US VS. UK FAMILY OFFICES

how they differ in terms of culture, compensation and recruitment

We regularly discuss how America is home to the most mature Family Office marketplace. Coined by the family of J.P Morgan in 1838 and popularised by the Rockefellers some four decades on, the concept of a Family Office has grown in popularity with anywhere from 3,000 – 6,000 thought to exist across the USA.

While undoubtedly rich in history, the US has some healthy competition. While they might not have the numbers, the UK is catching up - inspired by the likes of the Rothschild Family which can be traced back to the 15th century.

While the Family Office marketplace in the US certainly has the years on its UK competition, there is a remarkable likenesses.

According to our research, 57% of Single Family Offices in the US have more than 10 years in operation behind them while in the UK, it's 53%. Similarly, in the US 28% have less than five employees and another 23% have more than 20 while in the UK, 28% also have less than five employees and 27% have more than 20.

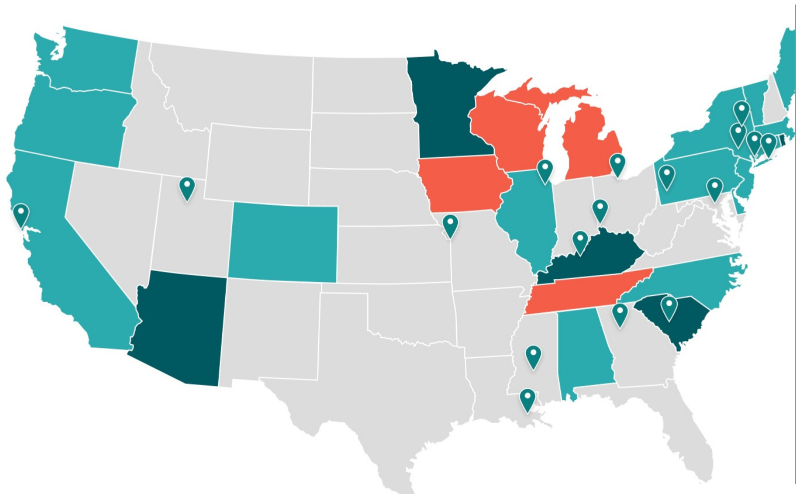
These statistics are very telling and suggest that not only do today's Family Offices across the US and UK have similar workforces but they have a similar level of new wealth being created too.

In the UK, 2% of all Family Offices are start-ups while in the US it's 3% - quite possibly where the 28% of Family Offices with less than five employees sit.

Having spent the last decade working with both nations, I have also seen some stark differences both in terms of culture, compensation and most importantly, hiring.

In this short guide, I unravel the key differences between the two landscapes and identify the key points we can learn from as we continue to preserve and generate new opportunities, build exceptional cultures and hire impeccable talent to manage both.

17 *US States have salary bans in place.*



RECRUITMENT DIFFERENCES

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The Question of Salary

More than a dozen states in America have enacted salary history bans meaning recruiters and hiring managers are unable to ask prospective candidates what compensation they are currently earning or have most recently earned. This is both a blessing and a curse and here's why.

The bans, as intended, enable professionals to be rewarded based on their competencies rather than calculations. It means employers can offer compensation packages based on their skill, experience and value rather than what they were judged on numerically before.

However, understanding if a candidate is affordable is just as important as screening them for their competencies or cultural fit because naturally, if a professionals' total compensation surpasses the budget outlined by the hiring manager – it is both a waste of time, energy and money to put that candidate forward.

Equally, while no professional I am sure, likes to think of their resume having a price-tag attached, salary is an incredibly useful indicator of success. Without this, it makes compensation benchmarking in the world of Family Offices even more difficult.

In the UK, no such ban exists but there are calls for a similar approach to be taken with LinkedIn hosting several posts each day on the topic and why we should take a moral stance against salary history.

The difference certainly provides an obstacle for recruiters and hiring managers in the US. While activists behind the campaign say Family Offices and their representatives should clearly include a salary range on a job advertisement, if a role is paying anywhere from $50,000 for a junior position to $150,000 to a senior position, it can provide even more confusion without understanding where a prospective hire sits on the spectrum.

Employment Rights

There is a common misconception that because the US and UK share a common language that they share a commonality of law. However, employees in America simply do not have the same employment rights as those in the UK.

- **Separate laws at different levels.** In the USA, separate rights exist within Federal, City and State Levels while in the UK, the same set of laws exist throughout with some minor idiosyncrasies existing in Scotland and Northern Ireland.

- **Few laws.** The US has very few laws governing the employment relationship between employer and employee. In the UK however there is a very high level of statutory employment laws outlining rights for employees with regards to holidays, working hours, overtime, notice period, paid parental leave, sick leave, unfair dismissal and redundancy.

- **Contracts**. In the US, there is also no legal requirement for a contract evidencing employment. An offer letter with basic compensation usually suffices whereas in the UK, an employee must receive a statement outlining fundamental terms which is most commonly given in contract form.

- **At will.** Most US states follow the 'Employment-at-Will' doctrine which determines that any employee is at will and can be terminated without notice or pay at any given time. In the UK, employees are protected from dismissal after a two-year tenure by which point redundancy and notice pay must be given, unless a breach of contract has occurred.

- **Hierarchy.** In the US, there is also a different classification of employees which can limit their rights. In the UK, there is no difference in classification of employees and therefore all employees have the same statutory rights.

Retaining Talent

The fact that professionals in the USA have little to no notice period hinders the organisations they work for as much as the professionals themselves.

This is especially true in Family Offices as one of the biggest challenges they face is staff turnover.

With just one week's notice period in play for the majority of professionals across America, it means Family Offices could be left with a huge gap in their resources. They must take important steps in compensating their talent and ensuring they have a vested long-term interest in remaining within the Family Office.

While retaining talent is of equal importance to UK-based Family Offices, it is arguably harder in the US due to the flexibility and often lack of loyalty of US professionals. This means there is a far greater need for US Family Offices to launch initiatives to retain their staff and map out a long-term plan for their next hire. Above all, they need to make the right hire the first time.

This is where Cultural Fit is vital. Hiring a person not just for their qualifications or competencies but their ability to fit in perfectly within the existing culture of the Family Office. We put an increased focus on finding a candidate who not just fits the requirements but whose interests, values and behaviours align with those of the Principal and their culture. This is the first step we take in trying to solve the talent crisis as it has been called in American Family Offices today.

The second is compensation which we will touch upon shortly. It is imperative that US Family Offices particularly, but UK Family Offices too, embed compensation that has been benchmarked with similar sized Family Offices. It is also important to think about a long-term reward structure such as carried interest, non-recourse loans or opportunities to co-invest. These structures ensure professionals have a long-term alignment to your Family Office and have a heightened interest in seeing it succeed.

Personality Testing

Cultural Fit Hiring isn't unique to US-based Family Offices. It's a process we have been embedding into Family Offices across the world for more than a decade and something every Principal understands as being vital for Family Office success.

The question isn't whether or not culture is king but rather, how we achieve it. In the US we have a very different method of achieving a 'cultural fit hire' than they do in the UK.

In the US, Personality Testing is a $2BN industry. There is a reliance on metrics and online tests to determine whether an exceptional professional who already meets the technical requirements of a role, will fit into the culture of an organisation. Nine times out of ten, they are completely wrong.

We worked with a Family Office in California around three years ago who were seeking a new Chief Financial Officer. The current CFO was a fantastic asset who they were sad to see go due to retirement and the brief of the role, technicalities aside, was to find a similar profile both in terms of achievements, experience and personality. This CFO had become an unofficial family member, much loved and completely fitting to the culture of the office. They were convinced the next hire needed to pass a personality test having discovered the phenomenon recently and were not so receptive to our opposition of a generic and often skewed online test. Nevertheless, we decided to test the existing CFO and on every single level, his score would suggest he was an awful fit.

Personality Testing isn't as big in the UK but it is seeping into mainstream recruitment processes. While we support the statement made by the Myles and Briggs Foundation that these tools are fantastic for self-discovery and peer-to-peer learning, they do not serve the recruitment process well and can not only discriminate against employees but rob Family Offices of the best talent.

We advise against personality testing and offer our own matrix to determine the best cultural fit employees in the US and UK.

CULTURAL DIFFERENCES

Remote Working

We often hear about how the Coronavirus pandemic has accelerated digitalisation in Family Offices with video-conferencing software replacing in-person meetings and global access to new opportunities. While it has certainly driven further diversification from an investment perspective, US Family Offices are also benefiting from a newly global-talent pool.

Remote working is now commonplace and to some degree, it's here to stay. Global technology giants are offering remote working as a permanent solution and Family Offices are taking note, offering remote working as a long-term strategy in a bid to attract the top talent.

This is a huge move for Family Offices which often have unique requirements making their ideal candidates all that harder to find. Professionals are expected to go above, beyond and beside what is required of them and are often tasked with performing a hybrid role. This has for years made it difficult to benchmark compensation but it has equally made the candidates incredibly difficult to find.

The openness to remote working is partially solving this problem for many US Family Offices but it's something the UK Market is not as receptive to. Of course, there are always exceptions but overall, it seems UK Family Offices are very much banking on a return to a 'somewhat normal' working environment within the year.

While after the year we have all had we can understand the benefit of human interaction, the benefits of a global talent pool might just outweigh the negatives of a remote office and it is certainly something I would suggest more UK Family Offices start to consider.

Social Mobility

Something else we are seeing take-off in the US is an openness to move for work. While some stay virtual for the long-run, others are open to upping and moving states for a better work-life balance, better pay and less living costs.

87% of US Family Office Executives said they were currently considering relocating with 57% claiming the openness was driven by the coronavirus pandemic. State Taxes also played a part in the conversation for a third of those thinking of moving for work and it isn't hard to see why when you can move a few miles and save more than 10% in taxes.

This willingness to move simply does not exist within the UK and to a degree we can understand why with the weather and taxation landscape remaining the same throughout the country.

However, UK professionals could just be missing out on an opportunity of a lifetime and I think they could learn a thing or two from US Family Office professionals.

Philanthropy

Philanthropy has always been more established in the US with better infrastructure, more efficient delivery systems and diversified programmes. This has been evident during the coronavirus pandemic where the US have really led the charge.

Both the UK and USA have extraordinary generosity when it comes to giving away the wealth they generate but something we have noticed is the agility to COVID-19.

PwC recently reported that 209 UHNW individuals donated to the coronavirus pandemic, just 9 in the UK and the majority based in the US. Almost every US Family Office we speak to also tells us that they have redirected their efforts to supporting the global fight against COVID-19 and it's impact in the communities of their operating businesses and employees. UK Family Offices have mainly continued to support their existing charity base.

DIFFERENCES IN EXECUTIVE COMPENSATION

	UK		US	
CHIEF INVESTMENT OFFICERS	**31-50%**	*average bonus*	**21-100%**	*average bonus*
	£125K	*average payout*	**$396K**	*average payout*
	£250K	*average salary*	**$396K**	*average salary*
CHIEF FINANCE OFFICERS	**21-30%**	*average bonus*	**21-30%**	*average bonus*
	£60K	*average payout*	**$39.6K**	*average payout*
	£200K	*average salary*	**$198K**	*average salary*
CHIEF OPERATING OFFICERS	**21-30%**	*average bonus*	**31-50%**	*average bonus*
	£45K	*average payout*	**$132K**	*average payout*
	£150K	*average salary*	**$264K**	*average salary*
CHIEF EXECUTIVE OFFICERS	**51-75%**	*average bonus*	**31-50%**	*average bonus*
	£262.5K	*average payout*	**$198K**	*average payout*
	£350K	*average salary*	**$396K**	*average salary*

- Support and Operational Staff receive double the amount of bonus in the US than in the UK.
- Chief Executive Officers and Managing Directors on the other hand get bigger bonuses in the UK. Much bigger bonuses.
- US Leaders have to work for more established Family Offices in order to take home the biggest bonuses. In the UK, Executives are most able to take home 100% of their salary as a bonus when working for a Family Office with £1.1 - £2BN in AUM. US Leaders on the other hand have to work for a Family Office with more than $5BN in AUM before they can reach the 100% mark making the barrier to entry, arguably a lot higher.
- Investment Professionals know what to expect in the UK. Investment bonuses are much more cohesive in the UK with the most common bonus taken home by Chief Investment Officers being 31-50%. In the US however, CIO's have as much chance of receiving 21% of their bonus as they do 100%.

GET IN TOUCH!

For a conversation about any hiring requirements you might have in the US, please do not hesitate to get in touch.

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