

# Passing the Torch: Your Succession Plan

~ Thomas J. McLaughlin

Your private foundation's founder and chairman has just passed away unexpectedly. Is the foundation able to react and keep steadily moving forward? The answer will depend on a multitude of different factors, but with a proper succession plan and development of key personnel during the foundation's existence, the answer should be a definitive "Yes!"

## Are There Differences in Planning With a Private Family Foundation?

Succession planning within a private foundation is different when compared to other operating and community-related foundations. When a family establishes a private family foundation, it usually involves only the immediate family members of the founders and possibly a few close advisors. As a private family foundation grows, the founders generally seek to include younger generations of their family so that they can experience the benefits of the family's philanthropy while learning the critical skills necessary to operate a foundation. Involving the younger generations in the foundation at early ages, even with minor roles, is a powerful way to begin the transition of the foundation to eventual leadership by the next generation. A deliberate transition will allow the younger family members to learn the ropes of properly operating a foundation and experience the joy of making a lasting impact within the community the foundation serves.

## When Should Succession Planning Begin?

In a perfect world, you should discuss succession planning during the foundation's formative stages. The conversation begins when you are establishing the foundation's mission statement, the board's structure, the role of family and independent parties, the board's role in governing the foundation, and the use of committees or other forms of delegation of responsibilities. The family member or members who create the foundation should play a key role in this conversation to make sure that their intent is followed, while still allowing for enough flexibility in the governing documents to react to changed circumstances.

Your foundation's succession plan will depend on various factors, including, of course, your family structure, as well as the nature and extent of the foundation's mission and operations. If the foundation's operations are more complex, requiring significant supervision or an expert to oversee a certain field, succession planning will likely require cultivation of staff (including an executive director), as well as the board. Maintaining an educated, engaged, and active board of directors or trustees, as well as capable and fully invested employees who believe in and serve the foundation's mission, is vital.

An initial consideration is the appropriate size and general composition of the board. You should give honest and thoughtful consideration to the role of family members. Should certain family members control the board? Should family members pick their own successors? Or is it sufficient that future generations of family members be given preference over non-family members for board service if they are otherwise qualified, leaving the decision for board appointment to a majority of the existing board (or to members, as discussed below)? When appropriate, you should also explore the benefit of having persons who are not associated with the family serve on the board or in an advisory capacity to provide independence and diversity of thought.

One way you can maintain control of the board is to require members of the foundation to approve the selection of board members—and to give such members the right to remove board members who are not serving the foundation’s mission. Membership can initially be limited to the founder and can be passed to successive generations as directed in the Articles of Incorporation or Bylaws.

#### **Make Your Foundation’s Mission Statement Count**

Going through the process of formulating a mission statement is a valuable endeavor, as your foundation’s mission statement will guide future generations of board members as to your values, vision, and intent. A clear and well-crafted mission statement can become an important part of the identity of a foundation within the community it serves. All present and future board members, and any executive director or key employees, will need to feel fully invested in the foundation’s mission. Therefore, honing and carefully articulating the foundation’s mission will be an important first step. Of course, as time goes on, it may be appropriate to further tailor the mission. The governing documents should be clear as to how any such tailoring would occur (and should clarify whether any aspect of the mission statement is simply too important to change). You should give careful consideration to maintaining control over this process.

#### **Identify and Vet Candidates for the Board or a Committee**

Most board members enjoy serving on a foundation’s board, as it is a great opportunity for making a lasting impression on issues near and dear to their hearts. Some board members will inevitably see their service as a lifetime commitment that they may choose to give up when they are no longer capable of being involved. There may be a sense of entitlement within a family to serve and to be able to direct foundation funds for projects they deem worthy. In many family foundations, it is very common for board members to fail to focus on their own replacements or on the importance of grooming the next generation of leaders within the foundation.

We recommend that on a regular basis, your foundation’s board review the general succession plan for the board, as well as for key executives. We also recommend creating detailed job descriptions for the various roles, as well as a list of criteria and qualifications you believe to be important for a person serving in each respective role. Going through this process can be a meaningful exercise, and it may provide a thoughtful way of putting your best foot forward in approaching this important issue. You may find that there are differences of opinion within your family about the best way to approach this issue—differences that should be addressed thoughtfully and directly.

Formulating a role for independent non-family members can be wise on many levels. Individuals with diverse skills and backgrounds in the community can provide valuable input as board members, heads of committees, staff members, or as general advisors. Such “outsiders” can provide perspective and independence that balance the leadership provided by your family.

#### **Prepare the Chosen Candidate for the Service**

Once a candidate has been identified and vetted internally, you or a key member of the foundation’s board should approach the identified candidate to determine whether he or she is interested in serving the foundation’s mission. If a candidate is interested in the position and is in agreement with the foundation’s mission statement, you or someone you designate should provide the candidate with specific information regarding the foundation and the tasks involved with the position. This information should include, but not be limited to, a job/role description, the founding documents and the foundation’s mission statement, minutes from recent board meetings, and an opportunity to attend upcoming board meetings or other functions involving the board. An open-team approach to quickly integrating a new board member will make the transition go smoothly for both the foundation and the new board member.

The board should invest time and effort toward the education and mentoring of existing and new board members. A new board member may require additional training, and there are many good seminars and educational opportunities to consider, both locally and nationally.

#### **Create an Emergency Plan to Handle the Unexpected**

Your foundation should always be prepared for an unexpected loss of key personnel or a key board member so that its operations will run smoothly during the period of transition. The emergency plan will depend in large part on the size of the foundation’s board, committees, and staff, if any. As a best practice, a foundation should have an emergency succession plan in place for every senior-level person in the foundation, and the foundation should review this plan annually. The succession plan does not need to be elaborate.

Instead, it should focus on the person or persons who are capable of assuming the roles associated with the vacancy as seamlessly as possible. Everyone must recognize that with an emergency transition, there will be a learning curve to overcome.

If your foundation does not have an emergency plan, then generally, the best option is to explore an interim solution that allows it to continue moving forward while a more permanent solution is sought. Usually, this will mean looking inside the foundation for active participants to assume the vacated role. If this transition goes smoothly, the interim step may become a permanent succession; however, if a better candidate is found during the interim period, the foundation can proceed forward with the new candidate. Ultimately, the most important thing to remember with this type of transition is to be honest with everyone involved so that another valuable foundation member is not lost when the interim period concludes.

### Conclusion

A private foundation's succession plan should be thoughtfully considered as part of the formative stages of the foundation, with the foundation's mission statement serving as its "true north." While remaining vigilant of the foundation's mission statement, the foundation's board should routinely examine its own internal members and outside third parties who could help the foundation continue to meet its goals. The foundation should carefully prepare the chosen candidates for their roles and maintain an interim or emergency succession plan in place for when that unexpected event occurs.



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