



The evolving landscape of Family Offices around the world

What will the profiles of successful Family Officers look like in the future?

by **Andreas v. Specht**

In the dynamic world of wealth management, the concept of Family Offices has evolved significantly over time, reflecting the changing needs and complexities of affluent business families. Initially established to manage the wealth of successful entrepreneurs, Family Offices have transformed into sophisticated entities serving a multitude of objectives and purposes. Today, approximately 9,000 Family Offices (i.e. Single F.O. and Multi F.O.) worldwide have Assets under Management exceeding USD \$16 trillion, making them a significant force in global investments.

DEFINING THE FAMILY OFFICE

A Family Office is a professional organization or private office dedicated to managing the affairs and interests of wealthy business families across multiple generations. Originating in the 19th century with pioneers like J.P. Morgan and the Rockefellers, family offices have grown in number and sophistication. They handle diverse interests, complex stakeholder relationships, asset management, succession planning, and philanthropic initiatives, among other responsibilities.

The overall goal of most Family Offices remains to creating risk-adjusted growth to preserve or increase family wealth. Achieving this overriding goal is becoming increasingly challenging.

If one looks at the various studies that are available, wealthy families need to accept heightened complexity. Modern Family Offices represent a blend of tradition and innovation, adapting to the evolving financial landscape and family dynamics. 40% to 50% of Family Offices have been established since 2006 and with a significant rise in their numbers in locations like the US, UK, Germany, Switzerland and Singapore they have become vital players in global investments, including venture capital and increasingly impact investing.

CHALLENGES AND TRENDS

Navigating the complexities of today's financial markets requires Family Offices to address various challenges and trends:

1. Geopolitical Diversification:

Wealthy families seek to diversify globally to mitigate risks and seize opportunities.

2. Regulatory Compliance:

Compliance with evolving tax and regulatory frameworks demands specialized expertise.

3. Family Governance:

Preserving family legacy and values through effective governance and succession planning.

4. Political Stability:

Political instability influences investment decisions and wealth structuring strategies.

5. Philanthropy:

Families increasingly engage in philanthropic activities to create a positive impact and unite generations.

Discussing how philanthropy aligns with family values can foster cohesion between an extended international family's different branches and generations. What's more, involving the Next Generation of a family at a young age can instil pride, responsibility, and identification with the family values. This ongoing dialogue also fosters a long-term commitment to specific philanthropic activities.

Succession within a family continues to be the most important – and challenging – issue that owning families face. The principals of Family Offices not only want to pass on a company, but also a legacy to the following generations. However, any discussion regarding succession in a family starts with a fundamental question: Is there a capable, qualified Next Generation willing to take on responsibility and leadership? And when we are called in to support the owning family with this tricky and challenging question, it's not only about the assessment of qualifications, experience and competencies. The starting point is often the willingness of the NextGen to take on responsibility – and the ability of the NowGen 'to let go'.

Since 2018, we have observed that Family Offices worldwide are increasingly shifting their investments from real estate to start-ups. In addition, the proportion of club deals and smaller transactions (< USD 25 million) is increasing. One reason, according to family officers we have talked to, is that NextGen members of owning families are increasingly interested in working with – often in – a Family Office rather than in the original Family Business. This trend is also changing their investment behaviour – away from “rather boring property investments” and more towards investments in “start-ups, scale-ups and new technologies”. This change in investment behaviour also requires a different skill set among family officers and employees within Family Offices.

THE PROFILE OF A SUCCESSFUL FAMILY OFFICER

So let us have a closer look at the external leaders within Family Offices. And from my perspective, the War for Talent has long been a challenge for global Family Offices! The demand for ‘top talents’ for Family Offices around the world has reached unprecedented levels, and understanding why it surpasses the available supply is crucial. Family Offices have matured. They are no longer mostly small and intimate entities managing the extraordinary wealth of individuals and their families.

Many have become institutionalized machines equipped with exceptional professionals to match. A little more than 50% of all global Family Offices have on average somewhere between 2 and 10 employees – but already almost 25% employ more than 20 people. As Family Offices evolve, so do the profiles of successful family officers of the future. These professionals require a diverse skillset to navigate the complexities of wealth management and family dynamics. Key attributes will increasingly include:

1. Strategic Vision and Innovation:

Anticipating changes in the financial landscape and implementing forward-thinking solutions.

2. Global Acumen:

Cultural fluency, and expertise in navigating international regulations and cross-cultural dynamics.

3. Technology Proficiency:

Leveraging technology for operational efficiency, risk management, and decision-making.

4. Family Governance and Communication:

Facilitating communication, aligning with family values, and managing relationships.

5. Sustainable and Impact Investing:

Integrating ESG principles into investment strategies for societal impact.

6. Adaptability and Resilience:

Navigating uncertainties and fostering a culture of agility and innovation.

7. Cybersecurity and Risk Management:

Protecting assets against digital threats and implementing robust risk management frameworks.

8. Talent Development and Succession Planning:

Nurturing a skilled team and ensuring smooth transitions in leadership.

9. Ethical Leadership:

Upholding transparency, accountability, and integrity in all dealings.

10. Risk Management:

Identifying and mitigating potential risks while communicating effectively.

In conclusion, the future of Family Offices relies on the capabilities and competencies of their leaders. The ideal family officer of the future will be a multifaceted professional with a holistic understanding of wealth management, family dynamics, and global trends. As Family Offices continue to play a significant role in the financial landscape, attracting and retaining top talent becomes paramount. By fostering a culture of continuous learning, embracing technological advancements, and prioritizing ethical leadership, Family Offices can navigate the complexities of wealth management and ensure long-term prosperity for generations to come.



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