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Strategic Philanthropy: Developing a Family Philanthropic Legacy

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STRATEGIC PHILANTHROPY:
DEVELOPING A FAMILY PHANTHROPIC LEGACY

PRESENTATION OUTLINE

By
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This workshop offers a systematic approach professionals may use to advise their clients in planning for and managing the philanthropic efforts of their families. Based on the National Center for Family Philanthropy’s impressive book, Splendid Legacy,” this approach to strategic philanthropy offers a theoretical framework and an implementation model, along with case studies of the successful application of this model by business-owning families.

Order of Presentation:

1. Introduction and Overview
2. PowerPoint Presentation of the Model
3. Case Studies
4. Questions and Answers

Presenter’s Biography:

Samuel Davis III is the Managing Principal in a family business consultancy, Service First, LLC, that assists owners and their senior leaders build values-based service cultures in businesses and philanthropic organizations. Sam has served families as a family business consultant for more than eleven years. In 2002, he was one of the first ten professionals in the Family Firm Institute to be awarded the Certificate in Family Business Consulting.

Sam earned his MBA in Finance from The Wharton School, a Masters in Theology degree from Episcopal Divinity School, and a Bachelor of Science degree from the United States Naval Academy. For many years, he taught Strategic Management as an adjunct faculty member at Virginia Commonwealth University. His articles on business strategy, business ethics and family business have been published in numerous periodicals and business newsletters. Having been raised in his family’s building materials and hardware business, Sam spent more than 20 years in senior management roles in public and closely-held companies prior to beginning his consulting practice.

Sam lives in Richmond’s Fan District with his wife, Susan, Director of Programs for The Community Foundation Serving Richmond and Vicinity. They have two adult children.
Leadership in family philanthropy can be the most satisfying means for building a family legacy. For owners of successful family businesses and others who have created wealth sufficient to provide financial security, the opportunity to provide for others through philanthropic giving can serve as the basis for an exceptional family legacy.

Philanthropy is defined by the W.K. Kellogg Foundation as “the giving of time, money, and know-how to advance the common good.” Philanthropy, a planned approach to charitable giving, requires a strategic, engaging and accountable process for involving family members in order to be effective. A process involving collaborative learning, and family leadership forms the basis for creating a legacy of family giving.

This workshop outlines a strategic philanthropy process that business-owning families have used to good effect to establish their philanthropic legacies.

Environment of Change

The field of philanthropy is characterized today by rapid change, both outside and inside philanthropic institutions. From just over one hundred foundations that existed as recently as 1950 – representing the efforts of a few, very wealthy families – private foundations have grown to more than 60,000 in number in the United States alone. There are more than 500 community foundations in this country, over one-half of which were founded after 1980. Over 60% of these foundations have assets of over $1 million and make annual contributions exceeding $100,000. In Europe, the Middle East and Asia, there are reported to be more than 100 foundations, most formed in the past 25 years. The largest private foundation in the world is the Bill and Melinda Gates Foundation, with over $24 billion in assets. Even the dot.com bust proved to be a temporary slowdown in the growth of foundations and their assets. The top 100 foundations in the U.S. have assets over $100 million today.

Inside the foundation world, philanthropic institutions are reinventing themselves. In the past, foundations focused almost exclusively on serving their donors. Today, public and private foundations serve as laboratories for change. In his article, Saturday Morning: A Reflection on the Golden Age of Philanthropy, H. Peter Karoff argues that philanthropy in the 1980s and 1990s was a “bull market” in which donors operated on the illusion that they could direct their money to solve social problems. Clearly, new wealth and the emergence of innumerable nonprofits resulted in unfulfilled expectations. First of all, much of the newly created wealth remained offshore, sheltered from taxes but not available for philanthropic uses. Also, numerous huge social ventures, funded by large foundations, failed to deliver the promised results. Today, the “terms of philanthropic engagement have clearly changed.” (Karoff, Saturday Morning). Philanthropic institutions are going through a period of soul searching analysis and creative change.

Foundations have been criticized for failing to fulfill their potential to transform the communities their serve. Many argue that too much donor direction can derail the true mission and strategic direction of the nonprofit organizations they fund. Instead,
foundations are cautioned to partner with the communities they intend to serve and to support innovative solutions to local, national and global problems. Today, foundations such as the Northeast Area Community Foundation and the Edna McConnell Clark Foundation are reinventing themselves substantially with emphasis on using their knowledge, public voice and financial wealth to partner with nonprofits and public institutions to achieve changes that none of them could make alone.

Recently, communities, such as “Giving Circles” in Baltimore, have experimented with federated giving efforts to replace the failing United Way system. Other venture philanthropy efforts, using foundation funds pooled with other donors have funded “pilot projects” and other efforts with selected partners to break through the bureaucracy and serve communities in entrepreneurial ways. Online giving vehicles, such as Volunteer Match, Donors Choose and DevelopmentSpace, match donors with recipients in low-overhead, rapid delivery processes similar to eBay. These efforts are in their experimental stages, but foundations are providing seed funding for many of these ventures in hopes that new, more mobile, mission-centered institutions will emerge.

In addition to their financial resources, foundations are using their greatest assets – knowledge – in increasingly helpful ways. University-based research centers, such as Indiana University’s Center on Philanthropy, are providing foundations and donors with case studies, market research, documentation of “best practices” and creative analysis of problem areas. In addition, consulting organizations, such as The Philanthropic Initiative and Rockefeller Philanthropy Advisors, have become resources for strategic and innovative knowledge that is being used by foundations and nonprofits alike. Many foundations are investing in new technologies and training to improve their strategic thinking and grant making. For example, ProNet, the Council on Foundations network of program officers from around the country, provides a forum for sharing information and resources. Finally, commercial ventures, such as Fidelity’s wealth management service and Foundation Source, provide investors, donors and foundations with resources for managing their assets and grant making, while reducing administration costs.

One of the most exciting movements in the philanthropy world involves youth philanthropy. Begun by the W.K. Kellogg Foundation, as a means for introducing philanthropy to the next generation of potential donors, youth philanthropy has become a rapidly growing force in community foundations throughout the country. Local programs invite high school students to participate in full-year and multi-year programs in which they perform community service and learn to become both donors and grantmakers. Youth Philanthropy programs have yielded many positive results, including interaction between inheritor-donors and young people from modest backgrounds. Another encouraging result is a trend among participants to continue involvement with philanthropy when they enter college. Indeed, a number of participants around the country have gone on to pursue degree programs in foundation and nonprofit management. The rapidly growing involvement of young people in philanthropy bodes well for the future of the field.

Clearly, the information age has presented donors and their foundations with information and resources that have been explored only recently. The next few decades are sure to bring even more changes to the foundation world, to the benefit of both donors and the community institutions they seek to serve.
Splendid Legacy

The three building blocks of strategic philanthropy – family values, philanthropic mission, and involvement of family members – are set forth in Splendid Legacy, a book by the National Center for Family Philanthropy. This resource for families seeking to establish a philanthropic legacy begins with the identification of the values that provide the motivation for and principles to guide families in pursuing their shared vision of the future. It continues with the establishment of long-term goals for the families’ philanthropy, and contains guidelines for involving multiple generations of family members in the philanthropic process. Throughout this remarkable book, examples of practices used by family foundations are presented.

7-Step Model

This workshop provides a practical, step-by-step approach to strategic philanthropy that professionals can employ in working with client families. A seven-step process for building a family philanthropic legacy is outlined with questions for families to consider:

1. Identify your family’s charitable values and philanthropic motivation.

   Over time, family members change and program priorities change; what holds the family and its philanthropy together is the legacy of values. This legacy provides continuity that gives the family philanthropy its special character. – Bruce Sievers, Executive, Walter and Elise Hass Fund

   Understanding what inspires and motivates them is one of the more valuable exercises a family can undertake. Values that guide family members from generation to generation are often found in the stories that are told about prior generations. Letters from loved ones and actions taken by patriarchs and matriarchs reveal much of the principles that guide the family and bind them together. Families are often surprised to find that they carry forth traditions and practices that are derived from the values passed to them by their ancestors.

   Families can identify their charitable values and philanthropic motivation by asking themselves questions such as the following:
   - What are the values you hold most dear?
   - Which of these values were inherited from earlier generations?
   - Do your children understand and share your values?

2. Communicate your values and philanthropic intent to family members.

   Philanthropy provides a new dimension of communication among our family members, one that focuses on collectively trying to make a difference in our community, actively engaging in causes we are passionate about, and approaching life with appreciation and gratitude. – Lisa Sobrato Sonsini, Sobrato Family Foundation
2. (cont.)

Surprisingly, one of the most challenging aspects of building a family philanthropic legacy is the simple act of communicating among family members. All too many family leaders undertake estate and philanthropic planning work without communicating their intent to family members, especially their inheritors. Instead of being a secretive undertaking, philanthropic planning should be seen as an opportunity to share family values and to convey to future generations the importance of giving back to their communities.

Some of the questions advisors might ask their family clients include:

- How do you convey your values to your family?
- How have those values been expressed through your philanthropy?
- Do you expect your children to be philanthropic? What is the basis for this?

3. Clarify your philanthropic vision and goals.

*When I come to a fork in the road, I take it.* – Yogi Berra (alleged)

Without a roadmap, even the most well-intended families can get lost in the pursuit of their philanthropic legacy. Businesses have learned that a powerful vision for the future can be one of the most motivating forces for implementing business strategies. Similarly, envisioning the future success of a family’s philanthropic efforts can serve as a powerful force for change. An effective vision can allow family members to choose the philanthropic ventures for which they share a common passion, while allowing individual members to pursue other ventures apart from, but not in conflict with, the family.

The following questions may help a philanthropic family think about the future beyond what they can control today:

- What will define your philanthropic legacy?
- What is your vision of a collaborative giving effort within the family? Do you expect all members to support the same issues and institutions?
- What would you like to accomplish with your giving, in your community? In the larger world?

4. Define the focus of your philanthropic efforts.

*It’s important to give in an area where you have some special interest and passion.* – Thomas Kubiak, Founder, The Oliver B. Merlyn Foundation

Determining the primary areas of interest for funding for the family should offer a balance between collective action and individual choice. Ideally, a family philanthropy reflects the interests not solely of the founder/funder, but also of all family members. In choosing areas of focus, families should acknowledge the fact that social, economic and other structures will change over time. The effort to focus the family’s philanthropic efforts should not be to control all outcomes but to place the family in charge of the philanthropic process. Rather than reacting to requests made by outside organizations and individuals, the family should clarify the focus of its interests while allowing for flexibility.
4. (cont.)

Families may find these questions helpful:

- What are the 2 or 3 areas of philanthropy to which you are most committed?
- How many areas of interest can you support, given your resources?
- To what issues or institutions are you most committed? On which boards have your served recently? To which charitable institutions have you given the most support in recent years?
- How much does your family know about these issues?
- Of all possible choices, where might the family’s giving matter most?

5. Choose advisors and structures appropriate for administering your philanthropic endeavors.

_When a person assumes a public trust, he should consider himself as a public property._ – Thomas Jefferson

Family philanthropy is a complex undertaking requiring knowledge and caution. Family members can learn from other donors, especially those who have philanthropic funds with a focus similar to those of the requesting family. Community foundations are among the best sources of information for families, both on issues to be funded and on potential structures for managing family funds. Additionally, families should look within to find members with experience, passion and time to learn about philanthropic giving.

Most often, the family’s legal, accounting, investment and business advisors were serve as the primary advisors in forming their philanthropic enterprise. To be most effective, the family should utilize these advisors as a team rather relying on one professional alone. In addition, the family would benefit from the inclusion on their advisor team of professionals seeped in family systems and charitable giving. Often, it is the advisor from these “soft” professions that is in the best position to serve as the facilitator of the family’s philanthropy planning process.

The following questions can be used by families to guide their deliberations:

- Who will advise your family on family philanthropy? Legal issues? Investment management? Grant making? Family dynamics?
- What donors do we know who have undertaken similar efforts? What can we learn from them?
- What structure(s) will be employed to carry out your family’s philanthropic intent? (Family foundation, supporting organization, donor advised fund, charitable trust, etc.)
- Who will serve as trustees to your charitable organization? How will family members be involved?
- What staff will be required to administer the various aspects of your family philanthropy? What existing organizations can provide assistance and support for your family’s philanthropy?
6. Establish governing and decision-making processes for implementing the family’s philanthropic intent.

Though this be madness, yet there is method in’t. — Polonius in Hamlet by William Shakespeare

The work of governing and managing a family’s philanthropic endeavors can be more complex and demanding than the family expected. The choice of philanthropic structure will depend on the size of the family fund, the number of family members to be involved, and, of course, tax considerations. All too often, families rely on the same professionals who helped establish their philanthropic structure to administer their grant making. Unless those professionals operate within a community foundation or unique, multi-dimensional business environment, they are unlikely to have the resources and expertise to assess community needs and administer grantmaking processes designed to meet their clients’ desires.

Families should be advised about the benefits and drawbacks of philanthropic structures and find resources that will allow their family members to participate without undue stress or time demands. Should the family form a foundation, they should include both family members and outsiders as trustees. Should they choose simpler structures, such as donor advised funds, they should seek the advice of those familiar with grantmaking processes and community organizations to assist them in administering their donations. Families will find a wealth of resources and information available to guide them in administering their philanthropic giving.

Families can clarify their governance and grantmaking processes by considering the following questions:

- How will family members be involved in the goal setting, grant making, and accountability steps in the philanthropic process?
- How will your family identify funding opportunities and communicate with potential applicants?
- What criteria will be used for assessing needs and evaluating proposals? What will be the areas of focus? What geographic areas will be covered?
- How much money will your family give to individual organizations?
- How will your family hold grantees accountable for appropriately and effectively using the charitable gifts made by your family.

7. Celebrate your family’s philanthropic efforts, update and amend the process, and provide for succession of your philanthropic legacy?

Philanthropy is not just another institution. It stands for something distinctive and special, with a tradition and spirit which represents to society the nobler motives of altruism and the more humane consideration so characteristically missing in the worlds of business and politics. — Paul Ylvisaker, presentation to the Council on Foundations, 1987
7. (cont.)

Sometimes families consider their philanthropic efforts to be purely private affairs. They seek no reward for their giving and don’t want to expose themselves to outsiders who might critique their family dynamics or finances. Such humility and desire for privacy are understandable, but they leave the family unable to celebrate the joy their philanthropy can bring. Even more, a secretive philanthropic family may miss opportunities to influence other donors.

To build a lasting philanthropic legacy, a family needs to celebrate its successful efforts. Emerging generation members can experience the benefits of their family legacy while still in school by attending public and private family gatherings at which philanthropic successes are celebrated. Families are more likely to be accountable for their philanthropic efforts if they take time to assess their successes and address the need for changes. The process of celebrating philanthropic efforts can be as important to the family legacy as the steps taken to establish a family philanthropy in the first place.

The best practices of philanthropic families include planning for succession in philanthropic leadership. Not all family members can work in the family business, but some may have the skills and passion to honor the family legacy as leaders in the family philanthropy. Succession in philanthropy does not happen by accident, nor should it be left to the dictates of those who are no longer living. Families should engage in intentional processes to identify, develop and empower leaders over successive generations without waiting for the last generation to die.

Here are some questions that might help families address the future of their philanthropic enterprises:

- How will you communicate to your family members about the successes of your philanthropic efforts?
- How will your family measure the effectiveness of your philanthropic efforts and make changes in response to key family events?
- How and when will you tell the story of your philanthropic efforts to the community?
- What ceremonies and traditions do you observe that support the continuation of your philanthropic legacy?
- How will you ensure that your philanthropic legacy continues beyond the time when you provide personal leadership? Who will be your successor(s)?
Case Study #1

Six Feet Under: The Musings Of A Recently Deceased Donor On His Family Foundation

In 1908 my father, came to the United States from Meta, a small town near Naples, Italy. Pop started a small business leasing bubble gum machines to various businesses such as grocery stores, amusements parks, restaurants, and gasoline stations in our local area of the Bronx, New York.

I began working in the business in 1962 and decided that it was time to grow it. My name is Joe. As my father aged, I took on more and more responsibility in the business and, by 1992, I had expanded the business to the entire Mid-Atlantic region. The business was doing well, and I was ready to retire. My children had no interest in working in the family business, so my wife (Stella) and I decided to sell the business. Little did we know what it was worth! We sold the company for $20 million.

Our children are all professionals with good incomes, and my wife and I have plenty of money to live on. So, we decided to start a family foundation with the proceeds from the sale of the business. My wife and I have been running the foundation out of our home, doing all of the paperwork ourselves, using our family lawyer and accountant to handle the legal and financial reporting, and giving to causes that we find meaningful—like the local homeless shelter, our children’s and grandchildren’s private schools, the local symphony, art museum, etc. It was always our hope that one day the children would take over the foundation. However, one is a doctor; one is a lawyer; one is a reporter, and they all have young children and spouses that work, so there never seemed to be time to devote to our little foundation. In fact, the children barely know it exists.

Yesterday, I had a heart attack and died. Now, my family is in mourning and making arrangement for my funeral. But I am worried about my foundation. I want my wife to tell me children about the foundation and all of the important grants we are making. I want her to involve them, so that they will eventually run it—even though one lives in New York, one lives in California, and one lives in London.

- What might Joe have done while he was alive to better prepare his family to take over the foundation?
- How would you advise Stella to proceed with the family foundation now that her husband is deceased?
- Define the potential ways that Joe and Stella’s children can become involved in the foundation?
  - What are the potential benefits for them?
  - What are the potential difficulties?
  - What strategies would you recommend for dealing with these?
Case Study #2

**Durfee Foundation Generational Succession**

The family foundation established by Stan and Dorothy Avery, the Durfee Foundation, (originally called the Avery Foundation but renamed to honor Dorothy Durfee Avery), was started with about $1 million. With the increasing value of the Avery Corporation's stock and additional gifts from Stan and Dorothy, the foundation's corpus grew to about $25 million.

The foundation needed professional direction. In 1979 Stan Avery hired Robert S. Macfarlane, Jr. (Robbie) as the foundation's first executive director. Robbie had wide experience working in the nonprofit sector and extensive contacts in the art world, an area of interest to the trustees. In addition to managing the administration of the foundation, Robbie provided information about and access to community resources that the trustees lacked.

Prior to Robbie's hiring, Stan's children had played a passive role in awarding grants. Aside from distributing their discretionary funds, they had little say about how the money was allocated because Stan's grants amounted to most of the five percent annual payout the foundation allocated each year. Now that the foundation's assets were growing, the board would have more money to give away. Russell, in particular, felt increasingly uninvolved in and frustrated by the foundation's traditional approach to grantmaking. In 1980 he wrote what he refers to as his manifesto, outlining what he felt were the best principles and practices of grantmaking. "If I were going to go to all those meetings," he says, "I'd have to be more passionately involved. I was more interested in projects that were slightly off-center, projects that were hard sells and whose value wasn't immediately recognizable."

The manifesto Russell submitted to the board laid the groundwork for the grantmaking philosophy and practices that the foundation follows today. "The trustees of the Durfee Foundation believe that philanthropy is most effective, satisfying, and poignant when the transaction involves the interests, skills, experience, and creativity of the donor as well as the beneficiary." Instead of responding to grant solicitations as most foundations do, he recommended that "individual trustees actively seek out situations that invite a keen mutual interest."

The board endorsed Russell's manifesto and drew up new grantmaking principles and guidelines:

1. **Catalytic effect**: The Durfee Foundation is more interested in acting as a catalyst to endeavors whose success hinges on a financial boost at the right time than in assisting ongoing projects, however worthwhile.
2. **Short-term commitments**: As a general rule, the Durfee Foundation makes only single, nonrenewable grants.
3. **Projects with limited resources**: The Durfee Foundation is more interested in endeavors not able or likely to receive assistance from other resources.
4. **Magnitude of grants**: The Durfee Foundation seeks situations in which the extent of assistance given will be commensurate with both its capabilities and the needs of the beneficiary.
5. Geographical location: The Durfee Foundation places no restrictions on the location of projects.

6. Cooperation with other organizations: The Durfee Foundation will cooperate or participate with other organizations, public or private, in lending assistance, especially when such efforts will magnify the extent and impact of the assistance.

7. Grants to individuals: Ordinarily the Durfee Foundation makes grants to organizations with tax-exempt status. However, when Federal and State requirements can be met, grants will be made to individuals.

In keeping with the foundation’s new guidelines, the second generation created programs that grew out of their own well-developed interests. Dennis, a lawyer, initiated the Durfee Awards, which were presented on three separate occasions between 1982 and 1989. The purpose was to recognize ordinary individuals who, through their private efforts, used the law or legal institutions to enhance human dignity. Dennis had full responsibility for the project, a time-consuming task. He placed ads in the *Wall Street Journal* and other publications soliciting nominations and, along with a team of prestigious judges he assembled, selected the finalists. The winners were honored at an award ceremony at which each received $10,000 for their achievements. One recipient was commended for her campaign to install auditory signals at intersections to alert blind people when the light changed to green. Others were recognized for their assistance to Native Americans, immigrants, and other overlooked groups. “By design, the awardees were in no way individuals of national prominence either then or now,” says Dennis. “We selected individuals working in the trenches, unsung hero types who merited recognition.”

Russell, an architect who had studied in Mexico and speaks Spanish, developed a project along his line of interests. On a visit to the northern California town of Gilroy, he happened upon some murals painted by Mexican-American artists that he thought were outstanding. Knowing that the murals would soon be destroyed or allowed to fade away, Russell launched an effort to bring them to a wider audience. “I had the idea,” says Russell, “but I wasn’t sure where to go with it.” With Robbie’s help, Russell identified three sponsoring organizations that had the staff and resources to document the murals with quality slides and conduct interviews with the artists. The project was completed in time to be included in exhibits held in conjunction with the 1984 Olympics held in Los Angeles. Afterwards, the collection of Chicano mural slide documentation was moved to the Smithsonian Institution’s Archives of American Art at the Huntington Library in San Marino, California, where it is permanently housed.

Judy, whose field is American history, had been donating her discretionary money almost exclusively to schools and to the Santa Monica Heritage Square Museum, of which she was a founding member. Aware of Judy’s interest in historical preservation, Robbie introduced her to the director of programming at KCET, the Los Angeles public broadcasting station. The station was seeking funding to make a pilot video to be used to raise money for a documentary on the history of California, and Judy recommended that the Durfee Foundation sponsor it. This project evolved into a multi-part documentary series on the history of Los Angeles, funded in part by the Durfee Foundation. The
foundation also funded the development of a school curriculum and materials for training teachers based on the series, which was distributed throughout the Los Angeles Unified School District. That project became a springboard for other projects Judy would initiate to document the city’s history. At her behest, the Durfee Foundation gave a lead grant to the Los Angeles Central Library to enable it to take its very successful Shades of L.A. project statewide as the Shades of California program.

Judy also became intrigued by the work of Dr. Burton L. White, former director of the Harvard Pre-School Project. He was the author of a book for parents, *The First Three Years*, and producer of a television series of the same name. His studies on what went into the making of a competent child pinpointed the overwhelming importance of an empathic, approving adult who was focused on the child. With help from Dr. White and Robbie’s contacts, Judy developed a program of short radio spots to spread this important message in the Los Angeles area.

Stan often talked to his children about his 1929 trip to China, which he regarded as the pivotal experience of his life. To honor their father, in 1985, Judy, Dennis, and Russell created the American/Chinese Adventure Capital Program. The foundation awarded grants to students, staff, faculty, and alumni from the Claremont Colleges, Caltech and other institutions of higher learning with which Stan had been involved who wanted to pursue avocational interests related to China. The program was originally intended to run for one year but it proved so popular with participants and trustees and so pleased Stan that subsequent boards have voted to continue it as a Durfee Foundation program to this day.

Although the foundation had no formal policies regarding eligibility for board membership, the trustees had a tacit understanding that it would remain an all-family board. Stan and his three children had composed the board for more than two decades. Now it was time to introduce the third generation to the foundation. In 1986, there were five grandchildren: Judy’s four children--Mike, Carrie, Jon, and Diana--who then ranged in age from 26 to 12 years and Dennis’s daughter, Halina, who had just turned 20. Stan invited Judy’s two oldest children, Mike, then 26, and Carrie, 24, to join the board.

Neither Mike nor Carrie knew much about the family foundation and they knew even less about grantmaking. Over the years, they had seen their mother working on foundation projects that she occasionally discussed with them, but as teenagers their interests lay elsewhere. At the time, both Mike and Carrie lived out of town and flew to Los Angeles four times a year to attend board meetings. Although the foundation had no formal training program, Mike and Carrie got their feet wet by participating in the China application review before joining the board. For the most part, though, they learned on the job.

Stan was delighted to have his grandchildren on the board and frequently sent them notes from “Grandpa” in which he complimented their contributions to the foundation. In a note to Carrie, written in December 1986, he wrote, “Judy, Dennis, Russell, and I have all been very impressed with the level and quality of your participation as an advisor to the foundation. Besides that, it is always fun to have a
Case Study 2 (cont.)

reason for an occasion when so many members of the family can be together pursuing a common purpose.”

(Excerpted from Creative Family Grantmaking: The Story of the Durfee Foundation)

- What elements of succession planning worked for this family? How? Why?
- How might you adapt these principles to other families with whom you are working?
- How had the family's level of personal involvement affected the foundation? The family? The grantees?
- How would you characterize the interactions among the generations? How are they similar from one another? How are they different?
- What do you think the prognosis for this family continuing its foundation into the fourth generation? Why?
- How might they do this successfully?
- What role has the executive director played in this family foundation?
- What other roles might an executive director play?
Case Study #3

An Entrepreneurial Family Whose Values Guide Their Philanthropic Endeavors

Joseph and Jacquelin Ukrop founded Ukrop's Super Markets, Inc. in 1939 as a small community market in Richmond, Virginia. As second generation members of Czechoslovakian immigrant families, the Ukrops were raised on farms and came of age during the Great Depression. The newlyweds started their business to offer products of local farmers at fair prices to the residents of the neighborhood to which they moved.

From the beginning, the Ukrops ran their business on the principles of their Christian faith. They sold no alcoholic beverages and closed their business on Sundays. They tithed, giving 10% of their profits to their church and local charities. The Ukrops were known for treating their customers and employees with care and generosity. During one period of economic strife, Mr. Ukrop closed his store on Wednesday and paid his workers to join him in working on area farms to help poor farmers harvest their crops.

Business success followed, and Ukrop's Super Markets added two additional stores in the 1940s. During that period, Ukrop's was known for offering produce and cuts of meat that were not available in the Richmond market. Mr. Ukrop demonstrated an uncanny ability by locating his two stores in the path of growth in the post World War II era, and the business became known for its customer service and contributions to the needs of the community.

James Ukrop joined his parents in the family business following his graduation from college in the mid-1950s. Almost immediately, the younger Ukrop and his father began to expand their business and extended the family legacy of entrepreneurship and charitable giving. Jim Ukrop became known for his entrepreneurial spirit and willingness to listen to his customers. By the time the youngest Ukrop son, Bobby, joined the business in 1969, the business had ten stores and was offering a service to its customers that set it apart from other retailers - free service in carrying groceries to the customers' cars.

By the time of their father's death in 2002, James and Bobby Ukrop had created a family enterprise consisting of a 27-store supermarket chain, a food manufacturing operation, a bank with assets approaching $1 billion, extensive real estate holdings, and two related small businesses. Ukrop's Super Markets, Inc. is recognized internationally for its commitment to values, especially customer service. Jim Ukrop earned an international reputation for innovation, particularly for introducing prepared meals in supermarkets and for being one of the first retailers to introduce customer loyalty cards. Bobby Ukrop became known for his passion for fresh produce in the stores and for his promotion of athletics in the Richmond Region. True to their family heritage, the brothers became known as two of the leading philanthropists in the Richmond community.

Just as it guides their business activities, entrepreneurship characterizes the philanthropic activities of the Ukrop family. Today, the Ukrop family and their businesses operate four charitable foundations and multiple donor advised funds. Ukrop’s Super Markets donates to local charities 10% of its pre-tax profits through two separate charitable vehicles, one
making contributions on behalf of Ukrop's associates (employees), the other controlled by the two Ukrop brothers. In addition, the Ukrop family operates family foundations in each of the three cities in which they operate stores. The third generation of Ukrop family members direct a donor advised fund that receives 10% of the profits of a business controlled by those family members.

The Ukrop family has been served by an outstanding tax and estate attorney for more than fifteen years. In addition, a family business consultant has worked with the family, its businesses, and its philanthropies for the past seven years. The Ukrop brothers have clearly articulated values for their family and each of its businesses, and they hold regular family meetings to review business and philanthropic activities. The Ukrop family is clear about the philanthropic legacy it is attempting to build. Still, their philanthropic activities are more innovative and opportunistic than structured.

While the Ukrops share the same family values and strategic goals, the brothers differ in the focus of their charitable giving. Both focus on local charities rather than national organizations, and both support change agents. However, James Ukrop is committed to helping nonprofits working in community economic development and secondary education. His brother, Bobby, favors faith-based charities and sports-related nonprofits. Therefore, the brothers make allocation decisions by dividing their considerable annual contributions among groups (1) they both support, (2) those supported by James, and (3) those supported by Bobby.

Although considered somewhat unorthodox among modern family foundations, the Ukrop philanthropic process has produced remarkable results for the Richmond Region. Each brother served lengthy terms on the boards of trustees of their universities – William & Mary and the University of Richmond – making significant contributions to support critical growth initiatives at each university. James Ukrop is a leading supporter of the Richmond public schools, spurred the development of a comprehensive service center for the area's homeless, and chaired a $100 million capital campaign to revitalize a center city area with the construction of a performing arts center. Bobby Ukrop founded the Richmond Sports Backers, an organization responsible for the growth of amateur sports teams and facilities in the Richmond region. In addition, Bobby serves on the board of The Salvation Army and numerous other faith-based nonprofits.

When challenged to involve third generation members in philanthropy, the Ukrop brothers took a characteristically unconventional approach. They provided for the education of family members in family philanthropy through workshops and family meetings. However, the brothers resisted involving third generation members in allocations decisions involving the existing family foundations. Instead, James Ukrop challenged his sons and their cousins to commit to philanthropic causes 10% of the profits of real estate holdings owned by those third generation members. The cousins have established their own donor advised funds and set their own charitable giving priorities.
The Ukrop family has established a legacy of giving back to the communities in which they live and work. Their family values and strategic vision guides their philanthropic activities. Still, they resist the creation of highly structured foundations with their overhead costs and lack of flexibility in favor of more entrepreneurial, individualistic approaches.

- How important are family values in shaping the philanthropic endeavors of the Ukrop family? How are the values that shaped their super market business applicable to their philanthropies?
- How are the Ukrops handling the different interests of the two family branches while continuing the work begun by their parents?
- Are the Ukrops losing opportunities for gaining efficiencies and synergies by maintaining multiple foundations and other philanthropic vehicles instead of consolidating them in one large family foundation?
- Will the entrepreneurial approach to philanthropy favored by the Ukrops provide for a lasting legacy?
- What additional steps could be taken to integrate the third generation family members into the philanthropic structures established by their parents?
- What roles do you think spouses can play in the Ukrop philanthropies?
Keys to Effective Giving

When leaders of family philanthropies were asked to identify elements of successful approaches to giving, a number of common themes emerged. They told us:

Use philanthropic gifts to reflect the family’s highest values, greatest interests and deepest passions. Enjoy your work together. As with any venture, you will find it easiest to give time and energy to issues you care about.

Create a focus for giving. It is difficult to give strategically if you spread yourself too thin. Choosing an area (or areas) of interest allows donors to concentrate giving so that it has a greater potential to effect change. This narrowing of topics or themes to a manageable few (or one) also allows you to build greater expertise on a subject.

Build on the experience and due diligence of others. A focused giving agenda allows you to get to know other funders interested in similar topics. Use the hard work and research of others. It helps you develop a network outside the family that will enhance your education and giving. The best of philanthropy often represents a collegial approach to resolving problems.

Look to leverage your giving. In addition to using the research and expertise of others, collaborations with other funders can enhance your impact. No single giving source can fully underwrite a program or approach to a critical issue. Nor is it healthy for the funded organization to depend on a single funder.

Be flexible. Look for the gaps, issues and opportunities where your funding leadership can make a substantial difference. Be a listener. Don’t assume that you know in advance what is needed. Don’t try to fit a square grant into a round issue or program hole.

Take risks. Don’t be afraid to think big, or to have an occasional failure. Philanthropy can be the “R & D” of society. It is a source of innovative and flexible funding for experimentation available nowhere else.

Be results oriented. Think about what you hope to accomplish with your giving, and decide how you will know if you have succeeded.

Work with recipients as partners. Work to enhance their capabilities. Is your gift helping to build a stronger organization, developing new leadership, or building the skills of those in the community served? If a community leader or project is worth your investment, make sure you are helping to expand the financial base, and ensure long term sustainability.

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The Philanthropic Initiative
Assessing Philanthropic Opportunities

What criteria, both implicit and explicit do you use for assessing funding opportunities? Whether you are reviewing proposals or looking at organizations for other types of support, you may want to consider the following:

**Potential Opportunity and Impact.** How many people will be served and what will be the impact on individual lives? How cost-effective is the project and how can funds be leveraged? What is the time frame?

**Strength of the Proposed Approach.** Are the goals and objectives clear? Does it follow sound research with an understanding of the population to be served? Are the timelines and implementation plans realistic? Is the budget reasonable? Are there plans in place to measure the program’s progress and success? Are there plans to sustain it?

**Organizational Strengths.** Does a track record exist? Is there leadership on the board and administration that indicates success for the project? Is there a clear mission? How is the staff retention and financial health? Does the organization have credibility with the population served and build on community potential and strengths?

**Potential Risks.** Although risks cannot be avoided completely, are there indications that it will be too difficult for the organization to accomplish its goals? Is there excessive start-up time or lack of support from key stakeholders?

Of critical importance is whether the proposed project is congruent with the family’s philanthropic interests and values.

Take time to visit the projects under consideration. See them in their environment. Site visits are invaluable to the decision-making process and they also add to the family’s knowledge of an issue.

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The Philanthropic Initiative
Philanthropy Membership Organizations

AAFRC Trust for Philanthropy
www.aafrc.org
212.354.5799

Association of Small Foundations
www.smallfoundations.org
301.907.3337

Council on Foundations
www.cof.org
202.466.6512

The Foundation Center
www.fdncenter.org
212.860.4230

The Impact Project
www.morethanmoney.org
541.343.2420

The Inheritance Project
www.inheritance-project.com
540.953.3977

Indiana University Center on the Study of Philanthropy
www.indiana.edu
317.274.4200

Independent Sector
www.indepsec.org
202.223.8100

National Center for Family Philanthropy
www.ncfp.org
202.293.3424

The Philanthropic Initiative
www.tpi.org
617.338.2590

Philanthropy Roundtable
www.philanthropyroundtable.org
317.639.6546

Regional Association of Grantmakers
www.rag.org
202.466.6512
Philanthropy Membership Organizations (cont.)

Southeastern Council on Foundations
www.secf.org
404.524.0911

The Women’s Philanthropy Institute
www.women-philanthropy.org
608.270.5205
Strategic Philanthropy: Selected Bibliography


Strategic Philanthropy: Selected Bibliography (cont.)


