

An Introduction to Board Composition

Condensed from *Trends in Family Foundation Governance, Staffing and Management, 4th Edition* by the Council on Foundations, 2001.

Who Serves on the Board

Family foundations grapple with many questions when determining who will serve on the board. For example, who is eligible for board service? The easy answer for many foundations is *family members*, but how do you define *family member*? Following are some factors that families might consider when determining who serves on the board:

- Include the immediate family only, while others include extended family members such as aunts, uncles, cousins, etc.
- Give spouses a place at the table, and at times, must reconsider in the case of a divorce.
- Automatically award children a place on the board, while other boards ask children to *earn* their place by showing interest, attending meetings and conferences and other requirements set by the board.
- Set a minimum age for children and a maximum age limit for adults.

In addition to the question of family, there are other issues to think about:

- Should nonfamily members from the community serve on the board? If so, are all votes equal? If not, how will the board incorporate the community's perspective or subject area expertise?
- How long should each board member serve?
- What are the responsibilities of each board member? How will board members be removed if they fail to meet these responsibilities?

What Constitutes "Family" for the Purpose of Board Service

Thirty-four percent of the family foundations surveyed have formally defined what constitutes *family* for the purpose of appointing family members to the board. An overwhelming majority (94%) indicated that direct descendants of the donor are considered family. A smaller number (37%) also noted that spouses of descendants are eligible to represent the family by board service.

How Do Boards Select Their Members?

For most family foundations (48%) an individual must qualify as a *family member* to serve on the board. Nearly one-fifth of family foundations have no criteria at all for selecting board members. The remaining family foundations either have established criteria that apply to all candidates, or they develop criteria suited to each opening as it arises.

Criteria for Board Service in Family Foundations, by Asset Size

Assets (\$million)	No Criteria (%)	Established Criteria for All Candidates (%)	Develops Criteria Suited to New Opening (%)	Family Membership Only (%)
\$500 or more	6.3	18.8	50.0	25.0

\$250 to \$499	8.3	25.0	50.0	16.7
\$100 to \$249	7.4	14.8	40.7	37.0
\$50 to \$99	17.6	11.8	23.5	47.1
\$25 to \$49	17.2	24.1	6.9	51.7
\$10 to \$24	27.1	13.6	13.6	45.8
\$5 to \$9	21.9	3.1	21.9	53.1
Less than \$5	18.6	4.7	9.3	67.4
ALL	18.3	12.8	21.3	47.7

Family Versus Nonfamily Members

Bringing nonfamily members onto an all-family board can be a difficult decision for foundations. At a poll conducted at the 2000 Family Foundation Conference, 27% of respondents indicated that their foundation had never discussed or agreed upon whether to bring on nonfamily board members.

Benefits of All-Family Boards

Tradition. The foundation is created as an intimate expression of a family's values or an extension of its traditions of philanthropy.

Family Unification. A foundation may unify a family by providing a worthwhile common enterprise that brings a dispersed family together or binds it over the generations.

Matters of trust or loyalty. When the foundation is viewed as an extension of personal family affairs, the option of family control may be appealing.

Benefits of Family and Nonfamily Mixed Boards

New Voices. Outsiders bring new life, new ideas and new skills and expertise to implement existing capabilities within the family. They offer objective opinions and their presence tends to curb inappropriate family dynamics.

Age. Sometimes family members are simply too young to assume trusteeships. The board may feel that these young individuals should gain life experience and interact effectively with their families and community before assuming such a responsibility.

Community Perspective. Nonfamily members can bring a community perspective or subject matter expertise to the foundation mission, daily operations and changing circumstances.

Family Foundation Board Makeup: Family and Nonfamily Board Members

	Boards with Family Members	Boards that Include Nonfamily	All Respondents (%)

	Only (%)	Members (%)	
FAMILY			
Founding	20.8	7.1	11.9
Direct, step or adopted descendants	63.1	39.6	47.9
Spouses of descendants	11.6	4.8	7.2
Spouses of other family	1.2	1.4	1.3
Other family	3.3	6.3	5.2
Total Number of Family Board Members	100.0	59.2	73.5
NONFAMILY			
Community representatives	0.0	13.2	8.6
Family/business associates	0.0	19.8	12.8
Other nonfamily	0.0	7.8	5.0
Total Number of Nonfamily Board Members	0.0	40.8	26.5
ALL BOARD MEMBERS	35.2	64.8	100.0

Board Size, Gender and Race of Members

The average family foundation board has six or seven members, with 57% of the board being male and 43% female. Family foundations tend to have a higher percentage of women than do independent foundations. Larger family foundations tend to have slightly more board members, as well as a higher proportion of male board members.

Ninety-seven percent of board members for family foundations are white. Family foundations tend to have fewer minorities on their boards than do any other type of foundation, possibly because their charters limit them to appointing family members only. Of the 1,609 family foundation board members reported in the *Foundation Management Series, Tenth Edition*, 33 are black, 11 are Hispanic, 7 are Asian, 2 are Native American, and 1 is of another race or ethnicity.