

2026 IESE - ECGI Corporate Governance Conference

Family offices, purpose, and governance

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School**



Purpose in family offices

- The term family office is broad and used in many different ways
 - Pure *service* organizations (e.g., tax, employment) to pure *investment* companies, with a number of iterations and combinations
 - Industry maxim: “If you have seen one family office, you have seen family office.”
- For this session, will focus on the family office as *investment company*
 - Families extending beyond initial business, due to liquidity event or shared investment of dividends
 - New family enterprise created by liquidity event in a non-family business
- Purpose plays vital functions in all family enterprises – operating companies and investment companies
- To some extent, it is the same set of functions even as the family enterprise changes from operating to investing
- However, the *challenge* of sustaining purpose changes as the family enterprise evolves from operating to investing

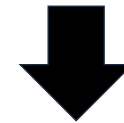
Purpose is central to navigating the power of family ownership



Continuity Choices

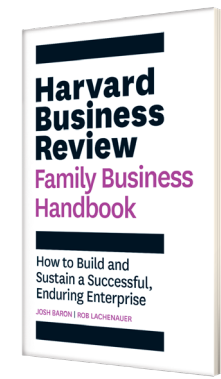


Competitive Advantage



Conflict Management

Purpose helps families align on what they want out of their enterprise

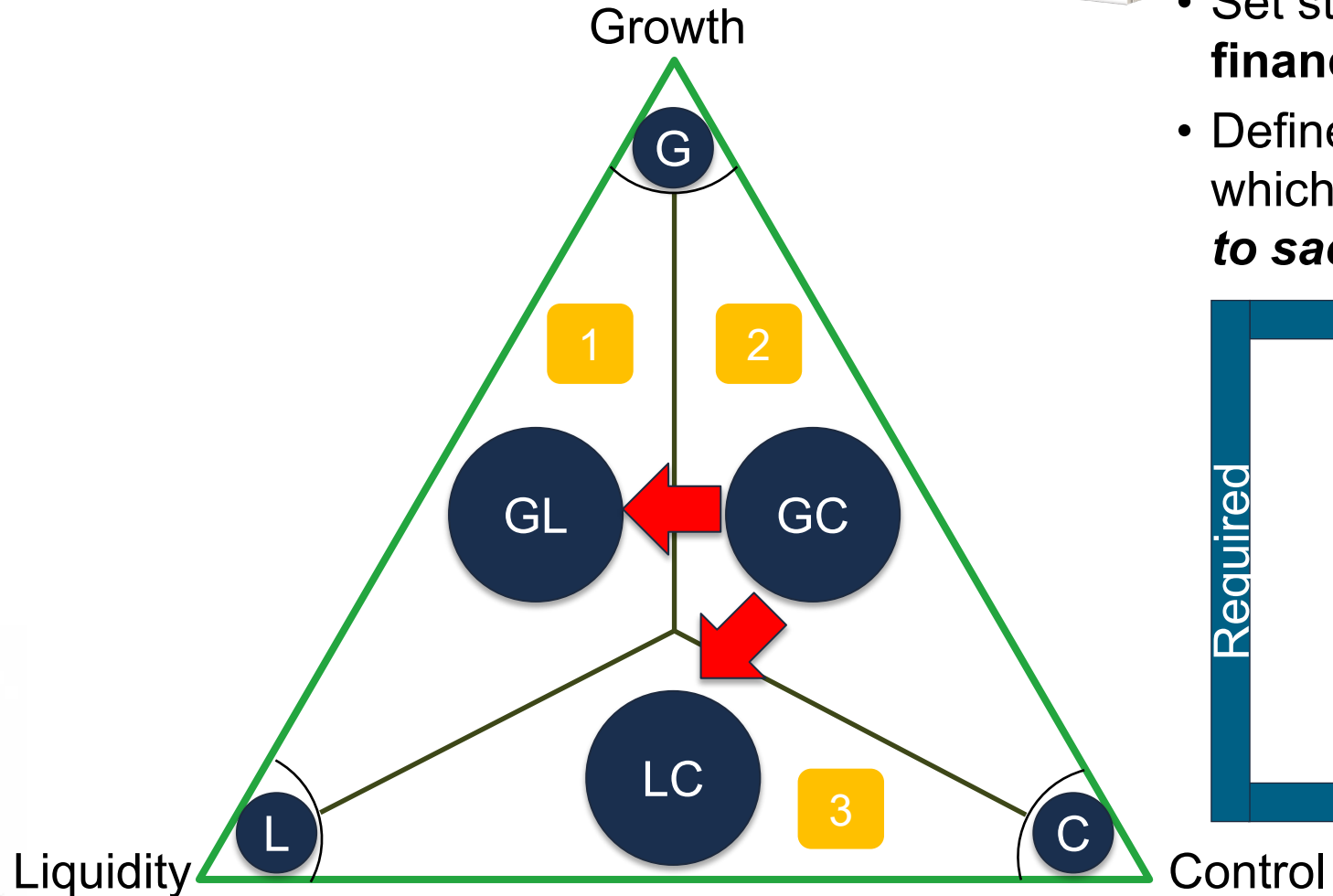


Purpose

- Frames family enterprise as a choice
- Provides a shared objective that is aspirational, inspirational, and inclusive
- Empowers and limits actions (to an extent)

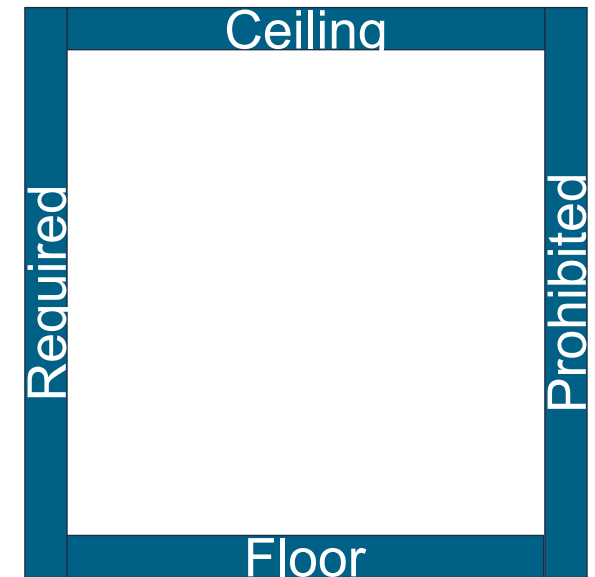


Goals



Guardrails

- Set standards of **financial** performance:
- Define outcomes for which owners **willing to sacrifice** financially:



Purpose creates a “higher calling” that can unlock employee engagement

Why the 21st Century Will Belong to Family Businesses

CORPORATE GOVERNANCE DIGITAL ARTICLE by Josh Baron

They're a better model for current economic circumstances.

Save Share MARCH 28, 2016

Strategic imperative

Inspire your employees by making clear the *intrinsic value* of working for your company

- Inspiration is, “essential for attraction and retention of the best talent.” (Bain)
- “Organizations with a strong sense of purpose are more than twice as likely to have above-average shareholder returns.” (BCG)

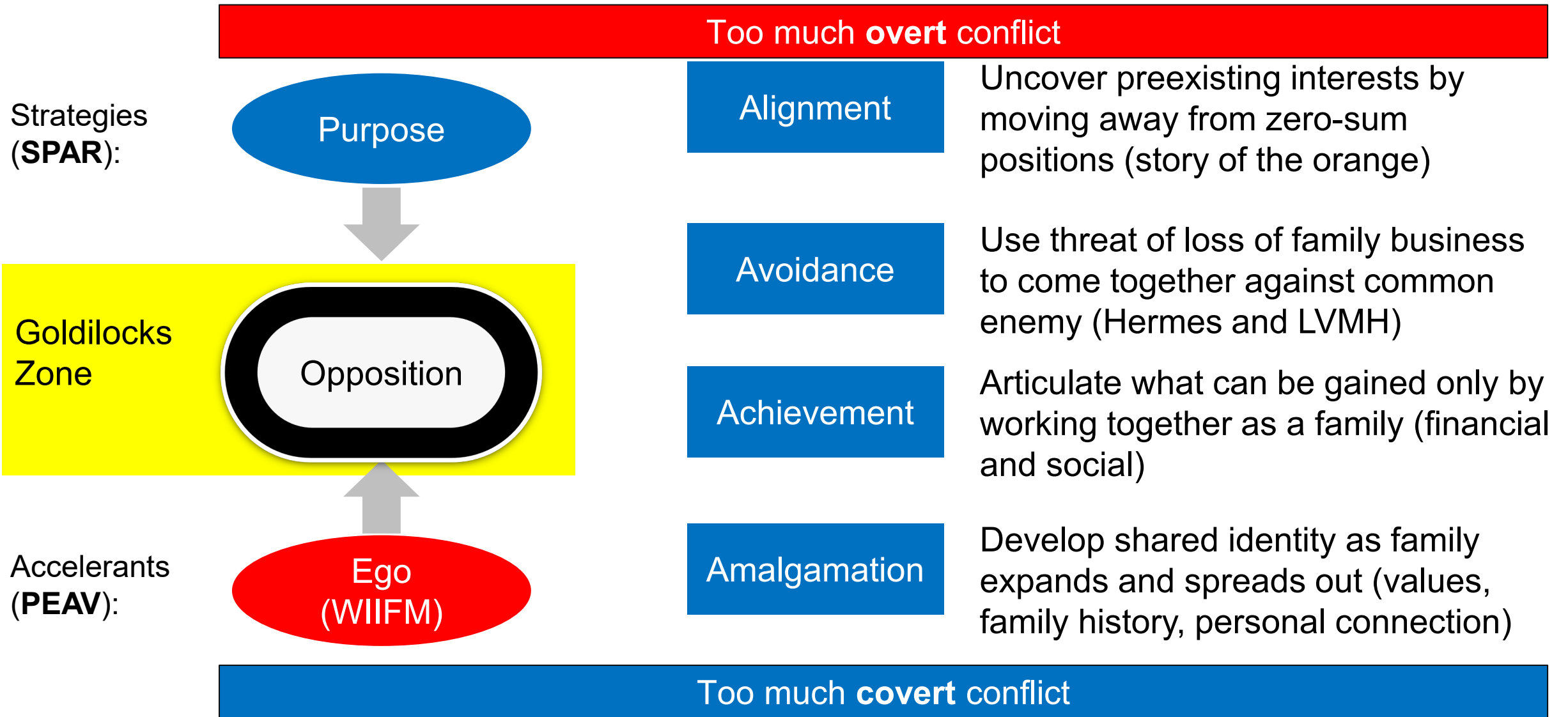
Potential family ownership advantage

- Long-term investments in people
- Family as carrier of company values
- Loyalty effect of working with owners
- Family talent pool

“Family firms scored significantly higher on culture, worker motivation, and leadership.” (McKinsey)

In both operating and investment companies, a clear and compelling purpose can help families to hire, retain, and engage the family and non-family employees they will need to thrive

Purpose is essential for motivating the necessary sacrifices/compromises



Absent effort, purpose tends to naturally decline over time



Family enterprises –
whether operating
companies or
investment companies
– must actively work to
reinvigorate a sense of
purpose

The purpose challenge changes as families evolve their role



Description:

Own a single business (or integrated group) and create value by engaging and running

Own multiple businesses and create value through selection and oversight

Own large pool of assets and create value through allocation and terms

Ease of purpose:

- Tangible connections to people and place
- Historical legacy
- Direct connection through working

- Multiple businesses to connect to based on interest
- Regular interactions through board, etc.

- More potential touch points (e.g., private equity, real estate)
- Less need for cohesion – fewer decisions, more flexibility

Challenge of purpose:

- Variance in family interests/passions, may not line up
- Mixed emotions for many (“company fired my dad”)

- Difficult to engage appropriately – delegate without abdicate
- Level of appeal varies across family

- Ownership is abstract
- Protection mindset
- Emotional-connection deficit
- Ease of credible alternatives (e.g., MFO)

Thank you!

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