



GOVERNANCE

In the Global Family Office Report put together annually by UBS and Campden Wealth, one of the more recent findings has been the increasing importance family offices put on governance.

According to the report, as the family office space matures, governance structures are often put in place or are made more sophisticated as staff adopt more institutionalised practices.

Often, when family offices are initially established, they offer only limited investment-related services. Over time, the offices expand their offerings to include other services that are useful to families, such as succession or mission planning.

These elements often become more robust as families increasingly concern themselves with long-term multi-generational planning and legacy building.

At present, many of the world's family offices have investment-related governance structures but have not established structures around other risk factors such as management, key personnel, cyber security and family involvement. Moreover, there is still a distinct lack of family offices creating governance structures around family values, communication, conduct and succession planning.

In reality, rightly establishing robust family governance (as opposed to business governance) is undoubtedly the key to ensuring the family office continues as an entity into the future.

At RSM, we call this professionalising the operations of the business and the family. It's vitally important family offices have a board process in place for the business and separately for the family.

It is a process that takes time. In fact it may take a period of years to fully develop, ensure all family members are heard, and then embraced. This is often termed the development of a "Family Charter" which is the document that governs the values, principles, commitments and responsibilities of the family unit, and how members will work with each other. Put another way it is the constitution of the family organisation, and in much the same way as the business will have a constitution and business plan, so too will the family unit have a governing document.



Getting governance right is vitally important and that could mean creating an independent board away from the family. Members of the family could sit on the board but they would be bound by rules set down by the family as part of the family board.

Other governance priorities might include how the family mitigates against a cyber-attack or other IT issues. These could be addressed by the business board but also need to be considered by the family as would the level of transparency needed between the business and family.

For RSM, these types of governance issues are part of the suite of services we have traditionally provided and we have found many of our long-standing family business clients are asking for them as our relationship evolves.

Moreover, our flexibility with our clients ensures it is a relatively seamless offering between the business advisory and the family office advisory.