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CLIENT ADVISORY

Succession Planning in Private Foundations

Knock, knock. Who's there?

The perfect succession plan begins with an intentional process that mirrors a foundation board's culture and its philanthropic mission. The four-step process involves: (1) assessing governance needs, (2) identifying candidates, (3) preparing successors, (4) gauging success.

Overview

Ideally, an open foundation board seat will be filled quickly with a qualified, prepared and eager successor. In reality, the task of succession planning is frequently deferred.

Foundation board service is often seen as a lifetime commitment – an opportunity to make a difference long in to the retirement years. Engaged in their foundation's work, trustees understandably don't pay close attention to planning for their own replacements.

Over thirty years in our advisory practice at GMA Foundations we have seen unprepared foundation boards suffer unnecessary disruption after the sudden death or disability of a long-time board member. Forced into succession planning, these boards may not have the time needed to identify and prepare well-suited successors.

Although few of us care to think about a world that goes on without us, most trustees do care about the enduring success of their foundations.

This client advisory explores how one foundation purposefully, albeit slowly, designed and adopted its own succession plan.

In planning for succession, the most important step to take is the first, to begin the process before the need for succession turns up unexpectedly on the doorstep.

Assessing Governance Needs

Choosing to actively plan for succession, a board of trustees may first assess its own governance structure and style relative to the foundation's mission. Many of the same criteria for effective governance apply here - *composition, experience and expertise.*

After thoughtful consideration of the board's current strengths and potential future governance needs, the succession plan would identify:

- special skills and experience that board members must possess;
- particular constituencies who should be represented on the board (eg. members with active knowledge of a particular geographic area, ethnic community or specialized field of interest);
- whether there is the need for a broad range of ages to enable continuity of governance;
- guidelines for counseling board members who are unable to live up to expectations.

GMA Foundations guided the board *of the Theodore Edson Parker Foundation* through its succession planning process. "The board itself must take an active approach to considering their future governance," advises Karen Carpenter, long-time Parker trustee. "The board will need an internal champion to move the idea forward."

Identifying Candidates

Organizational documents, whether the foundations are created in trust or corporate form, often provide routine instructions on board terms and election of successor trustees. But these documents rarely provide guidance to board members on *how to identify and prepare candidates* for successive board positions.

When succession knocks at a family foundation's door, there are normally many people to answer the call. Donor's children, grandchildren and other relatives may be eager volunteers or may be cultivated, trained and encouraged to step up. Succession planning for family foundations can begin as early as when the by-laws are drafted, or wait until the donors decide to plan for how the foundation will continue as a family legacy.

Creating a Candidate Pool

In the case of private foundations, where no family members are involved, identifying and preparing successors can be more challenging.

The Theodore Edson Parker Foundation is one such foundation that did not have successors on its doorstep. The foundation is governed by trust law under which the trustees serve for life or until they resign or become incapacitated.

Established under the will of Mr. Parker in 1939, its by-laws limit the number of trustees to five. Since operations began in 1944, the board has remained at four or five individuals. Many of its original trustees served well into the late-1970s, succeeded on a case-by-by-case basis by acquaintances of the then-current trustees.

In 1982 the foundation began to focus its grantmaking exclusively on the city of Lowell, Mr. Parker's hometown. When a history of the Parker Foundation was published to commemorate its 50th anniversary in 1994, the average age of the four trustees was around 75.

According to Newell Flather, President of the foundation, it was at about this time that several community members made comments about the board "looking a little long in the tooth." Karen Carpenter remembers that the time had come to "look in the mirror" and discuss the future.

The board then began a serious, lengthy discussion about composition and succession.

First they had to decide on the ideal composition for the board. The foundation was funding in a city that was no longer home to any of the board members and one that had a large immigrant and culturally diverse population. The current board reflected none of this.

It was more than 12 years later, in 2007, that the Parker board of trustees implemented their planning process and adopted an intentional approach to governance succession.

The trustees would create an advisory committee which would be composed of three individuals with close ties to Lowell and reflective of its population.

According to Flather, the board embarked on a "listening tour" of the leadership of well-known Lowell charitable, civic and business organizations, and gleaned the names of potential candidates for the advisory committee.

Its first three members were selected in 2009.

Before identifying individual successors, first discuss whether future board members should be cultivated from among a specific pool of candidates, such as members of a family, residents of a community or candidates from a particular profession.

If a candidate pool is unavailable, take steps to create one, as the Parker Foundation board did.

Preparing Successors

Effective succession planning balances the need to retain the experienced trustee who has historical perspective and institutional knowledge with the need to invite new perspectives and energy.

In the process of bringing in new voices, continuity is essential. Taking time to introduce potential successors to the work of the foundation and to its experienced trustees will ensure continuity and contribute to long term success.

In family foundations, potential successors can begin to get involved at any age. GMA Foundations' ***Approaches to Involving the Next Generation in Philanthropy and the Family Foundation*** offers age-appropriate ideas, ranging from exposure to site visits and board meetings to a more deliberate training in grantmaking, governance and finance. Visit our website www.gmafoundations.com for a copy.

Foundation boards may not see the need for training their chosen successors, especially if the new trustees are well established in their own communities and careers.

No matter how enthusiastic and diligent, new trustees should have an understanding of their essential roles and responsibilities. A complete orientation packet would include:

- a "job description" describing the trustee's role and anticipated time commitment;
- the foundation's organizational documents, such as by-laws and/or trust instrument, and any additional documentation of the foundation's mission;
- minutes of recent meetings and a cumulative grants list;
- an invitation to observe board meetings, attend site visits or serve on committees.

Although its trustees have neither set term limits nor a retirement age, **The Parker Foundation** chose to actively educate and train potential future board members.

During their 3-years on the advisory committee, members are invited to participate in all board and investment meetings. This way, current trustees get to know community members, test them and identify candidates for future board service.

Through their interactions with advisory committee members, the trustees have become comfortable with the addition of new voices. According to Carpenter, "Board members with a long history of working together have developed a comfort level and may be uneasy about the prospect of adding to the mix. We've eased the transition."

While no formal succession plan was adopted, the Parker board developed a procedure for identifying trustee candidates and an approach to preparing them for potential board service.

The Theodore Edson Parker Foundation supports social, cultural, educational, health, and environmental projects in Lowell, Massachusetts http://parkerfoundation.gmafoundations.com

The Parker Foundation succession plan took about a dozen years to realize. Reflecting back on the process, Karen Carpenter remarks that the "climate of respect and open dialogue" that existed among the trustees provided fertile ground for the advisory committee to flourish.

The trustees were able to proceed at a comfortable pace because there was no urgency at hand.

In 2011, when a trustee position did become available, the Parker board turned naturally to the advisory committee and chose two of its members as successors.

Part of a well-conceived succession plan, these newest board members bring both gender and ethnic diversity and a greater connection to the city of Lowell. The trustees are now searching for new advisory committee members.

Gauging Success

Successful succession planning is a process not an event. Each foundation will take its own approach, reflective of its mission and its board's culture.

Success for the Parker Foundation is a foundation board that will benefit from the diverse experiences of its trustees and advisory committee members working together to further its mission.

What does successful succession look like for your foundation?

Mary Phillips *is a founding director and President of GMA Foundations, a firm that works with private donors to transform their aspirations into effective philanthropic programs. GMA has provided grantmaking, management and advisory services to foundations since 1982. Mary leads consulting services at GMA, specializing in program design and assessment, planning for transitions, governance structure, trustee orientation, retreat planning and facilitation, foundation start-up services, and foundation management.*

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