

Update to Family office actions in the shutdown

In September, 2020, we held calls with leaders of 19 family offices across 13 U.S. states plus Canada, to understand the continued effects of the pandemic on their operations, staff and the family they support. This was an update to calls we held in April. In April, we learned that most of the offices were very resilient, and had quickly found ways to leverage technology and enable staff to work from home.

As in any analysis of family offices, there are key differences in size of offices (staff sizes ranged from 5 to several hundred), size of the underlying family (members and generations), whether or not the office is embedded with a large family business as well as what types of services are provided to the family. Our sample is skewed toward larger, more complex family offices, with all but a few participants having wealth above \$1 billion and over half employing more than 30 full-time staff.

Overall comments

There is a general consensus that operations and transactions are working well. Bills are paid, investments are made, daily tasks are getting done. Technology works, automation has been a bonus and quantitative measures are strong. “We passed the test and exceeded our low expectations.” The concern is softer issues: maintaining culture, ensuring new staff understand and reflect the values and maintaining energy and innovation when staff are not in person.

Family offices often have a unique culture, carefully crafted and maintained by the family and office leadership, making them more appealing places to work. Many of the leaders we spoke with are increasingly concerned about sustaining their culture without staff being physically together. One leader commented that he had worked with the family for 25 years and could afford to coast on soft issues for a season, but those staff with shorter tenures needed the in-person experience to build that.

Status of In-Person Offices

Five of the offices are fully or mostly back in the office. Five more expressed plans to get there in September or October. Several mentioned January as the current plan, and a handful said it is unknown. Most offices continue to accommodate staff who are at greater risk or are more concerned about returning, although there seems to be a growing push to return to the office. One of the factors holding offices back is staff needing to watch over their own kids, who often are either doing school remotely or are only back at school part-time.

Many of the family offices that are not back yet have at least some staff working in the office either daily or a couple of days per week. In several instances, leadership is in the office and staff are not. A few indicated this may be a permanent solution. For those who have returned to the office (or are planning to do so imminently), they have made a variety of changes.

- Improving deep cleaning of the office (better and more frequent).



- Most are requiring face masks except when sitting at your own desk. Two offices said they require masks even when at personal desks. Several leaders indicated they are not requiring masks inside the office, and leave it to each person to decide on their comfort.
- Most offices have more space than necessary, so staff can easily spread out.
- No visitors are permitted in the office.
- Staff are asked to perform daily health self-checks, often using an app or online tool. Some offices have a thermometer at the front desk to check temperatures (generally self-check), and one office is paying a health provider to come to the office bi-weekly to perform C-19 tests on each employee.
- Several offices previously provided lunch daily or weekly, and most have stopped due to concerns of buffet-type service. Others are restricting food delivery service providers to limit exposures.
- Several larger offices are alternating staff in teams, so each team comes into the office half the time.
- A couple of the larger offices experimented with one-way halls, then quickly abandoned the effort. It seemed to increase traffic and interactions.

For the offices that are not back in the office, we asked what metric they are looking for before returning. There were no quantitative responses, but various thoughts:

- When the office is tied to a family business, they often are looking to the business for guidance. Results vary based on the type of business, whether it is “essential” or not.
- Align with local government guidance and restrictions.
- Rapid and inexpensive diagnostic test is available, so they can test staff 2 times a week.
- National ability to control the virus: vaccine, treatment or herd immunity.
- Strong reticence to force staff to do something they are uncomfortable with.

Staffing / Human Resources

None of the offices have laid off staff during this event and many have delayed hiring new staff. Quite a few offices froze compensation early on, although most have since resumed typical increases. One of the bigger concerns is that staff are not taking Paid Time Off (PTO) as normal, and leaders are prodding them to do so.

None of the offices described budget cuts to the office, although most indicated their spending is down for the year. Travel, staff meals, conferences and similar expenses have lowered overall spending.

For those who are forced to add staff in this time, they’ve had several observations:

- Several indicated it is harder to find candidates, as many people are not interested in leaving current positions. One of the larger offices said they’ve had no trouble finding staff, and that their reputation made them more desirable.
- Those who have succeeded in finding candidates leveraged typical paths: using their network for referrals and/or search firms. The paths are the same, but it takes longer and more work to get results.



- Several mentioned doing video interviews, and generally requiring one in-person interview before finalizing the hire.
- One office gave up on finding good candidates and is using contractors for now.
- Onboarding is another challenge for offices that are still remote. Some have used one day in the office, whereas others have shipped a laptop and conducted onboarding via video.

Leaders indicated that staff are more productive than ever while working from home, but a few questioned whether staff raise their hand when they finish assignments to see if there is anything else they can help with. There is greater concern with newer staff.

Many leaders are concerned about the mental health of their staff, since they aren't coming into the office, are not taking as much PTO as usual, and lack physical interaction. "Everybody is high stress; it doesn't take much to tip people over the line."

Philanthropy

Most of the families we spoke to are very philanthropic and have continued activity throughout this time. One office said they reached out to the various local organizations they typically donate to, and discovered they were hurting financially but were not reaching out to ask for help. This family increased their giving as a result.

Many offices described increased giving to local organizations and health-care entities, while other offices accelerated their giving (i.e., some typically donate near year-end and moved it earlier this year). A majority of offices and families have been more proactive with their giving.

Investments

Quite a few leaders took pride in their prior investment policy and diversification efforts, crediting them with carrying the family through this crisis. Most offices have not changed how they invest, although several mentioned their portfolio is opportunistic, and that this crisis has revealed a variety of new opportunities. Here are some additional investment thoughts:

- This is a good chance to teach the family about investment risk and diversification. Some family members question why stick with a manager or holding when it is down.
- For offices that invest more heavily in smaller managers, they are currently relying on prior relationships and work. They are not comfortable investing in a manager they have not met in-person but currently are not traveling.
- Several offices indicated they are making more direct investments, although this may be a continuation of a trend that was already underway.
- One office indicated that family members have more time on their hands, and therefore they've been prodding more social impact investing.
- "Serendipity on hold." We are missing the casual interactions, on a plane or in a restaurant with a friend, that lead to new ideas or investments.

Culture / Values

"There's no energy. Energy, attitude and personality cannot be 'remoted' through even the best fiber optic lines." Jerry Seinfeld, NY Times, 8/25/2020.



This was the strongest theme across the interviews. Even the leaders who indicated their office may work from home permanently are concerned about building culture. Leaders are concerned about the young person who may grow into a future office leader or CFO: how do you develop them when they aren't in-person?

- How can you build trust among co-workers who never sit down in-person?
- We miss the problem solving and random conversations that happen from hallway chatter.
- Communication within silos is great; communication across silos is not so great.
- Collaboration and innovation work better in-person.

In conversations with leaders who are not expecting the entire office to return full-time, we discussed ways to continue to build that culture. Ideas such as having all in the office for one day (or a half day) each week, or a weekly team lunch at a convenient restaurant.

Family matters

Many of the family members either struggle with using video meetings or just refuse to do so. Several leaders said that family member adoption of technology was the biggest failure this year. Some difficult family conversations, including estate planning and succession, have been put on hold until in-person meetings can resume. In other instances, in-person meetings with family members have continued even though the office is remote.

Obviously, there are other families that have embraced technology. Families that are geographically dispersed have particularly enjoyed video meetings, with some indicating this will continue for board meetings, family council meetings, and in some instances, family meetings. However, even for these families, many are finding that video meetings are less effective than in-person meetings.

One large office emphasized soft connections with family members during this time. They sent care packages to different family members: for Fathers Day, kids returning to school and other events. This was a great way to maintain connections.

Operations

We covered operations in greater detail in the April summary, as the immediate focus was ensuring transactions and operations were working. Here are additional thoughts:

- Many offices say they started holding regular staff meetings during this time and they expect them to continue after it is over.
- Most offices had controls designed for in-person and mostly manual transaction processing. Now that they have improved automation and expect more remote work in the future, are the controls still effective? In some cases, the controls may be excessive and no longer relevant (perhaps the automation provides the control) and in other cases new processes created new risks. In coming months, it will be important to re-evaluate what controls exist and what are required.



One leader mentioned that it takes 90 days to build a habit. We are now twice that time period into this environment – what habits have we developed that will need to be undone later or perhaps can't be undone? This may be someone with a 90-minute daily commute getting out of the habit of the long drive, or it could be someone who no longer reaches out to colleagues to discuss solving challenges across the office.



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