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Whitepaper

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BOARD RECRUITMENT SPECIALISTS

Family Office Leadership

Reflecting on the impact of COVID and other underlying themes of the last 12 months

As with almost everything, the COVID pandemic has shifted and accelerated thinking and planning for many Single-Family Offices (SFOs) and Multi-Family Offices (MFOs). Regardless of the impact of the pandemic on their wealth, there have been other significant trends at play too.

1. Time together

Lots of families have spent more time together during lockdown. In many cases, grown-up children have de-camped 'home'. Family members have been getting to know each other again, often across multiple generations. This time together may have served to confirm that the views and ambitions for the family and their wealth are shared and aligned, but in some cases the younger generations are realising quite how different their views and priorities are to those of their elders (more on this later). Furthermore, discussions may have highlighted the lack of real succession planning in place, and therefore the need to think more carefully and strategically on this.

On the other hand, other families have been starved of contact with each other through the pandemic. Alex Sharpe of Kinestra Partners LLP comments that: "For most families COVID has disrupted their typical pattern of face-to-face meetings, particularly those who are not all collocated in a single jurisdiction. Whilst video calls have been an admirable tool, the nuance, emotions, creativity and connections are harder to foster online and, since common understanding and trust form the basis of most successful family partnerships, we are recommending that a key priority when travel unlocks is for families to get together. This is not necessarily to resume their traditional format of meetings, but to allow for the time and space in between formal proceedings; sharing a laugh over a cup of coffee, reminiscing over a drink—the small moments which create the bonds which last a lifetime and ultimately serve as the foundation for a successful family enterprise."

2. Reality of mortality

It has been hard to avoid the reality of mortality over the last 12 months. It is something we all knew about but perhaps didn't think about too much. The pandemic has sadly meant that lots of loved ones have been lost and this often results in reflections on our own mortality. The patriarchs and matriarchs of family offices are no different. In many cases, they have become more aware of the need for proper succession planning.

Furthermore, plenty of people have been 'resetting' in recent months; reflecting on their priorities and ambitions and perhaps stepping off the treadmill or path they had been on. For wealthy families, this reflection and resetting has led to some patriarchs/matriarchs deciding to hand over more responsibility and control to the next generation.

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As the head of one family shared with us: "The pandemic has given us a reason and desire to take a step back and reflect. Like all businesses, family businesses need to be future-proof and COVID has encouraged us to think more seriously about the future and how we might evolve and build our resilience."

3. Generational shift in thinking around the purpose of wealth

The pandemic has not only shone a light on the very real inequalities that exist in society but experts suggest that the pandemic has served to widen these. Added to this, there have been other key themes and issues during the last 12 months, such as the Black Lives Matter movement.

Many families are realising that the 'millenial' generation has different priorities. They are increasingly well-travelled, well-educated and alert to the challenges and opportunities across the ESG (Environmental, Social, Governance) agenda. In many cases, they have different priorities to those of their parents and grandparents. They have a greater passion for and focus on impact investing and sustainability—with much greater desire to invest in sustainable companies. They care about diversity and inclusion. They are also increasingly keen to set up charitable foundations as part of the family office and drive a strong positive societal impact for their family. Authenticity is key.

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In addition, Matthew Fleming of Stonehage Fleming comments that "Younger generations are often more risk-averse than their parents. This is perhaps because they feel it is not their money and as such they feel a greater responsibility to do the right thing with their family's wealth: both in terms of investing responsibly as well as generating returns."

Added to these key themes, there are other underlying trends at play:

- Families are more **international**; more geographically diverse. Their structures are increasingly complex. Regulation is increasing and becoming more burdensome.
- Families are more tech-savvy, particularly the younger generations. Their **technology** usage and needs are evolving fast, something else which has been accelerated by COVID. An increase in the use of technology must go hand-in-hand with greater focus on cyber risk and other tech-related risks such as data security. Whilst technology can improve efficiency, it also comes with a cost and many family offices are seeing an increase in operational costs.
- **Relationships** for the younger generations are more complex; more divorces, more long-term relationships between unmarried couples, more pre-nups, more same-sex marriages, more fluidity, greater diversity.

So what does this all mean from a talent and people perspective?

1. The purpose of wealth

It sounds simple but it is far from it. As Matthew Fleming comments "Never has it been more important for families to come together and discuss the purpose of their wealth." This, in turn, will drive values and culture. If a family is united on its purpose and values then everything else becomes significantly easier.

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Alex Sharpe notes "If nothing else, COVID has been a reminder that life is short and we need to focus on what really matters. We have seen this lead to a number of significant families and their family offices revisiting existential questions – What are we here for? What is most important to us? What do we want for the future? And how do we need to evolve? The best ones we see are not only asking themselves these questions, they are acting on them and are making significant changes to ensure their family office is meeting the family's needs of today and tomorrow, rather than the needs of yesterday."

2. CEO / CIO hiring

For families, it is increasingly important to ensure that their critical hires reflect and embody their own culture and values. Hence why it is important for families to be able to articulate the purpose of their wealth. The better they can do this, the more likely a key hire will be strong cultural fit with the family. With a CEO or a CIO hire, it is essential for a family to think carefully about what success looks like in 3/5/10 years' time. It will be about more than financial returns and beating the benchmarks. Impact is increasingly important. The good news is that the two are not mutually exclusive. Furthermore, a genuine focus on ESG can become a differentiator for a family office and a real attraction for talent.

Focusing for a moment on the social element of ESG, the Black Lives Matter movement has led to an increased awareness of the lack of ethnic diversity in the younger generation of FO investors. From a leadership perspective, it is the CEO's responsibility to lead the push for greater diversity and inclusion amongst their staff; all of FO executive management must be much more savvy and embracing of these issues if they are to make meaningful progress. Greater diversity , in turn, can lead to better decision-making and improved performance.

"COVID has magnified everything"

What has also become increasingly apparent during the pandemic is the need for CEOs and other senior leaders within family offices to have substantial emotional intelligence. As one CEO commented to us "COVID has magnified everything". The role of the CEO increasingly involves family counselling and, during the pandemic, staff wellbeing has been a very real concern and focus for CEOs. Some CEOs have shared with us that almost as much of their time during the pandemic has been spent on providing emotional and psychological support as on strategic and commercial matters.

3. Innovation and adaptability

Another critical part of the CEO role involves innovation and leadership around new ways of working, particularly the use of technology. Families often have their traditional, favoured and comfortable ways of working. The pandemic may have highlighted inefficiencies or risks which needed addressing. The EQ and influencing capability of the CEO will continue to be critical in persuading and leading the family towards new ways of working which are fit for the future (and the next crisis). One family office CEO commented to us that "One outcome of the pandemic has been that it has focused senior management on accelerating technology innovation and improvements which were required anyway but were not getting the appropriate prioritisation ".

4. The role of trustees and advisers

The value and influence of trustees, council members, NEDs and advisers is increasing too. They are becoming more involved with a broader range of decisions and challenges, from governance to purpose to reward. LTIPs for FO senior leaders are evolving: performance pay is increasingly based on behaviours as well as financial indicators, consistent with the increased focus on purpose and values.

Furthermore, trustees and advisers are helping the younger family members to take a sensible approach to risk. Matthew Fleming comments that "Trustees and advisers can take a key role in avoiding what we call 'reckless caution', whereby there is a significant risk in doing too little. It is important for trustees to empower the younger generations and to relieve their sense of

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In summary: don’t waste the crisis

Many business leaders are fond of saying “never waste a good crisis”. There is no reason why the same should not apply to family offices. Many of the challenges faced by family offices during the crisis existed before and they will continue to exist long after COVID has been beaten. What this pandemic may have done, however, is to highlight key challenges, exacerbate some of them and, critically, create a forum for debate around them. The leadership and structure for those debates is key for progress, whether in the form of a CEO whose values closely align to those of the family, or trustees and advisers who are well-equipped to help families navigate such fundamental questions as: what is the purpose of our wealth and has the pandemic changed our views on this?

Founded in 2010, Independent Search Partnership LLP specialises in board recruitment for a range of companies with different ownership structures. These include FTSE 250, AIM, mid and small cap, family-owned entities and private family offices.

Working across multiple sectors, our typical assignments are Chair, Non-Executive Director, CEO and CFO searches. Our Partners are some of the most experienced board search professionals in the country, working with organisations not only in London, but also in cities and regions throughout the UK and Ireland. A Partner is 100% dedicated to each assignment, ensuring that all contact with clients, candidates, sources and referees is made by the person responsible for the project.

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Vicky Griffiths joined ISP in 2020. Prior to this she spent five years at Leathwaite, where she led the Board Practice. Vicky also worked for five years at Brevan Howard Asset Management LLP, where she was responsible for operational and business risk. She started her career as a strategy consultant for Bain & Company and also spent some time working as a consultant for Vantis Plc. In a non-executive capacity, Vicky is a NED for RM plc, a Trustee of the British Olympic Foundation and of Bellevue Place Education Trust. She also sits on the committees of the MCC at Lord’s Cricket Ground and Vincent’s Club in Oxford.

Guy Beresford founded ISP in 2010. His career in search started in 1992, when he joined Russell Reynolds Associates. Before going into search, Guy worked in the international capital markets with Nikko Europe from 1987-1990. In 1997 he co-founded The Miles Partnership with Miles Broadbent, remaining with the firm until he moved to Whitehead Mann in 2008. Guy‘s work has been almost exclusively at Board level – handling Chair, NED, CEO and CFO assignments. He has particular expertise working for mid and small cap PLCs, privately-owned companies and family offices.

Neil Holmes joined ISP in 2017. A former Eurobond Dealer, Neil started his search career with PwC where he was a Senior Manager in the Global Human Resource Solutions practice within Management Consulting. Neil subsequently gained extensive non-executive search experience as a Partner with Hanson Green, before joining Norman Broadbent as Managing Director, leading the Board and CFO practices. Neil works exclusively at Board level and has led a number of searches for Chairman, NEDs, Chief Executives and CFOs for FTSE 350, Small Cap and AIM listed businesses as well as PE-Backed, turnaround and pre-IPO businesses.

Simon Bailey joined ISP in 2020. He has 30 years’ experience in executive search and has led the Financial Officers Practice of major search firms including Whitehead Mann (now Korn Ferry) as well as leading boutique firms. Simon specialises in CFO and senior finance leadership appointments including Finance Directors, VPs of Finance, Controllers, Heads of Audit, Tax, Treasury, Investor Relations, Corporate Development and M&A. Simon works with major organisations, public companies, private equity and privately owned businesses both domestically and internationally, spanning all sectors.

Damian Walsh joined ISP in 2021. He is a Chartered Accountant with more than 35 years’ international experience. Prior to joining ISP, Damian was a Partner and Head of the Board Advisory Practice at Savannah Group. Prior to that, he was a Partner in the CEO & Board Practice at Heidrick & Struggles. He works exclusively at the board and senior executive level and specialises in the natural resources and broader industrial sectors. Damian enjoyed a long career as a Partner with EY, based in Sydney, New York and London. From 2008-2018, Damian was a NED of Arqiva Limited, one of the UK’s largest owners of critical national infrastructure. Previously, he was a NED of the Australia – UK Chamber of Commerce and he is currently Chairman of the Britain-Australia Society and Chairman of the Australian Chamber Orchestra UK Board.