

Family Foundations Promote Successful Family Business Transitions

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When Phil Clark* turned fifty, he took stock of the family-owned manufacturing business he had created and run for over 20 years, given that it had been more successful than he had ever imagined it would be. Phil realized that, even more important than the wealth his business had provided his family was his vision of the business surviving and thriving long after his retirement, generating income for successive generations of family and providing employment for countless others. He fervently hoped that his children, Savannah and Jeff, would one day take over the business to realize that vision, but thus far, neither one seemed sufficiently engaged. Phil asked us what steps he could take to transform in his children what had been to date just a steady job for them in uncertain economic times into a genuine investment in and a sense of ownership of the family business.

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One of the strategies we suggested was the establishment of the Clark Family Foundation, on which his children would serve as Board members with voting power equal to that of Phil and his wife. Why? Research has demonstrated that family foundations contribute to the success of intergenerational transitions of family businesses.

According to a 2010 report published by McKinsey & Company entitled “The Five Attributes of Enduring Family Businesses” (www.mckinseyquarterly.com), there are five key activities in which family businesses should engage to keep their enterprises strong and healthy and to ensure that family members remain committed and capable of maintaining ownership across generations: (1) harmonious relations within the family and an understanding of how it should be involved with the business; (2) an ownership structure that provides sufficient capital for growth while allowing the family to control key parts of the business; (3) strong governance of the company and a dynamic business portfolio; (4) professional management of the family’s wealth; and (5) ***charitable foundations to promote family values across generations.***



Family foundations also provide opportunities for the younger generation to learn about financial management in a way that is fun and engaging – and certainly more effective than parental lectures or formal seminars on the subject. And finally, family businesses benefit directly from the charitable giving of family foundations, since investment in the local community generates good will toward the business.

So how does the Clark story end? Happily, there is no “ending”, since both the family and the family business continue to thrive. All four family members have played an active role in the foundation’s activities. While the day-to-day administration is handled by WTC’s Philanthropic Services office, the Clarks serve on the Board, attend quarterly Board meetings, and participate in site visits to grantee organizations as they desire. They especially look forward to the foundation’s annual facilitated retreats, at which family members engage in robust discussions about how their grant-making can be most impactful in areas that matter most to them. Today, six years into the life cycle of their family foundation, Savannah has worked her way up to a high-level management position in the family business and is being actively groomed for the top spot when Phil retires some time in the next four to five years. Jeff has started his own business, but remains very engaged in family activities, including the foundation.

Let us know if WTC can support your prospective family business transition through our Philanthropic Services office.

WTC has been providing philanthropic services to its high net worth families for over four decades. If you are interested in learning about the myriad ways in which we help clients achieve their philanthropic goals -- including advisement, facilitated family discussions, investment management and investment consulting services, foundation administration and regulatory compliance support -- please call us at: (626) 441-5188.

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