

Growing Pains: Helping a Family Office to Evolve

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This case study invites students to identify the underlying issues, stakes, and potential pathways forward for a troubled family office. Students also explore problems surrounding the evolution of the family office, misunderstanding of its purpose, and the disconnect between the family and office staff. In analyzing the case, students are asked to reflect on how they might assist the family and the family office advisors, and to propose a plan that would address the pain points and provide the family and family office with a shared direction for the future. *Teaching notes are available as a download, above.*

This fictitious case study is based on our experiences as advisors with Generation6, working with dozens of Single Family Offices. The name we used in this case study, "Miller Single Family Office," is a pseudonym.

Introduction

The Miller Single Family Office (SFO), based in New York City, stands at a crossroads. Established in 1998 and serving about 60 family members spanning four generations and five family branches, the SFO is facing several challenges at once. On the one hand, the office struggles with high employee turnover, which appears to be driven by what employees perceive to be unreasonable demands on behalf of the family, and insufficient pay given the workload and expected 24/7 availability. On the other hand, the family council has been struggling to engage family members, particularly the younger generation, in educational and social activities, many of which are coordinated through the family office. There is concern that the family is becoming increasingly disconnected from one another, and that the family office is not effective at supporting the family in building and maintaining family unity and alignment. These challenges have led many family members to question the purpose and the future of the

SFO, which culminated in a heated discussion around the SFO budget, pricing, quality of employees, and more during the last family shareholder meeting.

Your consulting firm has been hired to improve the stability and effectiveness of the Miller SFO. What needs to be done to make this SFO a resource for the Miller family and an organization that attracts and retains the best employees? What changes need to be made to guide the SFO forward?

What is a Single Family Office?

A Single Family Office (SFO) is an entity that manages the investments, wealth, and often the personal affairs of a single wealthy family. The main purpose of a SFO is to centrally manage the family's wealth and related tasks, providing a range of services including investment management, estate and tax planning, legal matters, philanthropy coordination, and even day-to-day assistance with lifestyle and concierge services. The Miller SFO offers the full range of these services, with generations differing in the types of services that they request the most.

Taking One Step Back: Why is This Happening?

As family groups and family offices grow, many SFO employees find it increasingly difficult to understand and connect with the family they serve. As the family shareholder group expands, individual needs and wants take precedence over collective objectives, particularly in the absence of a unifying vision and a strong foundation of shared values. This particular family has a broad array of needs, with older generations primarily using lifestyle and concierge services and younger generations asking for investment and wealth management support. While the family is generally

satisfied with the services it receives from the SFO, there are common concerns and frustrations, such as a perceived lack of flexibility, frustration with frequent staff changes, and a feeling of not being fully understood. This is exacerbated by a lack of clarity on the purpose and scope of responsibilities of the SFO: Many family members simply do not understand what the SFO provides or does not provide. And their requests grow increasingly diverse:

“Is it okay to call the family office and have them schedule the air condition service at my apartment? Do they do that?”

“I’d like to take care of my own credit card payments, but don’t know how. My client advisor (at the family office) is really nice, but they are already stretched so thin, I don’t want to be an additional pain with my questions. I really should know to do this on my own but I was never taught how.”

“I can’t make sense of the reports that the family office sends out. They are too cryptic. I have no idea what this means for me. Why can I not get a personalized summary that tells me how my investments are doing?”

“The type of investments the office makes are not aligned with my interests. Can I not have my money invested in responsible development funds or something like that? Why do we all have to be in the same funds?”

“The last time I had the family office plan my vacation, something came up last minute and I couldn’t get hold of anyone at the office. It was Sunday. Thankfully, I had my advisor’s personal cellphone number, and they stepped away from their kid’s birthday party to help me out. I’m glad I had that number.”

The SFO employees are walking a thin line between meeting the unique needs of family members, and following standardized policies that are aimed to reduce costs and remain nimble as an organization. Some employees shared, “I thought my job would be a financial advisor, but I find myself mostly dealing with family members’ daily service requests, like paying bills and sometimes even parking tickets and other random things.” Other staff wondered, “I’m an accountant with over 10 years of experience, yet most of my time is spent handling family disputes and answering questions about other family members’ purchases and expenses. I’m not sure what I can share and what not, and feel like I’m always walking on egg shells. Tending to all these

emotional and relational issues in the family is draining, and I often have to work on weekends to catch up with all my other tasks.” The constant pressure, combined with “one size fits none” services, is a source of frustration for staff members and family members alike.

In more recent years, since the sale of the operating business, many family members now depend on the financial returns that the family office generates. Moreover, an ever-growing and geographically dispersed family group makes it more challenging for the SFO to maintain close, trust-based relationships with the family members, and the number of family members they serve no longer allows them to fully customize all of their services to family members’ individual and vastly different needs. **The family has outgrown its office.**

On the family side, the Millers have grown diverse, both in terms of their interests and their vision for the family office. The older generation wants to maintain low-risk investment positions that preserve the family’s conservative orientation. The younger generation, on the other hand, is more interested in green investments that better align with their concerns for social responsibility and sustainability.

The family has not invested enough resources (think time, money, emotional effort) to nurture family unity and a shared outlook for the future. They have half-heartedly tasked the family office to do that, but neither lent support through the family council, nor provided guidance, nor held the SFO accountable to meet their commitment. **Family bonds have weakened over time.**

While family members can diversify their assets by investing them elsewhere, the SFO depends on the owning family for funding and support: The only way MILLER SFO can get new clients is through birth, adoption, or marriage: Having a satisfied and committed client base is therefore not just important, but existential. As one family member succinctly put it, “*Without the family, there is no family office.*”

In the mind of the family, the SFO is here to serve its needs, much like any other financial service provider (perhaps with a more exclusive, concierge touch). But the family has little sense of ownership and is not interested in understanding how the family office operates, what it does, and how. This is not unlike a

client relationship with a bank: Most customers do not worry about how the bank manages their money, as long as they receive a decent amount of returns and services that meet their expectations.

As their consulting firm, what steps would you take to change the family's perception of the SFO and how they interact with its employees? How would you help the family to see the value in maintaining their SFO? What recommendations would you offer to improve employee morale and retention?

Questions for Discussion:

- How can Miller SFO redefine its purpose to align with the evolving needs of the family while ensuring employee satisfaction and retention?
- What strategies can be employed to balance cost-efficiency and personalization in service delivery?
- How can the family and SFO collaboratively foster an environment of mutual respect, understanding, and engagement?