Current Developments, Cases, Analysis, Planning Advice

FAMILY FOUNDATION *Advisor*

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ALSO IN THIS ISSUE

Bringing Family Foundation Governance Into the 2020s

Dr. Pamela Ryan*

Introduction

If all the research about governance for family enterprises over the last two decades or so were distilled into one key lesson, that lesson would be this: it is imperative that family enterprises, perhaps more than any other form of enterprise, bring their governance architecture—systems, structures, policies and processes—into the 2020s. For the sake of the family. For the sake of the firm. Families bring unique gifts to firms: passionate vision; long-term, cross-generational perspective and experience; continuity of values and decision making styles. But families can just as readily become mired in disruptive tensions, as family troubles spill over into the firm. Equally potent, family squabbles over money and control of capital can bleed perilous strains into the firm. These colliding complexities of family and firm are occurring amidst the unprecedented realities of the 2020s: escalating environmental jolts and extreme weather events; glaring and widening disparities between the top 1% and the bottom 50%; ongoing gender and race wealth gaps, (even as women rise in power to control almost 2/3 of the world's wealth by the end of the 2020s); mushrooming refusal of disadvantaged swathes of the population to remain silent when confronted by patriarchal oppression (both overt and covert); compounding social and geopolitical unrest. For family foundations, the largest intergenerational transfer of wealth in history and the passing of the organizational baton add even more volatility to the mix. The good news is that the impacts of all these forces can be planned for and the potential negatives mitigated. When family foundations fail to plan for these foreseeable challenges, they risk positioning the foundation and the family for avoidable yet achingly familiar struggles that can quickly snowball into an untamed beast of family pain and organizational disruption. Good governance insures family foundations and families against the worst risks, the most destructive catastrophes, and provides the scaffolding for resilience through these challenges, no matter how unprecedented. Good governance architecture allows organizations and families to survive and thrive through gut-knocking shocks, hopefully gore-free. Systematic, logical, comprehensive, coherent governance architecture for family foundations—systems, structures, policies and processes—anticipates and provides guidance for issues before the issues become problematic for the foundation and the family.

Good governance provides the scaffolding for resilience, no matter how unprecedented the challenges.

Many family foundations start out with hasty retrofitting of their local or state government templates for constitutions and by-laws for charitable entities, without taking into account the unique characteristics of 'family' that will inevitably

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impact the organization at some point during its lifespan. Yet there is almost grinding predictability about family struggles—from partner or spouse breakups; founders and descendants rifts; sibling rivalries; willingness or readiness of founders to relinquish power and control; divergence of values and motives of founders and other family members; desire, capacity, preparedness, expectations of descendants/heirs to take the organizational baton—to what happens when divorce, family disputes and falling out among family members disrupt organizational functioning. Good governance provides the framework for guarding against these potential time bombs.

This article thus explores the intersection of family with family foundations and the unique benefits of enacting best practices in governance architecture—systematic, comprehensive, coherent governance structures, policies, and processes—for family foundations. Governance systems and structures in family foundations often follow formulaic applications of 20th century constitutions and bylaws. We have learned a lot, however, about organizational psychology, and especially the psychology of the board room and of families, and 21st century governance can learn from this rich body of evidence. The remainder of the article explores some of the key psychosocial phenomena present in families and in organizations and how these uniquely operate (and sometimes collide) in family foundations. We then describe practical steps family foundations can take to shore up both the family and the firm against potentially explosive intersections with sometimes jarring consequences for families and family firms.

When 'Family' Meets 'Firm'

In the academic and popular press, family firms have been lauded for numerous distinct advantages: heightened willingness and capacity to adopt unconventional strategies enabling rapid response to changing circumstances, and flexibility to take advantage of opportunities and address emerging risks. Sustainability for family firms is often fueled by a desire to build for future generations while reducing the risk that 'outsiders' in key decision making roles will run down the firm's assets and potentially destroy value. In addition, commitment of family to manage the firm for the long haul can provide continuity in the firm's mission, values, and processes. For families, the benefits of conducting business—whether for profit, non-profit or philanthropic—through a family enterprise also have distinct advantages. In family foundations these can be: enhancement of closeness of family relationships when "the family that gives/invests together stays together;" centralization of family giving; retention of control over direction of dollars and other capital; financial benefits, particularly tax incentives; building of personal or partner legacy; personal satisfaction (feel good by doing good); assuaging guilt to atone for past behaviors that may have caused harm in pursuit of profit; strengthening of reputation and image; or even bending to societal pressure to share, give back, pay forward.

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Despite the benefits for the family and the firm of blending family and business, there are some inherent dangers. Founders of family firms, particularly family foundations, hinge humble beginnings on optimism and hope for happy endings—beginnings where only the obvious benefits of family firms are envisioned. Indeed, many founders wince at even thinking about how the worst case scenarios of family disputes or division could play out in their own context. However, given the rates of divorce and/or excruciating family rifts that can derive from fights over control and power of family enterprises (let alone other family assets), the reality is that disputes and division are a devastatingly common tragedy playing out in many families around the world.

Family members may have different interests, desires, values, motivations, capacities, skills, experiences, time, bandwidth, or commitment to participate meaningfully in the family firm. Individual family members may vary on any or all of the above, depending on their age and stage in life, their partners and other relationships, and or their perceptions of the state of the firm and the implications of their own involvement or non-involvement at any given time. Indeed, it might be presumptuous of founders to presume or want descendants to carry on the founder's work, when the descendants could be pursuing their own vision. While family ties carry the potent force of shared DNA and the blood-thick connections of love and life experiences, the lure of money and power can sow malignant division among even the closest of family members. Comrades and confidantes can swiftly morph into enemies. Desire for money and power over capital can create a malevolent alchemy: as so many families discover, money wins, families lose. Families inevitably divide into warring individuals or factions battling for supremacy. Such family feuds over capital have the brutal potential to scald and burn even the best relationships. In some cases, the compounded scarring occurs without the family members even realizing how bad the injuries are. Small injuries can pile on top of each other, and with the passage of time leave some family members gravely wounded, harboring deep seated hurts that can spill over into even the most mundane of contexts. Both the firm and the family suffer. And if discord plummets too far it is awfully difficult for families to find their way back.

Despite the benefits for the family and the firm of blending family and business, there are inherent dangers, too.

The Social Psychology of Families

How many family firm sagas portray a domineering founder who deftly pummels family members into submission? Or feature an imposing founder whose exacting standards leave less bold or capable family members trembling? Or depict scenarios in which the exceptional capacity of families to rally around loved ones in times of threat, of distress; to circle the proverbial family wagons to protect those within, a tribute to the strength of blood ties? Since American philosopher and psychologist William James published his observations of human behavior over 100 years ago, the field of psychology has empirically proven that close family relationships can lead to better health and well-being, as well as lower rates of depression and disease across a lifetime. Paradoxically, despite the primal, blood-thick, potent force of kin, the very concept of 'family' vibrates with difficulties. Fault lines are exposed and accentuated during challenging times, especially like those we are enduring in the 2020s: extreme weather events, environmental jolts, economic distress, living through a pandemic. We know from psychosocial research over the last millennium that individual family members, as well as the family as a collective, are dramatically impacted by the unique features of the family system in which the individual members interact—itself a combination of the elements of each parent's family of origin brought into the newly created family, along with their own individual intellects, personalities and idiosyncrasies.[1]

Psychology researchers and authors like Martha Stout (*The Sociopath Next Door*), Kimberley Roth (*Surviving a Borderline Parent),* Eleanor Payson *(The Wizard of Oz and Other Narcissists: Coping with the One-Way Relationship in Work, Love, and Family)* and Janet Geringer Woititz (*Adult Children of Alcoholics)* show how a domineering or manipulative parent can be a powerful shaper of a child's behavior, sometimes lasting throughout life. These experts assert that where a manipulative parent also displays borderline, narcissistic or sociopathic tendencies, addictive behaviors like alcoholism or drugs, or some other personality or cognitive disorder, the long term negative impacts on family relationships and individuals can be pervasive and long term. Ramifications of enduring the behaviors of a manipulative, dominant parent, especially if a founder of a family firm, can be particularly potent where intergenerational assumptions about who assumes the firm's reins shape anticipations. Some parent founders who tend toward manipulative ways within their family system can consciously or unconsciously "select" one child for their favored attention while ignoring or shunning others, setting up a family system in which siblings vie for

[1] Beavelis, J.B. & Segal, N. 1982. Family Systems Theory: Background and Implications. *Journal of Communications*. 32. 89–107.

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position as "chosen" child, "rival" child, "placeholder" child—roles that Payson argues can last a lifetime and be handed down to successive generations. Payson explains how these tendencies are particularly evident with men (and occasionally women) who live narcissistic or sociopathic ways. Whether any individual child in the family system is selected or shunned may depend upon how much the parent identifies with that child, sees his "good" traits in a particular child, or alternatively, sees the "bad" traits they may not wish to acknowledge in themselves. Children and adult offspring in these families may cycle through periods as chosen child, rival or placeholder over the course of their lives. Experts like Payson reveal how long periods in the "chosen" role can exact greater costs to an evolving child's self well into adulthood.

When family meets firm, family members can also be particularly plagued by their own expectations. If a parent or sibling founded a successful firm there can be extreme pressure (even if only perceived by the adult child) to perform to family standards or record of success. Family members may be subject to intergenerational expectations to be involved in and maybe one day take over the family business, regardless of their desire, capacity, values, qualifications or experience for engaging in the firm's work. Adult family members involved in the firm may still be defined by the family system dynamic, parental choices and conditioning, patterns of sibling interactions. It goes without saying that these interactions in the family system can exacerbate sibling rivalries as children continue their vying for the powerful parent's attention and affirmation. Other factors, like birth order of siblings and a presumption about who is in line as "heir apparent," can lead to dissension and resentment. Paradoxically, when family members or heirs are promoted into positions for which they have limited capacity or qualifications, they can experience "Imposter Syndrome"—a feeling that he or she must always prove their worth. In particularly successful families, both founders and 'heirs apparent' can find themselves surrounded by 'yes' people, sycophants who only echo back what the acolyte thinks the founder or heir wants to hear. This culture of 'yes' can be particularly dangerous in family foundations where others are hired to distribute or invest the family capital. Some family foundations even find themselves with a team of fawning charlatans who are masterful at manipulating the family dynamics to serve their own agenda; often feigning interest in doing good, when they are really only interested in advancing their own careers and public image or filling their own coffers. In some families, offspring feel a degree of entitlement to access and control family capital housed with the family firm, regardless of their own contribution, or lack thereof. In all these scenarios family firms can unravel, become paralyzed or even implode in the face of such a cauldron of family tensions.

It is hard to imagine, when starting out, that things might go wrong, that relationships might turn sour, or current alignments or factions disintegrate. We do anticipate and manage for such contingencies in personal relationships, routinely enacted in Prenuptial Agreements where significant capital is at stake. Family firms, however, have typically been slow to envisage and plan for potential negative scenarios. We can't possibly envisage a beloved son—ten years old at the time his parents founded the firm—turning against his Founder parent fifteen or twenty years later in his own quest for control over capital; the siblings or other family members feeling trapped by having to follow a pre-destined path, regardless of their own aptitudes or visions for their own future; founder descendants not having the capacity to take the firm reigns; or the dramatic diverging of values and priorities among family members on how to run the family firm or manage the capital. Prenuptial Agreements are an implicit acknowledgement of our lack of knowledge about all the possible futures that might unfold for the family. Governance architecture can do the same for the family firm. Good governance anticipates the kinds of struggles that family firms might endure, particularly those with potential to disrupt or destroy family relationships. These challenges can be anticipated and planned for, with policies and rules providing guidance and insulation against the emotions of any given moment in the life of the firm or the family.

Clear demarcation of family from family firm, regardless of the form of the family firm, is probably the most fundamental governance measure that can be enacted.

The Social Psychology of Organizations

Just as governance in family firms can be informed by what we now know of the social psychology of families, decades of research on the social psychology of organizations are equally informing. We know from organizational scholars that organizational functioning and performance is subject to individual, group, organizational and wider societal influences.[2] We know for

[2] For example: Brown, J. 2006. *The Imperfect Board Member.* Wiley. USA; Ellemers, N. (2012). The group self. *Science,* 336, 848-852. De Gilder, D., & Ellemers, N. (2017). The social psychology of organizations. In: L. Steg, K. Keizer, & B. Buunk (Eds.). Applied Social Psychology (298-318). Cambridge: Cambridge University Press. Weick, K & Sutcliffe, K. 2015. *Managing the Unexpected: Sustained Performance in a Complex World.* Wiley. USA.

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example, that human beings, whether as individuals or groups, are programmed to process information efficiently, but that efficiency can lead to predictable decision-making traps and unconscious errors that can derail even the most well intentioned management team or board of directors.[3] We know also that organizational decisions are impacted by cognitive styles of key decision makers, as well as personality types and roles assumed by managers, team members or directors. Decision making in organizations can be hindered by group phenomena, like groupthink, in-group versus outgroup influences, the psychology of identity, and the timing of deadlines and group functioning. The constitution of groups (like Boards of Directors)—size of the group, demographics of members (gender, race, age, education, qualifications, skills and experience) as well as similarities or differences in cognitive and management styles—can make or break a group's effectiveness. At the organizational level, organizational culture, leadership styles, systems of reward and punishment, and control over the organization's storylines or narratives are just a few of the forces that can enhance or hinder organizational decision making and, ultimately, the organization's performance. Beyond the organization, many aspects of the context in which an organization operates—its local, national and even international contexts—can impact how the management team or Board of Directors approach deliberations. In the family foundation and philanthropy arena, the degree of white saviourism, amid increasing societal pressure to be seen to be doing good, the celebretization of doing good, all impact what gets attended to and decided upon.

With all of these competing forces on families and family foundations as they navigate unprecedented and unique challenges of the 2020s, is it any wonder that families and family firms might buckle under the pressure? The elemental pull of access to and control over capital can divide even the closest of families, and such divisions can disrupt the functioning of the firm. Family feuds, sibling rivalries, intergenerational disputes, divergent values, spill over into the organization, often with catastrophic results, for both the family and the enterprise. Heartbreak can sneak up, seemingly out of nowhere. The point is, deliberate, preemptive governance systems and processes, for both families and family firms (whatever their form) can head off family heartbreak or family firm implosion before issues become problematic.

Research in the governance of firms has underscored the value that independent, non-family directors add to the organization's human, intellectual, and relationship capital.

From Theories To Action: How Family Foundations Can Bring Governance Into The 2020s

In families that coexist with family firms, familial systems are inextricably linked with organizational systems, spawning galumphing problems for families and firms that, sadly, are not hard to see coming. Neither are the forces at work that will be our global reality through the 2020s. A substantive body of research on family firms shows that many families have been able to effectively navigate this challenging terrain, handing down positive family and organizational values in ways that strengthen and sustain the family foundation through the generations of descendants and through economic cycles. Family firms with clear governance structures and processes—for both the firm *and* the family—fare much better than those who leave governance to chance, or rudimentary, cookie cut constitutions and by-laws.[4] These families and firms recognize and plan for multiple possible futures, knowing relationships inevitably shift, change, and evolve. These families and firms preempt the risk of family struggles, of family relationships breaking down, marriages and partnerships disintegrating, interests and values diverging. They understand and enact governance—for both the family and the firm—that can mitigate the negative impacts of normal fallible human frailties of family dynamics on the firm. And they enact governance systems and processes that also protect the family from the normal, predictable, seductive lure that access to and control of money and other forms of capital can have on families. By enacting robust and rigorous, evidence-driven governance architecture for both the family and the firm, both are protected against the worst futures.

Good governance architecture provides codified guidance on the systems, structures and processes through which the organization's objectives are set, the means of attaining those objectives and monitoring performance. This scaffolding facilitates clarification of organizational mission, objectives and activities; the nature and distribution of rights and responsibilities among different participants in the organization, such as the board, managers, staff, community and other stakeholders; and spells out the rules and procedures for

[3] For example: Kahneman. D. 2012. *Thinking fast and Thinking Slow*. Penguin. USA and UK.

[4] For example: Theories to define and understand family firms. Faculty of Business – Papers (Archive). 395. 2008. A Classification System of Family Firms: From Family Values to Effective Governance to Firm Performance. In Tàpies, J & J.Ward. (Ed) 2008. *Family Values and Value Creation*. Pan MacMillan. USA

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APPENDIX
EXAMPLE BY-LAWS CLAUSES

Example "Specific Purpose"

The Foundation actively curates capital—in all the forms defined in Foundation policies—to amplify positive impact. The Foundation invests in, deploys, and utilizes multiple forms of capital, including intellectual, relationship, legal, and financial. The Foundation supports initiatives that amplify positive impacts on the greater good and "do no further harm."

Example Clauses defining Director roles, training, assessment

1. **Board of Directors.** Except as otherwise specifically provided herein, the affairs of the Foundation shall be managed by a Board of Directors. All directors shall be custodians and stewards of (i) the Foundation's "capital" (in all the ways capital is defined in the Foundation Investment Policy; (ii) positive impact work; (iii) the rich legacy of the Foundation's leadership in the impact entrepreneurship, philanthropy, and impact investing space; and (iv) the ethos of "doing no harm".
2. **Qualifications.** All directors shall possess appropriate financial accounting knowledge, including the ability to read and comprehend the Foundation's accounts and financial material presented to the Board of Directors, and shall understand financial reporting requirements and principles of corporate finance. All directors should have knowledge or experience in some or all of the following:
   a. *Strategy.* A director should (i) have the ability to understand, develop, and review the Foundation's strategy; (ii) have the capacity to envision preferred futures among multiple possible futures; and (iii) oversee enactment of the Foundation's actions toward preferred futures.
   b. *Legal Issues.* A director should (i) have the ability to understand, develop, and review the legal responsibilities or the Board of Directors; (ii) oversee compliance with applicable law; and (iii) understand the director's own legal duties and responsibilities.
   c. *Risk Management.* A director should have knowledge and experience in enterprise risk management.
   d. *Managing People and Achieving Change.* A director should have experience as a leader or senior member of a management team in a similar or larger-sized organization.
   e. *Industry/Sector Knowledge.* A director should have experience in the impact entrepreneurship, and impact investing space.
3. **Titles and Roles**
   a. **Founding Director.** The Founding Director/s is the individual (individuals) who initially established the Foundation, who remain with the Foundation and continue the work of the Foundation. Except as otherwise provided by these Bylaws, the Founding Director shall have the same rights and responsibilities as all other directors and shall have a voice and vote equal to that of each other director. The Founding Director shall not stand for election to the Board of Directors and is not subject to term limits or removal. In addition, the Founding Director shall have the authority to establish Personal Development Requirements, Service Requirements, and Performance Review Criteria for all directors, and a Disbursement Assessment Tool for the Foundation Upon the death, resignation, or permanent incapacity of the Founding Director, a majority of the directors then serving may designate one or more successor Founding Directors. With the exception of [the named Founder], in order to be designated a Founding Director, an individual must be a descendant of [the Founder] who has reached the age of thirty years, and who has been actively engaged in the work of the Foundation for at least two years.
   b. **Family Director.** A family Director is a direct descendant of the Founder who has reached the age of 25 years. A Family Director shall not stand for election to the Board of Directors and is not subject to term limits. Upon the death, resignation, or permanent incapacity of a Family Director, the Founding Director may designate a successor Family Director. In order to be designated a successor Family Director, an individual must be a descendant of the Founder who has reached the age of thirty years.
   c. **Independent Directors.** From time to time, as appropriate, the Board of Directors may appoint "Independent Directors." In appointing Independent Directors, the Board shall seek to ensure that the Board of Directors overall has expertise in each of the qualifications listed in Section x above. Each Independent Director shall have the same rights and responsibilities as all other directors and shall have a voice and vote equal to that of each other director.
4. **Duties.** The Board of Directors is responsible for the following:
   a. Overall governance of the Foundation;
   b. Achievement of the Foundation's purposes;

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c. Financial oversight, including ensuring the Foundation has the resources to fund the activities enacted in fulfilment of its purposes; disbursing money in accordance with Foundation's purposes, and using systematic assessment tools with clearly defined and operationalized criteria;

d. Recruitment, selection, and monitoring of the Foundation's Chief Executive Officer (if any);

e. Representation to the general public—consistent with the leadership reputation of the organization and representing the Foundation's fundamental principles: ***"Is it good for people? Is it good for the planet? Does it do harm somewhere in the ecosystem?"***.

f. Adhering to the highest standards of conduct that exemplify the above principles.

Each Director shall comply with the Personal Development Requirements and Service Requirements established by the Board of Directors from time to time and shall undergo an annual performance review using the Performance Review Criteria established by the Governance Committee. Non-compliance is grounds for removal. ■

making decisions and managing risk; along with the conduct of the board of directors.[5] For family foundations, good governance can ensure the demarcation between family and the family firm. And in some foundations, established with the capital and good will intent of the founder, governance can ensure the founding values and philanthropic intent are honored, such that ongoing organizational decisions about the curation of foundation's capital are exercised in good faith and with due care .... *"Reasonable diligence and prudence in decision-making on behalf of the foundation..."* Psychologists have long known that in times of duress, of confusion, any plan is better than inaction. Plans, as in by-laws and policies, can animate and orient people. Such governance mechanisms provide the scaffolding essential for efficient directing and controlling of any organization, not matter what the challenges being faced.

Governance research of the last couple of decades or so highlights the benefits of modernizing family foundation governance beyond those identified above.[6] These additional benefits include:

- Separating family systems from the family foundation (organizational) system
- Separating family for-profit business from family foundation business
- Separating family governance from family foundation organizational governance
- Anticipating tension and mitigate conflict within families that can spill over into the family foundation's work
- Mitigating risk to the organization and its accumulated capital—human, intellectual, reputational, network / stakeholder relationship—of family rifts that affect the organization's business
- Mitigating specific effects on employees and other stakeholders, on productivity, morale, reputation, capacity to fulfill the organization's mission
- Mitigating risk of confusion by descendant directors about their role and the work of the foundation's and expectations of their individual work in their roles with the foundation through clear delineation and codification of foundation mission and values, of roles and responsibilities, policies toward risk, etc.,
- Smoothing the transition from the Founder generation to the descendant generations
- Provide for alternative futures for the organization that might be independent of family.

The measures outlined below draw from what we have learned in the last thirty years about what makes good governance for family firms and foundations. The measures also reflect family enterprise governance recommended and taught by leading institutions around the world like the Institute of Directors (IoD) in the UK, the European Institute of Directors (EIoD), the Australian Institute of Company Directors (AICD), and published by and/or taught by prestigious organizations like INSEAD, WEF, IoD, AICD, and the *Financial Times*. At least eight countries have codified guidelines for enhanced governance architecture into legislation and regulation. All of these guidelines encompass a range of governance systems and polices, including the constitution of the Board of Directors (ensuring qualified, skilled, experienced Directors who exhibit a diverse mix of thought and

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[5] OECD definition (1997) of corporate governance: http://www.oecd.org; ASX Principles of Good Corporate Governance and Best Practices Recommendations, 2003; The UK Committee on the Financial Aspects of Corporate Governance, headed by Sir Adrian Cadbury. Ryan. P.M. *Psychology in the Boardroom*. In process.

[6] For example: de Gildner. D. &, N. Ellemers. 2017 The Social Psychology of Organizations. In: L. Steg, K. Keizer, & B. Buunk (Eds.). Applied Social Psychology (298-318). Cambridge: Cambridge University Press.; Turner, R. 2020. How Does Governance Influence Decision Making on Projects and in Project-Based Organizations? Journal of Project Management; 51(6):670–684.

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action styles); prescriptions for Director commitment, service, confidentiality and professional development requirements; board dynamics, including effective individual and collective behaviors for effective boards; and assessments of Director and Board effectiveness in enacting the work of the Board in serving the organization.

Measures Foundations Can Take To Enact Good Governance

Some of these good governance measures are listed below (with example By Laws clauses listed in the Appendix).

1. ***Clearly demarcate family from firm***

   Clear demarcation of family from family firm, regardless of the form of the family firm, is probably the most fundamental governance measure that can be enacted. Some families run into trouble when they treat firm capital as family capital, firm decisions as family decisions, without recognizing that once a family firm is established and registered with state and local authorities and doing 'business'—whether a for-profit or non-profit—that firm is a separate legal and business entity, governed externally by the laws of the local, state and federal jurisdiction in which the organization is registered. For families for whom family firms or foundations span several generations since their founding (and sometimes over multiple organizations), specific governance mechanisms for the family itself have also been shown to be useful in this demarcation. Governance processes and policies—such as Non-Disclosure Agreements (NDA) for staff, management teams and directors; policies or Codes of Conduct for behaviors while representing the firm—can easily be implemented. It is critical in designing NDA's, policies or Codes of Conduct, that these too are brought into the 2020s to include wording that releases individuals from their contracts if they are speaking up about patterns of discrimination, abuse, harassment, bullying, intimidation or retaliation.[7]

   When boundaries are clearly drawn, especially for family members who work in and represent the family firm, the risk of self-serving behavior by any director or family member is diminished.

2. ***Explicitly define the Foundation's specific purpose***

   How many Family Foundation Constitutions or By-Laws begin with the sentence: "*The Foundation is organized exclusively for charitable, religious, scientific and educational purposes with the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986....*"? The key [defining] word is "charitable." Foundations predicated on this fundamental premise are founded out of generosity and helpfulness, to provide "relief" to the 'poor' or those in need.[8]

   However, there is the danger in automatic, unquestioning faith in such templates. While it is tempting to adopt these stock sentences in the interest of expediency and economy, the Foundation and the family may be better served over the long run to take the time to spell out very systematically, comprehensively, and explicitly the values, mission and "specific purpose" for the Foundation. When founders define the Foundation's mission and specific purposes there is clarity for subsequent generations whose philanthropy is being enacted. Sid Myer, grandson of the founder of the Myer retail empire (an empire that diversified and expanded with subsequent generations), established the Sidney Myer Charitable Trust upon his death in 1934. As a Trustee of this Charitable Trust, when interviewed for the book, *Impact Imperative*, Sid was adamant: "For the next generation, my advice would be: if you want to be a philanthropist, go make a lot of money first... you cannot be a philanthropist unless you made a lot of money ... [For me] I'm engaged in the philanthropy of my grandfather, in that I'm a Trustee of the Sidney Myer Fund and I have been a Director of the Myer Foundation. It is important to note, however, that in those roles of being a trustee or a director, we are custodians of someone else's philanthropy. It's not my money that we are administering or granting or giving away."[9] Family Foundations can avoid future squabbles among Founders and their successors by making the purpose of the Foundation explicit.

3. ***Set specific guidelines for the makeup of governing bodies of the organization, especially the BOD***

   The last two decades have seen an abundance of research about what attributes most significantly contribute to the most effective functioning of boards of directors, especially composition, size, demographics and diversity of Directors.[10] While family foundations may be limited by the number and demographics of family members, they can improve diversity by including At-Large, outsider directors who are selected for their capacity to infuse different skills, thinking style, networks etc. to the board and the organization. Research in the governance of firms reveals the potential value of independent, non-family directors for the value they add to the organization's human, intellectual, relationship and other capitals.

4. ***Comprehensively and definitively define roles and responsibilities***

   Clear definitions of roles and responsibilities makes abundantly salient to family members, that when they are serving a role, like a Director, for the firm, the Foundation, they have a fiduciary (legal

[7] Steinhorn, A. and Scorah, A. March, 2021. Take a Hard Look at the Nondisclosure Agreement. The Information. https://www.theinformation.com/articles/take-a-hard-look-at-the-nondisclosure-agreement

[8] *Merriam Webster Dictionary*. https://www.merriam-webster.com

[9] Dr. P.M. Ryan. 2019. *Impact Imperative. Innovation, Entrepreneurship, and Investing to Transform the Future.* Greenleaf. Austin Texas. USA.

[10] For example: Chait, R., Ryan, WP & Taylor. B. 2004. *Governance as Leadership: Reframing the Work of Non-Profit Boards*. Wiley. USA

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and ethical) responsibility to place the organization's interests above their own. When serving as a Director or Officer of the firm, they are legally bound to serve the firm first, not the family.

Clear labelling of types of Directors—ex. First Gen or Next Gen Family Directors, and Independent or 'outside' Directors, etc. can be helpful for Foundations and family members if there is confusion around roles, philanthropic perspective, etc. Such demarcation can also help avoid negative fallout of next generation family members at risk of imposter syndrome trying to live up to historical family members' success or expectations.

Finally, some family members may not be suited to be custodians of an enterprise's capital—intellectual, financial, network, or reputation. Some family members, especially descendants, may want more control over their own destinies than to be forever slotted to continue a parent Founder's work. Indeed, such family members not feeling the pull of the family firm may have steered their own education and development in entirely different directions. Clear delineation of requisite skills, values, and responsibilities codified by the firm, helps family members self-select for firm roles, restores their agency for their own futures, and gives family members and firms an out if there is not a fit.

5. ***Codify mechanisms by which people stepping into roles are adequately prepared***

Too often, family members are placed into roles in family firms without being adequately skilled, trained, and qualified to fulfill the role to which they are being appointed. Research shows how important it is for family foundations, like any family firm, to enact processes for ensuring descendant directors have the values, skills, knowledges and experiences to be able to effectively fulfill their role as Directors.[11] To serve the mission of the foundation without doing harm anywhere in the foundation's ecosystems. When family members step into roles without the qualifications and experience a firm might expect from outsiders in the same roles, a disservice is done to both the family member and the firm. Processes for preparing for roles and responsibilities well in advance, then once appointed, orientation, training, mentoring and ongoing professional development can be clearly delineated in By-Laws and in the organization's HR policies. Organizational psychologists would advise that best practices in any organization, for example, service requirements, performance assessment—whether management, staff or Board of Directors, and professional development, should all be standard procedures in family firms, regardless of family role.

Clearly defining the skills and responsibilities required for involvement in the firm helps family members choose the roles they wish to play.

6. ***Codify mechanisms and procedures for conflict resolution***

The best of intentions in coaching, mentoring, training, engaging family members and others in their engagement with the firm/foundation can go awry if family dynamics and shifting allegiances take over. Preemptive good governance architecture can help families and family enterprises navigate conflicts of interest between family and firm, among family members. Mechanisms for conflict resolution can also be set out in By-Laws and policies.

Conclusion

Family foundations constitute over half of all foundations.[12] Yet families, by their very nature, are harbingers of fraught relationships and conflicts, especially if money is involved. Loaded competition and confrontations (or avoidance of confrontation) in families sharing control of capital are alarmingly universal. The lure can be alternately seductive and stilting. When control of capital is at stake, disputes become like heat seeking missiles. Arguments over capital bristle with emotion, threatening to rupture the most cohesive of families. So when family collides with family firm, especially if the firm is a family foundation whose purpose is to "do good," the complexity and challenges ratchet up a few notches. Good governance architecture can embrace the family values that spawned the original 'doing good', while protecting cherished relationships. Good governance provides clarity for members of the family whether engaged in the firm or not. Good family foundation governance is also plausible governance, at once more prescriptive and protective than obvious, basic, reductionist templates provided by government or other agencies. If there is a singular takeaway beyond the imperative to enact good governance for family firms, it is the danger of willful ignorance in not enacting these measures. Systematic, logical, comprehensive, coherent governance architecture for family foundations—systems, structures, policies and processes—anticipates and provides guidance for issues before the issues become problematic for the Foundation, and the family. With firm governance in place, all that remains is the faithful, diligent, and competent pursuit of the foundation's core mission.

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[11] J. Baron and R. Lachenauer. 2021. Harvard Business Review Family Business Handbook. HBR. Boston. MA. USA.

[12] https://www.cof.org/foundation-type/family-foundations

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location, and, if your family has a private foundation, you can avoid the legal procedures of expenditure responsibility and equivalency determination that's required when giving to international organizations.

Because laws vary among countries, be sure to review relevant local laws and regulations before giving to an entity outside of your home country. Many countries require organizations to register with one or more government agencies before receiving international funding, and some have established offices that serve as liaisons or registration centers for nonprofits and donors. Consult with your lawyer or philanthropic advisor before giving internationally.

Here are eight tips that donors shared for how they give effectively to overseas organizations:

1. **Decide why international giving is for you and your family.** What is motivating you to do it? What do you hope to give and receive from your philanthropy? What causes can you, as a family, agree to work on together?
2. **Do your research. Learn about the country or region where you plan to work.** Read about the history and current events, relations among social groups, politics, and the role of religion and other belief systems. This will give you a cultural context for how to work within the region.
3. **Consider engaging a philanthropic advisor who is skilled in international giving.** According to one donor: "I hired an advisor when I first started, and it was the best thing I ever did. She helped me articulate my vision for the philanthropy I wanted to do, figure out what to ask, and went on site visits with me."
4. **Join funders groups to learn more about the issues and what is needed.** Learn from those who are already funding in the areas you care about. Many foundations publish reports on their initiatives and the international context in which they work. Ask them: Who is doing what, and where are the gaps?
5. **Go to conferences** that focus on your funding area of interest. At conferences, you'll meet NGOs, donors, and incredible people doing the work you wish to support.
6. **Do site visits.** Traveling to the regions you want to fund and talking with local people is the best way to learn about an issue and the dynamics of a place. It's an opportunity to meet with potential grantees, policymakers, and other funders. Look for study tours organized by intermediary organizations or funder affinity groups. (The Global Livingston Institute, for example, is one group that offers immersion tours.)
7. **Learn by doing.** Make a small number of initial grants or investments in areas of interest, viewing them as learning opportunities. Experiment with what works for you and your family office, and grow your giving/investing over time.
8. **Do your vetting, and give organizations the money—including overhead costs.** Trust them. Treat them well for the work they do. Don't ask them to waste valuable time complying with unreasonable applications and reporting. Focus instead on the relationship with them as your partners, and what you can do to make this the most meaningful engagement.

Family offices and donors have considerable freedom to give internationally based on their passions and concerns. Additionally, family offices and foundations can often move money quickly, placing them in a good position to respond to international events and disasters. Many become deeply, personally engaged in the projects and organizations they choose to fund—and find international giving a great way to make an impact now, while engaging the next generation of their family in doing the same. ■