8 The Art of Family Office: The Case of a Multinational Bank Branch

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8.1 The Strategic Goals of a Very High Net Worth Family

The strategic goals usually indicated by families owning a very high net worth (i.e. U-HNWFs with an over €50m net worth), include their wealth preservation and growth, a balance between enterprise and portfolio operations, a unitary view and management of these interests in the long run, the entrepreneurial independence of individual family members, the availability of suitable resources to start up or expand family members’ business activities at any time.

In our opinion and on the basis of our professional experience, the correct interpretation of family goals is the starting point for a suitable organization of the family wealth structure.

Often implicitly and in a de-structured manner, the family perceives the necessity of a dedicated structure able to coordinate and direct some essential activities:

- management of financial, real estate and industrial assets belonging to the family and to its members; the possibility of a unique reference structure capable of acquiring an overall view of large-sized assets that are not always under the investor’s careful supervision is considered an important aspect, which is becoming increasingly hard to find in a world of growing complexity;

- maintenance and review of investment goals; objectives need reviewing in front of changes in both external (macro and micro economic) and internal conditions (evolution of the family and personal situations of its members);

- recurring control of investment policies;

- performance valuation and review with indication of possible changes;

- identification and evaluation of financial investment opportunities;
- identification and presentation of investment alternative strategies (financial, real estate and industrial investment);
- recurring review of family wealth organization structure.

Once the above described points have been identified as essential and agreed upon, the family members will have to answer an important question: should they create their own professional structure (dedicated or captive family office) or rather exploit and share the services provided by an outside family office with the other customers of the same family office?

We believe the answer should take into account the following aspects:

- What is the nature of the portfolio? If the portfolio is largely diversified, the best solution is the outside family office; if the portfolio is largely concentrated (a sort of private equity fund), the private family office would probably suit it better, with professional resources exclusively concentrated on this typology of assets;

- Do investors prefer a direct, constant hands-on contact on their investments or do they prefer a less involving, more passive attitude with ex-post control? In the first instance the outside family office would be less effective than the dedicated one and vice-versa.

- The captive structure implies higher startup and fixed costs, whereas the outside structure has exclusively variable costs. Dismantling a dedicated structure is costly and requires times and modes that are not always short and simple; “unplugging” the supply of external services is very easy and immediate.

- The availability of professional resources and the capacity to retain them in the long term is a critical aspect for the captive structure. This does not mean attracting good, reliable professionals; this is only the first step; what is more difficult is retaining them by motivating and rewarding them (not only economically).

- The critical mass (in terms of assets entrusted to the family office) is high and the cost-benefit aspect has to be considered in the case of the captive option.

- The need for a consolidated view of the family wealth, including the necessity to pursue fiscal efficiency (when performance consolidation is connected with the existence of a “global custody” relation, which is rarely feasible in a captive structure).

Trust, intellectual independence and experience are essential elements of the concept of family office and of the relative operating process; the