

The Future of the Family and the Family Office

MAY 2021

We can't explore the future of the family office without first exploring the future of the family in a post-pandemic world. The next decade will increase the complexity enterprise families face and offer family offices new opportunities and challenges. And, as those enterprises grow more complex, the family office becomes more important to every family member—forcing them to be more strategic, more integrated, and more professional.

PROACTIVE FAMILIES DRIVE CHANGE

We've all witnessed the modern family's changing profile, so it's no surprise owners are changing attitudes and expectations about the future. Generational views are shifting around risk-taking, entrepreneurship, social responsibility, and the value of keeping the family together long term.

We expect to see proactive family members driving the pace of change and younger generations asking for new, digital services. Because rising generations (rising gens) are more digitally comfortable, they'll want more risk and opportunity analytics—and they'll want the family office to advise on future events more than past ones. Rising gens also want the family office to help them better understand the big picture and their place in the future enterprise.

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If we want things to stay as they are, some things will have to change.

-*The Leopard, Giuseppe Tomasi di Lampedusa*

FIVE SIGNIFICANT SHIFTS

These undercurrents are leading to five significant family shifts that have family office implications. It's worth considering each individually, and then develop a collective profile of changes affecting the family.

- 1. Changes in the modern family.** The stereotypical nuclear family has been replaced by blended families, life partners, and complex family dynamics. Family views on social responsibility are more diverse, and potentially more divisive, than before. With older generations living longer and staying more involved, leadership transitions are delayed and new leadership roles aren't identified soon enough. Most importantly, qualitative value measures are becoming more relevant than quantitative measures of financial success.
- 2. Challenges to family engagement.** Thoughtful engagement across generations is critical to ensure broader enterprise sustainability. Growing complexity and uncertainty is compelling owners to pay more attention to financial decisions. How families choose to make decisions together will change. To demonstrate its ongoing value, the family office must increasingly emphasize family governance and communication across family generations and branches.
- 3. Revisions to enterprise values and vision.** More and more families recognize the tangible and intangible benefits from working collaboratively on shared family goals. To have an impact with their family capital, family members must take the time to develop a thoughtful, shared future vision and what they hope to accomplish collectively. It requires intentional planning using a sophisticated ecosystem of family leaders, dedicated managers and thoughtful advisors.

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- 4. Shifts in philanthropic priorities.** Many families want to have meaningful impact during their lifetimes, others want a philanthropic legacy. But many in the rising gen want the family's priorities to shift to causes popular with their generation, such as the environment, social justice and economic opportunity. Families more aware of social impact's success are more willing to try new approaches; conversations will shift from "why" to "how."
- 5. Contributions as a "family of impact."** Families are increasingly considering the broader impact of their enterprise on society. If the family's goal is to be a force for change, the family will look to achieve significant and productive economic impact through novel and disruptive markets, technologies and services. The rising gens will push for increased involvement, wanting more clarity on the family enterprise's value proposition and societal contributions.



SIX CRITICAL ROLES

Discussing the roles your family office should have is a delicate and critical first step in forming a family office. The family must revisit these roles as it matures and the office's value is better understood. At least six of today's critical family office roles will become more valuable as complexity and uncertainty increase.

1. Personal advisor and arbitrator. The family office team serves as an advisor and sounding board for each household—integrating personal goals with broader family goals. The office executive also facilitates important conversations across generations and branches—often requiring artful consensus—building skills to blend collective interests. The family will need an objective facilitator to help sort different views when values and priorities shift, and an arbitrator to socialize and integrate diverse viewpoints into a collective vision.

The family office can ensure orderly governance is maintained through leadership transitions, helping foster trust across branches and generations.

2. Facilitator and champion for change. Getting the family ready for change and changing dynamics is critical. Today's volatile, disruptive environment will only drive faster priority shifts. The family office team can facilitate conversations about differing priorities, and transitions in ownership and leadership. They can help owners clarify their private capital custodian role and reinforce the benefits of working together to accomplish more.

3. Educator and mentor. The family office serves as an important educator and mentor for rising gen family members—helping develop financial instincts and define personal goals and priorities. Assigning an office member to coach and mentor rising gen siblings and cousins will help future owners learn the enterprise's history and understand decisions that came before.

4. Risk manager and mitigator. The family office team's role is to develop an understandable and predictable process for analyzing risks and identifying new opportunities. Managing unknown and unforeseen risks in a proactive manner will become more important and complicated. The family office's executive team should transition to identifying risks, developing risk mitigation strategies and providing ongoing enterprise risk monitoring.

5. Innovator and allocator of capital. An innovator helps the family think opportunistically and allocates capital and resources strategically. Because new digital platforms can centralize data across all operating businesses and projects, the family office can better compare opportunities and investments across the entire enterprise and make innovative recommendations.

6. Strategic enterprise advisor. Part of this role is helping the family define success and how it wants to evaluate its enterprise each year. Sometimes, family office executives can see opportunities the family might miss and help integrate financial priorities. The family office can ensure orderly governance is maintained through leadership transitions, helping foster trust across branches and generations.

Once the family is aligned on these roles and definitions, the office's goals and services can be mapped accordingly. Then, at least twice a year, it's important to monitor and communicate how each role supports the family, so members better understand the office's purpose and intangible value.



RESPONSE TO THE NEW ENVIRONMENT

Owners need to know that, strategically, digital oversight will be in their best interests. To drive that transition, family offices should look at the following ways to make their services more valuable.

- **More Holistic:** A family's holistic well-being will encompass personal health and wellness, financial health and diverse ways for helping others. An integrated approach will help the office oversee investment, wealth transfer and philanthropic goals, and lifestyle activities.
- **More Strategic:** Successful future office executives will move from an operational focus to a strategic one, managing transitions and transactions in volatile times. This approach also requires a strategic team of advisors to identify relevant alternatives.
- **More Trustworthy:** Monitoring activities with more comprehensive data provides every owner a better, big-picture understanding. That will build a trusted bond between the owner and family office—with a real-time view of perceived or actual risks, owners will feel more in control.
- **More Decisive:** With growing pressure on fast decision-making, the family office will support family decision makers in new ways. Owners will feel more confident making decisions having new data-driven insights about how they invest and spend their money.
- **More Transparent:** In the coming decade, all decisions and actions can be fully transparent, eliminating the mystery of what a family office does. Executives and owners will be able to track decision-making step-by-step, modify directives in real time and ask questions about any direction change.

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- **More Professional:** Because digitized operations help us move faster, the family office will shift emphasis to managing future goals and expectations. Owners will expect more comprehensive guidance about how strategic enterprise goals affect personal goals and vice versa.
- **More Integrated:** Successful office executives of the future will provide more-comprehensive views of the broader enterprise, using dashboards to show where everything stands and how problems are addressed. They'll integrate financial processes digitally and bring analytics to the family level, making comprehensive family data a real family asset.
- **More Digital and Analytical:** New technologies will deliver greater insight about current situations and possible solutions for tomorrow's problems. The office also will have new tools and techniques for quantifying its value in real time. Insights will be more timely.
- **More Educational:** The successful family office of the future will establish a continuous learning culture for family and office staff. Helping the family evolve and grow is an essential part the management team's future role, and critical to helping the rising gen understand family goals and stewardship roles.



FAMILY OFFICE EXCHANGE INSIGHT

- **More Collaborative:** The family office will be able to find closest peers and develop relationships to enhance future opportunities. Data can be shared more easily. Family offices will form closer relationships with external advisors who understand the family's full strategic picture.
- **More Impactful:** The family office can help owners better articulate their values, shape their enterprise, and manage the family's reputation by proactively monitoring and managing social media (mis)information. Helping the family clarify its definition of "impact" will contribute to the family's understanding of—and commitment to—the enterprise.

SMOOTH TRANSITIONS

All these changes will help owners be more informed, involved and confident decision-makers, creating resilient family leaders. With digital integration, owners will have greater insight about and oversight of strategic priorities. In just a few short years, successful enterprise families will be managing family health, wealth, wealth transfer, capital allocation, lifestyle preferences and philanthropic projects in a more integrated fashion.

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For more guidance on how to make these transitions smoothly, consider attending FOX's upcoming **Enterprise Family Planning Workshop** July 13-15, 2021.

This workshop offers a thoughtful approach to organizing the complex dimensions of your family enterprise, once you have grown larger than an operating business. This workshop will help you educate the family owners, align their interests, and get the action steps prioritized and implemented so the enterprise journey can continue from one generation to another.

To learn more about the event, or to register, please visit: www.familyoffice.com/EFP.



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