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The challenges of family philanthropy

The very same dynamics that complicate your ability to run your family business smoothly are also in play in family philanthropy.

By Jessica Geiben Lynn

Amanda's frustration was palpable, even over the phone. She and her five siblings were used to the rigors of running their family's construction business together: the challenges of developing and implementing a robust strategy; deciding which construction technology and equipment to invest in; identifying the best marketing channels; and doing all of this while maintaining their close family bond. So when the siblings agreed it was time to organize their philanthropy, they weren't expecting to have any problems giving money away.

A year later, their efforts had gone nowhere. "Why isn't this easier?" Amanda wondered. "We have our ups and downs in the business, but I never imagined we'd have the same experience setting up our foundation!"

Why isn't this easier, indeed? We have found that the very same dynamics that make it challenging to run a family business productively are also in play in family philanthropy. The commonly held belief that giving away money *should* be easy (and rewarding), combined with the experience that it often *isn't*, can make family members' frustration that much more acute.

Where families get stuck in their philanthropy

Families tend to get stuck in their philanthropic efforts in a few predictable ways:

• **Drifting away from the original purpose.** Some family foundations are established with a sense of purpose that is easily identified in founding documents, be they articles of incorporation, legacy statements or a letter from Great-Granddad describing his vision for the foundation. "Protect our local watershed," "Give every fourth-grader in town the opportunity to play a musical instrument" and "Teach members of our family how to be responsible and humble philanthropists" are just a few examples we've seen. Yet over time and as the family grows, the family (or at least some of them) feels disconnected from that original purpose.

In many family foundations, especially those in the third generation or beyond, some (or all) of the family members feel obligated to attend board meetings and make decisions about grants and programs, but often find these decisions neither personally energizing nor connected to the family's broader philanthropic goals.

• **Imagining that they'll all agree.** After all, what's there to argue about when it comes to …

… the environment, education, politics, population health—surely we agree on what issues are most important in our giving?

… our local community, the U.S., the globe—surely we agree on the geographic focus of our giving (and on what "local" means, even though two-thirds of our family members live away from the foundation's hometown)?

… the need for greater impact—surely we agree that spending down is worthwhile if we can continue to make an impact on our issue?

Of course, there's plenty to argue about. Yet family members often assume they will all be on the same page about these complex issues. We're from the same family, after all—don't we believe the same things? Don't we want the same things—for our giving, for ourselves and for our own children? Don't we want to support each other's interests?

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The answer is inevitably more complicated than that. It's a natural part of human development to differentiate from one's family of origin. Imagining that you'll have the same wishes and interests as your siblings or cousins sets you up for disappointment.

We've also seen family members stuck in what we call role-locks: good son/bad son, appeaser/rabble rouser, the smart one/the "creative" one, and so on. Just as often occurs in a family business setting, families who are trying to organize their collective giving will bump into the assumptions they have made about themselves and one other over decades (or even generations).

• **Hoping the differences can be swept under the rug.** Discovering that you disagree with your family members, especially when you didn't expect to—philanthropy is easy, right?—can be a scary and painful experience. Somehow differences within families feel more personal, as though any difference calls into question our place as a member of the family itself. (Do I belong if I am different?)

Acknowledging differences in beliefs about family philanthropy feels risky. It could lead to outright conflict, after all, and how will we handle *that*, given our track record of disagreements about our business?

For many families, pretending there are no differences among them allows them to believe there is no conflict and therefore no risk. We worked with one family that had such a hard time coming to terms with their different points of view about philanthropy, and was so conflict-averse, that they ended up creating 11 separate foundations!

Families are experts at avoiding conflict. In some situations, that may make good sense. We'd argue, though, that sweeping differences related to collective giving under the rug shortchanges the family itself, the individuals in it and the ability of the philanthropy to have a significant impact.

Making philanthropy easier—and more rewarding

Planning for the future in family philanthropies is challenging. It's difficult to fully and productively explore different views about all of the issues at play: what the foundation means in the family, and how that may have changed over time for the individuals involved; family members' varied roles and expectations; ideas about the work of the foundation and the impact that can be realized together or separately; when and how to involve the next generation.

There are actions that families can take to ease the challenge, however. We recommend these three steps to make it easier and more rewarding to be a philanthropic family:

1. Define your shared purpose. This is one of the most organizationally and emotionally complicated—yet common—challenges that family foundations face. Family members often rush past the "What do we *want*?" question, in favor of the "What should we *do*?" question. After all, making decisions based on what has happened in the past is a great deal easier than thinking about a shared purpose for the future—especially in an *uncharted* future, when family members are likely to have different goals for their charitable giving.

There's plenty to argue about. Yet family members often assume they will all be on the same page about these complex issues.

For some, a foundation may simply provide a vehicle for individual donations, while for others it may allow a pooling of resources for maximum effect. Some may want to educate their children about the obligation that comes with philanthropic stewardship, while others may not want children—their own or anyone else's—involved at all. Some family members may see collective giving as the family's way of staying connected with one another, while others may feel strongly about separating their giving from the family relationships.

In the end, family members must answer that simple yet pivotal question: What do we want? What are our aspirations, desired impact, program interest, concerns and views about decision making in consensus/non-consensus situations? Can we find a shared purpose for our giving that encompasses enough of our differences to make our collective giving worthwhile?

It's possible, of course, that the family members will not be able to identify a shared purpose—that the differences between them are vast enough to make involvement in the same foundation impractical. Asking whether or not to stay together in the family foundation can feel like an act of betrayal. How can siblings, cousins or other family members openly explore whether they want to keep working together without damaging relationships or calling into question the shared purpose on which their philanthropic activities have been based?

That said, not asking the question can be damaging, too, as concerns can go underground, eroding connectedness as a family and effectiveness as a philanthropic organization. Families are much more likely to find a shared purpose if they bring their concerns and differences to light rather than letting them fester under the surface.

2. Assume that you will have differences—and take the time to deeply understand them. One should expect family members to bring their own positions, points of view and agendas to any conversation or negotiation about their philanthropic giving. Often, however, these differences are ignored—they just feel paralyzing to the family's connectedness and to the potential of their philanthropy. We believe, though, that if the family members take the time to deeply understand the differences, they will end up finding positive energy in the differences.

Underlying the positions that family members hold are broader *interests*. These interests are often (unknowingly) *shared*. The challenge for families is to take the time to move past positions and really understand interests, which is where common purpose will be found.

One family, for example, discovered that while they had been arguing for decades about spend rate—and in a way that had led many of them to determine that their only choice was to split—they did, in fact, have a shared purpose: to continue to fund the development of new vaccines. The argument about spend rate was a position rather than an interest, as they discovered when they took the time to really delve into their differences.

When families are really stuck, there's often no substitute for the structure that governance mechanisms provide.

Interestingly, we have found that even when family members cannot come to agreement about every aspect of their interests, the simple fact of having talked about their differences in a meaningful way preserves and, in fact, often revitalizes the family relationships that they value.

3. Use your governance structures—and the best of your family's norms—to help you through the toughest times. When families are really stuck, there's often no substitute for the structure that governance mechanisms provide. These mechanisms, combined with the family's good sense around how and when to ensure active and authentic participation, can help get the family "unstuck." Given the "before" and "after" experience of families who have taken the time to implement good governance processes, there's no time like the present to put those mechanisms in place.

Different families will need different mechanisms, of course. Will there be some percentage of giving that is at an individual's discretion? Who should serve on the board? Should there be branch representation? How should the next generation be included—if at all? (Does the current generation want the foundation to continue?) What does inclusion mean for our family? Do we want to include non-family voices?

One fourth-generation family had a number of individual foundations and many individual giving efforts, but also wanted to institute some type of collective giving as a way to engage their next generation. The third generation had said to the fourth, "Come up with a decision-making process for your collective philanthropy, and we will fund it." The fourth generation had taken some halting first steps toward deciding what to fund together, but unsurprisingly—given their geographic spread, stage of life (launching careers and families) and lack of decision-making process—had not been able to come to a decision they could all support. They ultimately established a simple vetting and decision-making process. While each family member understood that his or her individual project might not be selected by the group to be funded, they were relieved to have a process in place that felt transparent and fair.

Finally, governance structures, combined with the best of your family's norms, will help you do the most important thing you can do as a philanthropic family: make decisions. Those decisions can range from "what programs are we supporting?" to "why are we in this together?"

While it can be tempting to leave hard decisions in limbo indefinitely, especially when the differences in the family seem paralyzing, such a non-choice is actually a choice—the choice to do nothing. In our experience, choosing to do nothing about issues or to ignore decision points, even the hard ones, erodes that which is most critical to philanthropic families: impact, relationships and an ability to feel powerfully engaged.

The same dynamics that make it challenging to productively run a family business are also in play in family philanthropy. And just as in a family business, there are specific steps you can take to make philanthropy more rewarding. Identify your shared purpose, deeply understand your differences, and use your structures and norms to help you when you're stuck, and you're likely to find your family's philanthropy getting easier. FB

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