

Are Emotions Welcome at the Core of Family Offices?

By Julien Lescs
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"What do you believe in? Glory? There is only one: family harmony. That's all that matters. You can call the angels by their first name, if, on returning home, you go back to hell, you are missing the point."

Angels die from our wounds (2013) de Yasmina Khadra.

The French Family Office Association defines the missions of a Family Office in the following way: "The Family Office organizes and produces in the long term a set of advice and services for the harmony and economic interest of families".

Organizing, developing and protecting the economic interests of a family is quite straight to the point, since they are quite easy to measure. However, the harmony of the family remains a rather 'hazardous' subject and, it seems to me, has an almost specific interpretation for each family office and for each family. Moreover, how can we specifically measure the level of harmony present within a family?

The objective of this article is not to address all the methods and processes that exist to approach the family and their family businesses in a psychodynamic way, but to evoke here the authenticity with which family offices fulfill the two missions that are mentioned above and that necessarily include an emotional dynamic.

One of the two missions plans fiscal, civil and patrimonial matters to protect and develop the assets of these families. The second plans the family, deals with the

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family dynamics, both conscious and unconscious sides, and regularly answers the following question: "Why do we want to continue this project as a family in the next twenty years?" From this question are derived all the actions to prepare the transitions and the next generations to join the family movement. Among them, the rediscovery of the family history and myth, the family values and family vision, the family communication dynamic. These are all subjects that build the family keystone so that the classic drafting of a family charter, if there is one, becomes a tool that brings people together and professionalizes the family and the family business governance, rather than an additional document gathering dust on a shelf.

It is not uncommon here to see family offices 'splitting' the two competences, and to structure organizations where 'family governance' services are either subcontracted to specialists or structured in two departments, or even two separate companies. The reasons often evoked are linked to two very factual subjects: risks of conflicts of

interest and extremely different skills. But by splitting the two subjects or by privileging one rather than the other, it is consciously and perhaps unconsciously assumed that emotions and finance are two parallel topics.

Yet something is changing now. According to a Spectrum Group study, 67% of millennials, often referred to as the 'Next Gen', want their investments to reflect their social, environmental and political values. And as they integrate and then take the lead in the family movement, they are likely to challenge the role and mission of their family office, if they have one.

There is therefore a strong opportunity here for family offices to extend the notion of capital. Indeed, until today the economic interests of the family were structured around a patrimonial strategy based on the historical and classic financial duo: risk and return on investment. A third pillar emerges and requires moving from a duo to a trio: risk, return on investment and social and environmental impact. The latter is more difficult to measure and it will not be enough to offer ESG (Environmental Social Governance) and SRI funds (Social and Responsible Investment) to satisfy the ambitions of these 'next gen'.

Faced with the climate and social emergency, the United Nations has established a set of sustainable development challenges to be achieved by 2030. These challenges revolve around 17 concrete goals for a sustainable and peaceful future for all people around the world. These goals, dubbed the Sustainable Development Goals (SDGs), are a universal call to governments, businesses and individuals to address the global challenges we face, from poverty to environmental degradation, famine and injustice. These 17 SDGs have been subdivided into 169 targets and grouped around more than 60

investment themes. Traditional Family offices are absolutely unprepared for this.



Credit:

<https://www.un.org/sustainabledevelopment/blog/2015/12/sustainable-development-goals-kick-off-with-start-of-new-year/>

I am convinced that the future of the family offices is to promote 'authentic' finance by bringing together harmony and economic interests, as a force for good, rather than treating them in parallel, in order to continue to accompany these families successfully through the generations. In the future, the family office must be able to understand how global challenges affect the emotional dynamics within families and how investment is an opportunity to bring different generations together around a new project with an increased social and environmental impact.

About the Author :

Julien Lescs is an effective Non Executive Board Member of several family businesses and co-founder of KANOPE IMPACT, a Paris and Madrid based family office that is actively helping wealthy families and family businesses to align their family values with their impact investment Strategy in order to invest for good, innovate to keep their family quest alive and win with the next generation on board. Father of 2, fan of ultra trail, Julien is a fellow member of the family firm institute.