What Gives?
Some Choices in Family Philanthropy

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Succession planning involves making choices that will affect future roles and relationships in a family. When the lives of family members are connected through various assets, like a business or financial investments, and activities, like philanthropy, the people who are affected by the outcome of a plan might want different things in their different roles. For example, what I would prefer as an individual might not be best for family harmony. Or what is best to pursue the family's philanthropic ambitions might clash with the financial needs, and greeds, of family members. So it is best to be clear about 'what gives?' when trade-offs or compromises need to be made.

Plenty has been written about enterprising families being active philanthropists and how philanthropy can enable family members to participate and learn some useful skills when they are not involved in running the enterprise, whether that is a commercial business or a pool of investments. If, however, any of them are outside the family enterprise because they do not have relevant ability and experience, it seems reasonable to ask what they have to offer the family's philanthropic activities? What gives, if anything, when it comes to balancing a charity's need for talent with the ability available in the family gene pool?

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Maybe families use different criteria when measuring what is necessary for one of their own to contribute effectively to their business or their charity. In the latter case, it may be assumed that family will be better at decision-making because they can be trusted to understand the philanthropic ambitions of their relatives in a way that an outsider would not. Also, family involvement can help if the family seeks recognition for their charitable efforts.

Families, however, usually have a broader vision for their enterprise than just enhancing their reputation and offering life skills experience for family members. Their vision will be a unique combination of various levels of financial return and other non-pecuniary returns that contribute to the family's socio-emotional wealth. For example, the family's emotional attachments to a particular type of business, or location or brand are often returns on investment that a family feels are worthy of their endeavours. And the vision might involve philanthropy, but where does it fit in?

- Are the family's philanthropic goals the driver for the whole enterprise?
- Do they guide business decision-making and have an impact on how funds are allocated among the business, family and philanthropy?

- Is philanthropy an attractive thing to do as long as the family and the business have achieved their desired levels of financial returns?

If a family includes philanthropy as part of their vision it is wise to agree how they want to prioritise socio-emotional wealth and financial security, rather than assume that this will be understood by all stakeholders. In other words, what gives if there is not enough money always to do everything?

One family, for example, set their family office executive team targets for the growth and returns that would provide a defined level of financial support to a growing family. They also wanted to contribute a percentage of family office profits to the family's charity. But if these goals clashed, the family felt that charity should begin at home and their own financial needs were to be given priority.

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In contrast, the religious faith of the founder of another charity made it important for him that it be continued after his death. The next generation were not as devout as their father but shared his philanthropic ambitions. The family agreed a set of tight guidelines for their giving including a limited range of circumstances in which this support could be reappraised. This balance reflected their belief that individual family members would enjoy sufficient financial security through other parts of the family enterprise and should rely on their own talents if more was desired.

In each case, the family's decision on how to balance the competition for money fed through into the structuring and governance of their charitable activities. For example, each family created a family council with governance powers to control some decisions, including any that altered the agreed balance between the family's financial and philanthropic objectives. This arrangement then had to be designed into the technical structures used for the charity, and in the second example also for their business in relation to reinvestment and distribution of profits to shareholders.

The benefits of having a clear vision for a family's enterprise, including their shared philanthropy, is often mentioned. It is the vision rather than the technical structures that provides the glue that bonds the family together and motivates some of them to give up part of their life in order to spend time with relatives making important decisions that will affect others, which is what philanthropy involves. But must this vision remain unchanged as control passes down the generations or should each generation have scope to set their agenda?

Family members who feel obliged to preserve the legacy of their ancestors can feel that their life aspirations have been thwarted. It can be demoralising if the family's philanthropy remains forever bounded by whatever the founder decreed, when subsequent generations feel that more could be done to extend and reinvigorate this legacy, if only they had scope to do so.

If some flexibility is not built into the structures that support the family's philanthropy then what gives is likely to be the commitment and interest of future generations. Or, their frustration may lead to the type of disagreements that can be emotionally and financially costly.

The need for clarity of vision is also important if the family do not want to be actively involved in managing their charity. Outsiders who are hired to do this for the family need to know what is expected of them. The family, rather than being relatively distant benefactors, could stay involved in overseeing and monitoring those they have hired to run the charity in the family's name. In order to do this family governance structures and policies can help bring some formality so those running the charity know when and how to account to the family and the family can remain engaged without having to assume a formal role in the charity. Without this there will be lack of transparency and accountability which is an ideal environment if, that is, the family enjoy conflict.

Ken McCracken is the joint founding partner of Withers Consulting Group - a group dedicated to helping family businesses, family offices and entrepreneurs achieve their version of success. In his role as a consultant Ken acts as a neutral facilitator, providing creative and practical support to family enterprises of all shapes and sizes. Ken has worked with families since 1995 and helped to found the first university based education programme in the UK for family enterprise owners and executives.