



Family Philanthropy Beyond Borders:

Best Practices for Family
Foundations with
Geographically Dispersed
Board Members



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Written and researched by the Center on Philanthropy at Indiana University

Sponsored by the J. F Maddox Foundation

J. F Maddox Foundation

The J. F Maddox Foundation is a family foundation located in Lea County, New Mexico.

The Center on Philanthropy at Indiana University

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TABLE OF CONTENTS

- Key Findings..... 2
- Introduction..... 4
- Methodology..... 5
- Literature Review..... 6
- Case Study Interviews..... 8
- Findings 9
 - 1. Board Member (Family and Non-Family) and Staff Engagement..... 9
 - 2. Board Structure, Processes, Eligibility, and Family Involvement 13
 - 3. Board-Staff Communication..... 16
 - 4. Transitioning to New Structures and New Leaders 18
 - 5. Grantmaking Processes 20
- Recommendations: Challenges & Strategies 25
 - Communication..... 25
 - Orientation to Geography 25
 - Understanding and Bridging Generations..... 26
 - Relationship Building 27
 - Knowledge Building 27
 - Mission Development 28
- Conclusion 29
- Appendices..... 30
 - Appendix A: Methodology 30
 - Appendix B: Background on Case Study Family Foundations 31
 - Appendix C: Case Study Interview Questions..... 40

KEY FINDINGS

This study investigated how family foundations manage governance, decision making, and, especially, daily work activities when the number of local board members diminishes. In most foundations interviewed, either all or a high proportion of board members do not live in the region where the foundation is headquartered. In many of the foundations, the majority of grant funds are directed to organizations located in regions other than where board members live.

The case studies show that in most foundations, board members remain engaged in governance, strategic decision making, and grantmaking activities even when the board is geographically dispersed. However, a few board members participate in staff-oriented roles when the foundation office and grantmaking remain tied to one region and the board members live elsewhere. In two of the ten cases, family board members do remain engaged in staff-oriented roles. These board members are paid by the foundation to undertake staff-like responsibilities. In one of those, the family member is the only person paid to manage the foundation.

Many family foundations will soon confront organizational transitions as new board members become more geographically dispersed. Foundation executives interviewed for this study noted the following challenges and remedies:

- Keep family board members interested in a community other than where they currently live. One successful approach involves using community-based trustees.
- Ensure that staff are effectively directed during transition phases. The board needs to make and communicate clear decisions about what the foundation will do and will not do in terms of grantmaking and the processes involved.
- Communicate clearly and with appropriate frequency over a geographical distance in order to meet differing expectations. This is critical, and it requires different tactics for different roles.
- Use technology effectively. Utilizing email and conference calls is the norm across all foundations studied.
- Understand how to appropriately and effectively accommodate family board members at different life stages. This is vital to keeping them engaged at a comfortable level. Some foundations use very creative ways to involve family members who do not require full board membership, such as committee appointments or focused philanthropic initiatives for special purposes.

All case study participants were asked to cite their best practices or to make specific recommendations for foundations entering or in the transition phase from local to dispersed board membership. These included the following:

- Balance in-person meetings that strengthen family ties with conference calls and long-distance involvement. Use retreats and other events to build and enhance personal connections.
- Create active roles for board members in the foundation's work, not just governance.
- Build relationships among board members and with foundation staff, which can include staff at all levels.
- Use expert knowledge whenever possible, including consultants, non-family board members, retreat presenters, and grantees.
- Provide clarity when establishing geographic grantmaking rules, both for staff purposes and for potential applicants.
- Consider ways to support the passions of young or prospective board members, whether through matching programs, specific training experiences, or other forms of engagement.
- Balance the foundation's grantmaking mission and the desire to build family ties.

The interviews revealed that foundations successfully manage the transition to a geographically dispersed board from a board dominated by local members (often the founding donor(s) of the foundation, close advisors, and relatives). The challenges cluster into areas of communications, engagement, and delineation of roles and expectations. Attention to these long-term board member needs will help a family foundation that is now entering or is in transition to becoming a more geographically dispersed board.

INTRODUCTION

The J. F Maddox Foundation was established by Jack F and Mabel S. Maddox in 1963 for the purpose of serving those living in Lea County, New Mexico. The mission of the J. F Maddox Foundation is to significantly improve the quality of life in southeastern New Mexico by investing in education, community development, and other social programs. The foundation particularly supports initiatives driven by innovative leadership, designed for substantial impact, and committed to lasting value.

Like many family foundations, with a new (third) generation of family directors joining the board in recent years, the J. F Maddox Foundation has experienced and will continue to experience some board member dispersion, also sometimes termed board member “migration” or “diaspora.” Currently, a majority of its board members (family and non-family) live outside of Lea County, New Mexico. Given that all members of the third generation of the Maddox family now live outside of the area served by the Foundation and the requirement in its governance documents that the majority of the board must be family members, continued board dispersion is ultimately assured. An additional issue facing this foundation is the fact that the two second generation family board members (who live in Lea County, NM) currently occupy key executive leadership roles (along with a non-family executive director) in the day-to-day management of the Foundation. These individuals have served on the Foundation’s board since its inception and have been actively involved in its management for over 30 years. The Foundation’s board is taking a proactive position in planning for the transition of the second generation to retirement in the years to come and its board is thinking long term when there will be no local family directors on the board and there will be no local family members serving in an executive role at the Foundation.

As a result, the following key questions emerge, which are addressed in this report:

- What are options for governance processes?
- What are potential management roles for board members (family and non-family)?
- Should there be a clean break between management and the board?
- What should fiduciary roles be?
- How have other foundations made the transition from local family board members to geographically dispersed board members?

METHODOLOGY

The Center on Philanthropy researchers used peer networks and computer databases to identify prospective case study family foundations. Colleagues at the Center on Philanthropy and executives at organizations such as the National Center for Family Philanthropy, Council on Foundations, J. F. Maddox Foundation, Giving Institute, and others, identified potential organizations and contacts. The database FoundationSearch.com was also used to find family foundations with an asset range below \$2 billion. A full description of the methodology is found in Appendix A.

Over 25 foundations were contacted directly and 10 resulted in interviews.

For many of the case studies, the executive director or a foundation leader with a similar title and responsibility was interviewed. The exceptions were Anonymous A, Rasmuson, and the Kanter Family Foundations, where family board members were interviewed. Interviews were conducted by phone or in person and ranged from 40 minutes to an hour in length.

LITERATURE REVIEW

Very little research is available concerning best practices in governance, management, and grantmaking for family foundations experiencing board dispersion. However, one prominent study, *Grantmaking with a Compass: The Challenges of Geography*, was conducted by the National Center for Family Philanthropy (NCFP) in 1999.¹ Information gathered from the report suggested that board dispersion within family foundations poses specific challenges to:

- Administration, management structure, and processes;
- Mission focus;
- Grantmaking focus; and
- Governance structure and processes.

Identifying these problem areas enables family foundations experiencing board dispersion to ask the right questions in seeking the best solutions. The NCFP report emphasizes that no approach is a one-size-fits-all answer to these challenges. Rather, foundations will come up with their own solutions through the process of identifying these problems and discussing them holistically as a team. Generally, foundations should use a broad approach in assessing components within each area of challenge:

- **Administration, management structure, and processes:**
 - Establish communication tools and processes between board members and staff.
 - Evaluate and determine family and non-family board member roles in administrative or managerial positions, if any, and what this structure looks like and the processes involved.
 - Analyze and adjust grantmaking structure and processes, including roles and responsibilities, reviewing, approving, and management.
- **Mission focus:**
 - Balance the needs of the foundation against the needs of the family in different geographic locales.
- **Grantmaking focus:**
 - Define whether grantmaking decisions are program-driven, geography-driven, family-driven, or a combination of all three. Depending on which path is taken, decide the formula for grant distribution and whether there will be discretionary funding.
- **Governance structure and processes:**
 - Decide whether the organization is and will be staff-driven or board-driven concerning the nature of most decision making.
 - Define and establish family member roles within the foundation.

¹ http://www.cnjg.org/s_cnjg/bin.asp?CID=10742&DID=25845&DOC=FILE.PDF

- Ensure proper and consistent levels of governance despite geography.
- Establish the ratio of family board members to non-family board members relevant to geography and board roles.
- Establish communication tools and processes among board members and board committees.
- Arrange timing and location of board and committee meetings.

CASE STUDY INTERVIEWS

Case study interviews were conducted with ten family foundations, which varied greatly in current asset size, history, and role of family members serving on the board. The table below summarizes interviewed foundations and provides an overview of board members' geographic locations and family board member generations.

Foundation	Location	Asset Size (2008-09)	Grant Range (2008-09)	Geographic Focus of Grantmaking	Board Composition by Generation	Board Locations (Family Only)
Annenberg Foundation	Los Angeles, CA	\$1.6 billion	\$4,000 - \$100 million	32% in CA 29% in PA	4 members: -1 in 2 nd Gen -3 in 3 rd Gen	3 in L.A. 1 in Paris
Anonymous Foundation A	---	~\$10 million	\$5,000 - \$4 million	~80% in founding state	5 members: 2 nd and 3 rd Gen	Nationally
Carolyn Foundation	Minneapolis, MN	\$30 million	\$5,000 - \$100,000	45% in MN 25% in CT	14 members: 3 rd and 4 th Gen	Nationally and Internationally
Clowes Fund	Indianapolis, IN	\$60 million	\$4,000 - \$4.4 million	62% in IN 20% in MA 6% in WA	9 members: -5 in 3 rd and 4 th Gen -4 non-family	3 in the Northeast 1 in WA 1 in KS
George Gund Foundation	Cleveland, OH	\$450 million	\$4,000 - \$2.2 million	74% in OH	10 members: -8 in 2 nd and 3 rd Gen -2 non-family	CA, NJ, MA, NY, CT, and Brazil
Kanter Family Foundation	Vienna, VA	\$8 million	\$500 - \$100,000	53% in IL 24% in DC/VA	7 members: -6 in 2 nd Gen -1 non-family	2 in IL 2 in DC/VA 2 in UT
McKnight Foundation	Minneapolis, MN	\$1.8 billion	\$5,000 - \$13 million	~60% in MN	11 members: -7 in 3 rd and 4 th Gen -4 non-family	Nationally
Rasmuson Foundation	Anchorage, AK	\$425 million	\$1,000 - \$5 million	95% in AK	12 members -1 emeritus, 2 nd Gen -4 in 3 rd Gen -2 in 4 th Gen -5 non-family	4 in AK (1 emeritus) 3 in East Coast area
Surdna Foundation	New York City, NY	\$700 million	\$4,000 - \$2 million	~20% in NY	13 members: -10 in the 4 th and 5 th Gens -3 non-family	Nationally and Internationally
Wege Foundation	Grand Rapids, MI	\$116 million	\$4,000 - \$3.7 million	75% in MI	8 members: -The founder -5 in 2 nd Gen -2 non-family	4 in MI 1 in CT 1 in AZ

Generational status is measured in terms of board members' relationship to the founder, who is the first generation. More extensive background information on each foundation is found in Appendix B.

FINDINGS

Based on interviews with 10 family foundations, this section discusses findings in five categories:

1. Board member and staff engagement;
2. Board structure (including eligibility and other factors);
3. Board-staff communications and methods;
4. Transitions to new structures and new leaders; and
5. Grantmaking.

The subsequent section covers recommendations based on the challenges and strategies reported by the case study foundations.

1. Board Member (Family and Non-Family) and Staff Engagement

Each interviewed foundation maintains family members as active members of the board of trustees. For foundations that had made the transition from “local” to “dispersed” boards more than five years ago, maintaining family member commitment has required deliberate processes. Three foundations are in the midst of the transition currently and are exploring different arrangements as they move forward.

Only two of the organizations have board members who are also paid for staff-like duties. Interestingly, this is the case for both the smallest and one of the largest foundations interviewed. In addition, for most of the foundations, board members (family and non-family) play a significant role in grant reviews, decision-making processes, and monitoring.

For many of the organizations, the initial decision to hire executive staff is highly relevant to asset base. Organizations in which staff play a prominent role in decision making are most likely to be larger organizations. Despite significant dispersion of some of the smaller foundations, a couple of them have decided to keep a small staff or no staff at all. Nevertheless, most of the foundations interviewed have executive directors on staff, as well as additional staff members, such as program directors and grant officers.

In some cases, the initial decision to hire or expand staff strongly related to dispersion, which often coincided with a transition to a younger generation. Further, as is detailed in a following section, the length of time that a board has been dispersed seems to determine the level of staff responsibility. Regardless, in the end, the differentiating factor determining the level of decision making of staff or staffing size seems to be related to the size of the organization. Intuitively, large organizations generally require a large staff to undertake the more complex organizational processes inherent within them.

Board-staff roles and responsibilities

As background information, *CompassPoint* draws a useful distinction between what the board does as a legally constituted governing body and what individual board members might (or might not) do.² Charity Advisors LLC has a useful document about how board and staff share duties when the organization is all-volunteer or has a small staff.³

This examination focuses mostly on the ‘grey zone’ where board members are doing work for the foundation that might be either staff-led or board-led in another organization. For this study, we are classifying the following as “governance” responsibilities of the board overall:

- Determination of the foundation’s mission, purpose, vision, and adherence to donor intent, based on the founding donor(s) stated wishes;
- Parameters for recruitment and training of new board members;
- Budget and grantmaking parameters;
- Grantmaking policies (geography, program, size, per board member or collective decision making, etc.);
- Hiring and supervision of the CEO or executive director;
- Investment policies and monitoring performance; and
- Assurance that the foundation complies with regulations and laws.

Management or typical staff-level responsibilities include:

- Staff recruitment and supervision other than the executive director/CEO;
- Day-to-day operations, including accounting, grants administration (receipt, payment, reports, and monitoring);
- Purchasing decisions, including insurance, equipment, and supplies;
- Reports and communicating with the board;
- Development and distribution of information about the foundation and the type(s) of proposals it seeks based on the board’s instructions.

Tasks that often fall “between” staff and the board include:

- Needs “assessment” or determination of community or priority funding strategies;
- Preliminary review of proposals to make recommendations for funding decisions;
- Site visits before making a funding decision; and
- Building partnerships and collaborations with other funders.

² J. Masaoka. 2002. The CompassPoint Board Model for Governance and Support, http://www.yournonprofitadvisor.com/files/Board_Model_Governance_and_Support_-_Compass_Point_Article.pdf

³ <http://www.allaboutboards.com/resources/Saml1%20Organization%20%20-%20Board%20and%20Staff%20Responsibilities.pdf>

Community focus shifts over time for most foundations: Maintaining board ties to origins requires staff effort and engagement

In all of the foundations surveyed, the board plays an important role in the needs assessment of the community or funding priorities. In some cases, staff take the lead in managing that process by ensuring board members have opportunities to visit the founding community and current or past grantees in that community, as well as to maintain board members' interest in the region.

The **George Gund Foundation** has made a deliberate choice to maintain the foundation's focus on Cleveland to enhance impact. Trustees view Cleveland as a "laboratory" for other cities, where their grantmaking can have a large impact with tangible results. Having a narrow, primary geographic focus is sometimes a challenge, as dispersed board members must learn about the Cleveland area and understand the needs of the region. Toward this end, the foundation appoints two community members as trustees.

For the **Rasmuson Foundation** (Alaska), the geographical focus is core to its mission. This foundation addresses this potential problem by including in its bylaws the stipulation that non-family board members must be residents of Alaska. If non-family board members leave Alaska, they must resign from the board.

In another example, the **Clowes Fund** has slightly shifted its geographic focus over recent years. It, too, has appointed local non-family trustees in Indianapolis, in part, to help the board gain access to knowledge about the community.

Timing is everything in determining staff versus board responsibilities

Foundations whose boards dispersed more than 10 years ago generally assign a larger range of responsibilities to staff, and they also appear to work more deliberately to keep family board members involved in the foundation's work. Conversely, the more recent the transition, the more likely it is that boards, even those that are most significantly geographically dispersed, are engaged in staff-like roles.

The **Carolyn Foundation** transitioned to a geographically dispersed board decades ago. The principal method they use for keeping family members engaged (not just board members) is to maintain a small staff and to recruit family members and their spouses to serve on a grant review committee. These volunteers commit significant amounts of time to reviewing proposals and conducting site visits. This committee service is one stepping-stone to board membership. With six family branches now in the 4th generation, there are always applicants for board and committee positions.

In two of the foundations we examined, the transition to a completely dispersed board is currently underway. Most board members in these two organizations live far from the foundation headquarters, but the founder or founder's heirs live very close to the foundation offices and "stop in" weekly or more often. Board members in other locations are being drawn in to the foundation's work through specific assignments, retreats, and other efforts to make a smooth transition in the future.

Direct engagement in grantmaking keeps board members engaged

The engagement of board members in grantmaking differs widely among foundations, but in all cases some direct role in grantmaking is vital to keeping board members engaged. In some cases, grantmaking engagement means making at least some grant decisions on one's own within certain limits (amount, time frame, and geography); in other cases, it includes site visits, sitting on grant review committees, or "making the case" for a particular organization.

In most of the foundations, board members are doing more than the final review of grant proposals. Site visits are part of the due diligence process before making a grant, either by board members or staff. Who conducts the site visits, staff or board, is usually determined by location. One foundation executive said that if the organization is too far from any board member or the foundation office for a site visit, then the proposal is not funded. One of the foundations uses outside consultants for site visits, on occasion, if no board member or staff member can visit an applicant.

The **McKnight Foundation** generally does a grantee site visit at every board meeting. Additionally, individual board members often attend meetings both domestically and internationally with staff and attend external advisory groups for several foundation programs such as international crop research, neuroscience, and education. All of these activities have been very important for keeping directors engaged, including those who are geographically dispersed.

2. Board Structure, Processes, Eligibility, and Family Involvement

The case study foundations vary by the size, structure, roles, and eligibility criteria of the board. Further, as differentiated from other types of foundations, many of these family foundations have special opportunities and roles for family members who might not sit on the board. These include holding retreats, offering committee opportunities, and providing communications of different types.

Board member roles and responsibilities

The foundations vary in terms of the size of the board, the mix of family and non-family members on the board, and board member roles. Foundations are typically led by family-majority boards, with non-family roles strategic and specific to the organization's needs.

Using committees

Family foundations commonly use board committees with a mix of family and non-family board members in addition to non-board members. For others, committees are all family members, who are either all board members or a mix of board and non-board members.

The McKnight Foundation's governance committee is mandated to include members from each family branch, as well as a non-family community member. Other committees do not have strict parameters for family involvement.

The **Annenberg Foundation** has an administrative committee that deals with areas such as compensation, staffing, and insurance, in addition to audit and investment committees. Board members serve on these committees along with staff and advisors who provide professional expertise. The foundation stressed it was dually important for board members to learn about these functions, as well as to include outside specialists.

To maximize impact with a very small staff, the **Carolyn Foundation** uses multiple committees including audit and investment, nominating, and grant review. One board member is assigned to each committee, which meets two to six times per year by conference call. Committee members are referred to as "friends of the board," who are family members but not full board members.

Board recruitment and eligibility

Board recruitment processes range from formal to informal across the case study foundations. For some of the foundations, such as Annenberg, Anonymous A, McKnight, and Gund, family units were small enough to include most direct descendents from the original founder(s). For foundations with large extended family in later generations, the process for family board recruitment has become more institutionalized.

At the **Surdna Foundation**, family members are educated about and introduced to the foundation primarily through participation in smaller funds and programs that are affiliated with the main foundation. Within the smaller programs, family members learn how to conduct the family's philanthropy at a young age. The formal process of board candidacy in the foundation is intensive and involves professional references and interviewing, much like "getting a job." According to the executive director, this is necessary as the family is very large and members and potential members may not know one another.

For recruiting non-family members the foundation relies on a search firm to locate candidates and suggest potential nominees to a board selection committee.

The **Clowes Fund** uses the term "corporate members" to define lineal descendents who are involved with the foundation but who do not sit on the board. Upon the age of 30, any family member can petition to become a corporate member. There's a requirement for any corporate member to have successful engagement in the grant review committee prior to board membership.

Since 1958, trusted advisors to the family (often attorneys or CPAs) have served on the foundation board. Their involvement can be an important component to bring in an outside perspective and special expertise, while also encouraging positive interactions between family members.

At the **Carolyn Foundation**, all family members are eligible to be on a grant review committee, divided up between community and environmental grantmaking, for a term of three years. Upon successful completion of the three-year term, committee members may become eligible to be on the board. Commitment and passion for the organization's mission are essential for eligibility to the full board.

In many cases, spouses of family members did not participate on the board. Their exclusion was rarely problematic and was often the preference of all family members. However, at the Rasmuson Foundation, spouses have been a significant component of board membership since the 2nd generation. Further, at the Kanter Family Foundation, spouses of all three 2nd generation descendants have equal positions on the board.

Board meetings

Each foundation has a different style for holding board meetings and determining their location, frequency, timing, and process. Board meetings range from being held once a year (Kanter, Anonymous Foundation A and Clowes) to 10 times a year (Annenberg). Further, meetings vary regarding who attends and the potential inclusion of board committees and “friends.”

The **Clowes Fund** holds one major board meeting per year. The decision to hold one meeting per year was based on the acknowledgment that 4th generation family members have extreme difficulty meeting more than one time per year. For nearly 50 years, up to 2003, meetings were always held at the foundation’s geographic location in Indianapolis. In 2003, the meeting location began rotating among Indianapolis, Seattle, and the Boston area, which are the foundation’s geographic grantmaking foci. No family board members live in Indianapolis (the foundation office and historic home), but three live in New England and one lives in Seattle.

The **George Gund Foundation** holds three in-person meetings per year, a recent decline from four. The board meets in Cleveland, Ohio, the geographic location of the foundation and the focus of grantmaking. A trustee-staff dinner is held the evening before each board meeting. A guest is always invited to the dinner for informal discussion, who is often a foundation grantee. For the summer meeting, the board members often visit grantees in Cleveland to expand their local knowledge and background.

The **Annenberg Foundation** board meets almost monthly with 10 meetings held every year in Los Angeles. Video conferencing is regularly used to include one board member living in Paris, and telephone conferencing is also used when board members are traveling. Many foundation staff members are included in board meetings, creating an open culture of communication and relationship building.

Retreats

Retreats hold the purpose of intense board engagement in discussion of mission and strategy and are an excellent opportunity for bonding. For many of the case study foundations, retreats are the means for adult family members to become involved with the foundation.

The **Annenberg Foundation** held a retreat several years ago to establish the foundation's core values: inclusivity, communication, and responsiveness. The organization implements these values at the trustee, administrative, and programmatic levels.

In 2001, the **Clowes Fund** held an all-family retreat to discuss the foundation's transition, structure, and strategy for grantmaking into the future. More recently, the foundation held a retreat specifically for the 4th generation to go over long-term planning. Retreats are an important way to strengthen relationships among members of various generations.

In recent years, the **Wege Foundation** has become more formal and has nearly fully transitioned into the 2nd generation. Additionally, its assets have grown tremendously. As a result, the foundation held a retreat in 2010 to discuss future strategy concerning grantmaking and mission impact. Many members of the 2nd and 3rd generations attended the retreat.

3. Board-Staff Communication

The case study foundations varied in the level of direct involvement and frequency, nature, and formality of communication between the board and staff. In most cases, board members have developed strong relationships with staff, especially the executive director. Additionally, staff members within most of the organizations provide in-depth knowledge on grantees and, in many cases, present recommendations on funding potential grantees.

Anonymous Foundation A sends out weekly emails. Conference calls are periodically convened, but the foundation noted challenges gaining acceptance of this method by family members. According to the board member interviewed, it is difficult to create a "professionalized" environment when ad hoc calls are based on the preferences of some members.

The **Rasmuson Foundation** uses email and a board member portal on the website to communicate with one another. The fact that the non-geographically located board members have close relationships allows for frequent communication. The President or CEO and other staff are in contact with board members in person or by phone regularly and send out a monthly President's report and packet of news clips that relate to the foundation's grantmaking.

The **McKnight Foundation's** executive director sends several written updates between each quarterly board meeting about programs and related developments, as well as weekly press clippings and news related to grantees and philanthropy in general.

Board-staff communication for decision making between board meetings

For most of the foundations, it is clear that the executive director and other staff leadership are vital to keeping the information flow strong between the two parties. Almost all case study foundations have established a clear method of communication between staff and the board for decisions during interim periods between board meetings. Staff have typically established set patterns in providing updates and news to board members.

The **Kanter Family Foundation** uses email and phone communication to discuss board issues between meetings. The siblings work for the same family business, therefore communication is fairly frequent.

The **George Gund Foundation** holds board-staff conference calls in between each of the three board meetings. No formal business is conducted during the calls, which are used primarily for updates.

The executive director of the **Carolyn Foundation** participates in each of the interim board conference and committee calls, and she reports to the board chair monthly on the status of all committees.

4. Transitioning to New Structures and New Leaders

A few of the family foundations made a concerted effort during or after a major transition phase to ensure that decision making was done with the integrity of the mission and the founder's intent in mind. These transition phases generally revolved around restructuring and generational transfer and often included the issue of geographic dispersion. Below are some efforts by these foundations to ensure a productive transition.

In 2002, the **Annenberg Foundation** underwent a major transition after the death of its founder who had previously made all major grantmaking decisions. Four family members, who were primarily based in Los Angeles, became new trustees and began serving along with the founder's widow who resided in Philadelphia. Prior to 2002, none of these four family members were heavily involved with the foundation.

A retreat to establish foundation values and regular communication was extremely important during the transition phase. Gradually, the foundation's headquarters and primary staff moved from Philadelphia to Los Angeles, and grantmaking followed suit. Maintaining staff in multiple locations and moving the foundation headquarters to follow family board members was the solution to the organization's dispersion challenge.

The **Clowes Fund** held an all-family retreat in 2001 during its programming and structure transition. The discussion of geography, grantmaking, and donor intent was the key focus. As a family, it was decided that the most important goal concerning the foundation's grantmaking was the "family-ness" of it, or bringing the family together for this purpose. Thus, the foundation decided to spread the geography of grantmaking to include the New England area, where much of the family lives, while also focusing on priority grantmaking themes.

As the Clowes Fund settles into 3rd and 4th generation leadership, a shift in the foundation's approach to decision-making processes is apparent. For the second generation, grantmaking and program partnerships were more about relationships with people and organizations that the foundation knew. The current board, however, emphasizes effectiveness, equal opportunity, and formal procedures and processes. This approach appears to be drawn not only from the professionalization of the sector, but also because of the geographic dispersion of the board.

The **Rasmuson Foundation**'s major donor and co-founder passed away in 2000, bequeathing a substantial amount to the foundation. In the late 1990s, the foundation became more "institutionalized" in its structure, operations, and grantmaking process following the co-founder's determination to leave his estate to the foundation. However, because the geographical focus on grantmaking is tied to its mission, the foundation's geographical range of grantmaking did not change. In fact, to ensure the integrity of geographical grantmaking, the board includes in its bylaws the requirement that any non-family board member must reside in the state of Alaska.

In 2008, the **Wege Foundation**'s leaders made the decision to make the board and grantmaking process more formal as Mr. Wege, the founder, grew older. Historically, Mr. Wege made most grantmaking decisions, which were largely based on relationships he developed with organizations and their leaders. Two years ago, the foundation developed committees to review and issue grants, and the board is still working on perfecting the grantmaking cycle. The organization is currently strategizing on the types of projects to fund, whether it will continue to invest in capital projects and post-investment operational funding or take a project-by-project approach.

Hiring of executive leadership common theme for family foundations in transition

For smaller family foundations, or those that transitioned from small to large foundations, the hiring of an executive director significantly formalized decision-making processes. The decision to hire an executive director appears to strongly relate to generational changes within the organization, as younger generations tend to value the professionalization of foundation practices over older generations.

The **Carolyn Foundation** hired its executive director in 2001, as the foundation transitioned from the 3rd to 4th generation.

The **Wege Foundation** hired Mr. Wege's longtime assistant to fill the executive director role in the late 1990s. This transition took place after the family's business went public and assets rose substantially, from \$12 million to \$180 million.

5. Grantmaking Processes

The foundations vary as to whether the staff, the board, or both are leading decisions on grant reviews and approvals. If the grantmaking process is led by the board, foundations typically use committees to review grants that are then presented to the full board.

The **Annenberg Foundation**'s board members are highly involved in grantmaking decisions; however, significant assistance is provided from its large professional staff to review and vet grant proposals. More than 3,000 proposals are received annually and initially screened by staff. The board decides on 12-20 grants per month by unanimous consent.

At the **McKnight Foundation**, new program ideas generally come from the board, individually and collectively. Together the board and staff set overall program goals and high level strategy, often drawing on external advisors and study visits to learn from others. Staff develops detailed strategies and evaluation frameworks and conducts due diligence, including site visits on individual grants.

For the **Clowes Fund**, the grantmaking process is dually staff- and board-driven. The local staff review grant proposals and conduct the prescreening work, while the board's grant review committee reviews the screened proposals and makes the decisions. The reason for doing the prescreening, according to the executive director, is to ensure that the foundation does not take on more programs than they are able to handle. Staff members primarily do the site visits, but board members will visit sites that are closer to where they live. Staff members divide up the workload by program type rather than by grantee geographical location.

The **Kanter Family Foundation** takes a fully board-driven approach. There are no staff members dedicated solely to the foundation. Grantmaking decisions are primarily approached individually by board members (90%), with some collective decisions. The board does not solicit grants, but rather the board members grant to organizations of their choosing. There is no approval requirement prior to issuing a grant, but there are dollar and multi-year limitations. If the grant surpasses the limit, the grant must go through a full board approval process.

Grantmaking Themes

Regardless whether a family foundation is staff- or board-driven, information gained from the 2002 report, *Grantmaking with a Compass*, indicates that program focus and grantmaking processes generally revolve around three themes: funds are directed toward fulfilling specific program goals in spite of of geography, specific program goals within specific geographies, or a variety of programs and projects specific to geography.⁴ If funds are directed toward specific geographies, foundations vary regarding whether the geography relates to board members' geographic locations or to traditional geographic boundaries as originally defined by the founder(s).

Interviews also found that several foundations offered discretionary grants or matching programs to balance the foundation's program goals with the passions of individual family board members. At least one foundation used a formula to allocate different funding amounts to discretionary matching programs according to generational level. Other boards may have discretionary funds, but all board members, family and non-family, are provided the same discretionary amount regardless of tenure. Ultimately, grantmaking processes are influenced by the closeness of family relationships and the desire for the foundation's work to bring family members together.

Geographical themes

All case study foundations consider geography in their grantmaking, whether the geography relates to the foundation's historical founding, family heritage, or to the location where current family members live. The McKnight, Carolyn, Gund, and Rasmuson Foundations concentrate grantmaking in the geographic area related to historical headquarters and/or to the historical area of mission focus.

The **Gund Foundation** focuses primarily on the area of Cleveland, Ohio, where the family's roots are. Focusing on one geographic area allows for greater impact and heightened significance to the grantmaking process. Moreover, focusing on one area is an opportunity for leverage, as board members can "see Cleveland as a laboratory and see their own communities through the lens of Cleveland." The Gund Foundation also funds national and state endeavors as an advocacy component of grantmaking, which is considered to be another way the foundation positively impacts the Cleveland community.

⁴ http://www.cnjg.org/s_cnjg/bin.asp?CID=10742&DID=25845&DOC=FILE.PDF

The **Rasmuson Foundation**'s grantmaking is very broad, but geographically and mission-focused on Alaska. If any grant is allocated outside of Alaska, which is rare (with the exception of matching grants), there must be a strong component of the grant positively impacting Alaskans.

Other case study foundations have shifted grantmaking to locations where family board members currently live.

The **Annenberg Foundation**'s grantmaking, and even its office headquarters, have followed the location of family board members. After the death of both founders who resided in Philadelphia, grantmaking has significantly shifted to Los Angeles and the West Coast. However, while a majority of grants are made in Pennsylvania and California, the foundation's grant projects are national and international. Driven by the passions and interests of trustees, the foundation has made grants in more than 28 countries.

With the exception of its matching program, the **Clowes Fund**'s grantmaking concentrates on the areas where current family and board members live (New England, Indianapolis, and Seattle areas). Indianapolis is the historical home of the founder and the foundation office. Recently, there has been a stronger shift of grantmaking in New England as a greater proportion of the family lives in that area. Nevertheless, board members living in other locations can approach the board to fund a program in their area, but they must be highly involved with the cause. Clarity on the geographic limits of grantmaking is a challenging but important aspect of the foundation's work.

The **Kanter Family Foundation**'s grantmaking has tracked to where family members currently live (D.C. area, Utah, and Illinois) and where their interests lie. Grantmaking is approached both individually and as a collective, depending on the project and grant size. Grantmaking in the Chicago area is more collective due to the family's roots in that area.

Discretionary grants balance collaboration with individual priorities

For all foundations, balancing the foundation's mission and the passions of individual family board members is important. Many foundations have created ways for family members to support more personal interests through discretionary funds or more hands-on participation. Most interviewees agreed that if a board member desires that the foundation fund a particular cause or

geography, they should already be a volunteer, donor, and advocate for the cause. In most cases, the organization proposed will have to follow the same steps as other grantees in securing funding.

The **Kanter Family Foundation** and **Anonymous Foundation A** allow board members to exercise more individual grantmaking power due to smaller asset sizes, direct management responsibilities of staff, and informal grantmaking processes.

The **Annenberg Foundation** supports board members in developing their own projects related to the foundation. Two 3rd generation board members manage signature foundation projects related to their own personal passions. In these cases, board members may manage staff, develop budgets, and actively participate in initiatives that are part of or directly aligned with the foundation's mission.

The **Clowes Fund** has a unique matching program that allows directors and "corporate members" access to discretionary grants. The purpose of this matching program is to give directors and corporate members an incentive to give philanthropically out of their own pockets to the causes that are important to them, regardless of geography. For new board members and corporate members, the foundation may match a donation up to a 10:1 ratio at a maximum of \$25,000, or \$5,000 per grant. For directors with more than five years' experience, it is a 5:1 match.

Rasmuson Foundation board members are all given discretionary funds of up to \$25,000 per year to serve causes that are important to them in Alaska. Additionally, board members' personal philanthropic gifts of up to \$10,000 are matched 2:1 if they donate to organizations in Alaska or benefitting Alaskans, including colleges and universities.

Family bonding themes

Many of the case study foundations agreed that their work bonds family together in a way that only family foundations can do. Many of these foundations are led by the 3rd or 4th generation; therefore, it is often the case that family members would not have come to know one another had it not been for their connection with the foundation. Below are some family themes elicited from the case study interviews.

The **Surdna Foundation** works diligently in introducing younger generations to the family's current philanthropic endeavors and its philanthropic legacy. This is done through holding large gatherings for all branches of the family, as well as through enabling younger generations' participation in various philanthropic endeavors outside of the main foundation, such as the Andrus Family Philanthropy Program.

The **Carolyn Foundation** has six major family branches participating from each corner of the country and numerous locations in between. The foundation has a requirement that at least one member of each branch participates on the board, with the suggestion of having two. The executive director concluded that all branches are involved, but some more than others. Often, it is the case that some family members have never met one another prior to being on the board.

The **Clowes Fund**'s board weighed family bonding heavily in their move to shift giving away from its original geographic focus on Indianapolis. By expanding to include areas where more family members live, they hope to keep more family members involved.

The **Rasmuson Foundation**'s family board members have strong, close relationships and are also part of a small family lineage. This closeness was identified as a primary driver of impacting the foundation's mission and the geographical area of focus.

RECOMMENDATIONS: CHALLENGES & STRATEGIES

Below are some of the most important recommendations drawn from points made by the interviewees concerning the challenges they have faced or currently face, as well as the strategies they use in coping with geographic dispersion.

Communication

- Be flexible, but provide clear direction to staff:
 - Several foundations reported being very flexible and open to new ideas during a period of transition, but two cautioned that without clear direction from the board, staff can be caught in ‘no-win’ situations, become discouraged, or even leave.
- Communicate clearly, with an appropriate frequency and up-to-date technologies, in order to meet differing expectations:
 - Many organizations utilize different forms of technology to maintain communications. One organization uses webcams or other forms of video transmission for communicating with members who are dispersed across continents. Another organization uses a board member “portal” in its website for members to access the most up-to-date information relevant to their roles with the organization.
 - Most of the boards use email and conference calling to maintain connections with other board and committee members between meetings. Conference calls are often conducted on a formally established schedule. Few, if any, board actions occur using these methods, however.
 - It is common practice that staff leadership are diligent in keeping boards updated on organizational and grantee news, whether by conference call, email updates, or newsletters.
 - Leveraging family bonds and relationships is very important for many of the interviewed foundations in maintaining connections. One respondent reported that the most important element in her foundation’s transition was that they could “check in as friends and family” frequently. The strength of the family bonds was itself sufficient to keep communications clear and effective.

Orientation to Geography

- Keep board members involved and interested in funding a geographic location in which few, if any, board members currently live. To deal with this issue:
 - Many of the board meetings are held in the foundations’ areas of origin. During board meetings, it is often the case that grantees present on their work and meet with the board, and that board members conduct site visits.
 - Likewise, many foundations hold retreats in the geographic area of focus.

- In foundations where no family remains in the area of focus, local staff or community-based non-family board members often ground decision making with a local perspective.
- One foundation mentioned specific objectives in ensuring that all board members are provided “not the same but equivalent types of opportunities for engagement,” given the fact that they cannot all be involved in the same endeavors. Staff coordinates site visits and other opportunities with grantees close to where board members live.
- Provide clarity when establishing geographic grantmaking rules. Unclear geographic limitations, such as funding organizations in the “Northeast” or “West Coast,” can put staff members in a difficult position when deciding on prospective grantees. If the geographic area becomes too large, site visits by staff and board members alike can be difficult to follow up on:
 - A few of the interviewees were confident that by establishing very clear geographic areas, foundations can avoid board-staff conflict and more effectively concentrate resources in achieving greater impact.
 - While the interviewed foundations all had different perspectives on how geography fits into the scheme of grantmaking, those foundations that deemed themselves most successful in impacting their mission make concerted efforts in establishing more formal rules in grantmaking. These rules predominately include establishing whether grantmaking is geographically focused, program- or mission-focused, or a combination of the two.

Understanding and Bridging Generations

- Take the generational positioning of family members into consideration when developing internal strategy and processes. Most of the foundations mentioned specific approaches, in some form or another, that were related to the different life stages of board members:
 - For some foundations, especially relatively newer ones, an informal process of family board member recruitment is both logical and ideal. For others, especially those that are several generations from the founder, a more formal process is required.
 - Two executives mentioned how important it is for staff members to use family board members’ time effectively, in consideration of the younger generations who are juggling careers and family. One foundation, however, actively encourages all staff to contact board members directly on an as-needed basis to maintain open dialogue.
 - Some of the foundations have intermediate positions prior to full board membership, including committee service, ‘corporate membership,’ or matching programs to stimulate interest in philanthropy.

- Younger generations may be more inclined to participate if they feel empowered to pursue both joint and individual foundation projects. One foundation has smaller but still formal philanthropic initiatives to introduce younger generations to the family’s philanthropic work.

Relationship Building

- Create active roles for members in bringing involvement to a deeper level:
 - Generally, the interviewed foundations actively encourage board members to “bring something to the table” and to contribute their specific skills and talents to the foundation. Giving trustees opportunities to lead meetings, present the accomplishments of outstanding grantees, or prepare the agenda were some of the methods utilized by foundations.
 - Site visits were reported to be an important way board members maintain involvement, whether they visit grantees close to their current geographic area, in the geographic area of the foundation, or in conjunction with their participation in board meetings.
 - Many foundations encourage board members’ philanthropy in the scope of their interests and geographies by providing discretionary funds, grants, or matching opportunities.
- Actively work to build and enhance the relationship among board members and between board members and staff:
 - The foundations reporting the highest levels of leadership cohesiveness provide open lines of communication and formally create opportunities for regular or periodic contact. Many of the foundations use retreats as opportunities for intensive bonding.
 - One foundation specifically noted that dictating how things “must be done” is disastrous.

Knowledge Building

- Use expert knowledge whenever possible:
 - Several foundations invite non-family members who are either skilled in a particular content area or who are highly knowledgeable in the geographical area(s) of grantmaking to either serve on the full board or on relevant committees. One foundation’s non-family board members are heavily involved in the public affairs of the geographical area of grantmaking. These members bring valuable insight to the board regarding the public’s needs.
 - To complement its strong family component, one foundation uses experts in the areas of fundraising, marketing, and board governance to increase professionalism and to improve decision-making processes in providing greater impact.

- Some foundations recruit trusted staff or advisors of the family's business interests/relationships to be on the foundation's staff or board, largely to ensure the integrity of the founder's wishes or the family's legacy.

Mission Development

- Balance the foundation's mission with the desire to build family ties:
 - For several of the interviewed foundations (Clowes, Kanter, and Annenberg Foundations and Anonymous Foundation A), funding portfolios have shifted with generational leadership, both in terms of geography and issue areas. Transitioning foundations may find it necessary to redefine the mission in order to match newer, younger generations' priorities and passions. This may allow for greater vitality in impacting the mission by creating a sense of "family-ness" through collaboration.
 - In contrast, in heightening mission impact and organizational cohesiveness, other foundations may choose to strongly adhere to donor intent and/or to the traditional geographical area of grantmaking. For the George Gund Foundation, the mission to support Cleveland comes first, and this means ensuring that funds satisfy the mission and not board members' charitable impulses. Family members remain connected by their ties to Cleveland and their ability to come together around a common concern. Geographically focused funding may also provide for much greater impact and grantee accountability.

CONCLUSION

It is clear that family foundations differ from other types of foundations with regard to the issue of board dispersion. Other types of foundations can easily overcome the problem of board members moving outside of the geographic area of the foundation. However, because of their legacy and core mission and values, family foundations will go to great lengths to ensure family involvement regardless of geographic location. It is also clear that family foundations often provide a core means of connection between individual family members by bringing them together to share in the common values of their descendants.

There are no clear-cut rules for how family foundations should approach the issues of governance, management roles for board members, the division of staff and board member responsibilities, and fiduciary roles, when board members are fully or significantly geographically dispersed. However, the patterns and themes found in the course of the case study interviews offer guidance to family foundations experiencing this common trend.

It appears that family foundations with dispersed boards are very deliberate in ensuring that board members, especially family board members, are actively engaged with the work of the foundation. This approach, in most cases, requires the placement of staff who are generally located in the original geographic headquarters of the foundation. The foundations reporting the greatest amount of success bridging the work of the foundation with dispersed board members have in place, minimally, an executive director. It appears to be the case that the relationships between the executive directors and boards are at their strongest when communication is open and fluid, when there are clear definitions and divisions of roles and responsibilities, and when there is mutual respect for one another's leadership responsibilities.

If a formerly board-driven foundation wishes to transition to a dually staff- and board-driven foundation, it is recommended that the board should provide clear guidelines related to grantmaking processes, such as whether grants will primarily be geographic, program- or mission-driven, or family-theme focused. It should formulate committees to assist with all governance and decision-making processes; consider involving non-family board members within the geographic context of the foundation or grantmaking focus area; and work diligently to establish set communication processes among board members and between the board and the staff.

APPENDICES

Appendix A: Methodology

Contacts and Networking

Researchers issued an announcement to Center on Philanthropy staff requesting leads for potential case study interview foundations meeting the criteria for family foundations and board dispersion. Based on responses from Center colleagues and networks of colleagues, researchers gathered names of potential interviewees and experts in the field of philanthropy or family foundations who could provide leads.

Researchers investigated organizations suggested by Bob Reid of the J. F Maddox Foundation and made calls to nonprofit leaders from the following organizations for interviewee contact information: National Center for Family Philanthropy, Council on Foundations, Giving Institute, Conference of Southwest Foundations, Council of Michigan Foundations, Philanthropy New York, and Minnesota Council on Foundations. Seven interviewees resulted from this process.

Foundation Search Database

Researchers utilized the Foundation Search Database to identify family foundations that potentially matched the criteria for board dispersion and created a spreadsheet of potential case study interviewees. Out of a list of 600 family foundations, the researchers reviewed the initial criteria of 250 foundations. These criteria included having at least five members on the board; approximately \$100-\$500 million in assets; a family member as the initial primary donor (corporate or business donors excluded); family members composing the higher ratio of boards with a mix of family and non-family members (identified by the homogeneity of last names); and grantmaking beyond an apparent singular focus (e.g., scholarships only).

The researchers then narrowed potential contacts into a list of approximately 100 foundations graded with a high to moderate likelihood of meeting the criteria for the study. Researchers contacted by phone or email the 10 foundations with the highest likelihood of meeting the study's criteria, depending on the availability of phone numbers. Three interviews were secured using this method.

Conducting Interviews

The executive director or a foundation leader with a similar title and responsibility was interviewed for each case study, except for two (Anonymous Foundation A and the Rasmuson Foundation). All of the interviews were conducted by phone, with the exception of one in-person interview. Interviews ranged from 30 minutes to an hour in length. Two Center on Philanthropy researchers participated in interviews. One asked the interviewee questions, while the other transcribed by typing. No video or audio recordings were conducted.

Appendix B: Background on Case Study Family Foundations

Annenberg Foundation	
Founder	Walter H. Annenberg
Founded	1989
Location	Los Angeles, CA with a presence in Radnor, PA and Washington, DC
Geographic focus	National and International
Grantmaking areas	Education, youth development, arts and culture, humanities, civic and community life, health, and human services
Assets as of 2009	\$1.6 billion
Board composition	4 members (All family, 3 live in Los Angeles, 1 in Paris)

Walter Annenberg founded the Annenberg Foundation in 1989 to continue the work he had done with the Annenberg School since 1958. Until his death in 2002, Mr. Annenberg was the only family member involved in the foundation. Upon his death in 2002, leadership of the foundation shifted to his wife Lenore. His daughter, Wallis Annenberg, and three of her children, also joined the board at that time. Lenore Annenberg passed away in 2009, leaving Wallis to lead the foundation with the help of her children on the board.

Holding assets of over \$1.6 billion, the Annenberg Foundation is the largest foundation analyzed in this report. The foundation also has the largest professional staff examined in the study, with over 30 staff members supporting the foundation’s programs.

Three of the four current board members of the foundation reside in Los Angeles, CA, and the fourth lives in Paris, France. At various points since Walter Annenberg’s death, board members have also lived in Philadelphia, PA and London, England. Additionally, the large staff currently operates out of three different offices across the United States (Los Angeles, CA; Radnor, PA; and Washington, DC).

To minimize the impact of the geographically dispersed board members and program staff, the foundation works to deliberately build bonds and collaboration between staff and board members. The staff sets the goal of making distance imperceptible to the trustees, working to give trustees in Los Angeles, for example, the same access to staff members in Washington as they have to those who are in Los Angeles. Direct communication is encouraged between any staff member and any board member.

Board members are all compensated, and all approach the position as a full-time job, working 40 or more hours each week on their philanthropic endeavors. The board meets at least 10 times each year, far more than most other foundation boards examined in this study. To accommodate the board member in Paris, teleconferencing and videoconferencing is used extensively.

Anonymous Foundation A	
Founder	-
Founded	1990s
Location	Southwestern United States
Geographic focus	Two urban metropolitan areas: one medium-sized city in the South, and a large city in the Midwest
Grantmaking areas	Arts, human and social services, and community development
Assets as of 2009	Approximately \$10 million
Board composition	5 members (All family, living in the South, Midwest, Northeast, and internationally)

This relatively new family foundation was established by a family matriarch prior to her death, for the purpose of establishing a performing arts center in her hometown. The founder, her three daughters, and at least one of their spouses were on the board until the passing of the founder and two of her daughters in 2001 and 2002. Subsequently, and up to the current time, two 2nd generation board members—a daughter and a spouse of one of the daughters—and three 3rd generation cousins, lead the board. The endowment grew significantly after the untimely deaths of the daughters.

Because of the relative youth of the foundation, as an organization and in terms of its board members (most are younger than 30), it carries a more informal methodology concerning decision making and strategy. As the foundation becomes more formalized in operations, the foundation leadership anticipates becoming more focused in its grantmaking scope and approach. Since the performing arts center was established in 2005, the foundation has been focused on providing contributions to that center, as well as grants to support capacity-building and social entrepreneurship projects elsewhere.

Carolyn Foundation	
Founder	Carolyn McKnight Christian
Founded	1965
Location	Minneapolis, MN
Geographic focus	Primarily Minneapolis, MN, and New Haven, CT, but grants elsewhere are considered, especially environmental grants
Grantmaking areas	Economically disadvantaged children and youth, education, community and cultural vitality, environment
Assets as of 2009	\$30 million
Board composition	14 members, 2 emeritus (All family members, in diverse locations spread from Switzerland to California)

The Carolyn Foundation is unique among the case studies in that it has never been led by the original donor or her direct descendants. The foundation was established through a bequest from Carolyn McKnight Christian, who had no heirs. The initial board members were drawn from the family of her sister, Harriet McKnight Crosby. In the time since its founding, the organization has essentially been the family foundation of descendants of Harriet Crosby.

For much of its existence, the Carolyn Foundation had a fairly static board composition. When the current executive director joined the organization in 2001, the average tenure of existing board members was 27 years. In order to bring a broader family perspective to the foundation’s leadership, the executive director and board initiated rolling term limits so that different members of the family would cycle on and off of the board of directors. This process brought new 3rd and 4th generation family members into the organization. As more 4th generation family members became involved, the geographic spread of the members also increased.

The board is now composed entirely of family members. At least one 5th generation member has begun participating in the foundation’s committee structure. By rule, the board includes at least one member from each branch of Harriet Crosby’s family. Members are nominated and elected for board membership from a larger group of family members who participate as Friends of the Carolyn Foundation, which currently has over 100 members. Family members not currently sitting on the board are also given the opportunity to serve on committees advising the Carolyn Foundation board’s decisions.

The Clowes Fund	
Founder	Dr. George H.A. Clowes and family (wife and two sons)
Founded	1952
Location	Indianapolis, IN
Geographic focus	Indianapolis, IN; Seattle, WA; and New England
Grantmaking areas	Social services, arts, and education
Assets	\$63 million
Board composition	9 directors (5 family members, several in the Northeast, 1 in Seattle, and another in Kansas)

The Clowes Fund has experienced significant changes since its creation by Dr. George Clowes and his wife and two sons in 1952. The foundation was established with investments from all four family members. As a result, the transition from 1st generation family leadership to 2nd generation was not problematic. However, foundation leadership now includes 3rd and 4th

generation family board members, and this transition realized significant changes in the direction and priorities of the foundation.

One of the two founding Clowes sons had several children, while the other had none. As a result, 3rd and 4th generation family members all derived from one brother’s family. As this transition occurred between the 1970s and 2000, the new family board members began to push the geographic focus of the organization beyond Indianapolis to support programs in the areas where they lived. Ultimately, this led to tension between the 3rd generation board members and their uncle who remained focused on Indianapolis. As a result, Allen Clowes established his own family foundation to focus solely on Indianapolis. The two organizations now share two common non-family board members, not by rule, but by coincidence.

Currently, family members make up just over half of the Clowes Fund’s board of directors. All of them are 3rd or 4th generation, and none reside in Indianapolis. The foundation has officially expanded its geographic focus to include Seattle and New England where several board members live or have lived. To accommodate the more geographically dispersed approach and board composition, the board meets once annually and rotates where the meeting is held. Smaller committees focused on each geographic area and foundation investments meet more frequently.

George Gund Foundation	
Founder	George Gund II
Founded	1952
Location	Cleveland, OH
Geographic focus	Primarily Cleveland, OH
Grantmaking areas	Arts, economic development and revitalization, environment, education, and human services
Assets	\$300 million
Board composition	10 members (8 family members: living in Brazil, CA, NJ, Boston, NY and CT. 2 community members represent Cleveland)

The George Gund Foundation has served the Cleveland area for over half a century. Founded in 1952, the foundation initially served to support the causes that George Gund II had helped throughout his lifetime. Since his death in 1966, however, the foundation has grown both in the size of its endowment and in terms of its philanthropic strategy. Now valued at more than \$300 million, the George Gund Foundation has become an influential force in the community life of Cleveland.

Upon the death of George Gund II, leadership of the foundation shifted to his children and a trusted family advisor. Soon the children began to move away from Cleveland and raise their

families elsewhere. While the 2nd generation of the founder’s family had established relationships in Cleveland, the town where they were raised, the 3rd generation board members have never lived in the area. To compensate for this lack of local experience, the board reserves two seats for local members active in the Cleveland community.

The board of directors currently meets three times per year in person and holds an additional three conference calls per year between the in-person meetings. While the meetings cover official business, the staff approaches the conference calls as program updates, with less formality. Until recently, the board met four times per year, but younger family members with young children of their own found such frequent travel to Cleveland to be burdensome.

The organization currently has 13 staff members in addition to its 10-member board of directors. All staff members work in the Cleveland office, providing additional grounding to Cleveland-specific issues that the foundation addresses.

Kanter Family Foundation	
Founder	Burton and Naomi Kanter
Founded	1990
Location	Vienna, VA
Geographic focus	Chicago, IL; Washington, DC; Salt Lake City, UT; and Virginia
Grantmaking areas	Arts and culture, education, and Jewish organizations
Assets	\$8 million
Board composition	7 board members (6 family members: 3 siblings and their spouses, comprised of 1 couple in UT, 1 couple in IL, and 1 in DC/VA)

Burton Kanter and his wife Naomi established the Kanter Family Foundation in 1990 as a tool for their personal charitable giving. The Kanters lived in Chicago, and foundation giving was largely focused on this region. Mr. and Mrs. Kanter passed away in 2001 and 2007, respectively, and leadership of the foundation has now shifted to their three children. The Kanter children and their spouses occupy six of the seven seats on the organization’s board.

The 2nd generation of Kanters who currently lead the foundation have expanded the geographic scope of their giving to include the cities where they now live. In many ways, the foundation currently operates as a combined investment tool for the family, with each sibling and spouse pair directing their own gifts in their local area. Only one sibling remains in Chicago. The group established a gift threshold below which the directors do not need board approval to make contributions. Gifts above that threshold are discussed with the wider group.

Given that many foundation grants are driven by individual motivations of board members, foundation assets could have been divided into three separate entities. However, the Kanter siblings decided they could all benefit from pooling the investments and sharing knowledge among themselves. They have also sought ways to collaborate on some gifts, beginning with memorial gifts in Chicago following the deaths of their parents and now funding groups serving progressive political causes.

McKnight Foundation	
Founder	William L. and Maude L. McKnight
Founded	1953
Location	Minneapolis, MN
Geographic focus	Primary focus is Minnesota, with significant support for strategies throughout the U.S. and in Africa, Southeast Asia, and Latin America
Grantmaking areas	Education and learning, regional development, the arts and artists, the environment, climate change, and scientific research in select fields
Assets as of 2009	\$1.8 billion
Board composition	11 members (7 family, dispersed nationally; 4 non-family all living in places where family members live)

The McKnight Foundation was established in Minneapolis in 1953 by William L. McKnight and his wife, Maude L. McKnight. In 1974, Virginia McKnight Binger, the only child of William and Maude McKnight was asked to lead the foundation. Working with Russell Ewald as executive director, Mrs. Binger established the formal grantmaking program and community-based approach that remain the foundation's legacy today.

Family members currently hold a majority of board seats, and the board structure allows for 8 family-named seats and 4 at-large seats. While both family and non-family board members are geographically dispersed, the board has maintained a grantmaking focus within Minnesota. However, the foundation has expanded its grantmaking to include director-advised grants with no geographic restrictions, as well as specific strategies outside of the founding state. Environmental grants, in particular, have become increasingly dispersed as the foundation's focus includes larger environmental restoration and conservation goals, which require regional and national investments.

The board currently meets four times per year. At this time, family board members are drawn from the 3rd and 4th generations. The family itself is rather small and recruitment has not been much of an issue. However, leadership recognizes that it is becoming critical to develop methods to engage younger generations to ensure continued participation.

Board members often accompany staff on site visits and perform other due diligence activities. Board members allocated a small pool of money for discretionary grants each year. They are also encouraged to provide feedback to program staff regarding potential grantees that they are familiar with, or have heard specific things about, in their areas of interest.

Rasmuson Foundation	
Founder	Jenny Rasmuson and Elmer Rasmuson
Founded	1955
Location	Anchorage, AK
Geographic focus	Alaska
Grantmaking areas	Arts and culture, social services, health and human services, community development, and education
Assets	\$425 million
Board composition	11 board members (6 family members, 3 in AK, 3 elsewhere; 5 local AK non-family community representatives) + 1 emeritus board member (in AK)

Founded in 1955 with an initial gift of \$3,000, the Rasmuson Foundation was created by Jenny Rasmuson as a way to memorialize E.A. Rasmuson, her husband. Elmer Rasmuson, their son, became the driving force behind the foundation’s growth and ultimately left the bulk of his \$500 million estate to the organization upon his death in 2000. The family earned its wealth through banking in Alaska, and, as such, the foundation seeks to “work as a catalyst to promote a better the life for Alaskans.”

The structure and leadership of the foundation changed in the years leading up to Elmer Rasmuson’s death. In part, this was due to the fact that he had been its primary leader, but also because of the large influx of assets that required more professional management. In the time since, as 2nd and 3rd generation family members have taken on leadership roles, the grantmaking priorities have broadened somewhat. Giving remains almost entirely focused on Alaska.

The board of the Rasmuson Foundation is composed of six family members and five local representatives from Alaska. The bylaws of the foundation dictate that non-family members must live in Alaska. Non-family members are limited to six years on the board and cannot serve on the board’s nominating committee. Board meetings are held in Alaska and are generally scheduled in conjunction with an extended site visit in an Alaskan community.

Surdna Foundation	
Founder	John Emory Andrus
Founded	1917
Location	New York City, NY
Geographic focus	National
Grantmaking areas	Arts and culture, environment, and community development
Assets as of 2009	Approximately \$700 million
Board composition	13 members (10 family, living in Northeast, Midwest, and internationally)

The Surdna Foundation was founded in 1917 by John Emory Andrus to target a range of philanthropic purposes. Now approaching its 100th year of operation, this organization provides the most advanced example of family foundation leadership transitions examined in this report.

Currently, the Surdna Foundation’s board has 13 members, ten of whom are descendants of the founder. These ten members are all drawn from the family’s 3rd, 4th, and 5th generations. Family board members serve three-year terms with a maximum of 12 consecutive years of service before they must cycle off.

Non-family board members are selected based on their skill set and expertise and are limited to two terms on the board, for a total of six years. Board members are not paid, but are allotted \$40,000 in discretionary grants annually to support organizations of interest to them individually. The foundation is supported by approximately 20 full-time staff members. The board meets quarterly in-person, and committees of board members communicate via quarterly conference calls.

Beyond the board, there are now more than 400 descendants of founder John Andrus. The Surdna Foundation has created ways to continue the family’s philanthropic traditions and prepare young family members for future foundation board roles. The foundation initiated the Andrus Family Philanthropy Program in 2000 to provide opportunities for service and shared action for any of the family’s 400-plus members. The most prominent effort of this program is a secondary grantmaking fund within the larger foundation, which is managed and led by fifth generation or younger family members. This dedicated grantmaking pool allows younger members of the family to become familiar with the mechanisms of foundation leadership and prepares them to take on leadership in the foundation.

Wege Foundation	
Founder	Peter Wege, son of the founder of Steelcase Furniture
Founded	1967
Location	Grand Rapids, MI
Geographic focus	Grand Rapids, MI and surrounding areas
Grantmaking areas	Education, environment, arts and culture, health care, and human services
Assets as of 2009	\$116 million
Board composition	8 members (6 family members, mostly in western Michigan)

Peter Wege founded the Wege Foundation in 1967 to honor his father and mother and to give back to his hometown, Grand Rapids, Michigan. With an initial investment of a few shares of Steelcase Furniture stock and \$3,000 cash, Mr. Wege created a family foundation that has ultimately grown into a multimillion-dollar philanthropic resource for Western Michigan.

Since its founding, the Wege Foundation has grown from a small founder-led giving tool into a formally structured board-driven foundation. This transition was spurred, in part, by Steelcase Furniture becoming publicly traded in 1998 when the foundation grew tremendously.

In addition to a rapid growth in assets, the increasing age of the founder led to the creation of a formal board committee structure, including a grants review committee. As Mr. Wege has stepped back from sole responsibility over foundation decisions and his adult children have taken on primary responsibility, the foundation has worked to incorporate the next generation of the Wege family into the process. Mr. Wege's grandchildren, many of whom are in their 20s and 30s have been invited to board meetings and retreats to learn about foundation processes and to determine their interest level in being involved.

The foundation's board meets once per year and board members receive brief weekly update emails regarding ongoing projects and foundation news. Giving is still focused on Western Michigan, where several family members live, and there is no specific prohibition on giving elsewhere.

Appendix C: Case Study Interview Questions

Sample of base interview questions:

1. Describe the current staffing and board structure at your foundation.
2. What is the current composition of the board? How many are family members versus non-family members? Where are board members located, and how long have they been associated with the foundation?
3. Describe the previous composition of your board and staff before the foundation underwent this transition to having most board/staff outside of the geographic area that the foundation serves.
4. When and why did family board members transition to living in other communities?
5. How was this process done, and were there steps that the foundation took to smooth the transition? Did you encounter any major obstacles or concerns in this process?
6. Has your foundation changed since undergoing this transition? If yes, how has it changed?
7. What is the board's role in grantmaking decisions?
8. How do you communicate with board members?
9. What advice would you give other foundations going through this transition?

In the course of nearly all of the interviews, the following questions were also asked:

1. What types of methods of communication does the staff use in communicating with the board? How about among board members and between staff and board members for decision making between board meetings?
2. What are the primary drivers of grantmaking decisions? Are grants geographically driven, program- or mission-driven, family-driven, or other?
3. Can you please describe the generational pattern in your foundation and the process of transitioning from the previous generation to the current generation? How have grantmaking processes and patterns changed?
4. Please describe board recruitment of family and non-family members.
5. How many meetings does your board have per year? What business is conducted? And where is the location of the meetings?
6. Please describe board and staff composition and the responsibilities of each.