

## Family Foundation as Family Glue

By John L. Ward, Ph.D.  
The Family Business Consulting Group

**“Wealth is a dangerous inheritance, unless the inheritor is trained to active benevolence.”**  
~Charles Simmons

In my study of “Enterprising Families” – extended families working together to pursue a common, productive mission – I have come to believe that the family foundation has the potential to be the most useful and bonding structure for the family into future generations. The family foundation, better than a family business or a family investment company, can appeal to and include a wide range of family members. The family foundation can be a better instrument to nurture and pass on the family’s values, and is more forgiving to families as they struggle to learn to work together for a productive purpose.

Unfortunately, the family foundation often gets weakened by some of the same forces that make family business continuity painful and difficult: Lack of succession planning; inability to let go; careless governance; sibling conflict; a disinterested next generation; tired strategy stuck in an old, paternalistic culture; self-interested non-family executive leadership, etc. A private foundation suffering these ills can eventually pull the family apart and lose its own vitality.

On the other hand, a properly designed family foundation can be the glue that strengthens and holds together a family in future generations. Achieving this

outcome depends in part on the original motivations for philanthropy and how the foundation is designed.

### The Philanthropic Motivation

The source of future generation difficulties often lies at the origin of the foundation – as beautiful as it seems at the time. Most often the foundation was started to provide a vehicle for the first generation founders of the family’s wealth to be charitable in areas of their personal interest.

Sometimes starting the foundation serves as a source of privacy; sometimes it’s just a more effective and efficient way to operate. Sometimes the founders’ generosity is motivated by some guilt over past business conduct. Other times the foundation is started to keep passive wealth out of the hands of future generations. Occasionally, it is formed to reduce taxes.

Any of these initial motivations can compromise long-term enthusiasm and commitment to the foundation.

It’s often hard to imagine future generations collectively devoting themselves to the founders’ disparate charitable interests, since successors may live in different communities or have different passions.

Founders often find their charitable and community

works become their identity – just like an entrepreneur’s business. Further, the founders usually act unilaterally to pursue their interest. The next generation may be a team of siblings or cousins who have to labor through group conduct and consensus.

In short, we typically move from an enterprise forged in the identity of an entrepreneur or couple – who have powerful reasons not to let go – to a not always well-prepared sibling team which must work together in the shadow of someone else’s dream.

## The Problem With Donor Intent

Original creators of family wealth and family foundations regularly hear the frightening stories of family foundations that later serve causes that are anathema to the founders’ values. Consequently, they find comforting the advice to specify the “donors’ intent.” In theory, donors’ intent is a valuable idea, but in practice, it often creates a foundation charter that is too inflexible for the future societal needs, or more importantly, to meet the interests of future-generation family. The consequence is loss of commitment. Worse yet, when the foundation’s charter is automatically set by the founders, a strong statement of intent by the donor can make future generations feel impotent, alienated or dependent.

The key, it seems, is to be wise and family-sensitive when the foundation’s charter or the donor’s intent are developed, if durable purpose and on-going family commitment are desired. The focus of the donors’ intent or the foundation’s charter should be more on the why of philanthropy and the how of philanthropy, not on the what of philanthropy.

“Why” speaks to the family’s values. “How” speaks to the philosophy of being effective in philanthropy. “What” merely specifies to whom funds should go. What binds the family together in future generations with changing times are the values and methods of philanthropy – the process rather than the content. What discourages future family interest or foundation relevancy is rigidity in the direction of giving. Each generation needs the privilege of developing its own charter, but also of maximizing learning from the senior generation.

## Start With the Future in Mind

Rather than seeing the family foundation as an extension of the founders’ interests, consider establishing the foundation as a deliberate effort to bind the family together, across generations, as a positive, cohesive force. To do so, the following steps seem to make sense:

- Develop a mission and vision as a family, as if a foundation didn’t exist.
- Explore the family’s history – from before the generation of wealth – to find positive origins of philanthropy.
- Lead a family discussion on the purpose of private, family philanthropy. Answer the question why the family wants to work together – rather than separately -- in giving and investing.
- Design a governance system, both for the family and the foundation, that will last into the next generation and beyond.
- Develop policies that will govern future generation roles in foundation management or on its board.
- Exhaust all the interest of the founding generation with foundation resources so that the next generation is free to pursue collective interests. Another advantage of “exhausting” is that recipients of the family’s giving are not left with a dependency.
- Use a portion of the foundation funds to encourage successors to work as a team to identify common interests, and to reaffirm the “how” of the family’s giving.
- If necessary, and only if necessary, let the foundation serve individual interests through specific grants. Better each person does his or her own individual giving, personally. But if necessary to seed progress in personal giving, do it through a segregated “direction” allocation to each of the next generation. Avoid family members rationing foundation funds among competing interests of different family members.

Remember, in addition to its philanthropic purpose, the family foundation serves to unite the family and pass on

certain values. To do so, each generation needs to reflect on the family's mission and values, and to develop its own collective giving philosophy and process.

## Family Commitment and Foundation Effectiveness

Families have various options in how they give. They can support personal interests of each family member or they can seek a specific focus (e.g., high school reading programs) and a specific approach (e.g., only matching funds for five years to train parents who volunteer to help in the high school's reading program). This approach, for example, emphasizes incentives to

the school, training rather than books, and support for parents.

The thesis is that both the focus and the method be as specific as possible and linked to the core values the family is seeking to pass along. Some values implicit in the example above are teaching how to fish rather than providing fish, entrepreneurialism, avoiding dependency, and empowering parents. Focusing on the family's values and inventing new areas of distinguished giving as a next generation family team is what makes a family an "enterprising family."



**John L. Ward, Ph.D.** is a co-founder of The Family Business Consulting Group, Inc., and can be reached at [ward@thefbcg.com](mailto:ward@thefbcg.com) or 847.475.3000.

To learn more about The Family Business Consulting Group and how we serve families like yours, call us at (773) 604-5005 or email us at [info@thefbcg.com](mailto:info@thefbcg.com). There is absolutely no obligation.

The copyright on this article is held by Family Business Consulting Group Publications®. All rights reserved. All forms of reproduction are prohibited. For reprint permission, contact [editor@thefbcg.com](mailto:editor@thefbcg.com).

THE FAMILY BUSINESS CONSULTING GROUP, INC. and FBCG are registered trademarks and the FBCG logo is a trademark of The Family Business Consulting Group, Inc.

Reprinted from The Family Business Advisor®,  
A Family Business Consulting Group, Inc.® Publication

**The  
Family Business  
Advisor**