

The Talent Trifecta: Recruiting and Retaining the Right Single Family Office Employees



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Finding the talent to lead a single family office (SFO) is a bit like hunting an elusive, mythical creature. Legend has it they're out there, but sightings are few and far between. SFO leadership positions require a trifecta of skills:

- **Technical acumen** in investments, legal structures and accounting
- **Strong interpersonal skills** including leadership, empathy, collaboration and respect
- **A personality that's a good fit** with multiple family members across generations

A person could look great on paper, but if they're not a good match with the family's culture, the relationship will never work. Family leaders report finding that fit is consistently one of the most frustrating aspects of SFO management.

Departing SFO leadership can be a major disruptor to business as usual — and create considerable risk for the family. It's hard to overstate the impact of retiring leaders, especially at smaller SFOs. Retirement means a lot of family institutional knowledge is heading out the door along with decades of trust. These leaders are hard to replace. That's why when SFOs do find the right employee, they tend to hang on to them. Nearly 70 percent of family offices had zero turnover in recent years, according to Family Office Exchange (FOX) data.

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With the right approach and realistic expectations, tracking down that rare SFO talent is possible. Here are three considerations family leaders should keep in mind as they work to recruit and retain the best possible talent to lead their SFOs.

1. Design and Refine the Job Description

Start by getting the job description right. Experience shows different family members typically have vastly different expectations when it comes to how SFO employees should spend their time. It's worth taking the time up front to use the job description to hash out those details with family members and build a consensus around what skills are needed. Determine which financial services skills are a top priority, but don't overlook expectations around managing and guiding family dynamics. In our experience, it pays to be strategic about what roles your employees can bring in-house and which would be best served by an external partner.

Too many single family offices make the mistake of focusing on the dynamic between the patriarch/matriarch and the SFO leader. No single individual — even the family leader — should assume all the responsibility and risk of hiring SFO leadership. Be sure to consider other decision-makers, including other branches of the family and younger generations. A governance body, like a family council, can help guide the hiring process as well. A family is better served when a majority of family members have a good rapport with the SFO team. It also helps other family members develop the skill of using external partners in their decision-making process.

More and more families are prioritizing good governance practices by including non-family members and external advisors in hiring efforts. By building consensus for the SFO leader's role and getting more family members involved in the interview processes, the necessary buy-in for the new hire will be baked into the process and lead to more successful onboarding.

2. Establish the Right Workplace Expectations

SFO employees have to strike a tough balance between taking on tremendous responsibility while deferring to any number of family members. This can be a difficult challenge. The typical C-suite executive or traditional chief investment officer may not be a good fit. We've found that clearly defining the scope of services a family office is expected to provide is beneficial to the SFO leader and family members. It is a critical step that should happen long before an SFO exec's first day on the job.

At the same time, SFO employees' duties have a tendency to sprawl as they take on more responsibilities for more family members. Remember the old adage, "What gets measured gets done." Use performance metrics to make priorities clear for employees.

The right compensation package is a key component of a retention strategy as well. In our decades of experience working with SFOs, we find that they rely on a combination of competitive salary, bonuses and long-term incentives to retain leadership. Notably, co-investment opportunities and carried interest were the two most popular long-term perks. Tying SFO executive compensation to long-term family financial success is a win-win that keeps family focus and interests aligned and has the best chance for lasting success.

3. Supplement Staffing with Outside Expertise

SFOs are increasingly supplementing their leaders' efforts with external partnerships. Depending on the skillset of SFO talent, these external resources fall into a number of different categories.

■ Investment Services

SFOs are a fast-growing structure for UHNW investment solutions. All SFO leaders need to be well-versed in investment strategy. But for SFOs focused on a wide range of responsibilities beyond portfolio management, engaging an outside investment expert may be the best approach. Whether it's a new hire or an external partner, families are best served by discipline and diversity, not insider access to exclusive funds or a desire to chase the latest trend or IPO. Sustaining family wealth takes patience and long-term vision.

■ Family Office Support Services

The right external partner can round out wealth administration and lifestyle management services including accounting, book keeping and tax planning. This can also extend to more technical or risk-focused issues like cybersecurity and privacy management.

■ Fiduciary Services

An external voice can be a valuable addition to a family office board of directors or investment committee. This added oversight can help support an objective perspective, particularly after SFO employees become engrained in family culture and decision making.

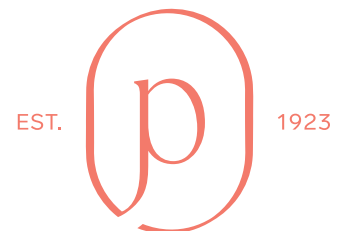


■ Education and Governance

A good partner will have worked with many other families and will be able to help identify common gaps in family learning and governance practices. That partner should have resources and tools to supplement family education and family guidance needs.

External expertise reduces risk by ensuring issues from investment strategies to governance best practices are addressed with the attention and expertise they deserve. It also can provide peace of mind and a baseline for succession planning. If a trusted SFO employee makes a sudden departure, partners can step in to help keep things on track until a replacement can be found.

Finding the right SFO talent takes time and preparation. With the right approach and a strong network of supporting expertise, it is possible to find the right leader who captures that rare trifecta of SFO talent needs.



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