



April 16, 2020

Family office actions in the shutdown

We held calls with 15 single family office leaders (president, CFO or COO) over the prior week to understand the implications of the virus shutdown on their operations, their staff, and the family they support.

These family offices are spread across 10 U.S. states plus Canada. 12 of the 15 offices have more than \$3 billion wealth, and 9 of them have more than 30 full-time staff. The underlying businesses cover the full range: some that have thrived in this environment, some that are down but still operating, others that are shutdown and some investment offices.

Note that our sample is skewed toward larger, more complex family offices. We suspect that smaller offices have likely struggled more in this environment, particularly with technology.

Overall comments

The real theme of this time is resilience. Offices quickly adjusted their operations and generally have not missed a beat. The pandemic has accelerated automation that was already underway.

There is a consensus that the current shutdown would not have been possible even five years ago. Technological changes have enabled business continuity: software in the cloud, electronic bill pay, digitization of K-1's, paperless workflow, etc.

Most of the offices had disaster recovery plans which worked as designed. Offices also had indications a week or more in advance that this might happen, and used the time to further prepare. A few of the offices said they felt more prepared because they had shut down over prior Christmas holidays, or in the case of one office, had worked remotely for several weeks after a hurricane.

While we did not expressly delve into investment implications, several of the offices discussed using this time to rebalance portfolios. One office had specifically discussed with the family how they would handle investments in a downturn, so the response was far less stressful. One office mentioned using this opportunity to ensure family estate plans are updated. Several of the offices are very focused on their philanthropic activities in the midst of this crisis.

Operations

“Work from home” has worked well or very well for each of these offices. Many of the leaders expressed surprise at how smoothly things have gone.

- Staff at nearly all of the offices already had laptops, enabling smooth access to family office tools and applications.
 - For the offices where staff did not have laptops, they scrambled to arrange access from personal devices, purchased laptops, and implemented VPNs.
 - Several offices have paid for staff to buy additional monitors at home. They realize how much more productive staff are with two monitors.



- Very few applications or systems used by the offices were not available in the cloud. None of the offices had critical systems that were not in the cloud. This definitely would not have been true a few years ago.
- One office designed emergency electronic workflow processes the weekend before offices were shutdown. The process worked, “and we aren’t going back.”
- Check production: some offices had previously automated this process. A few offices quickly automated the process upon this event (several making arrangements for their bank to begin printing the checks), and others have arranged for select staff to go to the office several days a week to print and sign checks. A few offices are delivering checks to several family members (courier or overnight) who insist on signing physically.
- Invoices: most larger vendors already sent electronic invoices and received electronic payments. Now, smaller vendors have begun adopting such practices.
- Physical documents: most offices are scanning and emailing documents. We heard several instances of tax teams taking the physical files home with them.
- Mail: most offices have one or two staff going into the office (daily, weekly, or 2-3 times per week) to gather mail, print checks, or handle other tasks. Most offices mentioned having very little critical mail. Payments are deposited electronically, K-1’s are received electronically, invoices are emailed, etc.
- A few offices candidly spoke about control practices that have been set aside until the crisis ends. Check signers temporarily have access to blank check stock or staff are authorizing wires above their normal level. Controls will be reviewed when this ends.
- Office phones: one office did not have direct-dial lines, so the office line is now forwarded to the receptionist’s cell. Most offices have forwarded office lines to cell phones, and others have instructed staff to check their voicemail frequently.
- Most offices are confident their staff are working and productive. A couple of leaders expressed questions about level of productivity at home, but they were in the minority.
- “We’re dragging the lawyers kicking and screaming into the world of DocuSign.”

Where operations have struggled

- Manual processes – when checks need to be physically signed, approvals are physical, etc. Offices have typically designed electronic processes as back up. Several offices are using couriers to drive physical documents between family and leader homes to gather signatures, and one office has a staff person driving to houses to notarize signatures.
- Several offices mentioned that their vendors, advisors and partners were slower to adjust to a virtual environment than they were.
- When new staff were just starting at the office. Some staff started shortly before the shutdown and offices have struggled to make them productive. Other staff have started during this period, and offices struggle to get them on-boarded and working.

Staffing

- None of the offices we spoke with have laid off or furloughed any staff, and none of the families have reduced their household staff. However, a couple of offices mentioned that they ordinarily hire seasonal household staff in the summer, and will not do so this year.
- Several offices said they have put merit increases on hold.



- Most are using video meetings extensively, where they were rarely if ever used before.
- Most have increased staff meeting frequency, in many cases double the normal.
- A few leaders commented that they may be more socially connected now than when in the office.
- Most offices have focused on ensuring well-being of their staff, such as:
 - Virtual lunches, with the team on video all eating together (one office chose to move the virtual lunch outside lunch time, as staff didn't want to eat on camera).
 - Virtual happy hours, with business discussions banned (a couple of them had Easter bonnet and crazy hat contests, with prizes).
 - One office is requiring each person to take a vacation day during the next two weeks to spend the day just with family, without work distractions. This is an acknowledgement that there may be increased stress with every one at home.
 - Another office has a doctor leading a daily meditation via video.
- Several leaders talked about intentionally checking in with a few staff each day (i.e., checking in with several daily, and covering all over time), in particular those who live alone or are lacking a support structure.
- Many of the offices are using some type of email list, intranet site, Slack or Yammer, in order to share tips and tricks for working remote, as well as socially share family and other pictures.

Family

There is a dichotomy among the offices. Half the offices have frequent, in-person contact with family members, while half mostly connect with the family over the phone or email.

- In offices where family members were frequently present, they miss the interaction. These offices tend to be less open to staff working from home.
- When family members do not frequently come to the office, the offices have typically not missed a beat. Services and communication have continued without issue.
- A couple of the larger families (in numbers of people) mentioned that family members wanted access to video and other tools (e.g., Yammer) the office was using, so they could better connect with each other.
- One office hosted a family-wide video call to update the family on actions and let members interact.

Returning to the office

Most offices will be slow about getting things going again, partly because operations have run so smoothly during this time.

- Several larger offices are planning to have staff alternate coming into the office in teams by week, so that if one person becomes ill, it doesn't affect the entire staff.
- One office has already proposed waiting until August to return to the office.
- One leader suggested taking temperatures as staff come to work.
- Some offices may limit the number of outside people allowed to visit the office, or perhaps segment out where they go when they come.



Implications for the long-term future

- Make certain the office is cleaned/sanitized better, as it likely always should have been.
 - “Will we continue to have a shared kitchen?”
- Work from home may become more palatable or common. Probably not full-time, but either a day per week or at least when personal activities make it simpler. Even the family members are discovering that video works.
 - Several leaders were still adamant that work from home will not happen at their office; in-person social interaction is too important for their culture. “That person stopping by your office is not an interruption – that is your job!”
- Travel may be reduced. We’ve discovered that video can work, but there is still a place for in-person meetings.
- This season is accelerating adoption of technology that was already happening. Video meetings will continue to increase. Less paper.
- Several offices mentioned ensuring new staff have work-at-home setups (laptops, 2nd monitors) going forward. They will ensure new staff have appropriate setups.
- The offices that implemented electronic workflow, whether for payments or authorizations, indicated they will not be going back to manual.
- Electronic signatures (DocuSign) needs to continue to progress.
- Need to re-evaluate internal controls, perhaps doing what-if scenarios, to ensure they will work during disaster situations.
- They will be more thoughtful about workspaces. How close are cubicles to each other?
- Will it still be acceptable to work through a cold? Probably not. Staff will be expected to work from home in those situations.
- There is growing negative sentiment toward wealthy people and billionaires in particular. We may need to increase security protection for the family.
- “I’m hoping people learn to wash their hands more frequently!”



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