividing the assets between the two camps in a divorce. Eventually, the tension was resolved by a series of life events including the death of a prominent second generation member. This led to an easing of tension in family dynamics and in the foundation’s work. Internal processes changed within the foundation as grantmaking decisions were returned to the board of directors, and the grantmaking committee, created in 1996, was dissolved in 2001.

A new governance model emerged – the Collaborative Family Foundation. Grants/programs are driven by the interests of particular trustees, under a common mission. And that mission has a strong family focus...’to seek out opportunities for well-planned engagement by our family, to provide financial grants which are of strategic value and to support creative engagement by others in the building of community.’”

Three quarters of the foundation’s grants are decided by the board in response to submitted applications. A traditional focus on multi-year commitments and capital funding has been replaced by a current focus on funding programs and on evaluating impact.



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One quarter of the total annual grants are decided directly by 12 family groupings which allocate \$10,000 each. Each family group comes to their granting decisions differently. The goal is to raise the awareness of the work of the foundation among family members.

Currently, there are 10 board members from the fourth generation and one each from the third and fifth generations; three of the twelve directors are spouses. Over 80 family members are involved in the foundation through a family-directed donation initiative, and new board members are recruited annually at family events and through members expressing an interest in being more involved with the foundation.

“We are not a philanthropic organization, we are here to be a family organization that has a pot of money that needs to be given away. Family dynamics are a higher priority to us than perfect grantmaking. When we hadn't articulated that we got into all types of problems. This articulation took away all types of confusion, conflict and misunderstandings of what we are here for. It seems obvious in hindsight, but we wasted time and hurt feelings before figuring this out.”

This commitment to family and being inclusive has informed the foundation's succession planning in the following ways:

- 1 There is an annual canvassing of family members, including spouses and those over the age of 18, that express an interest are invited to a foundation meeting for an indication of interest
- 2 Over time, every one of the 12 family groups will have someone involved in the foundation
- 3 Informal conversation among family members is encouraged to increase involvement, as is the ethos of volunteering in community and using these experiences to cultivate philanthropic skills
- 4 Seek out skills that add value to grantmaking decisions and also seek out people with similar non-confrontational, decision-making style.

CHALLENGES

One of the biggest challenges for the foundation now is the question of sustainability. What sort of impact can the foundation expect to have with diminishing resources?

“The question isn't do we carry on but is there enough money to bother with? In real terms, the amount we give away is falling every year. We are not having the impact we had 15 years ago. It is a question that will have to be addressed by the fifth generation.”



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While it was decided long ago that the foundation should exist in perpetuity and that a necessary determinant of success is having family members engaged in the foundation, the question of future impact remains open.

LESSONS LEARNED

Two lessons are suggested by the generational succession experience of this foundation:

1 Minimize ambiguity

This includes all written materials, legal documents and communication with family members.

“It was important for us to recognize and get rid of as much ambiguity as we could – in documents (no one understood), such as legal and audit – and write interpretations into a Board manual so people understood what their responsibilities and duties were – make it as explicit as possible.”

2 Exercise patience

The old saying “patience is a virtue” may be especially true in family philanthropy. For this family, patience was needed for over a decade before tension dissipated between generations.

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The foundation today is a collaborative model that is successfully welcoming the fifth generation into family philanthropy.