



Transitions in Family Foundations

To the fifth generation and beyond:
the multi-generation foundation

Established in 1956 and registered in 1967 this family foundation is one of the larger family foundations in Canada. It has a well-established governance model and is currently led by a 4th generation member. Over the past fifteen years, it has been carefully building a succession plan for future generational involvement.

STRATEGY AND GOVERNANCE IN THE 1990s

Beginning in the early 1990s, under the 3rd generation, there was a palpable shift from charitable grantmaking to a strong interest in strategic grantmaking. Coinciding with this shift, family members began to be more focused in their approach to their succession planning. As the current Executive Director of the foundation says, “early on, in the 1990s, the Board began to look at how the foundation could influence change and have an impact through its grantmaking. The commitment to strategic grantmaking evolved during 1993 – 1995.”

The shift in the early 1990s to strategic grantmaking was accompanied by a shift in governance model. Often the move to a foundation governance model such as the family-governed, staff-managed model occurs at a significant transition point in a foundation’s history such as the transition from one generation to another, or the death of the founder or other major life events within the family, or the hiring of non-family staff for the first time.

One such significant transition point for this foundation was the hiring of two non-family staff members in 1991-92. The 3rd generation also began to cultivate an interest in the foundation among their children.

THE LATE 1990s: SUCCESSION PLANNING

“Even the most dedicated families have limited time to spend on philanthropy... Small families or branches that die out, other philanthropic vehicles, disinterest, reductions in personal wealth and particularly geographic dispersal in the successor generations can leave them feeling unable to meet the management demands of excellent grantmaking.” (Gersick 149)



Transitions in Family Foundations

To counter the inevitable disengagement of succeeding generations, the foundation has implemented a series of focused succession planning strategies:

1 Identify the Next Generation as a priority

Beginning in the late 1990s, considerable thought and effort was put into cultivating the 4th generation. Through the program, “Members Apprenticing for Directorship”, introduced in 1999, family members were able to prepare for and participate in grantmaking discussions, attend conferences on philanthropy such as the Council on Foundations annual Family Foundation Conference, or Philanthropic Foundations of Canada bi-annual conference. These members have gone on to serve as directors on the foundation’s board.

“At the time, the Apprentice Program nurtured and educated the 4th generation and developed a passion in them for this foundation... Many of them would say it has been enormously enriching to their personal growth, [to have] the opportunity to serve at a professional board table. It has helped them learn about the governance process. Because our Board functions as the grants committee, it is responsible for approving all the grants and is closely involved in determining the strategic direction, establishing the programs, and having external reviews of the programs.”

2 Celebrate milestones

On its 50th Anniversary in 2005-06 the foundation marked several important events in its history: a transfer of leadership to the 4th generation from the 3rd generation, the death of the 2nd generation matriarch, and a 30% growth in the endowment. The foundation at 50 also celebrated a growing desire among the next generation to bring their passion and interest to their family philanthropy.

The foundation took several initiatives at this important milestone:

- a 50th anniversary grants initiative,
- a facilitated retreat to engage and solidify the 4th generation’s interest in leading and perpetuating the foundation and
- a review and expansion of eligibility for membership to include spouses and stepchildren.

The membership, from which directors are elected annually, now sits at 46 members out of 65 possible family members. In 2012, there are 22 eligible descendants in the 4th generation and 9 have served as Directors. The membership also includes community representatives, four 5th generation family members and spouses as well as stepchildren. Using a significant milestone for the foundation attracted new members into the foundation’s philanthropy.



Transitions in Family Foundations

CHALLENGES

The foundation has faced a number of challenges related to family dynamics over its 50 plus years.

"The 3rd generation struggled at the beginning in part because they had minimal history of working together or experience serving on other boards. As a result, family dynamics played out sometimes at the board table."

"The advent of the 4th generation at the board table and the commitment to have two community representatives have helped to mitigate family dynamics."

"The 3rd generation struggled at the beginning in part because they had minimal history of working together or experience serving on other boards. As a result, family dynamics played out sometimes at the board table."

Through the dedication of the 3rd generation to clarify and focus their grantmaking while cultivating the next generation, the foundation developed an active membership that is passionate about their involvement in philanthropy.

"The advent of the 4th generation at the board table and the commitment to have two community representatives have helped to mitigate family dynamics. The 4th generation directors are a combination of second cousins, siblings and spouses; it is rare that family tensions or alliances play out at the board table. The Chair's strong leadership keeps the focus on the best interests of the foundation, and ensures that personal agendas are left outside the room. The board commits to that at the beginning of every meeting followed by 30 minute board education session."

When the eligibility for membership expanded significantly in 2005-06, interest from family members not directly related along bloodlines led to some unique challenges including: spouses serving together, new marriages and divorces with accompanying spouses and stepchildren being considered for membership, and personal and emotional ties after a separation or divorce. New policies are being drafted to address these unique situations as they arise. But out of these challenges emerge successful experiences.

"During the membership expansion, many spouses accepted the invitation to become members and declared an interest in joining the board and committees. In one case, we invited a descendant's spouse to serve on the board, while her husband stepped down. Over the years, they served at the same time on the governance committee and role modeled behavior for spouses serving together. We knew they would be one couple that could work well together. Based on this success, they both now serve on the board of directors and on the executive committee. And, have a second couple serving on the board of directors."

One particular challenge is geographic dispersal in the youngest generation.

"The 5th generation lives all over the world... Some have a limited understanding of Canadian philanthropy and may never have lived in Canada."

This challenge isn't uncommon to family foundations with successive generational involvement. The foundation is hopeful it can deliver on a dual mission of



Transitions in Family Foundations

“Be intentional about succession planning. Recognize how important it is to cultivate and engage the next generation before passing the torch.”

“Be patient and flexible. Younger generations have demanding lives and limited time. Be flexible from a governance perspective. Mentoring is important.”

“Be attentive to the interests of members. Respond to themes and trends that are important to the next generation such as innovation and collaborating with other foundations.”

addressing the individual interests of its membership, while granting to Canadian charities for local, national and international causes. Currently, a matching grant program helps to engage eligible family members and directors on issues they are passionate about and to assist family members who are geographically dispersed and disconnected from the foundation’s charitable focus on Canada. The foundation’s matching initiative nurtures the family’s personal philanthropy and is focused on the 4th and 5th generation members. The foundation will match one personal donation from \$25 – \$2,500 per year to a Canadian registered charity doing work in the area of interest of the family member, with a grant of \$100 – 2,500.

“Part of the thinking behind the advised grants for directors lets them pursue their own local charitable interests to benefit their communities and provides a way for the foundation to recognize their volunteer contribution.”

LESSONS LEARNED

1 Be intentional about succession planning

“Be intentional about succession planning. Recognize how important it is to cultivate and engage the next generation before passing the torch. When a member of the first 4th generation became Board Chair in 2003, he was able to step into that role with confidence, knowledge, and the ability to lead.”

2 Be patient and flexible

“Be patient and flexible. Younger generations have demanding lives and limited time. Be flexible from a governance perspective. Mentoring is important. No question is too stupid. Take the time to make sure people are acquiring the kind of information and knowledge they need to make informed decisions. Invest in their philanthropic professional development through PFC conferences and webinars.”

3 Be attentive to interests of the members

“Be attentive to the interests of members. Respond to themes and trends that are important to the next generation such as innovation and collaborating with other foundations... they value collaboration and innovation and they value evaluation by external experts to look critically at what the foundation has done well, and what it can do better... Our 4th generation is also exploring how to use some of the assets for social good through program related investing and mission related investing.”

A solid pipeline of potential members will continue the legacy of this family foundation. Through a focused effort, the foundation has moved from the 3rd to 4th generation with great success. Now, thinking is going forward on how to attract and engage the 5th generation.