An exploratory study of the governance and management processes of family foundations in South Africa

Sufiya Najjaar

Student Number: NJJSOF001

A minor dissertation submitted in partial fulfilment of the requirements for the Master of Social Science Degree in Social Policy and Management

Faculty of Humanities

University of Cape Town

Research Supervisor: Professor Eric Atmore

COMPULSARY DECLARATION

This work has not previously been submitted in part or whole for the award of any degree. This thesis is my own work. Each significant contribution to, and quotation in this dissertation from the work, or works, of other people has been attributed, and has been cited and referenced.

Signature: Signed by candidate

Date: 11 December 2019

Abstract

Family foundations are important vehicles that make a positive impact in society both locally and globally and can be a unifying force in which family members can work together for a common altruistic purpose. The same governance and management principles that are applied by families in family businesses should also pertain to family foundations. In the United States (U.S.) there exists various organisations that serve to guide family foundations with best practices on foundation governance and management principles. In South Africa much less information is available to family foundations. This research study explores the governance and management processes of family foundations in South Africa.

I reviewed extensive literature on the governance structures and management processes of family foundations particularly in the U.S. Based on the literature review and the research questions, a suitable research methodology was selected. A convergent parallel mixed method approach was used. Ethics clearance was obtained from the University of Cape Town and a sample of ten family foundations was purposively selected to be part of the study. Data was collected from 15 respondents, eight of whom were non-family members and seven were family members related to the founding donor. A semi-structured interview schedule was used and the same research participants completed a survey. The data was analysed using Tesch's (1990) adaptation for data analysis.

The contribution that this study makes is an enhanced understanding of the governance and management processes of family foundations in South Africa and the challenges that some face in this regard. The study makes a number of findings including: Family foundations felt that the fiduciary duties and responsibilities, fiscal oversight and internal controls were duly executed. Family foundations were satisfied that the board knew enough about investment principles, however environmental, social and governance (ESG) practices was not high on the agenda for most family foundations; family foundation boards were diverse in terms of gender, age, expertise and experience but were not racially diverse; in some instances there was conflict between family members but this did not stand in the way of foundation performance; decision making was collaborative and most often made by consensus; legacy was not important for all family foundations. Most family foundations thought they had a clear grant making strategy with some family foundations including newer generations values and ideas into grant making. Based on these findings, the research study concludes by making recommendations for family foundations to improve governance and management processes.

TABLE OF CONTENTS

CHAPTER ONE: INTRODUCTION

This chapter provides an introduction to the research study and describes the context of the research. The rationale and significance of the study are explained and the aims of the study, main research questions, research objectives and main assumptions are outlined. The main concepts used in this study are clarified. Ethical considerations are included, and the chapter ends with a summary.

1.1 PROBLEM CONTEXT

There are at least three options that wealthy individuals have upon their death or when they decide to dispose of their estate. Firstly, they may resolve to distribute their assets to their family members. Secondly, they may decide to preserve and safeguard their fortune for their families utilising a family office (Fernandez-Moya & Castro-Balaguer, 2011). Family offices would effectively manage investments, taxes, trusts, legal matters etc. in order that wealth is transferred across generations. Finally, they may bequeath some or all of their estate to charitable purposes (Baker, 2009). For individuals that favour the third option, there are additional choices at their disposal. They may opt to give from their wealth personally, they may utilise an existing organisation to do so or they may create their own family foundation. When a family foundation is created, the donor may take into account his or her family goals as well as social impact goals (Palus, 2017).

According to Moody, Knapp & Corrado (2011: 48) exactly what constitutes a family foundation is 'blurry and disputed.' A family foundation is characterised as a foundation in which the donor and/or the family members of the donor plays a significant role in the governance of the foundation (Council on Foundations [COF], n.d.). Another definition by Adloff (2015) states that if a gift that brings about a social relationship that is defined and structured by the giver of the gift and remains in existence even after the death of the giver, then it is a foundation. The National Centre for Family Philanthropy (NCFP) defines a family foundation as one where there is active involvement of donors and/or the donor's family. The definition becomes difficult to measure because over time the donor dies and the family members express differing levels of involvement with the family foundation (Boris, De Vita & Gaddy, 2015).

Key to the creation of a foundation is governance and management of the family foundation. The donor will need to make important decisions regarding the extent to which family members

are involved (Palus, 2017). Family involvement can be described as the family presence in governance, management, succession and employment (Van Gils, Dibrell, Neubaum & Craig, 2014). What sets a family foundation apart from other ways of charitable giving is that in practice the donor and the donor's family members maintain control over the decisions with regards to what is done with the gift (Anheier & Leat, 2013).

There are various ways in which a family may choose to govern and manage their foundation. They may decide to operate and manage the family foundation with only the family members involved. They may utilise services from local banks and other organisations that provide them with certain services (Tittenbrun, 1991). Families may also decide to employ non-family staff to manage, govern and operate the family foundation. Each of these options face different challenges as it evolves over time (Moody, Knapp & Corrado, 2011).

Given this problem context, this research study explores the governance and management processes of family foundations in South Africa.

1.2 RATIONALE AND SIGNIFICANCE OF THE STUDY

Family foundations form a significant part of the infrastructure of philanthropy (Palus, 2017). Family foundations are important institutions that comprise a significant portion of all foundations that have meaningful global impact (Moody, Knapp & Corrado, 2011). Yet, family and non-family foundations face internal and external pressures relating to a diverse range of governance and management concerns (Palus, 2017). In addition, management constraints ultimately impact on foundation performance (Payton, 1990). At the same time, there exists no recognised framework, certification or accreditation body for family foundations in South Africa. Over the past few years governance and management of foundations have become more professionalised and there are best practices that have slowly emerged, particularly in the United States. However, there is still little literature that exists which focusses on governance and management processes within family foundations, particularly in South Africa. The rationale for and significance of this study is therefore to shed light on the governance and management processes of family foundations in South Africa.

1.3 AIM OF THE STUDY

Family Foundations are a prominent player in the philanthropic world. In the United States in 2015, there were approximately 41855 family foundations. These foundations held

approximately US$403.6 billion in assets and contributed to a total giving of US$25.8 billion (Foundation Center, 2015a). “The potential for continued growth of family philanthropy is immense” Remmer (2005: 82) writes. The Conway Centre for Family Business (n.d.) writes that family owned businesses are economic powerhouses that drive local, national and international economies. They provide interesting statistics into America’s economic engine that includes that: family businesses account for 64 percent of the U.S. gross domestic product (GDP) and 62 percent of employment in the U.S; thirty five percent of Fortune 500 companies are family controlled; family firms comprise 90 percent of all business enterprises. Remmer (2005: 82) highlights that the fact that 90 percent of family firms are family owned and that 35 percent of Fortune 500 companies are family controlled are indicators of continued growth in family philanthropy.

The Giving Report III 2016 outlines compelling statistics from the New World Wealth report 2015. It reports that Africa has the fastest growing high net worth individuals (HNW) market in the world. The number of Africans categorised as HNW individuals increased by 145 percent over the last 14 years. Worldwide this figure was lower at 73 percent during the same period. The report estimates that Africans with assets of more than US$30 million will double by 2025. Furthermore, the same countries where HNW individuals grew are where African philanthropy is currently thriving, with South Africa and Nigeria in the lead. Additionally, the Giving Report III 2016 states there is an increase in the formation of institutions and organisations by HNW African individuals as they increase in number (Nedbank Private Wealth, 2016: 9).

Despite clear indicators of the growth of family foundations, little information exists on the governance and management processes of family foundations, particularly in South Africa. According to Gastrow & Bloch (2016) little is known on local family foundations, their grant making models, operational management practices, management of their endowments and assets as well as governance approaches. This in turn has made it challenging for family foundations to assess current practices as there are currently no benchmarks. The scarcity of information also makes it difficult for new foundations who enter the market to set guidelines in place for best practices. I have therefore decided to explore the governance and management processes of family foundations in South Africa. The aim is to impart information from this exploratory research study to other family foundations, donors, trustees, board members, family offices and other institutions that manage family foundations. This information could

enhance overall governance and management processes and improve family foundation performance, output and impact.

1.4 MAIN RESEARCH QUESTIONS

The main research questions in this research study are:

- What are the governance and financial management processes of family foundations?
- What are the family dynamics between family members, management, the chair, board members and non-family staff of family foundations?
- What are the grant making processes within family foundations?
- What strategies can be applied for more effective governance and management processes in family foundations?

1.5 MAIN RESEARCH OBJECTIVES

The main research objectives in this research study are:

- To investigate the governance and financial management processes of family foundations.
- To explore the family dynamics between family members, management, the chair, board members and non-family staff of family foundations.
- To examine the grant making processes within family foundations.
- To determine effective strategies for governance and management processes in family foundations.

1.6 MAIN ASSUMPTIONS

Four main assumptions are made in setting out on this research study. These are:

- The governance and financial management processes in family foundations are not as effective as they could be.
- The family dynamics between family members, management, the chair, board members and non-family members can be complex and could adversely impact the performance of the family foundation.
- The grant making processes within family foundations can be difficult to manage.
- There are not enough strategies in place for effective governance and management processes within family foundations in South Africa.

1.7 CLARIFICATION OF CONCEPTS

Several concepts that have been used in this study are clarified below:

Donor

An individual or organisation that makes a grant (COF, n.d.).

Endowment

A principal amount (gifts or bequests) that is accepted and that are to be invested to create a source of income for a foundation. In some cases, the endowment will be invested in perpetuity or for a defined period of time (COF, n.d.).

Family Foundation

The Council on Foundations (COF, n.d.) defines a family foundation as a foundation where funds are obtained from members of a single family. At least one member of the family must serve as a board member of the foundation. Family members must play a role in governing and managing the foundation.

Grant

An award of funds to an individual or an organisation (COF, n.d.).

Philanthropy

Philanthropy is defined in many different ways. The word philanthropy in the Greek language means love for mankind. Philanthropy involves giving in different forms for the promotion of common good (COF, n.d.).

Trust

A trust is a legal entity established to hold assets for the benefit of certain beneficiaries. Those that administer and control the assets of the trust are called trustees (Moore Stephens [MS], 2018).

1.8 MAIN ETHICAL CONSIDERATIONS

According to De Vos et al. (2011) ethics is described as a set of moral values that provide rules for the best conduct toward respondents, employers, sponsors and other researchers. In a

research study the rights of respondents should never be compromised for the sake of collecting data, thereby flouting ethical considerations. In this study I considered the following:

Violation of privacy, confidentiality and anonymity

I ensured the respondents' privacy and all the information was dealt with in a confidential manner. Only myself, my research supervisor and external moderator had access to the information. This was explained to each respondent beforehand to ensure that they were comfortable to share information freely. I also assigned pseudonyms to the respondents referring to them as Respondent 1 to Respondent 15.

Deception of respondents

I outlined the objectives and main purpose of the study to ensure that respondents were not misled or deceived in any way.

Actions and competence of the researcher

According to De Vos et al. (2011) if researchers are not equipped or qualified sufficiently the research may fail even if planning went into the process. In respect of this, ethics clearance from the University of Cape Town, Department of Social Development was received on the 26th April 2019. I made sure that I clarified that all ethical guidelines would be followed and that I would remain objective at all times.

Voluntary participation

I informed participants that participation in the research study was voluntary, that there was no obligation to participate in the study and that they were able to withdraw at any time.

Informed consent

In this study, written, informed consent was obtained from all respondents, I ensured that all participants were competent to grant consent and informed them that they were not obligated to participate in the research study (Annexure 1).

1.9 SUMMARY

Chapter One provides a statement of the problem, the context to the problem, elaborated on the rationale and significance of the study, clarified the aims of the study, provided the main research questions, objectives and assumptions. This chapter also provided definitions of the

main concepts used in this study. The chapter concludes with an explanation of the ethical considerations linked to the research study and how these were satisfied. Chapter Two that follows looks at the relevant literature linked to the research topic.

CHAPTER TWO: LITERATURE REVIEW

2.1 INTRODUCTION

The aim of a literature review is to provide a clear understanding of the nature and meaning of the problem that has been identified by the researcher (De Vos et al., 2011). In conducting this literature review, informed by De Vos et al. (2011), I did the following:

- I searched various databases for literature. The university librarians also assisted in finding good literature and provided guidance on interlibrary loans which I utilised frequently.
- I selected relevant journals. This allowed me to gain insight into current opinions and information on the topic.
- I searched for published and unpublished dissertations, research reports and theses.
- I outlined the themes to be investigated. I ensured that the topic was not too broad as this may have resulted in the review of too much literature which would waste time.

2.2 THEMES LINKED TO THE STUDY OBJECTIVES

This literature review outlines a range of themes related to the research questions. Various books, journal articles, theses, dissertations, websites and reports have been read to gain more clarity on the topic of governance and management processes of family foundations.

2.2.1 Financial management processes

According to BoardSource (2016) board members act as trustees of the foundations' assets and as such must exercise due diligence and oversight to ensure a well-managed and sound foundation. One of the most important board duties and obligations is making sure that fiduciary responsibilities are executed. These fiduciary responsibilities include managing and protecting the assets of the foundation, ensuring positive returns on the foundations investment portfolio, internal controls, remuneration policy and tax and audit filings. Another crucial board responsibility is ensuring that good financial decisions are made for the foundation (Ceptus, Walker & Whitehurst, 2013). There are two crucial elements with respect to the management of foundation fiduciary responsibilities, these are: investment oversight and fiscal oversight. Investment oversight is concerned with the approval by the board on investment policies, performance review of investments and appointment of suitable investment managers. Fiscal oversight, on the other hand, relates to board responsibilities to develop a budget for the foundation, monitor the foundations financial performance, ensure that the internal controls are instituted and managed effectively, tax and financial reporting, deciding on fair remuneration

rates for employees and overseeing annual external audits (Ceptus, Walker & Whitehurst, 2013). There are crucial questions that the foundation board will need to consider when carrying out their fiduciary responsibilities (Ceptus, Walker & Whitehurst, 2013). These are:

- Is the cash flow of the foundation sufficient?
- Are there enough reserves in place?
- Are there internal controls in place which are able to detect and prevent mistakes or fraudulent activity?
- What is the investment policy?
- Is there a spending policy in place?
- Is there an appropriate investment strategy in place in line with what the foundation stands for? This will include the appointment of investment managers and monitoring investment performance.
- Is the foundation up to date with tax filing and filing of annual financial statements?

In a study by Price & Buhl (2009: 15-16) on over 200 family foundations in the United States (U.S.), it was found that 99 percent of respondents said they had good financial oversight and a clear understanding of investment responsibilities. Boards also regularly reviewed financial reports, expenses, budgets and investment policies. Half of the respondents indicated that they needed more accountability activities, a sign that they have a desire to improve certain practices.

Funds can come directly from the family enterprise, from the dividends paid out to the family or from other financial resources of family members. The manner in which philanthropy is financed has an influence on the way philanthropic activities are implemented and governed. When the funding source is from a family member then family driven values will apply. When funding comes from the family business then business related values and motives will be prevalent (Feliu & Botero, 2016).

Endowments and management of assets

Gastrow & Bloch (2016: 18) in their study of 21 foundations in South Africa found that two thirds were endowed with a capital base and in some cases further amounts had been invested. Seven of these foundations who had living donors did not have their funds endowed and made annual contributions which was then spent during the year and then replenished the next year.

Gastrow & Bloch (2016: 19) expressed concern that during tough economic times this method may be unsustainable and would put a question mark on the long-term survival of the foundation. Of the 15 foundations that were endowed, only one had a 'spend down policy' with a 25-30-year term. Overall, the mandates of the endowed foundations were to protect, preserve and grow the assets of the trust. Gastrow & Bloch (2016: 20) state that endowments in South Africa are mainly managed by asset management companies that receive mandates from the foundation boards. Sixty percent of foundations have their funds managed separately by different asset managers. Foundations with larger endowments are usually overseen by a finance subcommittee of the foundation's board who would typically meet with the asset managers on a monthly basis. It was found that most of the investment mandates were discretionary with a risk profile that was balanced. The asset classes were generally invested in local and global shares, cash, listed property, hedge funds and global bonds.

Investments that are aligned with the mission of the foundation have recently become a contentious topic of discussion (Gastrow & Bloch, 2016). The majority of the foundations have not taken any action to position their investments in a way that aligns with the social objectives of the foundation. They interviewed one foundation that was in the process of drafting an investment strategy that aligned with the mission of their foundation. This particular foundation opted not to disinvest but rather to engage a particular company regarding its business practices through a representative. Foundations responded that it would not be easy to disinvest from specific assets as it would disadvantage them from receiving high dividends. They felt that more research was required in this particular field before any action is taken. Some foundations however did exclude certain asset classes such as tobacco, arms, alcohol and gambling. In the U.S. foundations were much more proactive in this regard. Most of the endowed foundations surveyed were established with a once off lump sum of capital.

Overall, foundations did not exceed the allocated amount for grant making and operational expenses. Endowment size differed, with some foundations with endowments of over R3 billion. Size of annual giving in 2015 varied between R300 000 and R125 million. Approximately 20 percent of foundations reported giving of between R11 million and R20 million, 20 percent between R21 million and R50 million, 27 percent above R51 million (Gastrow & Bloch, 2016: 19,30).

Of the 517 family foundations surveyed by the National Center for Family Philanthropy in the U.S., 74 percent have under US$10 million in total assets, five percent have between US$50 million and US$199.9 million. Two percent have US$200 million or more. Forty nine percent reported total giving in the past year of between US$100 000 to US$499 900, 20 percent between US$500 000 to US$999 900, 20 percent between US$1 million to US$4.9 million, while six percent gave US$5 million or more (Born, 2019: 15, 35).

Governance - Board organisation

Gastrow & Bloch (2016: 11) found that the size of the board differed, with an average number of board members being six. Price & Buhl (2009: 8) also found that on average there were six board members on each foundation. Approximately 94 percent of all board members attended their foundation's last board meeting. Board meetings were typically held twice a year. Eighty four percent of foundations did not limit the number of terms a board member could serve. Most foundations did not have a document that detailed the individual board responsibilities. Eighty seven percent of foundations indicated that they had clear written agendas for board meetings with 92 percent reporting good participation of board members in discussions. There were productive outcomes from board meetings for 95 percent of family foundations.

Board selection and roles of board members

In choosing trustees, family members were frequently selected. The real intention of the donor may have been to serve a family purpose or to maintain links between the company and the foundation. Another logical reason may have been to rather select people who are familiar and are friendly with the donor in dealing with what Nielsen (1985: 20) describes as a "quite intimidating, set of problems". The results of this were sometimes catastrophic. Many large foundations in the U.S. were "…..distracted, even paralyzed, for years because of family quarrels, litigation, and disputes among trustees: the Irvine Foundation was a long spectacle of such difficulties; the Keck Foundation has floundered for a considerable period in a similar stew, spiced by charges that some of the trustees were milking the assets; the MacArthur Foundation was still, six years after the donors death almost immobilized by battles among the donor's son…The Edna McConnell Clark Foundation was racked for several years by differences among the donors children" (Nielsen, 1985: 20).

Gastrow & Bloch (2016) found that the selection of board members was done in various ways. Either;

- Board members were the family, a CEO and a lawyer.
- All trustees are people that knew the founder.
- Board members have to be family.
- Board members are family, a lawyer and an accountant.
- No specific selection processes.
- Board members were specified as people holding certain academic roles such as the Vice Chancellor of a particular university.

Price & Buhl (2009: 10) found that 60 percent of family foundations had a clear process for trustee selection. Eighty percent of foundations do not pay trustees, although they were reimbursed for expenses incurred. Ninety two percent were found to have taken their responsibilities seriously.

Board diversification and effectiveness

During the course of their business careers, donors accumulate extensive experience in setting up new organisations. They amass a great deal of wisdom on structuring governing boards and include individuals with the relevant experience. They also understand the importance of employing qualified, specialised and motivated employees. It appears quite odd then that when it came to their foundations, they were imprudent when it came to board structure. They sought advice from their lawyers and accountants (Nielsen, 1985).

Gastrow & Bloch (2016: 13) found that 30 percent of the foundations interviewed were not concerned about any issues of diversity. This was because the foundations were private entities that were linked to their families. Furthermore, they asserted that the older foundations became, with more non-family members becoming involved, the trustees would at some point need to consider issues such as diversity of the board. Racial and gender diversity as well as skills are matters that need to be taken into consideration. Lungeanu & Ward (2012) suggest that because the family foundation is often an extension of the family business, the same aspects that inhibit diversification in family firms relate to family foundations. They also found that those boards with less family involvement and domination on the board, were more diversified in grant making. The Center for Effective Philanthropy (CEP, 2004: 9) found that the presence of family members on the board lowered Chief Executive Officers (CEO) perceptions of board effectiveness. One CEO respondent stated that: “Each board member brings personal eccentricities and family baggage to the foundation table. I work hard to keep them focussed

on the philanthropic agenda and foundation business…." Data from the study revealed that there were differences between boards with involvement of family members and those foundations without any family involvement. CEO's of foundations with members of the donor family on board found their foundation boards to be less engaged, have their own personal agendas and did not make an impact on foundation effectiveness. They also had less expertise. Boards rated by CEO's as highly effective reflected the following six activities:

- Assessed the overall performance of the foundation.
- Assessed the social impact of the foundation.
- Contributed to subject-specific expertise.
- Developed a strategy for the foundation.
- Evaluated the CEO.
- Represented the foundation to the public.

Some of the comments from the 129 CEO's that participated in the study of what constitutes a more effective board were: "A clearer strategic sense of the foundations directions;" "A willingness to meet outside the boardroom for non-agenda discussions and review of larger aspects of the foundations mission" and " More time invested in policy change and strategy development." Corporate governance reforms and greater public scrutiny of the practices of foundations have elicited discussions at board level for three-quarters of the foundations surveyed. These changes include applying new policies and changing board structures (CEP, 2004: 13).

2.2.2 Family dynamics

The family dynamics that are discussed in this section is in relation to communication, relationships, decision-making and leadership and control.

Communication, relationships and decision-making

Remmer (2005) writes that some family philanthropies put a great deal of effort into maintaining a culture of communication and interaction that is both informal and personal. In some instances, decisions are made around the kitchen table and are communicated to beneficiaries personally. Other family foundations will follow independent foundations where more professionalised and formal codes of communication and operations exist.

Price & Buhl (2009: 11) found that 87 percent of the 200 family foundations surveyed felt that family members worked well together. Seventy four percent felt a level of comfort with the ability to deal with conflict while 57 percent agreed that the family often discussed family culture. Seventy three percent said that family members could confront conflict as and when it arose. Price & Buhl (2009) states that it is imperative that dissension does not impede effective functioning of a family foundation and that these are dealt with as and when they occur. Price & Buhl (2009) also write that there is a general perception that family foundations are often in conflict, however, this was not evident from the survey responses. Fawcett (2015) states that rivalry among siblings is built into sibling relationships from a young age and often continues into adulthood. Siblings are sometimes sensitive to treatment that is not equal and at times this leads to conflict around the board table. Conflict is a natural part of the human dynamic. Often disagreements are not caused by bad people but rather is a result of people with good intentions attempting to accomplish shared goals.

A study of ten family foundations by the Center on Philanthropy at Indiana University (COP, 2011) found that the level of involvement, frequency and nature of formal communication between family members on the board and staff of the foundation varied. Family board members in most family foundations have good relationships with the executive director as well as staff members. In most of the family foundations it was the staff (non-family members) that had the knowledge and expertise on the beneficiaries and potential beneficiaries. In terms of communication with the board, one foundation sent out electronic mails (e-mail) on a weekly basis. Conference calls were also held. The Rasmuson Foundation used e-mail and also had a board member portal on their website which they used to communicate with each other. The CEO was also in regular contact with board (family) members. The Executive Director of the McKnight Foundation sent several written updates on the foundations work in between board meetings, relating to the grants and new developments. For most of these foundations where there were family and non-family members involved, it was up to the executive director and staff to ensure that there was a constant flow of information between the board (family) members and staff. In all family foundations surveyed there were clear methods of communication for decision-making between board meetings (COP, 2011).

Most of the foundations surveyed found that through their work they were bonded together in a way that only family foundations can bond. Most of these foundations were third and fourth generation and they would not necessarily have maintained the contact with each other had it

not been for the foundation. The Surdna Foundation, for example, brought the younger generation together by having large family gatherings and introducing them to the foundation's work and legacy (COP, 2011).

Key findings from a study by Etheridge (2012) found that there is a sense of satisfaction between the family office managing the family foundation and the family members. Most of the survey respondents reported that there was a high degree of cooperation and involvement. Family office staff reported that they spent more time than family members on communication. There were also some challenges that came to light. In some interviews there was noted tension that existed between family foundations and the family office. This did not come as a surprise as the one entity serves to preserve capital and make money and the goal of the other entity was to give money away. Some respondents related instances where family offices made very bad decisions which had negative consequences for the foundation (Etheridge, 2012).

Leadership and control

Remmer (2005), based on her experience on family foundations, states that a participative leadership style is more successful. She states that it can be a life changing and positive experience for family members to take on a leadership role in their philanthropy. She explains that family philanthropy can be challenging. Not only is the leader responsible for grant making, they also have to traverse through family dynamics and family politics where there is sometimes dissention. As a leader and family member they may feel that they are assigned with the role of family negotiator rather than experiencing any personal growth within the philanthropy space.

Remmer (2005) believes that there are two types of family philanthropies. The matriarch or patriarch who calls family members into philanthropy by invitation but continues to retain all control. This autocrat will ask family members to participate but will dominate by setting out rules on what is funded, how it operates and makes all decisions. The other type of family philanthropy is more inclusive and operates as a collective democracy. Remmer (2005) also asserts that when the central objective of family philanthropy is to strengthen family bonds then the decision-making process tends to be collective. In these instances, grant making will then generally also take place through family unanimity.

A survey report called Leading by Intent by BoardSource (2018: 7) on 141 foundation leaders (111 Chief Executives and 30 board chairs) found that respondents agreed that boards were performing at "B grade level." This meant that they are not fully utilising their potential to improve foundation performance. They agreed that the most important areas of improvement should involve outreach and ambassadorship, strategic planning and commitment and engagement. Seventy six percent of Chief Executives who reported that the board had a positive impact on foundation performance also reported that the board provided adequate guidance and support to them as the Chief Executive. There were varying responses to survey questions about the management of the foundation board and their ability to act as a leadership body. Foundation board chairs rated boards higher than Chief Executives did. It is evident that board chairs and Chief Executives perceive the board management's ability to act as a leadership body differently. Variances on survey questions on the boards ability to act as a leadership body were extremely high. Survey questions included board members learning and growth about the foundation, shared decision-making, shared accountability and responsibility. Across the sample, the survey found that regular board self-assessment had a direct correlation with stronger board performance and that there were very few foundation boards that actually conducted these assessments (BoardSource, 2018).

2.2.3 Grant management processes

Grant making foundations are established through the transfer of property from a donor to an independent organisation. The obligation is to utilise the property and proceeds of the property for a specific purpose for a determined or undetermined term (Anheier & Toepler, 1999). In most cases foundations are established in a manner where it is endowed to such an extent that it can operate in perpetuity (Prewitt, 2006a). Foundations have the capacity to utilise funds according to various social issues and respond to social challenges in order to bring about solutions. In the early and present day of foundation giving, there was and is more than one motive for this altruism. For example, in the eleventh century leper hospitals was a social cause that was most favoured. Essentially the foundations would care for the sick but at the same time distance a public health threat. At the core of what almost all foundations outline as their mission is the intention to make the world a better place, decrease poverty, war, sickness, violence, illiteracy and hunger, increase freedom, art, opportunity, education, safety and health (Prewitt, 2006b).

There are various factors that are taken into account during the grant making process. These are:

Legacy of the donor

Gastrow & Bloch (2016: 9) interviewed representatives of 21 foundations in South Africa and found that the rationale behind the establishment of foundations was mostly to leave behind a legacy. Each founder had their own particular interests. Some of the rationale of the founders included:

- Family values and a legacy for their children.
- The desire to play a role in society.
- Helping South Africans reach their fullest potential.
- The need to contribute towards change in an inequitable South African society.
- Social justice.
- The belief that life is not only to tend to the needs of one's family.
- The need to honour where they came from and to pursue the philanthropic tradition of the family.
- Recognition that the founder had the advantage of a good education and therefore was fortunate to have certain opportunities. The founder wanted other children to be exposed to the same opportunities.
- Support for technology.
- Support for social impact organisations.
- Health and education.
- Love for the environment and wildlife.

Gastrow & Bloch's (2016) research also revealed that all foundations interviewed took into account the founders' passions and interests to determine the main focus area of the foundation. They found that there was an enduring legacy component and there was a strong desire to honour the legacy of the founder.

Price & Buhl (2009: 5,19) in their study surveyed over 200 family foundations in the U.S. with assets of between US$5 million and US$250 million. Respondents were asked how often the values and intentions of the founding donor were discussed. Sixty seven percent discussed this annually. Just over half of the respondents had a written statement detailing the founding donors' intentions for the family foundation. The majority of the respondents stated that the founding donors' values and intentions were very important in guiding the family foundation's decision-making.

Lungeanu & Ward (2012) found that as the family and family foundation evolve through time different members of each generation are invited to become trustees or board members. While

the family foundation is expected to continue to preserve the goals and legacy of the founding donor, the inclusion of new family generations involves new ideas and objectives which are often accepted by the foundation. They contend that highlighting the mechanisms that provide guidance to grant making in family foundations requires an awareness that grant making is closely linked to the legacy of the family and is adapted to the values and ideals of each generation that becomes involved. Healey (1990) argues that while fresh ideas from new family members receive due consideration, the first-generation founders remain significantly influential and are seldom challenged within the family foundation. This sometimes leads to conflict within the family foundation (Lungeanu & Ward, 2012). Gerloff (2003) emphasises that founders that create programmatic goals that are too specific take a huge risk in that at some point it may become irrelevant and the next generation may not find the issue relevant enough to champion. The advantages of specific programme goals are obviously that there is greater focus, however by being less specific it provides the next generation with an opportunity to collaborate and reinvent.

Grant making across generations

According to Gersick et al. (2004) grant making in family foundations is not only reliant on the values, objectives and legacy of the founder but is also influenced by the interests of each generation. In family foundations, family members influence the foundation through the various positions held, such as trustee, director or board member (Angus, 2004).

Lungeanu & Ward (2012) explain that research has shown that family foundations develop in stages. Each stage reflects the different generation that is involved in the operation of the family foundation. They offered a classification of family foundations depending on the family generation that governs the foundation for a certain period of time: (a) generation 1 (founder with spouse), (b) generation 1/generation 2 (founder with spouse and/or children), (c) generation 2 (siblings), and (d) generation 3 (cousins). According to Gersick et al. (2004) the family generation that is in control affects the manner in which family giving is managed and achieves its objectives. Lungeanu & Ward (2012) contend that through growth of the family, new generations with their own different ideals join as trustees or directors. It was found that younger family foundations as well as foundations with a lower number of outsiders on the board were more focussed in their grant making. Family foundations in later generational stages and family foundations with less family involvement on the board were more diversified, with larger donations in value and number and different causes, in their grant making.

Gerloff (2003) states that family foundations that have long term development of the next generation end up in much better positions than those where there has been no long-term development. The next generation should be given time to become better acquainted with the foundation. The next step would be to become participants and thereafter they eventually should become actively involved. He also notes that success of the next generations continuity is a decision very early on in the concept and design of the family foundation. If a founder with three children chooses to only include the eldest child on the board, this will create a very different long-term dynamic and outcome than if the founder chose to include all three children from the start.

The involvement of the new generation allows for a focus on new social causes to support. The family foundation has to then move to professionalise itself by applying better grant making processes and ideas as well as greater administrative effectiveness. Because administrative processes become more complex, it requires greater professionalisation of the foundation and this is done through the inclusion of outsiders to the board. Non-family board members also bring with them new ideas which is then integrated into the foundation (Lungeanu & Ward 2012).

These formalised rules, processes and administrative structures are designed in such a way that it can mediate any conflict that arises from the ideas and values of the new generation and those of the founding generation (Gersick, Lansberg & Davis, 1990). The formalised structure rationalises grant making in such a manner that social causes put forward by the newer generation are assessed and decided upon.

Gastrow & Bloch (2016) asked foundation respondents whether donor practices differed from the previous generation. It found that grant making changed over the years and evolved into a more structured and organised manner. Planning and intent also improved. In some cases, foundations stated that their mission statements for generation two was more diverse than for generation one, systems and processes were more formalised and grant making more specific. Some foundations were more proactive whereas in the previous generation they used to wait for proposals. More money was awarded and partnerships were created, there was more risk, and innovation and failures were seen as learning curves. Finally, while certain practices may have changed, the intention remained the same (Gastrow & Bloch, 2016).

Grant making by non-family members

Often families rely on the same professionals who establish the family foundation to conduct the grant making activities. In some cases, these professionals do not necessarily have the knowledge of the social needs of the community to administer the grant making processes Davis III (2004).

Lossberg (1990) explains that with the growth of family foundations, many family members appoint non-family administrators (NFA) to manage their foundations. This brings about two totally different dynamics, the corporate and non-profit dynamic. Family members tend to administer the foundation themselves during the early years of the family foundation. Usually when the second generation becomes involved, the assets of the foundation has grown to such an extent that further administrative support is required to respond to the various funding requests and the grant making process. At first this may be handled by a family member (usually female) of the second generation who is wealthy enough to volunteer her time. As time passes and the workload increases, other family members are often reluctant to assist. The first generation may be too old and the third generation are not financially secure enough to work without being remunerated. It is at this point that the decision must be made whether to pay a family member to do the work or whether a professional administrator should be hired (Lossberg, 1990).

NFA's can bring a different level of professional management to the family foundation. Through the formalisation and clarification of the grant making processes and policies of the foundation it frees the time of board members to address and manage other matters of the foundation. NFA's take over the time-consuming tasks of reviewing and evaluating applications, collating relevant information on applicants and preparing reports for board members so that informed decisions can be made by the board. NFA's often educate the board about new potential beneficiary organisations. NFA's are often very active in the grant making process and even though they do not have authority to make decisions, they still feel empowered during the grant making process. They understand that they had a significant indirect role in the decisions taken on the foundation awards. In this way, although they do not possess the money that foundation family members hold, they still feel like grant makers and enjoy the rewards of watching the communities that the foundation serves, benefit. NFA's make serving on the board appear more appealing for those considering the role. NFA's also bring fresh ideas to the foundation from a different perspective. This could broaden the views

of board members who may have had a more traditional way of thinking. Their viewpoints come with objectivity and may not be aligned with any particular family line. While NFA's may bring about positive changes to the foundation, some family members may still hold a sense of "ownership and birth right." They feel threatened and perceive the changes as an 'intrusion to their territory' (Lossberg, 1990: 377).

Areas of focus

Gastrow & Bloch (2016) found that the majority of the South African family foundations had a grant making strategy. These strategies were mainly idiosyncratic and included:

- Support for the same organisations that the founder had supported from the foundation during his lifetime.
- Guidance was sought from the founding document and decisions were based on the needs of society.
- A new vision and mission were formulated as the next generation of family members took over.
- Smaller foundations that were managed by a single family member were more opportunistic than strategic and behaved in a more reactive manner.
- South African foundations are aligning themselves with international trends where engagement within a specific sector takes place.

In most instances, areas of focus were set out in the founding document. In cases where the founding document was vague, the board made decisions about the focus areas. All foundations' focus areas in the study were relevant to the current South African context. Respondents interviewed had many different areas of focus which included:

- Education
- Early Childhood Development
- Animal Welfare
- Welfare & Humanitarian
- Arts and Culture
- Healthcare
- Social Justice
- Leadership development
- Entrepreneurship
- Environment and conservation (Gastrow & Bloch, 2016).

A survey of family foundations in the U.S. found that most family foundations have a specific focus for their giving. Two of three foundations focus on a geographic location, more than half focus on specific social issues while one in three incorporated both geographic location and a specific social issue/s. This approach may indicate the inclination of the donor to give back to the community where he/she grew up or the location where the family business operates. The

most frequently supported areas by foundations that give to social issues were on education and training (45 percent of family foundations) and poverty alleviation (40 percent of family foundations). Other focus areas were health (19 percent of family foundations), children and youth (15 percent of family foundations), religiously affiliated programmes (14 percent of family foundations), arts and culture (13 percent of family foundations) and the environment (11 percent of family foundations) (Boris, De Vita & Gaddy, 2015: 3-4).

Gastrow & Bloch (2016: 30) found that the size of the annual grant making spend of the 21 foundations interviewed in 2015 ranged from between R300 000 to R125 million. Collective grant making spend of the foundations were R763.8 million in 2015. Most of the foundations identified potential beneficiaries through their own research that aligned with the foundation objectives. Only a few foundations accepted unsolicited applications. Comments from foundations included:

- Networking is important.
- Proposals are not encouraged.
- Trustees mainly provide ideas and the CEO may take the initiative to look for interesting projects to support.
- We have long standing relationships with universities and actively engage with them.
- We co-create and co-design with our beneficiaries (Gastrow & Bloch, 2016).

2.2.4 Future Strategies and initiatives

From the literature, strategies to improve governance and management processes of family foundations are evident.

Financial management strategies

The Council on Foundations (COF, 2010: 1) recommends that stewards of foundation investments should act in the most 'prudent' manner to ensure that the foundation resources are preserved for the intended purposes. Stewards need to implement sufficient due diligence over the investment management practices. The Statement of Ethical Principles for all COF members includes a declaration for stewardship of financial resources that reads as follows:

"Stewardship: Our members manage their resources to maximize philanthropic purposes, not private gain, and actively avoid excessive compensation and unreasonable or unnecessary expenses" (COF, 2010: 2).

Some of the best practices in foundation investment management include:

- An investment policy statement has been adopted by the foundation. This statement contains a clear description of the role and responsibilities of the investment committee, staff, board and any other service providers to the foundation. The investment policy statement also includes the investment objectives as well as the strategy to achieve these objectives. The potential risks associated with the investment strategy, liquidity requirements, asset allocation, asset classes and diversification of investments are also detailed. The investment policy statement should be reviewed annually to ensure that the statement remains up to date and to update if required.
- An investment subcommittee has been established that has the necessary expertise and knowledge to provide investment oversight. It is up to the board to decide if a subcommittee is necessary. If they decide against this then it is important that the board is able to perform this oversight function.
- The investment subcommittee or board ensures that regular reporting is provided to the board.
- Processes have been adopted for the selection, monitoring, evaluating and terminating the investment management service provider (COF, 2010).

Achieving excellence in governance

Factors that contribute to investment success of endowments and foundations include good governance, a well thought out investment approach and structured processes. Achieving excellence in board governance requires capable leadership, an awareness of fiduciary duties and responsibilities, a cohesive unit of board members and a solid organisation structure. Foundations would benefit by following these important strategies. Integral to successful boards is the recruitment of board members. A strong vetting system should exist and the recruitment process should involve all existing board members. Potential board members should be briefed and oriented on the role and responsibilities that come with board membership. The board member should be provided with annual reports, budgets, a calendar of events, foundation history, investment policy statement, founding documents as well as long- and short-term plans (Griswold & Jarvis, n.d.).

The financial governance of a foundation constitutes various matters including legal, tax, regulatory and investment related issues. Although these issues may not appear to relate directly to the charitable purpose for which the foundation was established, it represents an

important component to support the mission of the foundation just as grant making and programme management does (Griswold & Jarvis, n.d.).

The King IV Code on Corporate Governance sets out the philosophy, practices, principles and outcomes which serve as a benchmark for corporate governance in South Africa. King IV defines corporate governance as the exercise of ethical and effective leadership by the governing body so that the following outcomes are achieved:

- Ethical culture
- Good performance
- Effective control
- Legitimacy

While all principles in the King IV Code are interlinked, principle nine relates best to this research study. It states: "The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness" (King Committee, 2016: 40).

Strategies for good family dynamics

Strategies on communication, relationships and decision-making as well leadership and control will now be discussed.

Communication, relationships and decision-making strategies

The Center on Philanthropy at Indiana University (COP, 2011) provides recommendations based on respondents' points concerning various challenges faced. On communication these include:

- Foundation boards should provide clear direction to staff and be open to new ideas from them.
- Communicate clearly utilising the latest technologies available. From the survey conducted some foundations used webcams as a tool for communication for members who are located in different countries or continents. Others used e-mail, conference calls, newsletters, board portals etc.
- Leveraging family bonds and relationships by keeping in touch with family members is also important. Strengthened family bonds in itself keeps open, effective and clear communications.

On relationship building, these include:

- Create active roles for members so that involvement takes place on a deeper level. Encourage board members to "bring something to the table" and contribute utilising individual skills and expertise to the foundation.
- Give members a chance to lead meetings, add to the agenda, discuss accomplishments of beneficiaries etc.
- It was reported that involving family members with site visits also encouraged greater involvement and relationship building.
- An active role should be taken to enhance the relationship between staff and board (family) members. This can be done by organising retreats as an opportunity for bonding. Foundations reported high levels of leadership cohesiveness and open lines of communication when there were opportunities created for the purposes of regular periodic contact (COP, 2011: 72).

Angus & Brown (2007) also provide various strategies for successful family philanthropy as it relates to relationships and decision-making. These include:

- Learn more about your family's dynamics. Document the history, work and heritage of the family. Some foundations conduct a series of focussed meetings with a facilitator to establish common vision, mission and values.
- Encourage family members to discuss a family governance system from inception rather than creating it in the midst of family conflict and tension. Agree beforehand the frequency of meetings. By creating a family governance system there may be fewer opportunities for conflict as there are clear rules and guidelines in place.
- Develop decision-making processes that work for the family. Without formal decision-making guidelines there is room for internal family dynamics to emerge. Families can consider utilising various decision-making models including rules for decision-making depending on the type of decision.

Shulman (2003) states that the process in which a decision is made can affect the decision itself. Scheduling a meeting with the board to discuss decision-making is recommended. It is advisable to use examples of challenging past decisions of the foundation to examine how to improve the board's decision-making process. Highlighting examples of effective decisions taken in the past may also be useful in understanding what worked well. It is also important to

decide the level of involvement of each member in the decision-making process. Developing a sound decision-making process will result in effective use of time, better decisions taken and greater board commitment.

Leadership and control

BoardSource (2018) found that boards should be value-add leadership bodies. When boards perform at their best, they can add significant value to the foundation. The three most important areas that the board should address to improve performance is outreach and ambassadorship, strategic planning and commitment and engagement. In addition, board leadership characteristics include providing adequate guidance and support to the Chief Executive. The boards leadership role relies heavily on constructive partnership with the Chief Executive. Boards that are effectively guiding and supporting the Chief Executive are signalling that they are committed to the foundation and its work and remain invested in the leadership and success of the Chief Executive. BoardSource (2018) also explains that the culture of a particular board can make or break a boards' leadership. A negative or dysfunctional culture can affect all areas of the board's work and boards should find ways to promote a healthy culture.

Grant making strategies

Davis III (2004: 5-8) provides a seven-step model as an approach to building a family philanthropic legacy:

1. Identify the charitable values and philanthropic motivation. Over time programme priorities change as well as family members. The legacy of values is what will hold the family philanthropic vision together. It is important to understand what inspires and motivates family members. This will serve as a guide from one generation to the next.
2. Communicate the values and philanthropic intent to family members.
3. Clarify philanthropic vision and goals.
4. Define the areas of focus.
5. Choose advisors and structures for administration of the foundation.
6. Establish decision-making processes for the philanthropic process.
7. Celebrate the family's philanthropic efforts, update processes and provide succession plans for the philanthropic legacy.

Davis III (2004) further explains that when leaders were asked to identify key elements of successful grant making, common themes transpired:

- Use giving to reflect the highest values, greatest interests and deepest passions.
- Ensure that there are clear focus areas.
- Develop a network outside of the family to enhance education and giving. A collective approach can resolve problems.
- Be flexible, look for opportunities where funding can make an impact.
- Take risks, this approach can be a source for innovation and experimentation.
- Be results oriented, envision what successes you would like to accomplish.
- Work with grantees as partners.

Medinger & Logan (2015) outline various building blocks in a grant making strategy. These are:

- A shared understanding of the donor intent and legacy. Donor intent in a family foundation becomes a form of stability for the family members. This is because it is passed from generation to generation and is what keeps each member connected. Donor intent forms the central focus and purpose of the foundation.
- An awareness of the talents and resources of the foundation.
- A common education base on community needs and conditions.

While donor intent and talents and resources of the foundation are internal building blocks, community needs are external. Both internal and external building blocks are important for strategic grant making. While it is crucial to understand foundation legacy and board perspectives, a good grant making strategy requires research into relevant data, trends and shifts in the external landscape. Input from other leaders in the field is also beneficial. Talking to experts in the field, understanding community needs and presenting it to the board allows for informed decision-making when selecting a strategic grant making focus (Medinger & Logan 2015).

2.3 THEORETICAL FRAMEWORK

In this study, stewardship theory is used as a theoretical framework to guide the study.

Stewardship theory examines situations in which executives take the role as stewards and are motivated to act in the best interests of their principals (Donaldson & Davis, 1991). Stewardship theory theorises that a person becomes a steward who has pro organisation and

collectivistic behaviours rather than self-serving individualistic behaviours. If the steward is given a choice, he/she will select pro organisation and cooperative behaviours over self-serving behaviours, in the interests of the organisation. Even if a situation arises where the steward and the principal interests are not aligned, the steward places higher value on cooperation than defection. Stewardship theory postulates that the steward's behaviours are collective because the steward aims to achieve the objectives of the organisation. This behaviour will in turn benefit principals because their own objectives are also furthered by the steward. Stewardship theory theorises a "strong relationship between the success of the organisation and the principal's satisfaction". A steward will protect and maximise the shareholders wealth through organisation performance. A steward who is able to improve organisation performance will then satisfy most groups as these groups are satisfied through an increase in organisation wealth. This does not imply that stewards themselves do not have their own needs. The steward also requires an income to survive. Stewards realise that working towards organisation, collective goals will result in achievement of his/her personal needs. Theorists contend that a steward's performance is influenced by the structural situation that the steward is located in (Davis, Schoorman & Donaldson, 1997: 25).

Donaldson & Davis (1991) assert that when stewards are CEO's of organisations, their pro organisational actions are further enhanced when governance structures give them the necessary authority and discretion. In this way stewards maximise their utility as they attain organisation rather than individual goals. Structurally this is attained more easily if the CEO also acts as the chair of the board. Donaldson & Davis (1991) contend that as the CEO-chair of the organisation he/she now has the power to determine strategy without the consternation of being reprimanded by the board. Stewardship theorists are concerned with structures that facilitate and empower rather than monitor and control.

Considering the advantages of stewards to principals, why would a steward relationship not always exist? The answer to this question is that principals are not always willing to take the risk on the steward. Owners and executives must outline the risk they are willing to take in governance contracts. Owners that are risk averse will most likely perceive executives to be self-serving and may prefer other governance prescriptions (Davis, Schoorman & Donaldson, 1997).

Miller, Le Breton-Miller & Scholnick (2008) in their study on family and non-family businesses found that the stewardship perspective views family businesses as a beneficial organisational form that is propitious to corporate longevity and positive relations with stakeholders. These positive outcomes are products of stewardship, which is born out of the desire of the family to keep the business healthy over the long term and to treat stakeholders in a manner that takes this into account. The study also found that the structure of a family business is in many ways a vibrant one. Family businesses care about community, connection and continuity. More specifically, family businesses cared about fostering talent of employees, and growing and sustaining relationships. This form of stewardship makes them excellent contributors to the technology and economic wealth of their communities as well as favourable places to be employed at. Negative perceptions of family businesses do not seem to last and recent research indicates that family businesses with this stewardship perspective outperforms and survives other companies. Following from this, the authors are of the view that more attention should be paid to these positive aspects of family businesses (Miller, Le Breton-Miller & Scholnick 2008).

A study by Eddleston & Kellermanns (2007) found that with the stewardship perspective, altruism can diminish the occurrence of conflict and contribute to a participatory strategy process in family firms. This may explain why some family companies are able to work together successfully. Altruism is associated with emotional bonds, a sense of loyalty and responsibility that decreases the chances of relationship conflict and keeps family members more focussed on the wellbeing of the business.

2.4 SUMMARY

This chapter presented a review of the literature linked to the research topic by consulting journal articles, books, theses, reports and various websites. The stewardship theory was also discussed. This literature review shows that while much has been written in the U.S. on governance and management processes of family foundations, there is little research on this topic that has been conducted in South Africa. It is for this reason that I chose to do an exploratory study on the governance and management processes of family foundations in South Africa. The research study aims to increase the knowledge and understanding of this topic. Chapter Three which follows provides an overview of the research methodology and design that was used for this study.

CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY

3.1 INTRODUCTION

This chapter describes the research design and methodology that was used in this study. The chapter outlines the research design, population and sample, data collection approach and instrument, data recording, data analysis, data verification and study limitations. The chapter ends with a summary.

3.2 RESEARCH DESIGN

According to Babbie & Mouton (2001) research design involves the planning of an enquiry into something and clarifying exactly what needs to be discovered and the best approach to do so. For this study, an exploratory, mixed method approach was used. This is an appropriate research design and it enabled me to develop an increased understanding of the governance and management processes of family foundations. Exploratory research provides information that will help identify issues within the field of study. Exploratory research leads to better understanding and insight into a topic rather than generalisable data (Babbie & Mouton, 2001). According to Creswell (2014) a mixed method approach involves the combination and integration of both quantitative and qualitative data in order to draw assumptions and themes. While there are various mixed method designs, for this study I used the convergent parallel mixed method approach. According to Creswell (2014) this method allows for an in-depth analysis of the research problem as both the qualitative and the quantitative data are used together or converged. The qualitative data and quantitative data were collected concurrently.

This design aligns with the aims of this research study which is to gain insight and a better understanding of the governance and management processes of family foundations in South Africa. Through the development of these insights I could better identify and recommend strategies to improve the governance and management processes in family foundations.

3.3 POPULATION AND SAMPLING

As it is extremely difficult to study an entire population for a particular study, it is therefore necessary to select a sample for data collection and analysis (Babbie & Mouton, 2001). According to De Vos et al. (2011) even if it were possible to study an entire population there would certainly be large costs involved and it would take a considerable amount of time.

3.3.1 Sample Approach

Non-probability purposive sampling was selected as the technique for this study. Non-probability purposive sampling was chosen as I used information about the population that was known to me before the sampling process began. The objective of purposive sampling is to sample respondents in a strategic manner so that the sample selected is relevant to the research questions posed (Bryman, 2012). According to Singleton et al. (1988: 153) this type of sample is based on expert judgement by the researcher to select "units that are representative or typical of the population".

In this study the sample comprised characteristics that contained the most typical attributes of the population. I selected family foundations who have offices in South Africa. The family foundations selected needed to have a founding donor/s, alive or deceased with one or more family members currently involved in the foundation. Given the nature and scope of this study I conducted interviews with seven family members and eight non-family members who are either directly or indirectly involved in the ten family foundations selected to participate. The foundation family members selected were required to be a relative of the founding donor of the foundation. The non-family members were required to occupy roles such as Chief Executive Officer (CEO), Chief Operating Officer (COO), director, general manager, trustee or board member. The study sample was selected this way in order to obtain a mix of different and interesting responses.

3.4 DATA COLLECTION APPROACH AND INSTRUMENT

I conducted individual face-to-face interviews to collect the qualitative data for this study. This enabled me to gain much information and depth and added to the quality and findings of the research study. According to Babbie & Mouton (2001) this is the most frequently used method to collect data when conducting qualitative research. Using an interview schedule (Annexure 2) with predetermined questions, I chose to be guided by the interview schedule rather than rigorously follow it. The questions in the interview schedule were open ended and allowed the respondents to share their views and experiences in their own words. Some of the respondents interviewed were based in different provinces and in these instances the interviews were conducted using WhatsApp Calling utilising the video mode. WhatsApp Calling uses a voice over internet protocol (VOIP) technology rather than the cellular phone service to make calls. I wanted to conduct the interviews using video calling so that it would still create an impression

as though we both are sitting in the same room across from each other. Visually we could see and hear each other clearly. The respondents and I used our smartphones where the WhatsApp application had already been installed. Raento, Oulasvirta & Eagle (2009: 426) suggest that smartphones can be powerful tools to use in interviewing because people tend to carry their smartphones with them all the time, wherever they are located. Also, smartphones allow for "unobtrusive and cost-effective access to otherwise inaccessible sources of data". Smartphones include features such as data connectivity at a fast speed, a camera and colour screen.

Sullivan (2012) explains that because videoconferencing is available almost all over the world, the sampling pool increases with the use of the technology. Communication can take place with individuals in different locations, in real time with visual contact as long as the person has access to a programme such as Skype.

For the quantitative study, questionnaires (Annexure 3) were e-mailed to the respondents before the interview was scheduled. This method was chosen to enable the respondents to complete the questionnaire at their own leisure, before having the interview. Not all respondents did so though and some of them completed the questionnaire either during the interview or afterwards. Data collection started on the 21st August 2019, with the final interview conducted on the 08th November 2019.

3.5 DATA RECORDING

The interviews were audio recorded using a digital recorder. This enabled me to capture exactly what was being conveyed by the participants during the interviews. I was also able to refer to the recordings to cross check and corroborate data. The recording device allowed me to focus on the interview itself and create rapport with the participants.

3.6 DATA ANALYSIS

According to De Vos et al. (2005: 333) data analysis is: "the process of bringing order, structure and meaning to the mass of collected data. It is a messy, ambiguous time-consuming, creative and fascinating process." In this study, the purpose of data analysis was to reduce the data in a manner where the data could be interpreted so that the research questions could be answered, and relevant conclusions drawn.

3.6.1 QUANTITATIVE DATA ANALYSIS

Quantitative data in research can be "analysed manually or by computer." There are many software programmes available for data analysis especially for those that may not be mathematically inclined. Data can also be computed using Microsoft Excel which is a spreadsheet programme (De Vos et al., 2005: 218). For the quantitative data analysis, I used Microsoft Excel and entered the data into a spreadsheet. Various charts such as bar graphs, histograms and pie charts were used to present the data. The data was then analysed and interpreted using these graphical representations.

3.6.2 QUALITATIVE DATA ANALYSIS

I used an adaptation of Tesch (1990) as cited in De Vos et al. (1998) to analyse the qualitative data for this study. This data analysis process involved reading the data, labelling the data and identifying themes and categories. The process that was used is set out below:

- I carefully read through all 15 written transcriptions to become familiar with the data.
- I then selected one transcript and studied the data in relation to the objectives of the research study.
- In order to gain more depth, I made notes and labelled each transcript.
- I repeated the above process with the remaining transcriptions to refine the coding process whilst keeping in mind the objectives of the research study.
- The notes were then labelled and coded according to categories and themes as they emerged. I ensured that these themes were linked to the research study.
- I then refined the themes and categories in order to develop a coding schema that would make sense of the data, ensuring that the flow was logical.
- The findings of the research were then written up using the coding schema.

3.7 DATA VERIFICATION

All research is concerned with ethically producing reliable and valid information (Merriam, 2009). The researcher must ascertain that the data reported is accurate, simplified and not misinterpreted (Lewis, 2009). To assess the quality and accuracy of data, Lincoln & Guba (1999 as cited in De Vos et al., 2011) developed four constructs which I used to verify the data as follows:

Credibility/authenticity

Credibility examines whether respondents have been identified and described accurately. In this study I ensured that the sample was clearly identified and correctly described. This was done by ensuring that the sample criteria were followed accordingly.

Transferability

Transferability refers to the degree to which findings can be applied in other situations and contexts (Babbie & Mouton, 2001). Qualitative research does not aim for generalizable data. According to Lincoln & Guba (1985 as cited in Babbie & Mouton, 2001) there are strategies that can be used to increase transferability in qualitative research. This includes rich descriptions of the context and findings in the research report and enabling readers to have sufficient information to draw their own conclusions about transferability to different circumstances and contexts. The second strategy they record is using purposive sampling to maximise specific information in the research context. It was thus important that I selected a sample that was most representative of a population. For this study purposive sampling was used to learn and understand more about the participants who represent the family foundation population.

Dependability

Babbie & Mouton (2001: 278) writes that there is "no credibility without dependability…the demonstration of the former is sufficient to establish the existence of the latter." If the study were to be repeated in a similar context with similar participants and within a similar context and the research findings are similar, then this indicates dependability. I was consistent at all times during the research process and tried my very best not to make careless mistakes in conceptualizing the study, collecting the data, interpreting the findings and reporting results. This ensured dependability of the research study.

Confirmability

For Lincoln & Guba (1999 as cited in De Vos et al., 2011) confirmability is about whether the findings of a research study can be confirmed by another study. I ensured that the data collected from the interviews were accurate. This was done by listening to the recordings and reading the transcripts of the interviews to ensure that there were no errors with the analysis and findings.

3.8 LIMITATIONS OF THE STUDY

Notwithstanding that a research study is carefully planned, possible limitations should be recorded. When identifying potential limitations, I considered the appropriateness of the data collection instrument, the generalizability of the sample to the population from which it was drawn, access to the data as well as any ethical issues that could arise (De Vos et al., 2011).

One of the limitations when conducting this study was that some family members of family foundations were protective and secretive over what they deem to be 'their family foundation.' I contacted 28 people involved in family foundations, 15 agreed to be interviewed and seven declined outright. The most common response was that the family members were very private. The rest either did not respond at all to my e-mails requesting an interview or just never came back to me with a definitive answer.

When I contacted participants, I reiterated that they could omit any questions that they were not comfortable with. I also told all participants that the names of the foundations as well as the names of all participants would not be disclosed and that only myself, my research supervisor and external moderator had access to this information. I also told all participants that pseudonyms would be used.

3.9 REFLEXIVITY

The researcher must describe to the reader any prior assumptions, beliefs, values or biases that he or she may possess that could affect the study. They must then establish how these assumptions, beliefs, values or biases will be expelled (Creswell & Miller, 2000).

I was of the view that governance and management processes in family foundations were inadequate and needs to be more professionalized. To circumvent my assumptions, beliefs and biases I continually ensured that I reviewed adequate literature on the topic and ensured that my interview techniques reflected neutral behaviour. I also continuously interrogated my research methodology and data analysis when the findings of the research study were discussed, and conclusions drawn.

3.10 SUMMARY

Chapter Three covered the research design and methodology that I used in this research study. This included the research design, specifications around population and sampling including

how the sample was constructed, the data collection approach and instrument, data recording and data analysis. The limitations of the study were also included. Chapter Four which follows presents and discusses the main findings of the study.

CHAPTER FOUR: PRESENTATION AND DISCUSSION OF FINDINGS

4.1 INTRODUCTION

This study explored the governance and management processes of family foundations in South Africa. The intention of this study was to answer the research questions posed at the beginning of the research process. These are:

- What are the governance and financial management processes of family foundations?
- What are the family dynamics between family members, management, the chair, board members and non-family staff of family foundations?
- What is the grant making processes within family foundations?
- What strategies can be applied for more effective governance and management processes in family foundations?

The first three chapters of this research paper provide an introduction to the study, a review of literature, and an explanation of the design and methodology. A mixed method approach was used for this study. The quantitative and qualitative data allowed me to analyse the research problem and draw assumptions and themes. Ten family foundations participated in this study. Qualitative data was gathered from 15 in-depth interviews. The same 15 participants also completed a questionnaire for the quantitative part of the study either before, during or after the interview.

This chapter provides a profile of the 15 research study participants. In order to adhere to the ethical considerations mentioned in Chapter One, the respondents are not named, instead they are referred to as Respondents 1-15. Following the participant profile, the chapter sets out a framework for analysis that was used to discuss the main findings of this research study. Thereafter main findings are discussed with reference to the relevant literature on the research topic. Graphs are included to illustrate the quantitative data.

4.2 PROFILE OF RESPONDENTS

A profile of the respondents is set out in Table 1 on the next page.

Table 1: Profile of the research study respondents

Respondent Number	Family Foundation	Respondents Relation to the founder	Role of respondent within family foundation	Number of years the respondent is with the family foundation	Endowment size of the family foundation in SA Rands *m=million*	Size of grant making spend annually *m=million*
1	1	Granddaughter	Trustee	8	R20-R50 m	Less than R3 m
2	1	No relation	Trustee	10	R20-R50 m	Less than R3 m
3	2	Founder	Chairman	2	Receive an annual spend from family office	R3-R10 m
4	2	Daughter	CEO	2	Receive an annual spend from family office	R3-R10 m
5	2	Son	Indirect role	2	Receive an annual spend from family office	R3-R10 m
6	2	No relation	COO	1 year 8 months	Receive an annual spend from family office	R3-R10 m
7	3	No relation	CEO	20	More than R1 billion	More than R100 m
8	4	No relation	Director	13	Receive an annual spend from family office	R21-R50 m
9	5	No relation	Trustee	Not specified	Less than R20 m	Less than R3 m
10	6	Friend	Managing trustee	18	Receive an annual spend from family office	Not specified
11	6	Daughter	Trustee/ Trust administrator	16	Receive an annual spend from family office	R3-R10 m
12	7	No relation	CEO	1	Receive an annual spend from family office	R21-R50 m
13	8	Son	Chairman	15	R51 -R100 m	R3-R10 m
14	9	No relation	Executive Director	11	R900 m	R51-R100 m
15	10	Niece	Chair	8	R51-R100 m	R3 – R10 m

4.3 FRAMEWORK FOR ANALYSIS

In presenting and discussing the findings of this study I developed a framework for analysis of the data and the presentation of the research study findings. This is set out below in Table 2. The themes, categories and subcategories where applicable are outlined in the table and expanded on in greater detail in the section on the findings.

Table 2: Framework for analysis

Themes	Categories	Subcategories
Understanding governance and financial management processes in family foundations	How family foundations manage financial management processes	Endowments and management of assets ESG practices Fiduciary duties Fiscal oversight and Internal controls
	How family foundations manage governance processes	Board organisation Board terms Board diversification and effectiveness
Family dynamics within family foundations	Communication processes Relationships Decision-making Leadership and control	
Grant making processes of family foundations	Legacy of the donor Rationale behind the establishment of the family foundation Grant making across generations Grant making strategy	
Future Strategies	Financial management strategies Achieving excellence in governance Strategies for good family dynamics Grant making strategies	 Communication and decision making strategies Strategies on relationships Strategies on leadership and control

4.4 RESEARCH STUDY FINDINGS

The research findings are discussed alongside actual quotes extracted from interviews with the respondents. The findings are described and explained in accordance with the framework for analysis in Table 2. Each theme, category and subcategory where applicable is set out in this table is examined in this section. The data collected from the quantitative study was aggregated and represented graphically in the form of various graphs and pie charts.

THEME 1: UNDERSTANDING GOVERNANCE AND FINANCIAL MANAGEMENT PROCESSES

The first theme looks at understanding governance and financial management processes in family foundations in South Africa. The two categories that emerged during the analysis process are: how family foundations manage financial management processes and how governance processes are managed.

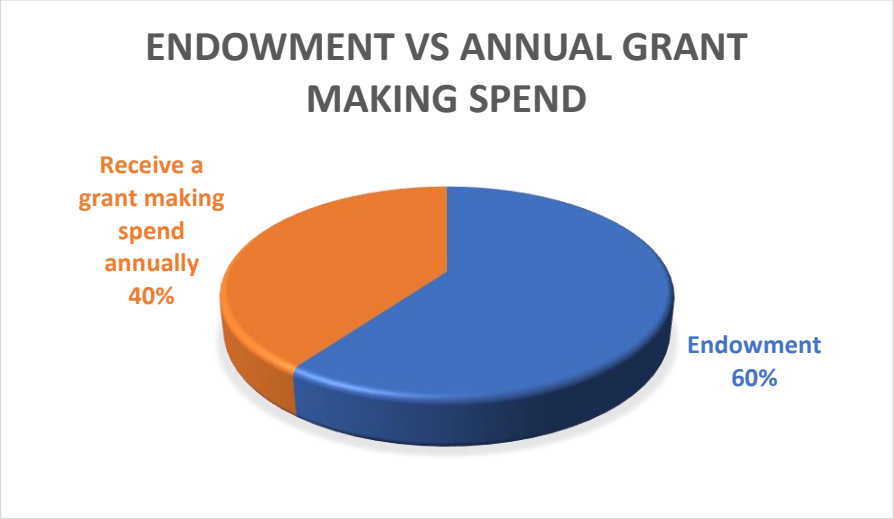
How family foundations manage financial management processes

The manner in which family foundations exercise their financial management processes has an impact on the overall performance of the foundation. This section describes four subcategories that were discussed during the interview process when participants were asked about the financial management process of the family foundation that they are involved in.

Endowments and management of assets

Various questions were asked on the endowments and management of the family foundation assets. Of the ten family foundations that participated, six are endowed with a capital sum and four receive an annual spend from their respective family office. Figure 1 on the next page illustrates this. All six investment mandates are discretionary, and the majority have balanced risk profiles. Of the six foundations with a capital base, two utilise the services of an independent investment advisor or consultant. One of these foundations, that has a large endowment, also has an investment subcommittee. The remaining four foundations felt that board members were knowledgeable enough regarding investments and that an investment subcommittee was not required. All the endowed foundations held investment meetings either once or twice a year, and one also held quarterly investment performance reviews. Four foundations had one investment manager while one used ten different asset management firms to house the family foundation investments. This is set out in the participant comments that follow.

Figure 1: Endowment/capital base or annual grant making spend



Respondent 9

"We outsource to asset consultants who take a look at the underlying performance of the portfolio, whether that's in a segregated share portfolio, or whether that's in a unit trust portfolio, the performance of underlying managers is assessed, we pay for it, there are no kick-backs, there's no subsidies, there's no cross-referrals, there's nothing like that, it's done. That's an expense to the Trust. Under-performance of financial advice is addressed in the Trustees meeting."

Respondent 7

"We have a finance committee that's mandated to deal with all of that. It has terms of reference, quite specific, approved by the Board, reviewed by the Board, annually, or as needed, and all of those responsibilities vest in the finance committee, over and above the elected membership. We have quite a spread of asset managers in place, because we have a portfolio that houses first foreign, and local assets, and across various asset classes, so currently, there are about ten different asset management firms involved, some of whom manage more than one portfolio. We also have an independent investment advisor or consultant, who serves on the finance committee ex-officio, and we go through a fairly regular process, at least once annually, of having discussions with the managers that have mandates in terms of our investment's portfolio. We also do a quarterly investment performance review, which is an aggregation of all the returns from all the asset managers, and that's put together for us, by our independent investment consultant."

Respondent 2

"I'm not aware if there's an investment subcommittee, but I do know that the family discusses their investments a lot. And because they are very astute investors themselves, they do question how the investments take place. I'm sure that the family meet informally to discuss things."

Respondent 13

> *"…the investment manager, is a Trustee. Technically, it is a conflict, but he has an expertise in both investment management, and in the charitable scenario in Cape Town. So, I feel that overrides the conflict and he's a man of personal integrity."*

Gastrow & Bloch (2016: 18) in their study of 21 foundations in South Africa found that two thirds were endowed with a capital base. Seven of these foundations who had living donors did not have their funds endowed and made annual contributions which was then spent during the year and replenished the next year. They expressed concern that during tough economic times this method may be unsustainable and would put a question mark on the long-term survival of the foundation. With regards to finance subcommittees they found that foundations with larger endowments were overseen by a finance subcommittee. Most investment mandates were discretionary with a risk profile that was balanced.

ESG Practices

Participants were asked whether the investment strategy of the family foundation aligns with good global environmental, social and governance (ESG) practices. Most foundations responded that they were aware and mindful of the ESG guidelines and that generally investments met ESG goals. It was, however more coincidental with no intended or well thought out ESG strategies and processes. There was one large foundation that was very aware of ESG issues and acted as a shareholder activist. They presented a resolution to an AGM at a bank. Respondent comments on this issue follow:

Respondent 2

> *"I don't think that those (ESG practices) are interrogated sufficiently by the Trust. So, for instance, when I was running a school, we were very careful about who we procured things from, that they followed our values of whatever our values were. So, the values at the school, had to be reflected in who we procured things from, and it should be the same for the Trust."*

Respondent 7

> *"We don't have specific provisions around ESG, but our investment strategy and approach, is within the framework of a statement of investment principles, approved by, drafted by, paired by the finance committee, and approved by the Board. It doesn't dwell specifically on what you've described as ESG, but I mean, we are very mindful of ESG related issues. So, I mean, we are prudent and careful in our selection of managers, but we don't have specific guidelines on those issues or a specific standard. We don't have a formal policy around that, if you like, or we don't have a formal rule*

dictated by the investment principles, on that issue. But again, one, we're mindful around specific stocks or specific sectors; and I don't think we're alone on that."

Respondent 9

"I know what the ESG guidelines are. I will need to take a look at the detail but I would suggest that it doesn't (conform). If it does so, it's coincidental, it's accidental, I don't think that there's any particular mandate given to the advisor, other than to maximise and generate efficient cash flow."

Respondent 14 below, was very knowledgeable and active around ESG issues within the family foundation, which differs quite significantly from the previous responses.

"The foundation has its own responsible investment strategy, and we act as a shareholder activist, so we're very aware of ESG issues. We're also very aware that our investment manager, the company, anyway, is not the most visionary, around these issues, and so we spend quite a lot of time trying to influence them to be more concerned about ESG issues. They tend to be more concerned about governance, and the running of the companies, and we talk to them about the social and environmental side of it. I think we were the first shareholders, actually, to take a resolution to the Standard Bank AGM, and so we have investments with Standard Bank, and we find that having the investments, kind of gets us a step in the door, and then we lobby them, and if they don't listen, we put a resolution to their AGM. So, we put a resolution to Standard Bank's AGM, we've got a resolution coming up at First Rand's AGM, and this is really all-around environmental reporting on emissions. So, it's not our core business, but we take it quite seriously. So, the alcohol, tobacco, are purely on the basis of the known kind of health impacts. So basically, based on what the research tells us about the impacts that sales of tobacco and alcohol, and the impacts of gambling have, on people and communities, etc. So that's why we divested a long time ago, from those areas."

Investments that are aligned with the mission of the foundation have recently become a contentious topic of discussion (Gastrow & Bloch, 2016). The majority of the foundations have not taken any action to position their investments in a way that aligns with the social objectives of the foundation. Foundations responded that it would not be easy to disinvest from specific assets as it would disadvantage them from receiving high dividends. There were some foundations from Gastrow & Bloch's (2016) study that did exclude certain asset classes such as tobacco, arms, alcohol and gambling. According to Voorhes & Hoque (2014: 5) more than 100 U.S. foundations pursue some form of responsible and sustainable investing that considers environmental, social and corporate governance. This in turn generates long term positive social impact as well as competitive financial returns.

Fiduciary Duties

All respondents felt that their respective family foundation was managed well in terms of fiduciary duties and responsibilities and also felt that trustees/board members were suitably qualified in this regard.

Respondent 7

> *"Ultimate responsibility vests in the Board of Trustees, but there is a mandated finance committee, that acts for the Trustees, within a mandate, or terms of reference approved by the Trustees; the finance committee comprises one or two Trustee members, the rest are suitably qualified persons, in terms of the nature of their brief. So, I'm quite confident about the way the fiduciary duties of the Trust are handled"*

Respondent 13

> *"Because we have a senior accounting firm, managing the Trust, and there's accounts at the Board meetings and so on and so forth, I think that there's good rigour".*

Respondent 4

> *"So the founder and the Board make a lot of decisions, we have an accountant who's not a Trustee, who manages our tax processes and our audits, and our employee tax, and helps me with payroll, so I think we have a very good system and we've been working on strengthening our processes, in the last year; we have an external payroll administrator".*

Respondent 2

> *"I think that one family member, actually, all the family members, are very well qualified, from the fiduciary point of view. I'm probably the least qualified. And I would imagine that the administrators, also should be responsible.*

According to BoardSource (2016) board members act as trustees of the foundations assets and as such must exercise due diligence and oversight to ensure a well-managed and sound foundation. One of the most important board duties and obligations is making sure that fiduciary responsibilities are executed. These fiduciary responsibilities include managing and protecting the assets of the foundation, ensuring positive returns on the foundations investment portfolio, internal controls, remuneration policy, tax and audit filings. Another crucial board responsibility is ensuring that good financial decisions are made for the foundation (Ceptus, Walker & Whitehurst, 2013).

Fiscal oversight and Internal controls

All family foundations that participated in this study exercised fiscal oversight. Three foundations outsourced this responsibility to external professional service providers. Seven foundations assumed fiscal responsibilities internally within the foundation. Fourteen out of 15 respondents were satisfied with the internal controls within the family foundation with only one that felt that more could be done to tighten these controls. This is illustrated through the following comments:

Respondent 3

> *"We have the highest standard of corporate governance possible; the Trustees would approve a project, the CEO and the team will execute it, and the payments would be made by our family office; we have a chartered accountant who runs the business. Once payments have been authorised by the CEO, she would affect the necessary payments. But it's not a big bureaucratic institution, not at all; we're nimble and small. There are no written guidelines and books and rules and procedures for whatever. Remember, we're working with our own money, unlike some of the foundations, so we're very careful. We built our businesses on that basis of excellent corporate governance, and the same goes for the foundation. We have monthly cash flows, we have monthly income statements, we have monthly balance sheets, we have monthly protections, going forward eighteen months. The whole lot, all our projects are there. So, anybody can pick up a paper and say, ah, we're there or there or there, or this is the financial position, or this or that. That's how we run our businesses and that's how we run our foundation"*

Respondent 14

> *"We have the Trust Deed, and then we have resolutions from the Trust Deed; that guides some of the higher making decisions, and then we have a whole policy manual around finance, admin, communication, HR, which the Board approves, and approves regular updates too, and that stipulates a separation of roles and responsibilities, and the procedures that we use in whatever circumstance."*

Respondent 5 felt differently about fiscal oversight and internal controls in the family foundation he is involved in.

> *"I would have expected more accountability, but the Board is happy with how it's handled. I come from a business background where things are hard and fast, and I think my philosophy on charities and foundations is that it should be run very much the same. If you don't, things get a little loose. And I understand, just because you are doing charitable giving, doesn't mean that your operational controls and reporting and let's call it, key performance indicators, shouldn't be reviewed with the same sort of scrutiny as it would be in a more competitive environment. I don't think they (the board) want to run it quite with the same aggression that one would run a business. I think they see my views as a hindrance to giving money away. But that's just me, and that's the decision, the family's decisions."*

A crucial element with respect to the management of family foundation fiduciary responsibilities is fiscal oversight. Fiscal oversight relates to board responsibilities to develop a budget for the foundation, monitor financial performance, ensure that the internal controls are instituted and managed effectively, tax and financial reporting, deciding on fair remuneration rates for employees and overseeing annual external audits (Ceptus, Walker & Whitehurst, 2013). Price & Buhl (2009: 15-16) in their study on 200 family foundations in the U.S. found that 99 percent of respondents said they had good financial oversight. Fifty percent of the respondents indicated that they needed more accountability activities, a sign that they have a desire to improve certain practices.

How family foundations manage governance processes

Board organisation

Of the ten family foundations that participated, most boards comprised family members and/or people that were either friends of the family or people that the family were very familiar with. Three foundations had more family than non-family members. Four had more non-family than family members while three had an equal amount. Most family foundations had five or less members on their board. Most foundation boards met three to four times a year. The majority of foundations reported an attendance rate at board meetings of between 80-100 percent. Sixty percent of family foundations had documents that set out board member responsibilities. All foundations had clear written agendas. Most respondents felt that there were productive outcomes at board meetings. Figures 2-5 on the next page illustrate these findings.

Figure 2: Board members (family vs non-family)

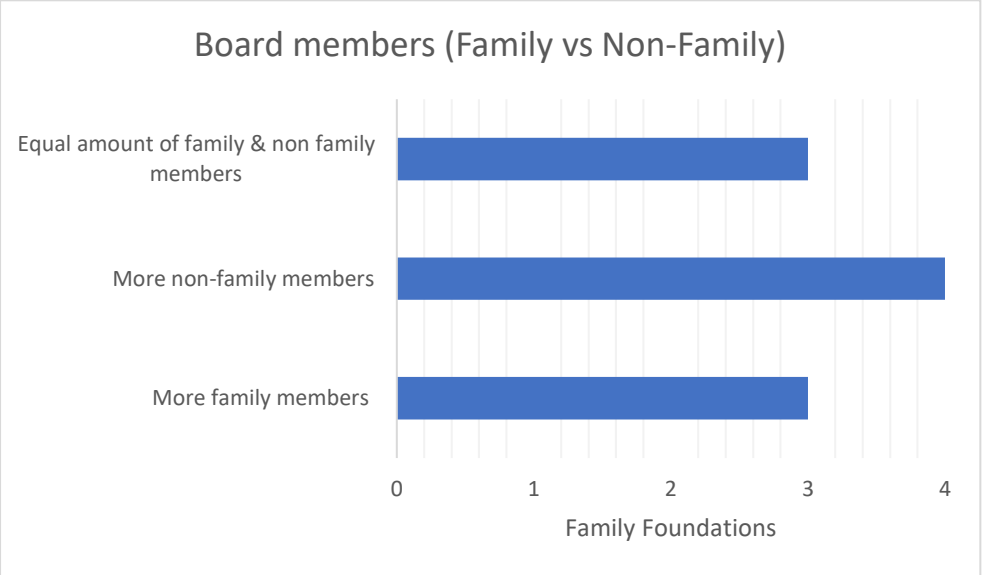


Figure 3: Number of members on the family foundation board

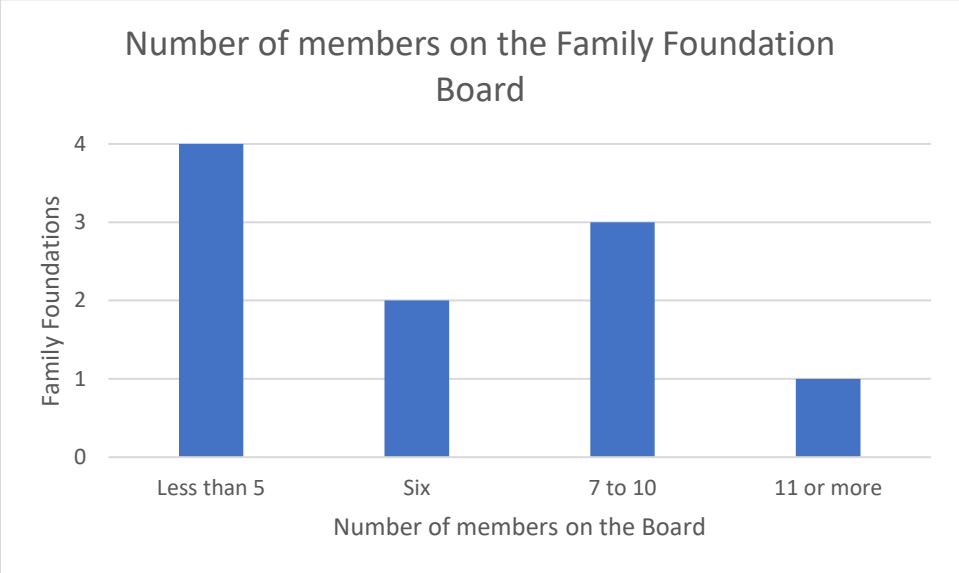


Figure 4: Frequency of board meetings

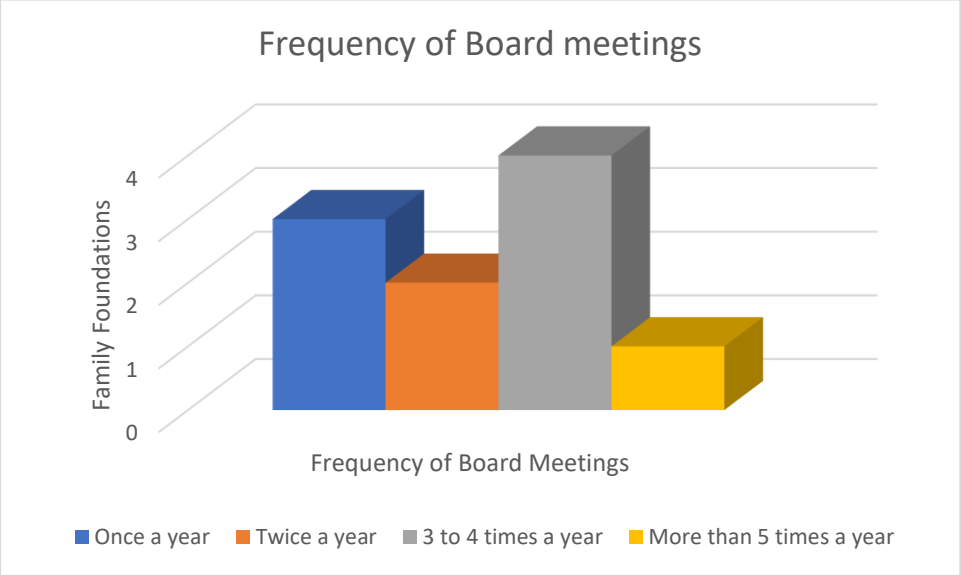
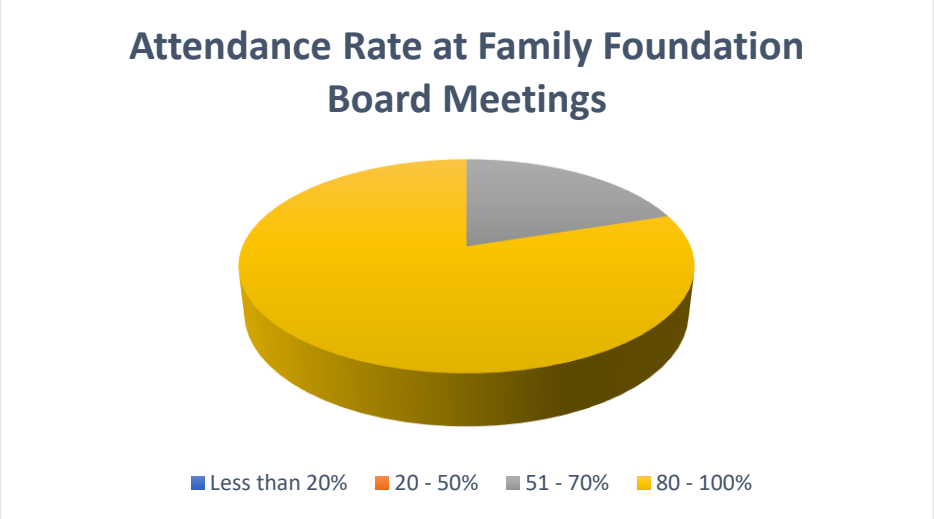


Figure 5: Attendance rate at family foundation board meetings



Price & Buhl (2009: 8) in their study found that on average there were six foundation board members. Approximately 94 percent of all board members attended their foundations last board meeting. Board meetings were typically held twice a year. Eighty four percent of foundations did not limit the number of terms a board member could serve. Most foundations did not have a document that detailed the individual board responsibilities. Eighty seven percent of foundations indicated that they had clear written agendas for board meetings with 92 percent reporting good participation of board members in discussions. There were productive outcomes from board meetings for 95 percent of family foundations.

Board terms

Most family foundations that participated did not have any document that specified the timeframe that members should typically serve on the board. They relied on a more natural attrition in terms of board turnover. Family foundations were typically satisfied with this method apart from one, who as a result of unsatisfactory board performance, drafted a board charter defining board terms, responsibilities, accountability, frequency of meetings etc., as is expressed below.

Respondent 13

> *"There are no specified terms. So it's a bit like the family corner store, there's no change in governance, but the store grows, they buy another store, they develop, they buy another store, there's no change, and then eventually, the young bucks chuck the old man out, or the mother says, you're no good anymore, and throws them out. I think if it were a giant charitable trust, I would have a different view; I don't. Yes, there has been a kind of natural rotation, as people have retired, or passed on; so that's not very good governance, but again, it works, this is a family type thing. I don't mean the family dominates, I mean, it's a family type thing, and these very specific governance issues, I don't think, are as applicable, but I'm happy with where it is, and I feel that each of the Trustees tries very hard to question themselves, and challenge themselves, apply their minds, as best they can."*

Respondent 14

> *In the Trust Deed, the family cannot be removed, so I think they (the family) feel that it's not appropriate to force anyone else to leave. But we've had quite a regular turnover. We've just I mean, as I said, most particularly of non-family, so two family members and the family lawyer, have always been on the Board. The other six positions have been rotated in the years I've been here. It's been a regular rotation, maybe one member retired recently, who'd been on the Board for ten years, that was quite a long time; and then they decide to move off, and they decide that they're tired, or they want to do something else. So, we have quite a healthy rotation, but it's not stipulated anywhere."*

One respondent has a Board Charter to provide direction in relation to board members. One of the prescribed guidelines include the terms that board members can serve on the board.

Respondent 12

> *"I'm submitting a Board Charter; we're getting training on it……. Board members are allowed to be on the Board for five years, and they can be re-elected, but no longer than ten years. All the Board members currently, apart from one, who's been on there for longer than ten years, which is why they're transitioning. To be perfectly frank, the Board were their friends, that's how they were brought on. She (the founder) did take*

a look at which one of their friends had the best advice, but the lawyer is somebody her brother studied with. So, they're all very close."

The intention of the donor may have been to rather select people who are familiar and friendly with the donor, in dealing with what Nielsen (1985: 20) describes as a "quite intimidating, set of problems". The results of this were sometimes catastrophic. Many large foundations in the U.S. were "…distracted, even paralyzed, for years because of family quarrels, litigation, and disputes among trustees. The MacArthur Foundation was still, six years after the donor's death almost immobilized by battles among the donor's son…The Edna McConnell Clark Foundation was racked for several years by differences among the donor's children". Price & Buhl (2009: 8) in their study found that 84 percent of foundations did not limit the number of terms a board member could serve.

Board diversification and effectiveness

In terms of board diversification most respondents felt that they were adequately diverse in terms of gender, age, expertise and experience. Only two family foundations were racially diverse. One of these foundations that was racially diverse, had five Black board members and four White board members, still felt that they were not as diverse as they would typically want to be. Most family foundations that were not racially diverse did not indicate any plans to become diverse in this area, with only one that asserted that she would implement change once her father, the founder was no longer around. The variation in practice is illustrated in the responses that follow.

Respondent 6

"I think we have a good match of skills. Our Chairperson is a lawyer, one of our independent Trustees has a Master's in Education, she works for U.S. Aid in South Africa, the other board member is an author, and he has a Masters in Languages, so he kind of comes from the literacy and reading side. And then the CEO has a psychology qualification, so I think it really gives you a good mix of skills; and I think maybe varying degrees of expertise, in terms of serving on Boards and governance, but I think the Chairman's wealth of expertise in that regard, he makes up for what we lack elsewhere."

Respondent 14

"We have a doctor, we have an actuary, a statistician, we have an advocate, we have a judge, we have a businesswoman and a businessman, we have a banker, and we have an ex-funder."

The next two respondents' responses differ quite notably from the two above. They were not satisfied with the board in its current state in terms of diversity and effectiveness.

Respondent 12

> *Sorry, the Board's not very useful at current state; it hopefully will be, to make decisions and things like that. The ones who are active, a hundred percent, they're there to do anything I need, and anything the foundation needs, the one (board member), I don't know. I think it was a bad decision from the CEO before me, to bring him on. He wasn't really that interested in the first place; he had a personal relationship with one of our staff members, so it's not ideal. No, he didn't come to a single meeting or event last year and hasn't responded to a single e-mail of mine this year, so it's very strange. So, he's being exited from the Board.*

Respondent 11

> *"He's a chauvinist racist. I know it sounds terrible, but unfortunately that is (what it is) and then he's my dad, and I absolutely hate it. We brought on a coloured guy to take over from the managing trustee, I had to push for that, and that wasn't onto the Board, hey, that was just as employed, and the only reason they even considered it, was because I made a damn good argument. I think I'm probably the only female that will ever get onto their Board, as long as he's alive. As far as people of colour are, he doesn't know anyone of colour. You know, shame, to call him a racist, that's not fair, but I don't believe that he would bring someone on, that he doesn't know. He's a man who only trusts people he really knows, and he doesn't know anyone that well, of colour. It makes me sick, saying it, but unfortunately, that is the blatant honest truth. I do foresee, further down the line, because the Trust has a capacity to continue beyond his years, when the generation that sits at the table, at the moment, is no longer with us, I will put into place, a lot of change."*

Gastrow & Bloch (2016: 13) found that 30 percent of the foundations interviewed in their study were not concerned about any issues of diversity on the board. This was because the foundations were private entities that were linked to their families. Furthermore, they state that the older foundations became, with more non-family members joining, that at some point the trustees would need to consider matters that include diversity of the board. Racial and gender diversity as well as skills need to be taken into consideration by foundations. Lungeanu & Ward (2012) also point out that because the family foundation is often an extension of the family business, the same aspects that inhibit diversification in family firms would also inhibit family foundations.

Many experts on governance issues agree that diversity of membership is a great contributor to the strength of the board. Effective boards usually consist of members representing diverse

backgrounds, experiences, and points of view. The qualities and characteristics of board members have a significant influence on the organization (Griswold & Jarvis, n.d.).

THEME 2: FAMILY DYNAMICS WITHIN FAMILY FOUNDATIONS

The second theme addresses the family dynamics within family foundations. The four categories that emerged during the analysis process are: communication processes, relationships, decision-making and leadership and control.

Communication processes

Most foundations communicated with each other via e-mail, phone calls and WhatsApp messenger. One of the larger foundations also had an online board portal where board members communicate with each other. All except one respondent found that there was sufficient communication between family members, the CEO and staff members. Figure 6 illustrates the communication between family members, the CEO and staff members in a pie chart. The single respondent that was of the view that there was not sufficient communication between family members, the CEO and staff also indicated that family members did not work well together, while the majority felt that they did. Figure 7 on the next page illustrates this finding. When interviewed, most participants felt that there was sufficient cooperation and involvement between all stakeholders within the family foundation. In some instances, there was conflict between family members. One respondent also reported that there was some tension between non-family members and family members. Eighty percent of respondents felt that family dynamics/matters did not stand in the way of foundation performance. Thirteen percent of respondents felt that it did, while seven percent felt that family dynamics/matters sometimes stood in the way of foundation performance.

Figure 6: Sufficient communication between family members, CEO and staff members

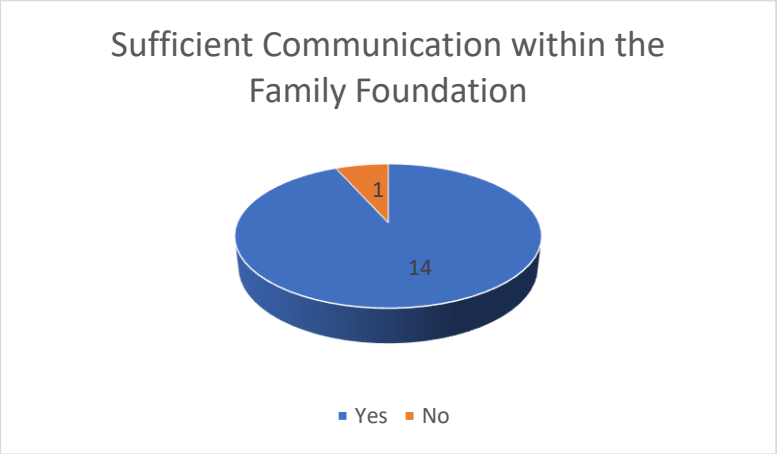


Figure 7: Family members work well together

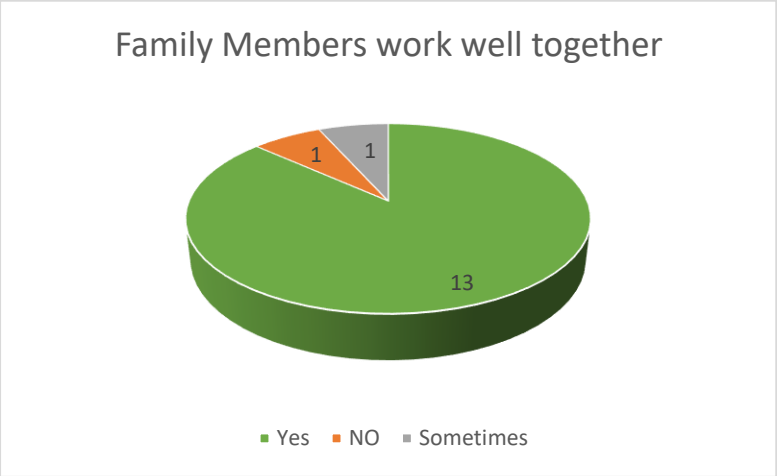
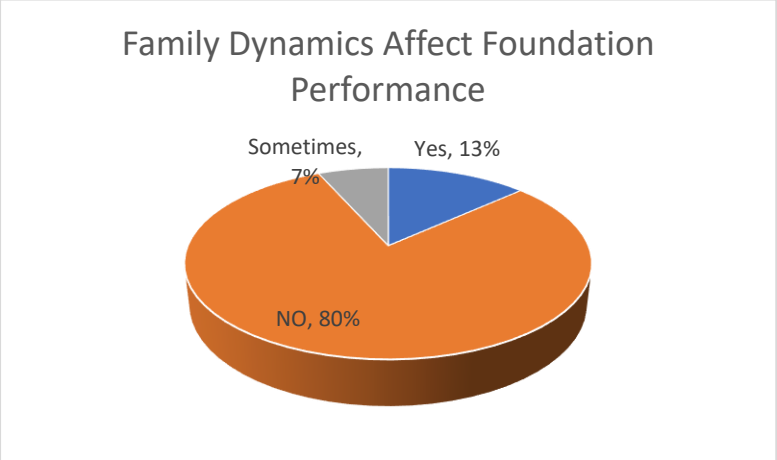


Figure 8 on the next page illustrates the responses on whether family dynamics affect foundation performance. Comments from respondents then follow.

Figure 8: Family dynamics affect foundation performance



Respondent 7

"I think, generally, issues, if, to the extent that they are, and I'm not saying they aren't, I mean, there will always be issues around, in the life and times of what, in this case, a family Trust, but I mean, you know, they're dealt with in a sort of decent adult way. They're not dealt with by people having tantrums or massive fights. Yes, of course, there are underlying tensions, I'm sure, but the family stuff, typically, does not spill out into the Trust."

Respondent 6

"I do think that there is good communication. In terms of the tension, I think that the only cause of tension that I can pick up on, at this point, would be because operational staff can be very taken up with operational details, and I think when we have our discussions with the Board, there is sometimes a mild level of frustration; if the discussions become too operational, rather than strategic."

Respondent 9

"There's a high level of trust and a lot of tea drinking, more in the non-Board space, but she (the founder) comes and has a cup of tea, and then we sit and talk 'kak' (swear word) forever; and so, there's a high level of trust, high level of communication."

Respondent 15

"I would say that communication lines are pretty open and good. We have a cousins WhatsApp group, so when we were all at the symposium last week, we sent a photo to the cousins and said, this is what we're doing, and so I think all the cousins stay in touch fairly well. We started at the beginning, and my uncle was very good at doing a kind of more formal annual report to the wider family, and due to my fault, it's kind of fallen off in the last couple of years, but the grant manager has got a draft and we just need to send it out. So, the intention is that we send out a kind of a formal report on the activities of the Trust, to the cousins, every year. And then we're actually planning another family reunion, I suppose, for next year, where there'll be an opportunity to engage with the Trust again."

A study of family foundations by the Center on Philanthropy at Indiana University (COP, 2011) found that the level of involvement, frequency and nature of formal communication between family members on the board and staff of the foundation varied. In all family foundations surveyed there were clear methods of communication between board meetings. Some foundations sent out weekly e-mails, utilised conference call facilities while another had a board member portal on their website which was used for communication. Remmer (2005) writes that some family philanthropies put a great deal of effort into maintaining a culture of communication and interaction that was both informal and personal.

Relationships

All responses from participants covering relationships with each other within the family foundation were positive. All participants responded that family members saw each other outside of the family foundation. There was conflict and tension that arose in some relationships stemming from various issues. There were also some family dynamics that came into play, such as sibling rivalry. However, the conflict and tension appeared to be managed so that it didn't hinder with the work of the family foundation. The stewardship perspective reveals itself here. This is reflected below.

Respondent 2

> *I would like to think that there's a good relationship between me and the family. I do know that they discuss things outside and I don't think that that can be helped, I don't think it's deliberate, I don't think it's to exclude me, I think it's just convenient. I don't think that the relationship between the family members and the trust administrators is always good.*

Respondent 6

> *"The CEO is the founders daughter, so there's obviously like a kind of a father/daughter dynamic there, which sometimes is positive, because there's a relationship of trust, but it also makes it interesting in some regards, because you can always go back to your father and say, you need some more money this year. But I think we benefit from the informality of the arrangement. I think that the reason why there isn't really overt conflict, is because the relationship has been managed amicably. I know that the son gets frustrated sometimes, but because he also isn't directly involved in the foundation, but I don't know enough about that dynamic to comment on it. I've worked with other family foundations where the conflict was much more intense, and overt, so this is a fairly peaceful environment."*

Respondent 10

> *"We're all friends. We meet over braais, we socialise; so outside of the Trusts, we still socialise. By way of an example, the founder goes away, he has a part share in a yacht, and when he goes away, there's a spare cabin and they go diving and things, and he regularly invites its Board members as well, and his friends, so we're constantly socialising. I mean, tomorrow, all of us will be together at his house watching the Springboks play the All Blacks, we'll all be there."*

Respondent 8

> *"I think the relationships, generally, are good. I mean, as I said, we're such a small team, and most of us have been with the family for at least ten years or so; so, I think it's very open, we've got a rhythm going."*

The next three respondents discussed their relationships within the family foundation and broached issues of conflict and sibling rivalry.

Respondent 11

> *"There's always tension (between my dad and me). I don't play into conflict and stuff. So, you give me a task, I'll get the task done; if you don't like the task being done the way that I've done it, then we just change how I did it. I just do try to avoid tension as much as possible. Also keep in mind, that my dad and I talk all the time; so, him and I have a very good relationship, in and out of work. Like I'm going up to our holiday house, because I'm also his PA, so I go up to our holiday house, and I'm overseeing all the building work that's going there; and while I'm there for a week, he's there for a week, so we're having a lot of conversation."*
>
> *"All my other siblings have all worked for my father before, and they no longer do, for various reasons. My dad's a very, very difficult person, who, whatever he says, goes. I have tried working with them, and, no thank you. We all have very, very, very different work ethics, of which I don't like theirs. So as far as I'm concerned, I would prefer my family to stay as far away from the Trusts as possible, especially when it comes to decision-making. My brother wouldn't get involved at all, him and my dad have a very strained relationship; whereas my two sisters live overseas."*

Respondent 4

> *"My brother gave me a very stern talking to, about managing the budget, in front of the COO, which I found quite awkward. I didn't think that was appropriate. I have no problem with him discussing it with us, it was the manner in which it was done. And that's family politics; the dynamics between an older brother and a younger sister. And he's very rough. So, it's not a professional relationship, it's not two colleagues talking to each other, it was an older brother giving a younger sister a dressing down, for not managing the money; what he felt was managing the finances. He doesn't realise he comes across so aggressively, so I don't think he would have been apologetic. Oh, and the family dynamic is definitely – I don't know if this is relevant to your research – but that my dad would protect me, over my brother. So, if I complain to my dad, he will intervene to make sure my brother stands down, whereas my brother I mean, he's*

arguing to keep the money safe, right. I think it's purely because I'm the daughter (that my dad intervenes)."

Respondent 14

> *"The siblings, as I said, like any siblings, do have quite strong differences of opinion; they're all very different people, and I think the challenge with setting up a foundation around inherited money, is that they did not set up the foundation around an intent, whether it was children, or the environment, they came together to spend the money, and then decided how they would spend the money. So that creates tensions. Well, for example, the Chair is the youngest of three brothers, and the other two brothers are Board members, so you can just tell sometimes that there's a big brother kind of thing going on, or a little brother feeling judged by the big brothers. It's hard to explain, because it's a family dynamic. The sister is no longer involved, my impression is that, the brothers were just too much."*

A study by Price & Buhl (2009: 11) on 200 family foundations in the U.S. found that 87 percent of family foundations worked well together. The majority of the family foundations felt a level of comfort with their ability to deal with conflict. The authors state that it is important that conflict does not stand in the way of the normal course of running the family foundation effectively and that matters should be dealt with as an when they occur.

Fawcett (2015) explains that rivalry is built into sibling relationships from an early age and can manifest well into adulthood. Often siblings are sensitive to treatment that is unequal, whether this treatment is real or perceived. Sometimes this can cause tension around the family foundation board table. Families who come together in philanthropy bring their own unique strengths, identities, passions as well as their conflicts with them. She further outlines that conflict is a natural part of human relationships and a dynamic in all group settings and is neither good nor bad. Conflict is not caused by bad people who are trying to be difficult but is often a result of people who have good intentions in attempting to achieve shared goals.

Eddleston & Kellermanns (2007) found that with the stewardship perspective in family firms, altruism can diminish the occurrence of conflict and contribute to more participatory strategy. This is why some family firms are able to work together successfully. Altruism is associated with a sense of loyalty, emotional bonds and responsibility which then decreases the chances of conflict and keeps family members more focussed on the best interests of the business.

Decision-making

Most of the respondents felt that decision-making in family foundations was collaborative and made by consensus. Comments from respondents on this issue included:

Respondent 14

> *"I think it's pretty good. I mean, I've been here for quite a long time now, so I've been here eleven years, as I said, the Board family members were all a lot younger, when I arrived. I would say sometimes there's a frustration between non-family members, about the over-involvement of the family members, in decision-making, and that frustration, I also feel. But as I said earlier, I understand where it's coming from, and I think the older they get, the busier they get in their own lives, the less interference I see. So, it's there, but it's not a big conflict. I would say we have a pretty collegial professional relationship."*

Respondent 2

> *"I think decisions are generally taken quite well, because there is discussion around a lot of the decisions. And I think they drill down, and often there's, as I say, there's often e-mails outside of the meetings."*

Respondent 7

> *"Generally, decisions at Board level are generally consensus decisions; that's not to say unanimous, but generally decisions are reached on a consensus basis, and it would be a rare event for our Board to go to the vote. We never vote around issues, decisions are broadly, as I say, based on consensus."*

Respondent 3

> *"I suppose they try and have consensus, but if there's no consensus then I (Chairman) make the call. But it's in very good spirit, and so on, and we always listen to what the CEO has to say, but she's also made suggestions that have not been carried, and that's normal."*

Respondent 10

> *"Decisions are normally made by consensus, and agreement. Not to my knowledge would you find that family would object to the others, no; no, it's normally consensus."*

Respondent 6

> *"There seems to be kind of a consensus decision-making process. In our team, we often have big differences, because we have very different personalities, but we have healthy discussions, but in the end, kind of consensus decision-making, healthy debates."*

Respondent 12

> *"We make a lot of collaborative decision-making. I make the final decisions here at the office. I report almost everything critical into the founders, I mainly work with the wife, her and I have an ongoing relationship, so we speak on a weekly basis."*

Fawcett (2015: 8) explained that consensus decision-making is a positive way to arrive at mutual understanding and agreement around a shared goal. It should be emphasised, however, that the need for consensus all the time can limit different opinions and freedom of expression. The author quotes Frank Merrick, trustee of the Merrick Family Foundation as saying, "Families ought to be encouraged to disagree, and if someone wants to vote no, they should be able to do that."

Leadership and control

The quantitative survey revealed that the majority of respondents felt that the leadership style of the foundation chairperson was participative. Four family foundations felt that it was a collective democracy. Eighty percent of family foundations responded that a family member takes on the leadership role within the family foundation. The interviews revealed a mixture of responses on the leadership within the family foundation. In some instances, personal relationships influenced leadership within the family foundations. In another instance a family member took on a leadership role in a very domineering manner. Figures 9 and 10 illustrate the findings on leadership within family foundations.

Figure 9: Leadership style of family foundation Chairperson

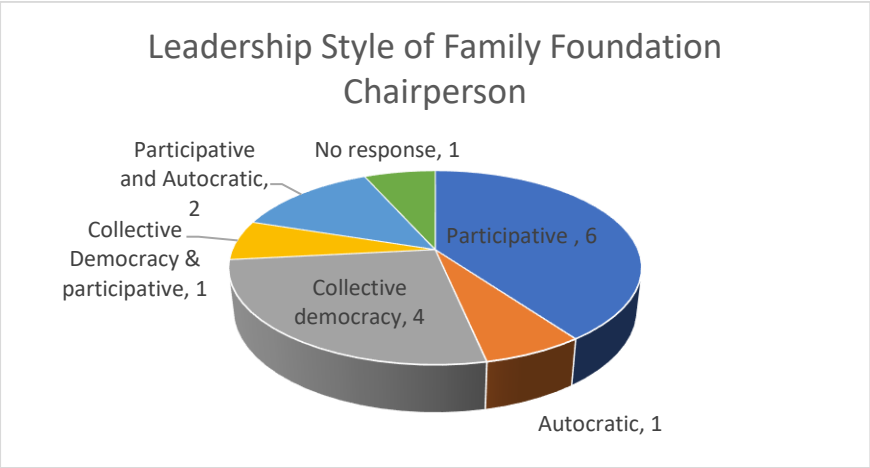
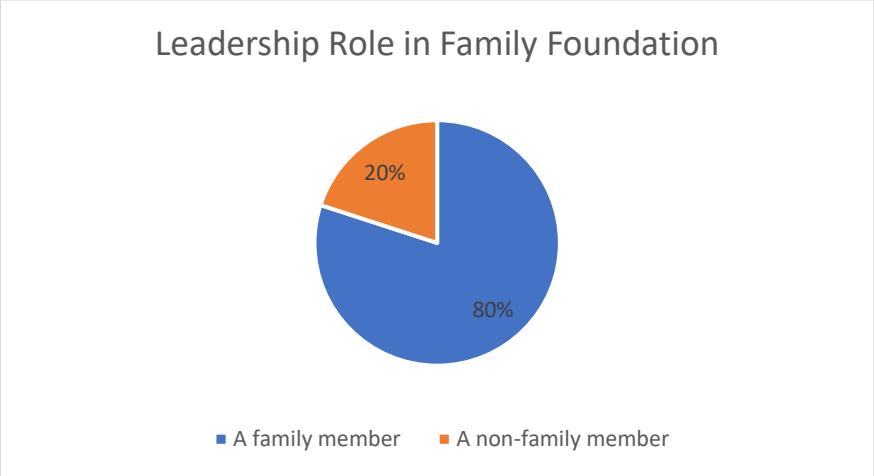


Figure 10: Leadership role in family foundation



On this issue, respondents commented as follows:

Respondent 6

> *"There's a personal relationship between the Board and the CEO, so that's not always the case in family foundations; sometimes there's a professional CEO that isn't a family member, which makes it a little harder. But here, I think the Board is very much on a mentorship role to the professional staff, whereas they bring expertise from a variety of fields, and they provide strategic guidance. They're able to advise on both the content level, and a governance level, and on just general good management practice. I think they cover a lot of what we need, in terms of advice and mentorship."*

Respondent 2

> *"Sometimes, I think that some family (board) members are more dominant, domineering, not dominant, domineering than others, and so their opinion gets accepted more easily. Whereas when the previous trustee was alive, there was a gentleness, and a kindness, So I think there's an imbalance of power in the Trust, which is difficult."*

Based on her experiences with family foundations in the U.S, Remmer (2005) found that a participative leadership style is more successful. She goes on to explain that family philanthropy can be challenging, and the leader also has to traverse through difficult family dynamics and politics. A survey report on foundation leaders by BoardSource (2018) found that boards were not performing optimally and that the most important areas of improvement should involve among other things, strategic planning, commitment and engagement. The leadership role of the board relies on a strong partnership with the Chief Executive. Boards

should provide sufficient guidance to the Chief Executive which displays that they are invested in their leadership and success.

THEME 3: GRANT MAKING PROCESSES OF FAMILY FOUNDATIONS

The third theme in this discussion of findings is grant making processes of family foundations. This theme is split into four main categories which are: legacy of the donor; rationale behind the establishment of the foundation; grant making across generations and grant making strategies.

Legacy of the donor

Survey responses revealed that 60 percent had a written document that detailed the intentions of the founding donor. There were mixed responses on whether the founder wanted to be honoured. Some respondents felt that it was important to honour the founding donors' legacy while others did not find it particularly important. Mixed responses were also received when asked whether the legacy and intentions of the donor had been preserved. Some respondents did not feel that intentions of the donor needed to be preserved because they wanted to ensure a degree of flexibility with grant making, while others felt very strongly that it should be preserved. Interestingly when I highlighted the fact that generations down the line who did not know the founder well may not fully understand his/her intentions and values and that this may be lost if not preserved, the respondents pondered on this and noted it. Respondent views on this follow:

Respondent 7

> *"The trust has been going sixty-one years, set up in 1958 by the founder in loving memory of his father. So, it was really set up to honour his father. And it was always set up on the basis that it would be in very broad terms, a philanthropic Trust, in the broader sense of philanthropy. So, the terms of the Trust deed are fairly broad, in terms of what it can and can't do. It was never the founder's intention to kind of have the deed written or constructed in such a way, that it would be prescriptive, or too tight, or narrow in its application."*

Respondent 6

> *"The founder doesn't always come to functions, because he doesn't want people to assume that he wants to be patted on the back for the projects that we're implementing. But if legacy refers to wanting to make a positive impact in a strategic way, then yes. But certainly, there's not the same desire of putting the founders name on projects."*

Respondent 11

> *"Every year, it could be interpreted as anything. However, I think there's a reason for that, I know, and whoever takes over from me, will know, what his vision is, and the next person will know what my vision is, and there's a reason for that, the world changes all the time; and the world needs different visions. What we needed thirty years ago, we no longer need now, we need something completely different and I think that is one of the reasons why it is so vague. So, I think you've got to look at it from a perspective of, the world changes all the time, and people's visions change, and as much as he wants his legacy to continue, he sees me as part of his legacy, and therefore, my vision changes."*

Respondent 3

> *"I certainly don't intend ruling from the grave, not at all. It's going to be their call. I have no wish for them to preserve any legacy, or any this or that."*

Respondent 2 differed from these above in that legacy of the donor was important which the current generation clearly understood. Respondent 2 felt that the current generation should start getting the next generation involved so that they too understood what the founding donor wanted and valued.

Respondent 2

> *"I think that's the value of having family members on the Trust, so we've still got people who remember her, and knew her; so those stories carry on through the Trust, so it can be honoured, and I think it's very important. In fact, I think that, in front of every Trust meeting, the basic tenets of the Trust should sit in writing, so that they are remembered. So, I certainly understand what she wanted and intended, and also, it's very clearly stipulated. It will get lost in a few generations time. That's going to be a real challenge for them, they must talk about it often to their children, and they should possibly be reminded of doing so. But it should also be very clearly written down, and again, be mentioned at future Trust meetings. I think sometimes the Trusts are unwieldy in their decisions, it's lovely that it's a very focused one. They should probably bring a younger family member onboard now."*

The response below differed from the previous respondent in that she explained that newer generations were already involved through frequent family gatherings where the legacy of the donor is preserved.

Respondent 8

> *"They gather, we have frequent family meetings in various guises, we have an annual assembly of the family, so it's not just a meeting, it's a wider gathering of all family members, across now, four generations who gather and enjoy their time together and*

have fun and relax and have formal meetings. And I think that togetherness, and that being together, preserves that (legacy of the founder) a lot."

Gastrow & Bloch's (2016) research revealed that all foundations interviewed took into account the founders' passions and interests to determine the main focus area of the foundation. They found there was a strong desire to honour the legacy of the founder. Price & Buhl (2009: 5,19) asked study participants how often the values and intentions of the founding donor were discussed. Sixty seven percent discussed this annually. Just over half of the respondents had a written statement detailing the founding donors' intentions for the family foundation. The majority of the respondents stated that the founding donors' values and intentions were very important in guiding the family foundation's decision-making. Lungeanu & Ward (2012) emphasise that mechanisms that provide guidance to grant making in family foundations requires an awareness that grant making is closely linked to the legacy of the family and is adapted to the values and ideals of each generation that becomes involved. Gerloff (2003) challenges what is said above and emphasises that founders that create specific programmatic constraints take a huge risk in that at some point it may become irrelevant and the next generation may not find the issue compelling enough to champion. The advantages are obviously that there is greater focus but by being less specific it provides the next generation with an opportunity to collaborate and reinvent.

Rationale behind the establishment of the family foundation

Responses concerning the rationale behind the establishment of the family foundation differed, but all indicated a common purpose. The idea of giving back to society was the main rationale behind the establishment of the family foundation. Other responses included a formalised approach to giving, giving back to the community in which they've operated their business, addressing the injustices of the past, education for children, acknowledging that the government cannot address all the issues and for tax reasons. The rationale behind one of the larger foundations was that the inheritance was more than the children could spend, hence the family foundation was set up. Relevant respondent quotes included:

Respondent 5

"I think in the old days, before the foundation, where the old man said, he's thinking about giving money to that lot. And then, as a family, we'd all say, 'jees', that's a terrible thing to give money to, let's please not ever do that. Whereas I think, in the foundation, there's now a formalised way of doing it. It doesn't mean my dad doesn't

give money away on the outside anyway, and that I can't control, but then he gets to do that, and then it's not the family's."

Respondent 13

"So, my father and my family, in general, have always had a very strong view that you need to give back to the communities in which you operate, and that was his intent, and the tax legislation encourages that. So that was the rationale behind the creation of the foundation. So, there's a tradition of giving back, if you're in a privileged position, and I think that's where my father came from, and putting it into a foundation was the most tax effective process to do."

Respondent 3

"(The rationale was) To give back. And specially to concentrate, well, I suppose to address in the small way that we can, some of the injustices of the past."

Respondent 10

"We wanted to get involved in providing an education for needy kids. He wanted to put something back into society, and this was his way of doing it."

Respondent 12

"They wanted to really make an impact in the education of children in South Africa. That was the big goal, that through education, they could change a life of a child and change communities. They worked together in the Eastern Cape, they saw the devastation; she'd taught under trees, essentially, and said, if I get rich one day, I will plough the money back into education."

Respondent 8

"They're passionate about supporting and building up what needs to be done, recognising that a government cannot do everything. And whilst a government can provide a school, they might not be able to provide a soccer field or soccer coaches, or OTs, and children who don't go to preschool, desperately need OT work. They may be able to provide something, but they can't provide, necessarily, enough feeding. We want to provide more feeding, we want to take the governmental ratio of teachers, down."

One response differed from the other responses regarding the rationale behind the establishment of the family foundation.

Respondent 14

"They felt that the inheritance was more than they needed."

Gastrow & Bloch (2016) in their study found different responses to the rationale behind the establishment of the foundation. Most respondents wanted to leave a legacy. Some of the rationale of the founders from their study included: leaving a legacy for their children, the desire to play a role in society, health and education, social justice, helping South Africans reach their fullest potential, love for the environment and wildlife etc. Boris, De Vita & Gaddy (2015) found that two of three foundations focussed on geographic location. This approach indicates that the donors may want to give back to the community where the family business operates.

Grant making across generations

My interviews revealed that some family foundations employed both formal and informal strategies to introduce newer generations to grant making. For most family foundations, newer generations values and ideas were taken into account and they were very involved in the family foundation. These were described as follows:

Respondent 7

> *"The next generation of the family, and there are two of them, certainly bring their thoughts and ideas to the table, and all of which are discussed and incorporated as appropriate; but it doesn't sort of get us to deviate from the broad mandate."*

Respondent 13

> *"My mother, who is one of the Trustees, has been insistent, that two of the next generation have joined the Trust, so my own son, and my nephew have joined the Trust, are Trustees."*

Respondent 6

> *"So I think the fact that, in our case, the next generation is also very much directly involved in the management of the foundation, and maybe to a lesser extent, from the sons side; but I think even though the son isn't a trustee or a staff member of the foundation, I think that conversation around the foundation activities, is ongoing, within the family. So, I think there's good feedback from this generation to the founder, around what they want the foundation to achieve. And I think, as the CEO of the foundation, the daughter obviously has a key role in terms of formulating our strategy and discussing it with the Board, and essentially, fleshing out our mandate."*

Respondent 8

> *"One of the things we've done is, we've actually carved out a section of the foundation, and said, that is for our third generation, our younger generation. We have a G4 but they're very, very young. So, we've actually carved aside, an amount of money for that*

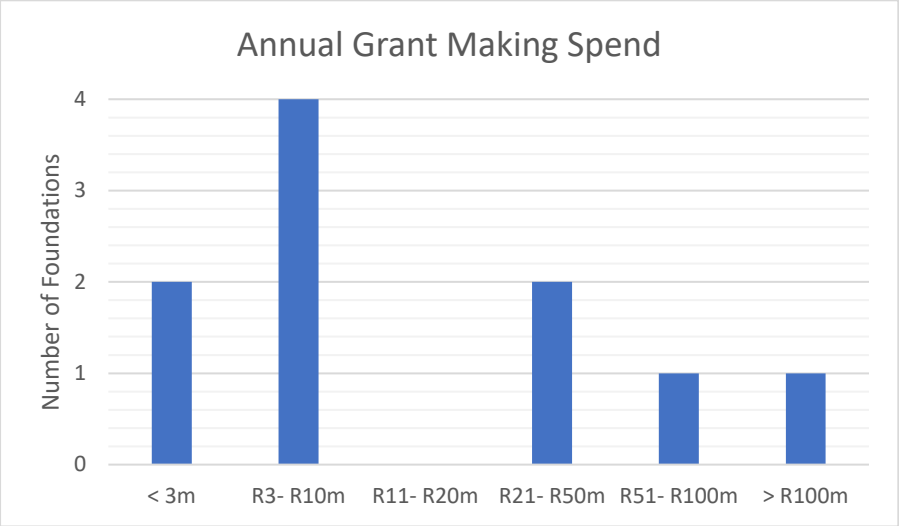
generation, where, as long as it meets the definition of the legal requirements, whatever project they want, as long as they can agree to it, we fund it for them. It also fosters an air of that generation family working closely together. They're not siblings, they're obviously cousins, they have a wider range of age; it's important to us, that they work together."

Gersick et al. (2004) explains that grant making in family foundations is not only reliant on the values, objectives and legacy of the founder but is also influenced by the interests of each generation. Through various positions such as trustee, director or board member, family members are able to influence the family foundation (Angus, 2004). Gerloff (2003) explains that family foundations that have long term development of the next generation end up in much better positions than those where there has been no long-term development. In other words, the next generation should be given time to become better acquainted with the foundation, then to become participants and then eventually to become actively involved. Gerloff (2003) also makes an interesting point that success of a next generation continuity is a decision very early on in the concept and design of the family foundation. For example, if a founder with three children chooses to only include the eldest child on the board, that will then create a very different long-term dynamic than if the founder chose to include all three children from the start.

Grant making strategy

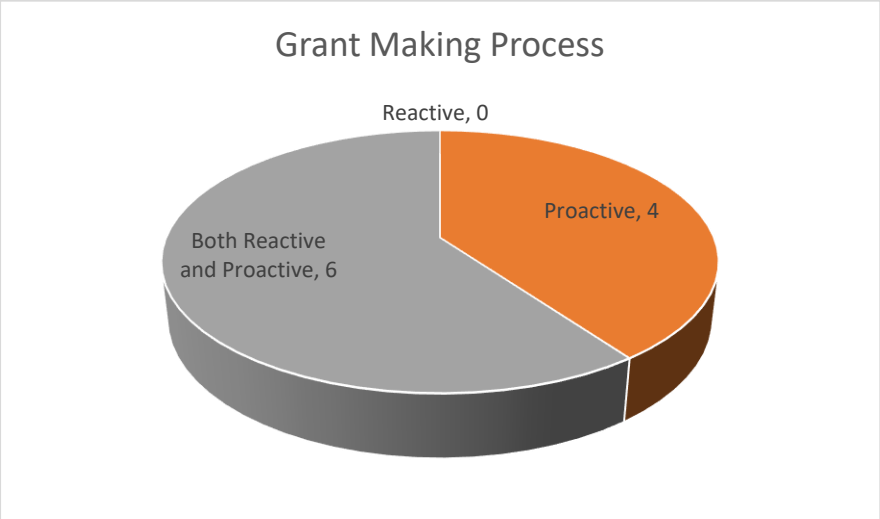
Survey responses from my study found that 100 percent of all family foundations felt that their foundation strategy was in line with the current needs in South Africa. Two family foundations grant making spend was less than R3 million annually. Four foundations grant making spend annually was between R3-R10 million. Two foundations annual grant making spend was between R21-R50 million and another foundation spent between R51-R100 million in a year. One foundation spent more than R100 million annually. Figure 11 provides a graphical representation of the annual grant making spend of the ten family foundations surveyed.

Figure 11: Annual grant making spend



Forty percent of family foundations surveyed responded that their grant making was only proactive. Sixty percent responded that their grant making was both proactive and reactive. Most foundations surveyed did not accept unsolicited applications. The majority of the respondents interviewed felt that they had a clear grant making strategy. Figure 12 below shows the grant making process in a pie chart.

Figure 12: Grant making process



Some respondents expressed themselves as follows:

Respondent 7

> *"I mean, yes, there is a clear grant making strategy, we work in three or four specific areas of focus. The support is generally around supporting individuals and ideas, and we've maintained that, over the years. Can it be changed? Yes, I mean, the Trustee doesn't dictate that that's what we should do, and the limitations of the Tax Act, such as they are, don't really hinder us, if we want to do some slightly different things within the framework of the Tax Act."*

Respondent 6

> *"So, it is fairly flexible, but we do have a strategy document, that's been approved by the Board, that sets out the mandate. I think we'll review it annually, and in continued discussions with the Board; so, there is definitely scope for that to change. And there's also always a temptation to step outside of the strategic framework, because as you know, there are many very worthy causes, and sometimes a family member is just kind of excited or passionate about something. I think in family foundations, you also have to make provision for that. Because it also is important to make sure that the founders and the family members stay enthusiastic about the foundation, and if it becomes too sterile, and programmatic, and procedural, then I think they feel that that their personality becomes detached from what's going on."*

Respondent 11 admitted that they had no clear strategy in contrast to the other two respondents.

> *"I don't think there's a clear grant strategy, I just think, basically, at the moment, it lies with, if it's a project that's close to my dad's heart, he'll consider it."*

Gastrow & Bloch (2016: 30) found that the annual grant making spend of the 21 foundations interviewed ranged between R300 000 to R125 million. Most foundations did not accept unsolicited applications and beneficiaries were identified through their own research that aligned with the foundation strategy. The majority of the family foundations had a clear grant making strategy.

THEME 4: FUTURE STRATEGIES

The fourth theme in this study looks at future strategies. The four categories that emerged during the analysis process are: financial management strategies; strategies on good governance; strategies for good family dynamics and grant making strategies. The subcategories are communication and decision-making strategies, strategies on relationships and strategies on leadership and control.

Financial management strategies

Many participants felt that there was room for improvement in terms of investment management strategies. There was one that felt they had everything under control in this regard. One respondent believed that they could possibly simplify their portfolio. Another thought that it was imperative to ensure the separation of duties so that there are no conflicts of interest, while in stark contrast Respondent 13 did not feel this was an issue. A respondent also commented that being an active shareholder was important as well as aligning your investments with your organisations mission. The last respondent interviewed remarked that having a 'beauty parade' of investment managers in the beginning was key before a final decision is made and then again, every five years. She also believed that agreeing benchmarks and mandates upfront and having people on the board that understand investment principles would also be helpful. The responses on this category included:

Respondent 1

> *"Well if you're talking about foundation investment management, I think that, certainly, we need to meet and say, are we getting the best management for the Trust. And do we need to change again, within the constraints that we have."*

Respondent 7

> *"I don't think there's anything around investment management. I think it's all quite tight and quite well handled. I'm not saying we couldn't do better, but I think, generally, the systems, the approach we have, and the practices we have in place right now, work well. If anything, I think we might be able to slightly reduce the number of asset managers in the mix. But I don't think there's any need for any fundamental changes there. So, I think if anything, we might maybe slightly simplify the portfolio, because as I say, there are a number of managers across various asset classes, local and internationally."*

Respondent 14

> *"We believe strongly in being an active shareholder, and alignment of your mission, with your investments, so mission alignment - mission aligned investment, I think, is the terminology - and I think it makes total sense; I think, otherwise, your spending on grants can become self-defeating. And so, I would definitely recommend that, from the onset, you look at aligning your investments with your mission."*

Respondent 15

> *"Best practice would be to have a beauty parade of asset managers, at the outset, before you choose; and then to review that every five years, where you have another beauty parade. Obviously, you need to have them formally presented to the Trustees and the formal environment, where they can be held accountable for their performance. You*

need to agree your benchmarks and the mandates, very clearly, upfront, so that you can check them against those benchmarks, on the performance. And I think you need to have some expertise on the Board, that can actually ask the right questions. So, you need to have people that can understand some basic investment principles, understand the stock market, who perhaps are following the stock market, or have their own portfolio in their own capacity, so that they can start making those kinds of comparisons."

Respondent 9

"I think the most important consideration, is the separation of duties. So, where you have a Trustee, I think it's of utmost urgency that the financial advice is not delivered by the Trustee, that the fund administration is not delivered by the Trustee, and that the investment decisions are not a function of the Trustee. So, I think the conflicts of interest, inherent and integral to financial institutions, that masquerade as Trustees, when, actually, all they're doing, is trying to make sure that the assets never leave their ambit, is enormous."

While Respondent 9 felt very strongly about the separation of duties, Respondent 13 did not feel that there was any issue with the family foundation investment manager also holding the position of trustee.

Respondent 13

"…and (name of investment manager), who is the investment manager, is a Trustee. Technically, it is a conflict, but he has an expertise in both investment management, and in the charitable scenario in Cape Town. So, I feel that overrides the conflict and he's a man of personal integrity.

Respondent 3 did not feel that they needed to improve anything regarding their investment management strategy and that they had everything under control in this regard, saying: *"We don't require anything better, we're already the best."*

Best practices, according to the COF (2010) include an investment policy statement that should be adopted by the foundation. This statement should set out the roles and responsibilities of the investment committee, staff, investment manager and board. The statement should include investment objectives and investment strategy and should be reviewed annually.

COF (2010) recommends that the foundation adopt procedures to ensure that any conflicts of interest of members of the foundation's board, investment committee, foundation staff, and investment management service providers are appropriately addressed. Furthermore, the

foundation should carry out the investment function in compliance with all ethical policies, processes and guidelines.

Owning shares in a company gives investors a voice through which corporate accountability can be improved. Engagement by the shareholder is an opportunity for foundations to influence the behaviour of corporates on environmental, social and corporate governance issues. Asset management companies may usually neglect to address these issues and ongoing engagement on ESG related issues ensures that these companies address these moral imperatives. Foundations can file shareholder resolutions, actively vote their proxies, engage in dialogue with corporate management or join shareholder coalitions in order to pressure companies to improve their environmental, social and corporate governance practices (Voorhes & Hoque, 2014).

Achieving excellence in governance

Most foundations were happy that there were adequate strategies in place for effective governance within their family foundation. Some respondents did feel that there were certain aspects of governance that could be improved upon. There were some interesting strategies that respondents shared such as drafting a board charter, providing training for board members on the trust document as well as their fiduciary duties and responsibilities and regular review of governance issues within the family foundation, as can be seen in these responses below.

Respondent 5

> *"I think pretty much everything is there. I think a measurement of outcome, is perhaps the only issue that I would have, is, are you successful? What is success? How do you get to that point?"*

Respondent 6

> *"I think maybe just from time to time, it might be useful for the Board to reflect on all of the aspects of good governance, because sometimes you also, in foundations, get focused on the financial aspects of governance and assume that that covers all bases. But it may be useful from time to time, just to do a little review and consider your governance practices, objectively, and say, are we still okay on this, are we still okay on that? Because you don't want to put in place, a whole lot of procedures and checks and balances, for elements of governance that have evolved naturally, in a way that makes sense; but you do, from time to time, want to ask yourself, is this still working?"*

Respondent 15

> *"I think it all starts with your Trust Deed or your founding document, your constitution, whatever it is that you've got in place, and all the Trustees must know that document; it should be a living document. Meeting attendance is critical, that's absolutely the starting point. I think some formal training may be valuable, we haven't done it in this capacity, but depending on the kinds of Trust Deeds you're getting on, it might be valuable to have some kind of external service provider come in, and just take the Trustees through their fiduciary obligations, especially if they've never been a Trustee before. And I suppose you could elicit from the Trust Deed, a kind of more user-friendly one pager of duties and obligations, for the Trustees."*

Respondent 12

> *"I'm doing a Board Charter, that's where we're starting. So, when I took over, there was almost nothing in place, so the Board Charter is the first step, and training around the Board Charter. It's a three-page document, which essentially sets out the frequency of meetings, how you should be selected, if you don't show up to meetings, what is your responsibility, accountability, who the CEO responds to, and reports to, what does an advisory Board really look like? And there's a whole bunch of different categories."*

Contrary to the responses above, Respondent 13 did not feel there was anything to improve on in terms of governance, saying: *"I'm happy with the current governance."*

Good governance requires competent leadership, an awareness of fiduciary duties and responsibilities, a cohesive unit of board members and a solid organisation structure. Board members should be familiarised with their roles and responsibilities that come with board membership. The board member should be provided with founding documents, annual reports, budgets, a calendar of events, foundation history, investment policy statement as well as long- and short-term plans (Griswold & Jarvis, n.d.). The King IV Code on Corporate Governance sets out the philosophy, practices, principles and outcomes which serve as a benchmark for corporate governance in South Africa. King IV defines corporate governance as the exercise of ethical and effective leadership by the governing body so that outcomes such as ethical culture, good performance and effective controls are achieved (King Committee, 2016).

Strategies for good family dynamics

Communication and decision-making

Respondents had some useful strategies in respect of communication and decision-making within family foundations. One respondent articulated a fairly simple strategy that could potentially lead to improved communication and decision-making in the long run such as an

informal chat before or after a board meeting. Other respondents found that ensuring clear mandates, having well-structured agendas, a good minute taker, having good governance structures as well as a more formal means of communication could improve these important dynamics in family foundations. A respondent also thought that having a good chair is also important for effective communication between board members. Responses on this aspect of family dynamics follow.

Respondent 1

> *"I think maybe to ask everybody to come twenty minutes before the meeting, so that they can chat, beforehand. I think that's not a bad thing or just afterwards even, you know, go down for a cup of coffee."*

Respondent 12

> *"I think a clear mandate for what the Board is there for, and each individual is there for."*

Respondent 14

> *"I've found that very structured agenda and being clear with the Board Chair, what you want from the agenda. So, I'm meeting with the Board Chair before the Board, to look at the agenda, and after the Board, to discuss any other things that came up. We have a really excellent Minute taker, I think that's really essential, because that helps to focus, and I think it helps with clarity from Board meeting to Board meeting. But I think preparation, you can't go into a Board meeting, not having had a conversation about it, with the Chair; and the Chair obviously needs to be a good Chair, which not everybody is, and that's a tricky one, because I think we've had a discussion about rotating the Board Chair, and we do it every five years; maybe we should do it more often, because it's quite a tiring job."*

Respondent 8

> *"I think that communication sometimes needs to be more formal. I think people do chat, and sometimes, as administrators, a formal communication would be easier; but I do think, as I said, we're very blessed in that this is a family that speaks a lot, they're not afraid to. So, often there'll be a round robin e-mail that gets sent, and most will respond. I know I sent out one the other day, and had a hundred percent response from everybody within a few hours; and I'd sent it on Monday, and said, just get back to me by Wednesday; by Monday night, everybody had responded."*

The COP (2011) provides various strategies on communication which includes that foundations should utilise the latest technologies available such as webcams, e-mail, conference calls, newsletters and board portals. Keeping in touch with family members is also important. Family bonds that are strong ensures open, effective and clear communication.

Decision-making processes that work for the family should be developed. Without formal decision-making guidelines there is room for internal family dynamics to emerge. Families can consider utilising various decision-making models and develop rules for decision-making depending on the type of decision (Angus & Brown 2007).

Relationships

Most respondents said that that increased communication, both of a formal and informal nature should occur more often to improve relationships. One respondent felt that clearer guidelines on what the family members expect from non-family trustees should be stipulated. Another respondent explained that within their family foundation they have clear codes of conduct for meetings and engagement. Other respondents thought that informal meetings would be valuable so that board members and staff spend time together which could also enhance relationships.

Respondent 14

> *"I think there has to be a culture of openness, and active participation. We actually have a code of conduct for meetings and engagement, between the staff and the Board, because of the potential for a power dynamic to act out, and it's about respectful communication, but again, that we can have robust conversations, and that nobody should take it personally, and but we have written that down. We include it on every agenda, it's actually at the bottom of the agenda; and it was out of difficult processes that we developed it. I think it's essential, I think because the family add a dynamic onto the Board / staff dynamic, and I think it's good. I think people need to be reminded that they have power, and what they say is received differently, depending on the power, and there's a hierarchy, in a way, because there's the family, then there's the Board members, and then there's the staff. And so robust conversations are great, but it lands very differently, if you're a staff member, to when you're a Board member, to when you're a family member. And so, it's just to be aware of that. And we include it at the bottom of every agenda, and I don't know if they read it anymore, but I just like to put it there."*

Respondent 6

> *"In terms of just general relationships, I think it's always useful when people can spend time together, outside of the formalities of the foundation itself, or their roles in the foundation, and I think that does happen already, so it's from that perspective, there is good collegial relationships. So, for instance, if we have our Board meetings in Hermanus, it would be at the family's house, and we'll stay over there and we'll all have dinner together in the evening, or something. So, it's very informal and not structured, but it gives us an opportunity to talk about other things beyond the foundation, and just kind of get to know each other. So, there would be opportunity for informal engagement, beyond the Board meetings."*

Respondent 5

> *"I think just increased communication, we don't sit around the table formally enough, to deal with all the foundation's work, so we talk about family investments, we talk about family sort of plans, but the foundation isn't always an agenda item in those sorts of forums."*

Respondent 2

> *"I think they could set clearer guidelines for what they want non-family member Trustees to do. And just indicate that they're happy, or what they would like that person to do."*

Fawcett (2015) provided advice on tools to manage conflict, to ensure good communication and decision-making, which effectively lead to better relationships. These are:

- Create policies and guidelines for the foundation before they become issues of conflict.
- Set clear roles for board members.
- Create a safe space in meetings. Create an environment where there is mutual respect and a culture of listening and empathy. Establish meeting rules on openness and airing opinions where everyone is heard.
- Schedule time to sort out any unresolved conflict in a responsible manner. This can be both formal or informal.
- Appoint someone to research best practices from other foundations around conflict management and use this as an opportunity for learning.
- Remember to socialise! Dedicate time before or after meetings to catch up, build and nurture relationships. Getting to know each other outside of the boardroom can lead to productive and collaborative outcomes inside the boardroom.

Leadership and control

Respondents provided different strategies to ameliorate leadership and control within their respective family foundation. Two respondents felt that key to good leadership and control is employing people with good qualifications and experience, people that are experts in their field. Others thought that setting good structures and governance in place within the family foundation would help. A respondent felt that good leadership and control is dependent on whether board members, the chair and the executive director have a good working relationship. Some respondents thought that leadership and control within their family foundation was good enough and that they did not require any further strategies to improve on this. On leadership and control, responses included:

Respondent 6

> *"It is important for the Board to make sure that they employ people with good qualifications and experience, but I also think it's important just to continually review whether the team is achieving what the Board wants them to achieve and if that is still happening, then that is a positive."*

Respondent 12

> *"I think the biggest challenge that I had, is that the team was a very flat type of team, so the new structure helped a lot in decision-making. I don't necessarily like hierarchical structures, but it's very good for decision-making. I have a really good HR advisor, who helps me on anything relating to HR. I also have lawyers who help to guide me and make decisions that are critical legally, risk-wise. So, I've brought in experts, when I didn't have it, into the team, to help me, especially HR and legal decisions, which has really helped."*

Respondent 14

> *"I think leadership is dependent on active Board members, but also the Chair and the Executive Director, having a good working relationship. It's often quite difficult to make decisions around funding, and tensions arise, as I said, that come from outside; but I think having open channels of communication, trying as much as possible to get on the same page as each other, as the Board Chair and the Executive Director. That sometimes depends quite a bit on the personality, because I've had Board Chairs who are not as communicative, not able to meet before Board meetings, and I think it's definitely to the detriment of the foundation. Obviously, the Chair then needs to manage the Board really well, and the Executive Director needs to manage the office. So, if each is doing their respective job, and then they're meeting together in the middle and have open communication, I think it makes for much better leadership."*

Respondent 8

> *"I think one of the areas that I found very positive and enlightening, in working with the family, is that there is a strong respect for governance. Not everyone likes governance out there, for me, control is governance. And we follow best practices, we follow whatever legal changes are coming through the system. I do a lot of training in that area, because that's my area of expertise."*

BoardSource (2018) found that boards should be value-add leadership bodies. When boards perform at their best, they can add value to the foundation. The three most important areas that the board should address to improve performance is outreach and ambassadorship, strategic planning and commitment and engagement. Leadership characteristics of a good board should also include providing adequate guidance and support to the Chief Executive. The boards leadership role relies heavily on a good partnership with the Chief Executive.

BoardSource (2017) as cited in Griswold & Jarvis (n.d.) explains that a productive leadership culture requires having the right people on the board, a clear understanding on the roles and responsibilities, and educating and engaging board members. Strengthening the board culture requires leading with intent: careful planning, dedication, and commitment from Chief Executives, board chairs and board members.

Grant making strategies

Respondents had valuable strategies that was used to ensure good grant making within their family foundation. One respondent felt that having a portal for online applications made the grant making process easier and more objective. Another thought that narrowing the field with a list of specific criteria would assist with the application and grant making process. Maintaining relationships with other family foundations as well as other key stakeholders such as academics, policy makers was also a priority as it assists in developing best practices and ensures that family foundations remain well informed. Critical to grant making was the view of Respondent 15 who felt that focus areas need to align within the scope of national and international exigencies. Four relevant responses follow:

Respondent 14

> *"I think we've been assisted quite a bit by having an online system. I think it takes away from individual subjective decision-making, and we work and really think (about) our priorities, and whether we are aware of what's going on outside, and whether we are responding appropriately. I mean, we have a whole programme manual, as well as the Flux online system. So, I think it's important to be professional. I don't like the idea of a donor making decisions, the exercise of power is problematic. I think it's important to have a strategy that is fairly communicated, that everybody knows about, outside and inside. So, I think that takes away from the potential for subjective, fickle kind of grant making."*

Respondent 8

> *"The only way to get better at making grants, I think, would be to narrow the field. Because the more you narrow your field, the easier it is to make grants, because then you have a very specific list of criteria, and you say, we will only fund women studying medicine, then it's very easy to make grants. Is this a woman? Yes. Is she studying medicine? Yes. Does she have good grades? Easy, okay."*

Respondent 6

> *"We also maintain relationships with other family foundations through the Independent Philanthropy Association of South Africa (IPASA), and that's also useful, in the sense that there's always sharing of best practice there; so when there are organisations or*

projects or approaches that are making impact in the areas that we're interested in, there's always an opportunity to learn more about it there, and to then approach those organisations for partnerships or cooperation."

Respondent 15

"Our view is that our focus areas need to be aligned to national priorities, so start with the NDP, or sustainable goals. It needs to be aligned with some kind of broader path that you want to be heading towards and then I think it's really important to be informed; do your research. If you are going to choose teacher development, try and find out who are the experts in teacher development in South Africa, and read their documents, or get their opinions. So, I think that would be important. And I think networking is essential. I think you can't imagine that you can do good grant making in your own ivory tower, and not speak to anybody, whether it's with other grant makers, or other people in the sector that you're involved with, academics, policy makers. You've got to be informed, and obviously have a kind of respectful relationship with the NGOs that you're working with.

Davis III (2004) outlines key elements of successful grant making which include the following:

- Ensure that there are clear focus areas.
- Develop a network outside of the family to enhance education and giving. A collective approach can resolve problems.
- Work with grantees as partners.

While donor intent, talents and resources of the foundation are internal building blocks, community needs are external. Internal and external building blocks are critical for strategic grant making. While it is crucial to understand foundation legacy, a good grant making strategy requires research into trends and shifts in the external landscape. Input from other leaders in the field is also useful. Talking to experts in the field and understanding community needs allows for informed decision-making when selecting a strategic grant making focus (Medinger & Logan 2015).

4.5 SUMMARY

This chapter focussed on the main findings of the governance and management processes of family foundations in South Africa. Graphical representations from data collected from the surveys conducted and verbatim quotes from the same 15 respondents were used to illustrate and confirm or contradict these findings. The findings were discussed and linked to the literature that was reviewed in Chapter Two. Chapter Five will outline the main conclusions and recommendations of this research study.

CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

The primary goal of this research study was to explore the governance and management processes of family foundations in South Africa. This chapter concludes this study based on the findings in Chapter Four. A summary of the main conclusions of the research study is outlined. Recommendations and suggestions for further research are provided. Chapter Five ends off with a concluding statement.

5.2 MAIN CONCLUSIONS

The main conclusions are drawn from a study of ten family foundations in South Africa and are described under the four main themes of this study. These are outlined below:

1. The governance and financial management processes of family foundations.

The main conclusions are:

Most family foundations have been endowed with a capital base. Investment mandates were discretionary with the majority having a balanced risk profile. Nearly all of the family foundations did not have an investment subcommittee and were content that their board knew enough about investment principles. Investment meetings were either held annually or bi-annually. Family foundations were mindful of ESG practices, but it was not high on the agenda of most family foundations in this study. All respondents felt that fiduciary duties and responsibilities were correctly executed and that board members were suitably qualified in this respect. Fiscal oversight and responsibilities were mainly taken on internally by someone within the family foundation. Most respondents did not feel that their family foundation needed to exercise tighter internal controls.

Members on the family foundation board comprised mainly family members or people that were friends or acquaintances of the family. Most family foundations had five or fewer board members and met three to four times a year. Family foundations mainly had good attendance rates of between 80 and 100 percent. There were clear agendas for meetings and productive outcomes at board meetings for the majority of the family foundations in this study. Almost all family foundations did not specify board terms and relied on a more natural attrition in terms of board turnover. The majority of family foundations were adequately diverse in terms of

gender, age, expertise and experience. Almost all of the family foundations were not racially diverse, and most did not indicate any action plans to include people of colour to their boards.

2. **The *family dynamics between family members, management, the chair, board members and non-family staff of family foundations.***

The main conclusions are:

Most respondents found that there was sufficient communication, cooperation and involvement within the family foundation. The main methods of communication were e-mail, WhatsApp and phone calls. In some instances, there was conflict between certain family members, but family dynamics and family matters did not stand in the way of foundation performance. Most relationships within the family foundation was positive although there was some sibling rivalry. This did not hinder with their work within the family foundation. Decision-making was collaborative and made by consensus. It was found that there was mainly a participative leadership approach undertaken by the board chair. Most leadership roles were assumed by family members. In some instances, there were power dynamics between family members within the foundation. It was also found that in some instances personal relationships influenced leadership within the family foundation.

The stewardship theory supported the study findings, particularly when considering the family dynamics within family foundations. Family foundations appear to adopt the stewardship perspective. This was evident in the study as there was a sense of loyalty, emotional connection and responsibility within family foundations as well as a participatory strategy that allowed family and non-family members to work together successfully towards a common altruistic goal.

3. ***The grant making processes within family foundations.***

The main conclusions are:

The majority of the family foundations had a record of the founding donors' intentions. Legacy was not important for all the family foundations. The main rationale behind the establishment of most family foundations was the idea of giving back to society. Some family foundations included newer generation values and ideas into grant making but for others there was no inclusion at all. Many family foundations indicated that they had a clear grant making strategy

and that their grant making strategy was in line with the current needs in South Africa. Grant making was both proactive and reactive. Unsolicited applications were not accepted by nearly all foundations.

4. ***Strategies for governance, financial management, family dynamics and grant making processes in family foundations.***

The main conclusions are:

Financial management strategies

Strategies on investment management are suggested by respondents and include: reducing the number of investment managers in order to simplify the portfolio; ensuring that financial advice is not delivered by a trustee to ensure objectivity and separation of duties; being an active shareholder and ensuring that the family foundation investment is mission aligned so that spending on grants does not become self-defeating; having a 'beauty parade' of asset managers at the onset of the family foundation and continuing to do this every five years; agreeing bench marks and mandates upfront and having knowledgeable people on the board that understand investment principles.

Achieving excellence in governance

Strategies for good governance include: drafting a board charter that sets out terms, roles and responsibilities, accountability etc; training board members on trust documents as well as their fiduciary duties and responsibilities and regular review of governance issues within the family foundation.

Strategies for communication, decision-making and good relationships

Both formal and informal methods of communication are important as is ensuring that mandates are clear, drafting agendas that are well structured, having a good board chairperson as well as establishing clear codes of conduct.

Leadership and control

Strategies for effective leadership and control in the family foundation are necessary. This included: employing people with good qualifications and experience; setting up good governance structures and ensuring good working relationships between the board, chair and executive director.

Grant making strategies

Strategies needed for grant making include: an online application portal to make the grant making and decision-making an easier and fair process; maintaining relationships with experts in the field such as academics, policy makers and other family foundations and ensuring that focus areas align with national and international exigencies.

5.3 STUDY RECOMMENDATIONS

This study explored the governance and management processes of family foundations in South Africa. The contribution of this study is to enable the philanthropy sector to increase their understanding of the governance and management processes of family foundations in South Africa as well as the challenges that these family foundations are faced with. Following the findings of this study, I make five recommendations for improved governance and management processes in family foundations.

Firstly, family foundations should establish clear investment goals and set out policies and procedures on how these goals will be achieved. Investment policy documents should set out benchmarks, liquidity requirements, asset allocation approach, risk profile of investments as well as recruitment, selection, evaluation and termination process of the investment manager/s. Investment policy documents should be reviewed at least once a year to ensure that it remains relevant for the family foundation. Independent investment consultants should be utilised to evaluate investment performance and to check if all investment goals have been achieved. Procedures should also be adopted to ensure that any potential conflicts of interest of board members, investment managers and foundation staff are addressed appropriately. Leadership of the family foundation should be more proactive in integrating ESG factors that align with the mission of the family foundation.

Secondly, board members, trustees, or directors who are entrusted with fiduciary responsibilities for the family foundation must ensure that they understand what these duties entail. I recommend a formal induction programme for new board members, trustees or directors of family foundations. The induction programme should include the family foundation legacy, history and background, review of founding and other legal documents, investments policies, a description of board roles and responsibilities including fiduciary duties and responsibilities. Internal controls should regularly be reviewed and updated. Accounting

duties should always be segregated. Fiscal oversight should be increased to ensure that there is always an understanding of the current and future financial position of the family foundation.

Thirdly, in terms of governance processes I recommend that leaders of family foundations use the terms of reference set out in the King IV report to ensure an ethical culture, good performance, and effective controls. Regular evaluation and assessment of the board and chair's performance, at least annually, is essential for effective board performance. I suggest drafting a board manifesto that would set out board responsibilities, processes on recruitment, selection and termination of members of the board, board terms, frequency of board meetings, board participation, board diversity, board remuneration policy, board performance review as well as a clear code of conduct. The board manifesto should be a living document so that it can be reviewed and updated at least annually.

Fourthly, I recommend utilising all platforms available to communicate within the family foundation. Both formal and informal methods of communication could be used. Contact outside of the foundation should be extended to family members that have an indirect involvement in the foundation as well as the generation that will potentially become involved later on down the line. This will build, nurture and enhance relationships. When there is effective communication, good and respectful relationships and appropriate decision-making models, it is likely that conflict will not occur that often. Time should be set aside to deal with issues of conflict in an environment that is safe to all parties.

I also recommend that family members within the family foundation should be aware of the power dynamic that some may hold within a family foundation and should be mindful of this when dealing with staff and other non-family board members.

Lastly, formalising donor intent should be the starting point in establishing a grant making strategy. As indicated in the findings, sometimes donors are not concerned with creating a legacy and imposing their values into the family foundation. Recruiting board members and staff that are experts and actively engaged in the field and have knowledge of local and global needs is imperative and will assist in developing relevant grant making strategies. I would also recommend that family foundation leaders use a racial equity lens when developing grant making strategies. This means that attention should be paid to race and ethnicity when analysing problems and needs and looking for germane and impactful solutions. I also feel that

board members and staff should reflect the racial dynamics within South Africa and this will influence grant making and ensure that it is relevant within the South African context.

Networking and forging relationships with various academics, policy makers, other philanthropic organisations, community leaders, youth leaders as well as NGO's will also serve to guide family foundation grant making. Family foundations should ensure that they align their grant making strategies with local and national strategic plans, goals and programmes such as the National Development Plan (NDP) 2030, National Strategic Plans (NSP), National Youth Development Agency Strategic Plans, New Growth Path (NGP), etc. Across the African continent, goals such as the Agenda 2063 should be taken into account. Internationally plans and goals such as the Sustainable Development Goals (SDG) and United Nation Development Programme (UNDP) Strategic Plan 2018-2021 should be also be referred to.

5.4 SUGGESTIONS FOR POSSIBLE FURTHER RESEARCH

Very little data and information exists on South African family foundations as no framework has been designed to extract this type of information. While conducting this study I found a wealth of information in the U.S. on family foundations. I suggest as a starting point research should be conducted in conjunction with government structures and the philanthropic sector on how to create a formal platform or database where information on family foundations can be updated and shared.

5.5 CONCLUDING STATEMENT

Good governance and management processes in family foundations is crucial for effective foundation performance and to achieve their broader mission in society. This exploratory study examined the governance and management processes in family foundations in South Africa and has produced findings that indicate how family foundations implement their governance and management processes. The implications of the findings of this study for family foundations include that these processes should be structured, intentional and well thought out. Family foundations must adopt good governance and management processes for optimal performance. The recommendations made in this study offer a practical guide to family foundations to enhance the governance and management processes so that they can continue to do their work and create meaningful impact both locally and globally.

REFERENCES

Adloff, F. 2015. Foundations and the charisma of giving: a historical sociology of philanthropy in Germany and the United States. *Voluntas: International Journal of Voluntary and Non-profit Organizations.* 26(5):2002-2022.

Angus, P. 2004. *Family governance: a primer for philanthropic families.* Available: https://www.ncfp.org/wp-content/uploads/2019/01/Family-Governance-A-Primer-for-Philanthropic-Families-NCFP-2004-family-governance-a-primer-for-philanthropic-families.pdf [2019, June 28].

Angus, P.M. & Brown, F.H. 2007. *Family governance meets family dynamics: a survey and strategies for successful joint philanthropy.* Available: http://relative-solutions.com/wp-content/uploads/2013/02/20070820111917_21_ARTICLE1.pdf [2019, July 13].

Anheier, H.K. & Leat, D. 2013. Philanthropic foundations: what rationales?. *Social research: an international quarterly*. 80(2):449-472. Available: http://www.elisaricciuti.com/wp-content/uploads/2017/02/Anheier-and-Leat_2013.pdf [2019, June 20].

Anheier, H.K. & Toepler, S. Ed. 1999. *Private funds, public purpose: philanthropic foundations in international perspective*. New York: Plenum Publishers. Available: https://books.google.co.za/books?id=3QzrBwAAQBAJ&printsec=frontcover&source=gbs_ge_summary_r&cad=0#v=onepage&q&f=false [2019, June 28].

Babbie, E. & Mouton, J. 2001. *The practice of social research*: *South African edition*. Oxford: Oxford University Press.

Baker, C. 2009. *Estate transmission and post mortem charitable giving in Australia*. Ph.D. Thesis. Swinburne University of Technology. Available: https://www.researchgate.net/profile/Christopher_Baker19/publication/268431926_Estate_transmission_and_post_mortem_charitable_giving_in_Australia/links/55edf43208aef559dc438773.pdf [2019, June 09].

BoardSource. 2016. *Fiduciary responsibilities.* Available: https://boardsource.org/resources/fiduciary-responsibilities/ [2019, June 26].

BoardSource. 2018. *Foundation board leadership: a closer look at foundation board responses to leading with intent 2017.* Available: https://leadingwithintent.org/wp-content/uploads/2018/03/LWI2017-Foundations-Report.pdf [2019, June 28].

Boris, E.T., De Vita, C.J. & Gaddy, M. 2015. *National center for family philanthropy's 2015 trends study results of the first national benchmark survey of family foundations.* Available: https://www.ncfp.org/wp-content/uploads/2019/03/Trends-in-Family-Philanthropy-Full-Report-NCFP-2015.pdf [2019, June 20].

Born, J. 2019. *National center for family philanthropy's trends 2020: results of the second national benchmark survey of family foundations*. Available: https://www.ncfp.org/wp-content/uploads/2019/11/Trends-Report2020_electronic.pdf [2019, November 17].

Bryman, A. 2012. *Social research methods*. 4th ed. New York, NY: Oxford University Press.

Center for Effective Philanthropy. 2004. *Foundation governance: the CEO viewpoint. A report on a survey of CEO's of the largest 250 foundations in the U.S.* Available: https://www.issuelab.org/resources/725/725.pdf [2019, June 27].

Center on Philanthropy at Indiana University. 2011. *Family philanthropy beyond borders: best practices for family foundations with geographically dispersed board members*. Available: https://philanthropy.iupui.edu/files/research/2011familyphilanthropybeyondbordersfinal.pdf [2019, June 2].

Ceptus, B., Walker, V. & Whitehurst, D. 2013. *Ten things every board should know.* Available: https://www.cof.org/sites/default/files/documents/files/10-things-for-new-foundation-board-members-FINAL.pdf [2019, June 26].

Conway Center for Family Business. n.d. *Family business facts.* Available: https://www.familybusinesscenter.com/resources/family-business-facts/ [2019, September 14].

Council on Foundations. 2010. *Recommended best practices in managing foundation investments: a guidance memorandum from the board of directors of the council on foundations.* Available: https://www.cof.org/sites/default/files/documents/files/bestpracticesmanagefoundinvest0310.pdf [2019, July 12].

Council on Foundations. n.d. *Glossary of philanthropic terms*. Available: https://www.cof.org/content/glossary-philanthropic-terms [2019, June 25].

Creswell, J.W. 2014. *Research design: qualitative, quantitative, and mixed methods approaches.* University of Nebraska, Lincoln: SAGE.

Creswell, J. & Miller, D. 2000. Determining validity in qualitative inquiry. *Theory into Practice*. 39(3):124–130. DOI: 10.1207/s15430421tip3903_2.

Davis, J. H., Schoorman, F.D. & Donaldson, L. 1997. Toward a stewardship theory of management. *The Academy of Management Review*. 22.(1): 20–47. DOI: 10.5465/AMR.1997.9707180258.

Davis III, S. 2004. Strategic philanthropy: developing a family philanthropic legacy. *William & Mary Tax Conference*. 19 November 2004. Available: https://scholarship.law.wm.edu/tax/104/ [2019, July 12].

De Vos, A.S., Strydom, H., Fouché, C.B. & Delport, C.S.L. 1998. *Research at grassroots level: a primer for caring professionals*. Pretoria: Van Schaik Publishers.

De Vos, A.S., Strydom, H., Fouché, C.B. & Delport, C.S.L. 2005. *Research at grassroots: for the social and human service professions.* 3rd ed. Pretoria: Van Schaik Publishers.

De Vos, A.S., Strydom, H., Fouché, C.B. & Delport, C.S.L. 2011. *Research at grassroots: for the social and human service professions.* 4th ed. Pretoria: Van Schaik Publishers.

Donaldson, L. & Davis, J.H. 1991. Stewardship theory or agency theory: CEO governance and shareholder returns. *Australian Journal of Management*. 16(1):49. DOI:10.1177/031289629101600103.

Eddleston, K.A. & Kellermanns, F.W. 2007. Destructive and productive family relationships: a stewardship theory perspective. *Journal of Business Venturing*. 22(4):545-565. DOI: https://doi.org/10.1016/j.jbusvent.2006.06.004.

Etheridge, A. 2012. *Working together for common purpose: the first national study of family philanthropy through the family office.* Available: https://archived.ncfp.org/export/sites/ncfp/knowledge/passages/2012/downloads/Working-Together-for-Common-Purpose-Family-Office-Executive-Summary-NCFP-2012.pdf [2019, June 28].

Fawcett, E.G. 2015. *Avoiding Avoidance: Addressing and Managing Conflict in Family Philanthropy.* Available: https://www.ncfp.org/ [2019, November 14].

Feliu, N. and Botero, I.C. 2016. Philanthropy in family enterprises: a review of literature. *Family Business Review*. 29(1):121-141. Available: https://journals-sagepub-com.ezproxy.uct.ac.za/doi/pdf/10.1177/0894486515610962 [2019, June 26]

Fernandez-Moya, M. & Castro-Balaguer, R. 2011. Looking for the perfect structure: the evolution of the family office. *Universia Business Review*. 2011(32):82-93. Available: file:///C:/Users/17suf/Desktop/A%20UCT/1%20Sufiya%20UCT%20-%20Dont%20Delete%20or%20Move/2019/Thesis/Journals/Fernandez.pdf [2019, June 27].

Foundation Center. 2015a. *Foundation stats: total grantmaking foundations: aggregate fiscal data of family foundations in the U.S., 2015 [Data]* Available: http://data.foundationcenter.org/#/foundations/family/nationwide/total/list/2015 [2019, September 14].

Gastrow, S. & Bloch, A. 2016. Form and function: a view of the financial and operational practices of South African private philanthropic foundations. (Research report 02/2016). Gardens, South Africa: GastrowBloch Philanthropies.

Gerloff, P. 2003. Family Foundations: an interview with Kelin Gersick. *More than Money Journal. 10*(32)18-20. Available: https://www.morethanmoney.org/issues.php [2019, November 14].

Gersick, K. E., Lansberg, I. & Davis, J. A. 1990. The impact of family dynamics on structure and process in family foundations. *Family Business Review*. 3(4):357–374. DOI: https://doi.org/10.1111/j.1741-6248.1990.00357.x

Gersick, K. E., Stone, D., Desjardins, M. & Grady, K. 2004. *Generations of giving: leadership and continuity in family foundations.* Lanham, Maryland: Lexington Books.

Griswold, S. & Jarvis, W.F. n.d. G*overnance and compliance issues for foundation financial management.* Available: https://www.cof.org/sites/default/files/documents/files/COF_WP_GOV.pdf [2019, July 12].

Healey, J.K. 1990. Continuity in two representative foundations. *Family Business Review*. 3(4):415-417.

King Committee. 2016. *King IV report on corporate governance for South Africa 2016.* Available: https://cdn.ymaws.com/www.iodsa.co.za/resource/collection/684B68A7-B768-465C-8214-E3A007F15A5A/IoDSA_King_IV_Report_-_WebVersion.pdf [2019, September, 15].

Lewis, J. 2009. Redefining qualitative methods: believability in the fifth moment. *International Journal of Qualitative Methods*. 8(2):1–14. DOI https://doi.org/10.1177/160940690900800201.

Lossberg, A.V. 1990. The role of the nonfamily administrator in family foundations. *Family Business Review.* 3(4):375-382. Available: http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.1031.549&rep=rep1&type=pdf [2019, June 28].

Lungeanu, R. & Ward, J.L. 2012. A governance-based typology of family foundations: the effect of generation stage and governance structure on family philanthropic activities. *Family Business Review*. 25(4):409-424. DOI: https://doi-org.ezproxy.uct.ac.za/10.1177/0894486512444603

Medinger, K.C. & Logan, A.R. 2015. Creating choices before making choices: one family foundation's journey to finding a strategic focus. *Foundation Review*.7(4):155-169. DOI: 10.9707/1944-5660.1272.

Merriam, B. Sharan. 2009. *Qualitative research: a guide to design. and implementation*. San Francisco, California: A Wiley Imprint.

Miller, D., Le Breton-Miller, I. & Scholnick, B. 2008. Stewardship vs. stagnation: an empirical comparison of small family and non-family businesses. *Journal of Management Studie*s. 45(1):51-78. DOI: https://doi-org.ezproxy.uct.ac.za/10.1111/j.1467-6486.2007.00718.x.

Moody, M., Knapp, A.L. & Corrado, M. 2011. *What is a family foundation?* Available: https://core.ac.uk/download/pdf/10687925.pdf [2019, June 09].

Moore Stephens. 2018. *Trust Guide*. Available: https://southafrica.moorestephens.com/MediaLibsAndFiles/media/southafricaweb.moorestephens.com/Guides-2018/Moore-Stephens-Trust-Guide-2018.pdf [2019, June 25].

Nedbank Private Wealth. 2016. *The giving report III: a survey on the giving practices of high net worth individuals in South Africa.* Available*:* https://www.nedbankprivatewealth.co.za/content/dam/npw/NPWRSA/PDFs/GivingReports/Giving%20report%20III.pdf [2019, June 27].

Nielsen, W. 1985. *The golden donors: a new anatomy of the great foundations*. New York: Truman Tilley Books/E.P. Dutton.

Palus, J.P. 2017. *Family foundations: balancing family and social impact*. Ph.D. Thesis. Indiana University. Available: https://scholarworks.iupui.edu/bitstream/handle/1805/12839/Palus_iupui_0104D_10197.pdf?sequence=1 [2019, June 09].

Payton, R.L. 1990. Continuity and control in family foundations: reflections and commentary. *Family Business Review*. 3(4):417-420.

Prewitt, K. 2006a. American foundations: What justifies their unique privileges and powers. In K. Prewitt, M. Dogan, S. Heydemann & S. Toepler. Eds. The legitimacy of philanthropic foundations: United States and European perspectives. New York: Rüssel Sage Foundation.

Prewitt, K. 2006b. Foundations. In W. W. Powell & R. Steinberg. Eds. The non-profit sector: A research handbook. New Haven: Yale University Press.

Price, S.C. & Buhl, A. 2009. *Current practices in family foundations: a study in support of the pursuit of excellence assessment process*. Available: https://www.issuelab.org/resources/7087/7087.pdf [2019, June 26].

Raento, M., Oulasvirta, A. & Eagle, N. 2009. Smartphones: an emerging tool for social scientists. *Sociological Methods Research.* 37(3):426-454 DOI: 10.1177/0049124108330005

Remmer, E.E. 2005. The dynamics of women and family philanthropy. *New Directions for Philanthropic Fundraising*. 2005(50):81-94. DOI: 10.1002/pf.130.

Shulman, A. 2003. D*emystifying decisionmaking in family philanthropy.* Available: https://givingcompass.org/wp-content/uploads/2017/06/Demystifying-Decisionmaking-In-Family-Philanthropy-NCFP-2003.pdf [2019, July 13].

Singleton, R. Jr, Straits, B.C., Straits, M.M. & McAllister, R.J. 1988. *Approaches to social research*. New York: Oxford University Press.

Sullivan, J.R. 2012. Skype: an appropriate method of data collection for qualitative interviews? *The Hilltop Review*. 6(1)54-60. Available: http://scholarworks.wmich.edu/hilltopreview/vol6/iss1/10 [2019, November 19].

Tittenbrun, J. 1991. Ownership of philanthropic foundations. *Science & Society*. 55(1):91-102. Available: https://www.jstor.org/stable/40403120 [2019, June 20].

Van Gils, A., Dibrell, C., Neubaum, D.O. & Craig, J.B. 2014. Social issues in the family enterprise. *Family Business Enterprise.* 27(3):193-205. DOI: https://doi-org.ezproxy.uct.ac.za/10.1177/0894486514542398

Voorhes, M. & Hoque, F. 2014. Unleashing the potential of US foundation endowments: using responsible investment to strengthen endowment oversight and enhance impact. Available: https://www.ussif.org/files/Publications/unleashing_potential.pdf [2019, November 14].

ANNEXURE 1 – INFORMED CONSENT FORM

FACULTY OF HUMANITIES

DEPARTMENT OF SOCIAL DEVELOPMENT

Informed Consent Participation Letter

Dear participant,

I am a Masters student at the University of Cape Town, requesting voluntary participation in a research study. This is an exploratory study on the governance and management processes of family foundations in South Africa.

The study will be used to generate information on family foundations in South Africa and make recommendations and provide strategies aimed at improving governance and management processes of family foundations.

All information gathered will be confidential. As a participant, your responses will only be viewed by the researcher's university supervisor and an external moderator. Your name and the name of the family foundation will not be used in the research report at all.

Your participation is entirely voluntary, and you can withdraw from the study at any point. Please read the information below and ask questions/raise concerns with regards to the study.

Participant's involvement

- I voluntarily agree to participate in this research study, acknowledging that the nature of the study has been clearly explained to me and an opportunity provided for me to ask any questions I might have.
- I understand that I am under no obligation to participate in the study and can decide to withdraw at any stage.
- I agree to this interview being used for purposes of the research on condition that my privacy is respected.
- I have received a copy of this consent form.

I agree to participate in this study:	YES	NO

Participant's name and signature **Date:**

_____

Signature of researcher **Date:**

_____

ANNEXURE 2 - INTERVIEW SCHEDULE

Main Research Aim:

The aim of this study is to investigate the governance and management processes of family foundations in South Africa.

Objective One: Financial and governance processes of family foundations

1. Who is responsible for the fiduciary duties of the foundation? Are they suitably qualified? What are their qualifications? (fiduciary responsibilities include managing and protecting the assets of the foundation. This includes: ensuring positive returns on the foundations investment portfolio, internal controls, remuneration policy, tax and audit filings etc.).
2. What internal controls (payment authorisation etc.) are in place to ensure that the foundation is operationally sound? How often are these reviewed and are improvements implemented if internal controls in place are not effective? (is there accountability when there are bad internal controls in place?)
3. Investment oversight - What process does the board follow to review investment policies and strategies, performance of investments, and the appointment of suitable investment managers? (is there an investment subcommittee?) How often is this done?
4. Fiscal oversight – who is responsible for drafting of budgets, cash flows, disbursement (spending) policies, tax and financial reporting and how often is this done?
5. In terms of the endowment of the foundation, how many investment managers are there, and are they from the same or different asset management firm? How often does the board meet with the investment managers? Is there a procurement policy for investment manager selection?
6. Does the investment strategy of the investment managers align with good global environmental, social and governance (ESG) practices? What are the ESG guidelines and what standard does this conform to?
7. Are there any particular sectors that the board has decided not to invest in? What and why is this?
8. Is there a fixed percentage of the endowment that is allocated for grant making? What is this percentage?
9. Is there a willingness by the board to meet outside the boardroom to discuss non agenda items to review and discuss larger aspects of the foundations mission?

Objective 2: Family dynamics

1. Can you elaborate on an instance when there was conflict within the foundation? Do you find it challenging dealing with conflict within the foundation?
2. Can you comment on how decisions are taken by the board, leader (CEO) family members non family members, administrators etc.?
3. Is there sufficient communication, cooperation and involvement between stakeholders in the foundation? Is there ever tension between them? What is the cause of this tension?
4. How would you describe the relationships between board family members, CEO, staff, non-family administrators etc.?
5. How are family dynamics and family matters dealt with by the leader, board and non-family staff?
6. How does the board guide and support the leader and staff at the foundation? Is this sufficient?

Objective 3: Legacy of the donor and grant making

1. What was the rationale behind the establishment of the foundation by the founding donor?
2. How is the legacy of the founding donor honored and how often are the values and the legacy of the donor discussed?

3. How is the legacy and intentions of the donor preserved as new generations of family members become involved?
4. How are values and objectives of newer generations incorporated into the legacy of the donor.
5. How do you think the foundation has evolved in terms of grant making since taking over from the founding donor? How has it changed? How has it remained the same? Was foundation performance improved, the same or different?
6. Can you comment on non-family administrators or non-family members (if no NFA) involvement in grant making and why were they appointed in the first place?
7. Is there a clear grant making strategy? What is this based on? How often is this strategy changed? Can it be changed?
8. Can you elaborate on your grant making process?

Objective 4: Future strategies and initiatives

1. What actions could the board/CEO take in the future to ensure best practices in foundation investment management?
2. What strategies could the board put in place to ensure good governance in terms of fiduciary responsibilities?
3. What strategies could the board put in place to ensure good communication and decision making?
4. What strategies could the board put in place to ensure good relationships?
5. What strategies could the board put in place to ensure good leadership and control in the foundation?
6. What strategies could the board put in place to ensure good grant making practices?

ANNEXURE 3 – QUANTITATIVE SURVEY

QUESTIONNAIRE

INTRODUCTION (Please complete)

1. What is your relation to the founding donor?

   _____

2. How long have you been involved with the foundation?

   _____

3. How many family members are currently on the board of the foundation?

   _____

4. What is your position at the family foundation?

   _____

5. Are you employed outside of the foundation?

   _____

OJECTIVE 1: GOVERNANCE AND FINANCIAL MANAGEMENT PROCESSES (Circle the relevant response please)

1. Does the foundation have an endowment/capital base?

Yes	No

2. What is the size of the endowment?

<R20 mil	R20-R50 mil	R51-R100 mil	R101-R500 mil	R501-R999 mil	>R1 billion

3. Are the investment mandates discretionary?

Discretionary	Non-Discretionary

4. What is the risk profile?

Conservative risk profile	Balanced risk profile	High risk profile

5. What is the general attendance rate at board meetings?

<20%	20-50%	50-70%	80-100%

6. Does the foundation have any documents that set out the board member responsibilities?

Yes	No

7. How many board members are there?

<5	6	7-10	11 or more

8. Are there clear written agendas for the board meetings?

Yes	No

9. How often are board meetings held?

Once a year	Twice a year	3-4 times a year	5 times a year or more

10. Do you feel that there are productive outcomes from the board meetings?

Yes	No

11. Are there more family members on the board or more non-family members?

More family members	More non-family members

12. Circle if the board is diverse in these categories:

Gender	Age	Expertise	Race	Experience

13. Do you think that enough time is invested by the board in strategy development?

Yes	No

OBJECTIVE 2: FAMILY DYNAMICS

(Circle the relevant responses please)

1. What strategies are in place to maintain communication and interaction?

Online board portal	E-mail	Newsletters	Phone calls	WhatsApp

2. Is there sufficient communication between family members, CEO and staff members?

Yes	No

3. Would you say that family members work well together?

Yes	No

4. Is the level of involvement of all family members the same?

Yes	No

5. Do family members on the foundation see each other outside of the family foundation?

Yes	No

6. Would you say that the family office/ administrators have an influence on the foundation performance?

Yes	No	We do not use a family office/administrator

7. What is the leadership style of the foundation Chairperson?

Participative	Autocratic	Collective democracy

8. Who takes on the leadership role?

A family member	A non-family member

9. Do you feel that family dynamics/matters stand in the way of foundation performance?

Yes	No

10. How would you rate the effectiveness of the board?

Ineffective	Average	Effective

OBJECTIVE 3: GRANT MAKING PROCESSES

(Circle the relevant responses please)

1. Is there a written document that details the intentions of the founding donor for the family foundation?

Yes	No

2. How important is the founding donors' intentions in guiding the family foundation in decision making?

Very important	Not important

3. Are these intentions ever challenged by newer generations?

Yes	No	Not applicable

4. Do you feel non-family administrators have more or less expertise and knowledge in terms of the social needs of communities and grant making activities?

More expertise	The same expertise	Less expertise

5. Is the foundation strategy in line with the current needs in South Africa?

Yes	No

6. What is the size of the grant making spend annually?

<R3 million	R3-10 million	R11-20 million	R21-50 million	R51-R100 million	>R100 million

7. Is grant making reactive or proactive?

Reactive	Proactive	Both

8. Do you accept unsolicited funding applications?

Yes	No

9. Who is mainly responsible for the grant making decisions?

Family members	Non-family members	Administrators	Family office

THANK YOU FOR TAKING THE TIME TO PARTCIPATE IN THE SURVEY.