



## **Creating a Philanthropic Strategy for Your Family Business – A Retreat May be the Best Way to Advance**

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Last week the Metropolitan Symphony arrived on your doorstep asking for a full-page ad in their next season's playbill. The week before it was The Museum. You've been avoiding the phone calls from your college roommate because you haven't decided how much to give the building fund campaign. Your brother wants you to chip in for the local Boys Scout clubhouse. You really feel that you're not accomplishing anything meaningful – other than getting a tax deduction.

These experiences provide a tangible reason to begin the discussion regarding the need for creating a philanthropic strategy for your family business. If you can't figure out how to prioritize the \$100 adbook donations, what will you do when The Hospital or Alma Mater U. shows up for a building fund pledge of \$250 thousand or more? And what happens if you want to give the hospital the quarter million, but the other members of the family are not in favor?

A family process to determine priorities for long and short-range philanthropy can provide the framework for intelligent decision making. Many individuals have great difficulty with these issues; they sometime become impossibly complex when superimposed on the matrix of a family business. Understanding the tax implications may help you determine how much to give away, but not how to give it away.

There is a myriad of pitfalls in dealing with philanthropy in a family business. First comes the question of who decides. The solicitor for funds, whether for a large capital campaign or a simple ad book, will tend to seek out the person who is perceived as the CEO or chief decision maker of the company. Nowhere is it written that the business guru of the company is necessarily equipped to deal with questions that often touch upon social, religious, ethnic, artistic or communal issues. Therefore, one of the first steps is to determine who in the family business structure is best equipped to deal with questions relating to charity and dealing with the many requests that besiege the enterprise.

This is a perfect opportunity to cast someone in an important family and business role. Alternatively, it could be a spouse of the family whose ties in the communal volunteer world makes him or her a suitable administrator of the philanthropic portfolio. It may be the one who studied social work or mediation who can best negotiate the competing interests of family members when it comes to potential recipients of funds. In some cases the best route is to retain a consultant to administer an ongoing process.

In inter-generational families, it is certainly not surprising to find that there is no unanimity in the many goals individuals wish to achieve with charitable giving. Increasingly, religious, racial, or ethnic intermarriage means that automatic giving to one's favorite religious or ethnic cause may not meet with universal approval among family members who have all contributed to the generation of the wealth. And everyone has a different alma mater knocking at the door.

It is often a good starting point to hold a family retreat to deal with this very question. In the same way that a company defines the mission that will drive its business, so too a mission regarding philanthropic giving can emerge from a retreat process where each member of the family can explore and express a variety of possible goals for philanthropy. Synergies and points of commonality among the goals of individual members can be discovered. For example, a family member intent on contributing to the prevention of violence toward women may be quite satisfied to have that transpire within the framework of the church supported by another family member.



Many administrative or structural outcomes are possible. A family may create a philanthropic budget in concert with its financial professionals, and then allocate a certain percentage to each member or sub-family unit to be disbursed at each individual's discretion. If consensus emerges, a family may decide to support programs and projects in only one general domain to achieve a greater impact. It may choose to give anonymously, or it may decide to have its name attached to every donation. It may be decided to set up a formal foundation structure with an elaborate granting procedure, or to have one member of the family vet all requests and present them to a family meeting once or twice a year. Or the family can authorize one member to distribute funds according to his or her discretion and/or up to a threshold amount. A family may choose to create a fund and invest the assets itself, or it may elect to entrust a community or commercial entity to administer the portfolio.

It becomes clear that there are many important decisions to be taken. Even if the process is an evolutionary one starting small with resolving who grants the \$100 adbook donation, setting the family business on a course of deliberate action in the arena of philanthropy is an important step. It will not only lessen the chance of future dissension around this subject, but may also serve as a catalyst for effective philanthropy which will reap great benefits for many deserving causes. That is what philanthropy is all about.