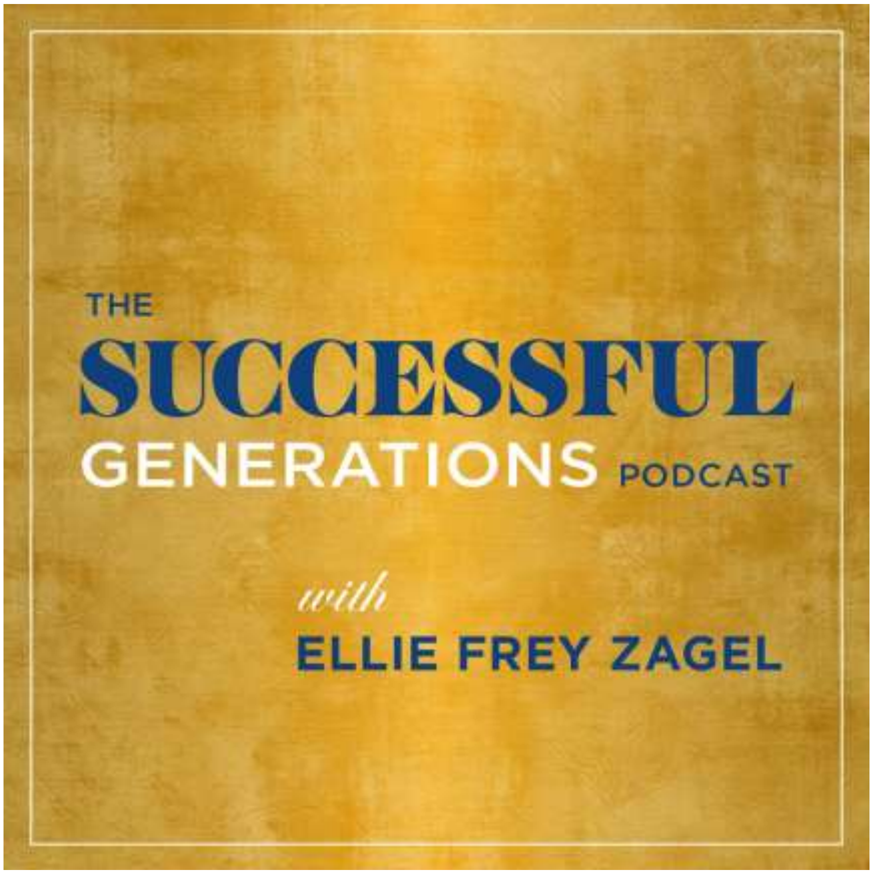
# 089: Millennial Engagement in Family Philanthropy with Bob Reid




## Full Episode Transcript

**With Your Host**

## Ellie Frey Zagel

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Welcome to *Successful Generations*, a podcast for the next generation of family business, family philanthropy, and family wealth. Sure, people might assume you won the birth lottery, but coming from a family with a recognized last name has its challenges.

Hello, and welcome to *Successful Generations*. Thank you so much for listening today. I am your host Ellie Frey Zagel. Today we are interviewing a friend of mine, Bob Reid. Bob serves as the CEO for the JF Maddox Foundation. They're based in Hobbs, New Mexico. In addition to being CEO at JF Maddox Foundation, Bob is also a researcher. He and I met in NCFP, so the National Center for Family Philanthropy, years ago. He and I have also served on webinars together and have discussed the recent trends study in family philanthropy.

One of the reasons that I really like Bob is that besides having a wonderful personality, he’s also wicked smart and has chosen to really dive into the research around family philanthropy disproving a lot of the misconceptions and the public opinion around philanthropists. So, as you know, philanthropy has been something that I've been doing since I was 15 years old. So hearing these misconceptions of what people think about family philanthropists and family foundations can be very disheartening at times.

What Bob has really done is kind of shed a light that a lot of these things are not true. Or if they are true, the benefits of having them be such. So we talk about the lack of transparency, the entitlement when it comes to family philanthropy. We talk about lack of accountability. We talk about power. In this episode, we also tackle how this all pertains to next generation engagement. So I hope you enjoy this week’s episode with Dr. Bob Reid.

Ellie: Hi Bob Reid. How are you?

Bob: Good morning Ellie. I'm well, and I hope you are as well.

Ellie: I am, thank you. Healthy, knock on wood.

Bob: Good, yeah. So far so good.

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Ellie: So far as good. Well thank you so much for being on *Successful Generations Podcast*. Are you ready to get started?

Bob: I am, and I'm very pleased to be here with you today.

Ellie: Great. I'm so glad that you said yes. So we're going to talk about family philanthropy, one of you and my favorite topics, clearly. So can you give us a little bit of an overview? Kind of set the stage for us on our discussion today.

Bob: Sure. Well family philanthropy in the United States is pretty interesting and growing area of activity. We have, according to the most recent information, about $900 billion of assets managed in private philanthropy. Those are private foundations, the majority of which are family foundations. I think we have somewhere close between, estimates vary between 75,000 and 90,000 family foundations in the United States. I can tell you from my work with people around the world that foundations in other parts of the world are looking to the United States for indications of issues that they would like to deal with.

The fact of the matter is just that while $900 billion sounds like a lot of money, and it certainly is a lot of money. It's a lot of money to me. We're expecting this sector to grow substantially. The estimates that I've seen is that we could grow by as much as a factor of 25 within the next couple of decades because of this intergenerational wealth transfer that is already in the process of occurring.

So I'm excited about where family philanthropy is going to go for a couple of reasons. One is what in the world is more noble and more centering spiritually than a family siting around at able focusing their efforts and their energies on how to improve the world they live in for the benefit of others.

The second thing is, and we'll talk a little bit more about this I think in the course of this interview, is that family philanthropy has potential to have outsized impact on social problems. The issues that are challenging people today here in the United States and frankly around the world. That it's not just a matter of bringing financial resources to bear. But also, the matter in which we do this in family philanthropy can have outsized impact. So there you are.

Ellie: Yes. I was actually just thinking that especially in today's day and age where we do have so much unknown with the coronavirus and other viruses. There is such a role for philanthropy right now. So just both the nobility and the impact of family philanthropy is just pretty staggering. I honestly had no idea there was upwards of, you said, 90,000 family foundations. Did I hear that correctly?

Bob: Yes.

Ellie: Just in the United States?

Bob: Yes.

Ellie: So when we're talking about a 25x growth, do you think a lot of those family foundations will be fully endowed? Or do you think that there's going to be growth even further in creating new family foundations? Do you have any ideas or thoughts on this growth?

Bob: You know Ellie it's a little easier to estimate, and economists have done this, what the likely effect of this intergenerational wealth transfer will have on the size of the footprint of philanthropy. What is less clear is the manner and form of which it might take. As you well know, there's a great deal of variety in terms of forms available now. You and I both are involved in private family foundation institutional philanthropy, but there are folks that are involved in LLCs, in b-corps. There are a variety of different forms.

This new generation that's coming up that we'll talk a little bit more about thinks differently about philanthropy from an institutional standpoint. So it's really hard to say exactly how it's going to unfold. If history is an indication of how things might move forward, we would certainly expect to see a huge growth in family philanthropy.

Remember that many of these family philanthropies, the overwhelming majority of them, are actually fairly small organizations. I think it's something like 70% of family foundations have $10 million or less in assets. So the foundation that you manage and the foundation that I manage are actually exceptions to that norm. We're quite a bit larger than that. But when we talk about family philanthropy, it's important to keep in mind that we're talking about very small philanthropic organizations.

Ellie: You know, I'm so glad that you brought that up. Because the next question that I'm going to ask you is about the misconceptions about family philanthropy. I think one of the misconceptions is that family philanthropy is only for the very, very rich. Although $10 million is a lot of money, it is. It may be a surprise from the listeners that that is the average. It's $10 million or less. 70% of the entire 90,000 on the high side of those foundations are in that category. Some much, much smaller. So that was a great statistic.

So let's talk a little bit about especially in the media family philanthropy can get a bad rap. Especially if some people are abusing their power. What are some of those misconceptions that people have of family philanthropy? Perhaps how can we look at them differently?

Bob: Well, as you know, I'm not just a practitioner. I'm also a researcher. I have decided to focus my entire attention on research philanthropy. In the process of doing that, I read an awful lot of the literature. The literature would lead you to believe that family foundations are mysterious, opaque, entitled, self-serving private clubs. If you look at the literature, what's amazing is that the vast majority of the literature on family foundations is based on personal experience or opinion not research.

My research has actually discovered something very different than what is suggested in too much, in my opinion, of the literature. That family foundations are actually mysterious for arguably good reasons. Going back to what we talked about a moment ago about being very small. Part of the mysterious perspective of family foundations is that they are not necessarily open to all comers.

So, for example, on one research project that I did. Less than 50% of the foundations that participated in that research project even had websites. So we probed that. Well, why is that? Was that because somehow they didn't want to be accountable to the broader public? The answer was emphatically no.

It's that they have a very defined area of focus and very limited staff. Many have no staff and could be overrun by people looking for resources who are not relevant to these family foundations. So they found a place to operate that is not public in the sense of the general public but is highly transparent for those organizations with which they actually intend to work. So the interpretation of that from a literature standpoint is that they are A, very opaque; B, self-serving; and C, not accountable. When in fact the research suggests that actually family foundations where it counts most may be more accountable than other kinds of foundations.

Only in as much as when we interviewed grantees who work with family foundations, they said that they are difficult to get to know. But if you invest yourself in getting to know them, once you do the relationship that develops is one of equals not where you have this power disparity that is so much written about between foundations and grantees. And one that for which foundations are remarkably transparent about themselves, about their interests, and very open in working with their grantees.

So you can't juxtapose that against what you read in the literature. So all I would say is that there's an awful lot of literature out there, but it's very rarely based on actual research.

Ellie: Just assumptions. Personal opinion. Interesting. What I like what you just said is that really in order to get to know a foundation, in order to really understand a family foundation. If you are a potential grantee or a nonprofit in the area of focus that they serve it's you need to go out and build that relationship in an authentic way.

Suddenly I picture a family foundation as a little bit like a teenager or a shy adult. Once you get to know that person, they're amazing. There maybe is a little bit of a wall up or a shyness for lack of a better word. So when you get to know them, things become less opaque. You can really work closely together. Is that what I understood? I don’t know if that metaphor worked very well.

Bob: Yes. We actually had to define a term that helped us understand we were seeing in data around transparency. It was called situational transparency. Because we couldn’t reconcile what we were finding in literature and what we were hearing from both foundations and grantees that were paired with those foundations in terms of their transparency.

When I was talking about accountability a moment ago, what I was speaking to was that the accountability from the perspective of a grantee. So, for example, what grantees care about are things like can we really understand who you are, where you're coming from, what your interests are as a foundation? Can we have open dialogue about our shared interests? What would we need in order to be effective?

Can we take the risk of experimenting and innovating to see if we can come up with new more effective innovations? Can we do that without risks? Can we be candid with each other about what we’re seeing and not blame each other for failure, but actually encourage each other for mutual exploration and co-creation? That’s the kind of accountability that the grantees were talking about that is much easier to achieve given the scale of smaller foundations and the intimacy of those families.

What their experience was is that these families were genuinely open to that level of engagement and dialogue if they knew the grantees that were coming in and trusted them. Had a high level of trust in who they were and how they handled themselves.

Ellie: So building relationships. Hugely important. So in the past Bob you’ve spoken about shame-based philanthropy. What does this mean?

Bob: Yeah. Well, you know, my research suggests that the people involved in philanthropy are overwhelmingly introspective. They are very focused on how can they deliver value? Are they living up to the expectations of the opportunity that they've been given in philanthropy? So when they read a lot of this messaging about somehow failing to be sufficiently transparent being the powerful party in the mix, not having the level of representation internal to their organizations of the communities that they are trying to serve.

They began to very mechanically try to respond to that. Because these are organizations that they have an abundance of good intent. And, as I suggested earlier, a very high level of nobility. The problem is is that as they are reading these insights about them as an industry, it's easy to get confused about where value is created and begin to simply try to respond to the criticisms that are levied at family foundations.

The fact of the matter is is that we discovered in our research that there a secret sauce in family philanthropy. That secret sauce is not all that different in terms of the comparison to large public corporations versus small, private for-profit businesses. In a privately held business, you have so much more flexibility to try new things, to innovate, to take risks. Because you're not worried about what you have to disclose to shareholders.

Large corporations often reflect on their risks that they cannot take because they are very transparent to a much larger group of stakeholders. As a result, they are not able to have the same proportionate impact that smaller privately held companies can. That analogy holds true for private foundations relative to larger non-profit or philanthropic organizations.

We live in a very opaque space. We can take risks. People are not typically in our board rooms. We don't typically have to share to external audiences on a blanket level what we've done, what the results have been, and what we've done in that process. So we're freer to work in the spirit of actual engagement and cocreation with these nonprofits where the opacity is critical for, as you mentioned earlier, the highly relational dynamic in private philanthropy that is especially present and something that family foundations actually desire and seek in their relationships with nonprofits.

Because of that, the nonprofits that participated in our research said that if they were given the choice, they would far rather work with a private family foundation than any other kind of grant making organization. Because they saw that opportunity to have a very meaningful relationship, and then to be able to achieve impact much greater than otherwise would be possible.

Ellie: So how is this shame based related? Tie me into the shame part of it.

Bob: Yeah. So here we are realizing the advantages of the ability to work in an opaque space. Being able to experiment, to be able to gamble, to be able to take chances. Then all of a sudden because we're being accused of being a private club and not being sufficiently accountable, we then begin to respond by becoming far more transparent. In doing so, we don't realize what we're giving up.

So in the article that I wrote in The Foundation Review on transparency and opacity. I titled it that it was complicated. One of the things that I tried to do was to get foundations to focus on answering certain questions that would guide them in terms of benefits and costs relative to when, how, and with whom to be transparent. So if a foundation begins to pursue a policy around transparency that is based on feeling somehow that they have some level of shame for being a private entity, they are likely to give up many of the benefits that they can bring to philanthropy.

As a result of that, I think that we have to be more intentional and more conscious. I will say that that article was based on research, not based on opinion. This is not Bob's opinion. This is not anybody else that was involved in research's opinion. This is about research. These were empirical findings that actually challenged the way people think about things.

I'll tell you an example of a consequence. I was in London in January presenting my research to a number of foundations. There was a family foundation there that talked about the fact that they make grants in Israel and they make grants in Palestine. If they had to be transparent about that, the people in Israel would view this foundation as supporting terrorists in Palestine. The Palestinians would view this foundation as supporting Zionists.

Therefore, they couldn't be helpful to either side. Yet all they were seeking to do was to sow seeds of peaceful development for that region. As a result of being a private foundation and not having to publicize the fact that they were doing work on both sides allowed them the freedom to be able to do that work with impunity.

Ellie: Thank you so much for sharing that example Bob. That such, such a good example. As you were speaking about transparency, it occurred to me. I'm wondering if there are some things, maybe transparency is one of them, that we think is a new best practice. Like, for instance, I have to remember when everyone said, "Look at how much overhead a nonprofit spends. If they spend over a certain amount, then that's not an organization that maybe you want to fund."

What we are finding out is that that's actually not the case at all. That some of the nonprofits out there who do have a high overhead have one for a very, very good reason. If you lowered the percent, unfortunately what was happening in the world is that nonprofits would lower the percentage of overhead. People weren't getting paid. People were just working endlessly. Leaders were getting sick. They were not being as effective in the community.

So I'm wondering if maybe there are some things that we think are best practices that actually if you look at the flipside of it are not best practices. I'm wondering. I think you just explained transparency to me in a very similar light. Do you have any comments on that?

Bob: Yes. To me, this is one of the strengths that I have seen in family philanthropy is that rather than following heuristics, mechanical ideas about what is best practice and what isn't, they actually have a much more bottom-up kind of approach.

So, for example, there are a number of nonprofits that might only have one or two employees. Depending upon how you allocate those employee's salaries, that might look like overhead or that might look like program expense. Many of these nonprofits are not sophisticated enough to be able to allocate their expenses in a way that looks appropriate to best practice.

Where family foundations are willing to work. If they roll up their sleeves and they go to work and really get to know these agencies. Many times, the develop a kind of consultative relationship where they themselves might say, "You know, I'm not even sure you're accounting for your expenses correctly. Have you thought about doing this or have you thought about doing that?"

I love the fact that we are very organic. That we are reason based rather than mechanically driven by somebody else's idea of what is best practice. We are a very, very special place in the third sector where we can turn the rules upside down in a way that allows us to really serve people in a much more effective way but in a far mor reasoned way.

There is a social scientist at the University of New Mexico who I have long thought a great deal of. He says something like, and I'll get this wrong, but something to the effect of when something seems intuitively correct. On its face logical and easy to understand, it's probably wrong. That requires that we have to dig deeper. This is when larger foundations don't really have a choice. They have to be far more procedural than relational. Family foundations because of their scale can afford to be far more relational and desire to be more relational.

That allows us to actually get in and look from a bottom-up perspective rather than a top-down perspective in a way that is far less mechanical at what's going on with these agencies. And to really value what they're doing. See beyond what is reported on a 990. To actually have a feel for what is occurring in their body of work. We're finding that family foundations are really becoming the [inaudible] the ability to make financial grants. They're contributing intellectually. They're contributing from a convening standpoint in ways that significantly expand the small non-profits in terms of their ability to realize impact.

Ellie: So, Bob, one of the things that you did just say, and I caught onto it. I know this is not what you meant, but it also occurs to me that this is probably a misconception that the larger world may think about family philanthropy is something about the rules. Of course, that accountability comes into play and the opaqueness, but the misconception may be that we make up our own rules. We don’t follow the rules.

So can you talk a little bit about this misconception? I know that’s not what you meant to say. I know you were actually saying something very, very different. But as you were speaking about rules, it just occurs to me this is probably a misconception that we should probably nip in the bud right now.

Bob: Yeah, that’s a good point Ellie. In fact, what I was speaking to was about the idea of being overly tethered to somebody else’s idea of best practice. That was the context in which I was talking about turning the rules upside down and really look for ways to have impact. In fact, the studies that have been done have shown that perhaps private philanthropy, private foundations of which the overwhelming majority are family foundations are among the most compliant of all groups across the country in terms of IRS rules and regulations, in terms of doing the right thing.

You may recall that we are charged an excuse tax which was intended to be a source of revenue to fund enforcement for the IRS for making sure that private foundations follow the rules and regulations that exist specifically for them. In fact, what we’ve found is that that money has increasingly gone into the general fund because it’s not been needed because we are such an incredibly complaint group.

Remember that when we first started about this the idea of nobility. That nobility can be found in terms of how we comply with a variety of rules and regulations. What my experience is and what my research suggests is that foundations don't merely comply by checking boxes. They really understand the spirit of the regulations around them, and they are very concerned about making sure they've been vigilant in applying all of those regulations in their work.

Ellie: You know, I know that's something. Thank you so much for sharing that. I know that's something that in our family foundation, we are always dotting I's, crossing t's. If there's any question, we are running it by our legal team. So I think that need to be said. So thank you so much for kind of sharing that.

So Bob I now want to transition a little bit into this kind of a next generation engagement. You've had many careers, obviously, but one of the great, I'm sure, joys that you've had especially at the JF Maddox Foundation is both transitioning the G3 onto the board and more recently the G4. I'm so curious. Like I am G3, and G4 is much younger. But like what was the difference between transitioning G3—I think you mentioned like 20 years ago you transitioned G3 onto the board—and now G4.

Bob: Yeah. You know, so there are generational differences. For example, millennials tend to think about things very differently, and you have to consider that. We did a little bit of research on this, and we then reviewed the literature as well. What we found was that as you get further and further away from the original donor, it becomes much more challenging to keep family engaged in family foundations. Part of it is the generational distance. Part of it is just the distal nature of how the family begins to change over time.

Many family foundations tend to be concentrated in a particular geographical area, but overtime they spread across the country and across the world. And are less engaged in place specific kinds of work. What we found was the literature says this. There's this huge drop off between generation there and generation four in the level of family participation in family philanthropy. So that was very troubling to us as we're looking at bringing in generation four.

There are two basic factors that we were able to isolate that became really important driving issues for us around our strategy, and that have seemed to have worked well for us. One is the level of engagement that is afforded incoming onboarding generations. The other is how we weave ourselves in a way that is relevant to the onboarding generation. So let me talk about both of those for a second.

Before I go there, let me say that what we learned was that generation two and generation three, maybe to a little bit lesser extent but still at a material level, will go along to get along. That is to say they will comply with whatever rules and regulations from the family have developed. The spoken rules, the unspoken rules. They're just happy to be together around the table working on something that benefits the world. Beginning in generation four, that’s not necessarily so. They're not as willing to go along just to get along with the family.

So what we learned around engagement is that the first thing that is really critically important is to provide exciting meaningful engaging interesting opportunities for early engagement in the foundation. To not wait until they are an appropriate age to engage and start thinking about maybe board service. So in that regard, we have two levels of status that predate, if you will, the opportunity for board involvement. One is what we call an associate. When somebody becomes 21 years of age, they become an associate which entitles them to certain levels of involvement in the family foundation.

Before that beginning at the age of 18, they are pre-associates. What we wanted to do was since generation four does not live where the foundation is located. They did not grow up here. They don’t really have any reason to believe that where we are located is in some reason interesting to them. So what we’ve done if we’ve offered them internships. They're going to college. We’re happy to do an internship that is a day long, weeklong, month long, whenever it works for them.

Our goal is to get them to get to know the staff, to get to know the grantees. We tailor these internships around areas of interest that have been expressed. Before doing that, I go out and visit generation four on their college campus. Let them show me their lives, their college. Just talk to them causally about what their interests are.

From that then seek to confirm with them. So what you're telling to me is that this would be exciting to you or that would be exciting. You're really interested in early childhood education. That you're really interested in basic needs. You’re really interested in reading programs. Whatever it happens to be. Then come back and work with my staff to develop an internship around their availability, assuming they want to do an internship, that is consistent with what they have the highest level of interest in.

With generation three, we basically put together a series of training programs. We trained them on investments, on accounting, on rules and regulations for foundations, governance, and grant making strategies. Frankly, generation four, if we did that they’d say, “Uh, no thanks.” They're really not interested. They want to get in the middle of things. They want to roll up their sleeves. They want to jump into the deep end of the water, but they want to make sure that it’s an area that they're already interested in.

So we can't always do that in our location. We have, for example, somebody who is a football player in a very, very competitive Division I program who can't travel to do an internship with us. So we arranged an internship at his location with a local United Way that actually worked as a place-based funder in ways that were very consistent with us.

They fell in love with him. He fell in love with them. He learned so much, and we had him do a video after that of, what they would call a vlog, report on what his experience was like. And what we could learn from that experience in a way that we could transfer some of that value to our work with United Way in our community. I went out, spent some time with him in that setting, spent some time with the folks that were offering that internship, and tried to connect the dots. As a result, he got very excited learning about what philanthropy is about.

The next point is the issue of relevance, and this is really tricky. Because relevance is running up against what many of us have been trained to be very careful about, and that is donor intent. The more restrictive donor intent is, the higher the probability of distance between donor intent and perceived relevance. Because millennials in particular are interested in a very different kind of philanthropy than what we have in the past practiced.

They're not really all that interested in, for example, arm’s length philanthropy. You're not seeing a lot of millennials writing checks to large national very important nonprofits. They really want to be engaged. They want to be involved.

So we, for example, would think about bringing them in and maybe doing a building day at Habitat for Humanity. We all go down there and work on a house and give some kind of kinetic connection, if you will, to the work of the foundation. Get people excited about that. It gives them a feel for the real work, not just sitting in a board room hearing about reports on all of the stuff. Really being engaged in the actual work itself.

The betted job that we do of understanding what interest they have, the more likely it is that we can then introduce them to a body of our work that is consistent with what those interests are. So this is not a science. This is an art. It hurts me to say it as a social scientist, but it is. There's a lot of art in this. You really have to listen very carefully. You cannot impose your ideas on this next generation in terms of what you value.

You really need to hear what they value and find a way to weave into what is their framework of thought process the work of the foundation. The board has to then be willing to think about ways to make the foundation increasingly more relevant to subsequent generations as generational interests change. That’s tricky.

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Ellie: I was cheering you on through the entire time that you were speaking. Is there anything else about the research and millennial engagement that you wanted to speak on? Did you get it all?

Bob: Yeah. I did a little casual research.

Ellie: Yeah. Okay. So I just didn't know if we got that in the first question, the G4 and G3. If you answered question number five. As you look at the research around millennial engagement, what's happening? Did you feel like you answered that?

Bob: Let me give you one more example. In my personal philanthropy I go to South America and to east Africa to work with women in extreme poverty. I happened to be flying on an airplane from New York to Boston sitting next to this wonderful young lady who worked at an auditing firm. We were talking. She just happened to mention that she had a colleague who worked with women in extreme poverty in Tanzania, and that she once a year takes a month off to go down there. She personally finances these microloans, but then she provides the business consulting.

It turned out she was going to be there the same time I was. I asked her to make arrangements for me to meet her. So I did. We sat down. I bought her a cup of coffee. I said, "Tell me a little bit more about what you're doing and why you're doing it." That lead to the opportunity to interview a number of European millennials who were also coming down doing different kinds of work in Africa. What I learned was that they very much wanted their philanthropic capitol tared up with their level of physical intellectual engagement with the people they were going to serve.

This was not just writing checks. They really wanted to be on the ground making a difference. This is not a wealthy young lady in Tanzania. She doesn't have a whole lot of money to give. But the money she is giving is having a result that is probably 10 to 50 times what traditional philanthropy might have had because of her ability to go in and actually go elbow to elbow with these women helping them build strategies to build their businesses and be more successful. That's what millennials are looking for. That kind of visceral connection to the work of philanthropy.

That's why we're seeing these different forms. They're not just simply pursuing the private philanthropy, the private foundation vehicle of philanthropy.

Ellie: I love that example. You shared it with me earlier. Thank you so much for sharing it again. As somebody who has lived in Uganda and been able to work alongside people who are doing some amazing work in Kampala and beyond, I love to hear the stories of just matching your expertise with sometimes fundraising or your own dollars.

I know a friend of mine does the L.A. Marathon every year and she raises money for it. Then she goes to Kenya to an orphanage there. This is her way of doing philanthropy. She doesn't have a lot of money, but this is her way of being able to really give back.

I just talked to a millennial the other day about her idea of philanthropy is one of the examples that we just mentioned. It also looks like a friend can't pay their rent or can't pay their mortgage. So she at one time has paid their mortgage payment. That's what she also believes is philanthropy. She's not asking for it back. It's not a loan. It is just a "your life went sideways, and I can help." Which I think is a very beautiful spirit that philanthropy doesn't have to look like organized philanthropy. That really anyone can be a philanthropist.

So you've mentioned in our conversations in the past that millennials are a boon and a challenge. Can you dive into that a little bit for me?

Bob: Yes. For some of the reasons that I've already mentioned, the culture of millennials can be disruptive to traditional institutional philanthropy. Frankly not only do they not necessarily conform to a preconceived idea of institutional philanthropy, they frankly don't even see very often the differences between for profit and not for profit institutions.

You look at, for example, social enterprises like Toms where people are creating these businesses that have philanthropic objective. They are far more expansive in their thought process about how to improve the world they live in. They are very intentional and very visceral in their connection to it. So that can be very disruptive to the way that many of us have practiced philanthropy within institutional bounds if we are not welcoming of these ideas. On the other hand, I actually think that some of the benefits millennials can bring can in some ways not only save philanthropy but actually accelerate it.

Ellie: Oh tell us more. That's so interesting.

Bob: Yeah. Well, you know, they're not interested in their dad's Oldsmobile. They're really interested in a new way of practicing philanthropy. It's very on the ground. Much more even relational that what we've talked about so far. It's almost relational on steroids.

They literally want to be hammering nails. They want to be sitting next to people helping them with their bookkeeping in their new social businesses. They're willing to take money out of their wallet and give cash to somebody. They don't even need to write a check. They're looking for the substance of philanthropy, not the form or procedure of philanthropy.

So as the scale of private philanthropy explodes, this is going to be really important to understand that we're going to need to be able to have intergenerational participation. Because I think the generation that is presently leading philanthropy can be very helpful to millennials in keeping them compliant with the very special rules and regulations that are present in private philanthropy.

But to do so, they've got to engage these millennials in a way that gives voice to how they see the world and how they see philanthropy. And allows them to come in to disrupt what many of us have been involved in for some time but in ways that can really accelerate impact because they're not waiting for the quarterly board meeting. They're engaged every single day in what's going on. They're willing to put their toil beside their money. You talk about humility. These millennials I am seeing an accelerated level of humility in the way they perceive issues, engage people, and respond to problems as real partners.

I'm finishing up a major research project right now that involves 55 foundations in 31 states and the District of Columbia on how foundation collaboration occurs in rural settings. Frankly, it’s not a very pretty picture. It’s not working very well. Yet what I'm seeing among millennials if applied in rural settings could make such a difference to how foundations actually pursue their work.

Because they will want to be engaged in those communities in a way that brings forward all the stakeholders, treats them as valued partners, gives voice to local folks in terms of their own view of their future, then actually works with them elbow to elbow in creating sustainable change. That’s something that is a level of philanthropy that I'm not sure we’ve seen a whole lot of yet. I'm really encouraged about and excited to see. Like any disruptive innovation, if it is not careful engaged and managed it can go off the rails.

So there is as much risk to this as there is potential benefits. If you have intergenerational conflict in family philanthropies in terms of how we operationalize these particular different styles, that will actually I think impede our ability to realize progress. But if on the other hand we see the real value of what millennials can bring to what we’ve already been doing and engage them in a meaningful way and give them the ability to have influence in terms of how philanthropy is shaped, we literally can together I think a form to philanthropy that would be far more effective than anything we’ve seen in the past.

Ellie: That is so inspiring Bob. Thank you so much. Now in the examples that you’ve shared with us, there's a lot of humbleness. In the examples that you’ve shared, there's not a lot of entitlement. But you’ve coined something called the burdened prerogative theory. Can you talk a little bit about what this means in relationship to entitlement?

Bob: Sure Ellie. First of all, in 2014 I did some research on entitlement that got presented to Academy of Management. I was really interested in what factors contributed to elevating entitlement and then what the effect of that elevating entitlement was. So then when I started doing research in the philanthropic space, given what was so present in the literature I brought forward some of the research that I had done on entitlement to test for entitlement in the work we were doing with foundations.

I fully expected to see based on the literature a substantial amount of entitlement related behavior in family philanthropy but did not find that. To the contrary, I actually found an abundance of the absence of that. In research, one of the things you want to do is you want to be able to accumulate and interpret data. But you also want to be able to frame data within a theoretical construct. In this regard, we could not find a preexisting theory that explained the behavior that we were seeing in foundations.

So I had to literally create a theory. The theory was termed burdened prerogative theory. Basically, what it's about is essentially if you inherit some kind of special prerogative, as in family philanthropy the ability to be involved in a foundation that you didn't create, that you didn't fund, but that now you have this opportunity by virtue of your family relationship to be engaged and involved in. You can go down one of two paths.

One is a path of elevated entitlement. "Look at me. I get this opportunity to be involved in something that's very prestigious." Or you can go down a very different path, which is one that has elevated sense of fiduciary responsibility. That's what we saw. What we saw is that people felt incredibly burdened by this opportunity that they were given. That they did not want to let down the original donor, family, society, the nonprofits that they work with. That they had this really deep sense of obligation to do good work and to do it well. That the opportunity cost of not doing it well was unacceptably high.

As a result of that, we almost saw a level of neurotic kind of engagement of, "Oh my god. I may not live up to this opportunity and this responsibility that I have." That fits with the level of compliance that we have seen in the studies around rules and regulations, etcetera.

It also fit with what we saw in the input that we saw for paired grantees about this remarkable level of humility. This willingness to subordinate heightened level of power that automatically goes to being a grant maker to instead empower the grantees that they work with in a way that gave recognition to the importance of their work and the value of their input on how the foundations themselves shape the strategies.

So burdened prerogative theory was a new theory, a new idea that better captured what we saw in the data in terms of the level of sense of rectitude that is consistently present among the foundations that we have studied.

Ellie: You know, as a leadership coach you basically just talked about most of my clients. Like with this deep sense of obligation and deep sense of…I don't know if I hear the word burdened a lot, but I think it is very applicable. The words that we use in family business are, "I have very large shoes to fill," or, "I don't want this ship to wreck on my watch now that I'm at the helm." So I think it works for a family business not just family philanthropy. So I hope that you are studying family business in there as well.

Bob: Absolutely. Actually, I have studied family business. I will tell you that my experience is that we're talking about exactly the same circumstance. The dynamics in family businesses cross over to family philanthropy, which is part of that idea that the DNA in terms of entrepreneurialism also transfers.

Ellie: So good. I want to continue on this slightly entrepreneurial mindset that you have been talking about around millennials. Why is this mindset important as we head into this disruptive time?

Bob: Well, I think private foundations in particular and family foundations especially are intensely entrepreneurial organizations already. Part of it is that I think there's a transfer in the DNA from how the money was created in the first place that facilitated the development of private foundations. And how that transferred over as a style of thought process. Many of us in family foundations are looking for return on investment rather than merely just writing checks. It’s a very different form of philanthropy.

What I am seeing so far with millennials is that they take that to a whole new level. Because of the advent of social enterprise and how people are thinking about using enterprises as a way to facilitate social good. You pair that up with best practices from family philanthropy, and I think you're going to have a very entrepreneurial kind of approach.

So why is that even necessary? It’s necessary because we said that we have $900 billion in assets under management in the United States. That’s all a lot of money, isn’t it? That would certainly take care of all of my needs for the rest of my life. I'm sure it would yours too. The problem is is that while that sounds like a lot of money, we've got to put it in context. Private foundations exist to influence the third sector, which is that group of people in organizations between government and the private sector.

If you look at the combined assets of the third sector and compare that to family foundations, we represent only 1.7% of those total assets. So that means if we’re going to have an impact, we have to be the tail that wags the dog. We have to be far more entrepreneurial in the kinds of solutions that we seek, the kinds of strategies we pursue. That’s where family philanthropy can have an outsized impact on social change.

It’s that our mindset is different. We are very entrepreneurial organizations. We’re highly relational. We’re on the ground level. We’re not using all of these highly established theories of change, research evidence-based strategies.

Let me talk about that for just a second because that’s something that’s going to come out in an article that I'm writing right now from this latest research. There's nothing in the world wrong with being evidenced based. Here’s the problem though. The limitation of being evidenced based is that evidence is backward looking. So where are you getting your evidence from? It’s from prior research.

What family philanthropy largely focuses on is experimentation, risk taking, seeking ways to change the rubric to find new ways of doing things. If you're evidence based, that means your hamstrung in terms of past practice. What we are really good at is being the tail that wags the dog. Being the spark of innovation. So it’s okay to be evidence informed, but you don’t as a family foundation want to be evidence constrained. You really want to be able to learn from past practice, from past experience. That you want to be able to have the freedom to experiment, to take risks, to change, to innovate, and see what has outsized impact.

Ellie: So good. Be evidence informed not evidence constrained. So, so good. Well, Bob, we are wrapping up today’s discussion. How can we find you?

Bob: Well, you can reach me at my email. It’s just bobreid@jfmaddox.org. I'm on LinkedIn and always happy to connect with folks in our field. Connected with about 21,000 of them right now around the world, and really enjoy messaging back and forth with them. I will continue to publish the results from our research. What I'm really trying to do is focus on research in areas where there is an awful lot of opinion but not much in the way of empirical evidence. Hopefully then be able to influence in a meaningful way how we in this wonderful field that you and I are incredibly honored to be in can think in a way that is especially helpful to them.

Ellie: Bob Reid, thank you so much for being on *Successful Generations*. I really love the work that you're doing in researching my favorite sector. I really appreciate you spending time with us today.

Bob: Well Ellie, thank you for the opportunity to be with you today. Thank you also for your leadership in our field. I have followed your leadership in the work that we have worked on together at National Center for Family Philanthropy and am a great admirer of yours.

Ellie: Thank you. It’s mutual.

# 089: Millennial Engagement in Family Philanthropy with Bob Reid

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