

Partnering On Many Fronts

by Rajmohan Krishnan, 22nd May, 2017

■ Family Office

Not many know that Family Office also supports entrepreneurs in their quest to build lasting enterprises.

The Family Office model is primarily designed to help self-driven UHNI pursue their professional goals without having to worry about the planning and management of personal wealth. But it has a secondary benefit that is often eclipsed: an entrepreneur can take the help of the Family Office to build lasting enterprises.

Take the example of Damodar Prabhu (name changed). Like many talented people of his generation, Prabhu had the urge to be an entrepreneur. So after gaining 20 years of corporate experience and building a sizeable nest egg, he quit his job and created a company with a difference—one that promoted social causes while also making a profit. Prabhu believed, and continues to believe, that even the noblest of ideas need the oxygen of capital to survive. And his business would embody the middle path between making money and giving it for good causes.

He approached a Family Office when he needed a second round of P/E funding to scale up his venture.

The FO worked with him for almost nine-12 months and successfully raised capital on his behalf. Upon reaching this milestone, he broached the topic of his personal finances. He was already working with a couple of wealth managers, but he wanted somebody without mixed loyalties. “Somebody who is answerable only to me, not to me as well as their employer,” he said.

That unadulterated loyalty is a hallmark of the FO. Thus, the FO became, unequivocally and comprehensively, Prabhu’s Family Office. One the one hand, they worked as consultants in his company and on the other hand, they did tasks like setting up a Family Trust for his kids.

In the above example, the FO started off with entrepreneurship and then delved into the client’s personal finances. Quite often, it happens the other way around, as was the case with Samar Siddique (name changed).

Siddique had invested a quarter of a century to become a senior professional in his employer’s company. His salaries and ESOPs had created a neat pile of money which needed to be invested wisely. Enter the Family Office. As the FO consolidated and simplified his wealth, adopting the

approach of cautious growth, Siddique himself plunged into entrepreneurship.

Over the next few months, he learnt the extent to which he can benefit from value-added services offered by the FO to entrepreneurs. “Valuate my company,” he said. The FO did that. Then he asked the FO to help his company with his real-estate needs. His company had outgrown its current office and now needed a new home. Once the FO helped him with that, he asked them to assume responsibility of the company’s treasury management.

The FO has partnered for many years with Siddique. When he calls them, the first few lines of the conversation tells them whether they’re talking about personal finances or entrepreneurship.

For entrepreneur clients, an FO is like Janus – the Roman God of beginnings, transitions and endings. Like Janus, the FO has two pairs of eyes facing opposite directions. The FO stands beside their client as s/he builds her/his empire of the future while the other pair of eyes safeguards her/his personal wealth. Janus is supposed to simultaneously keep an eye on the past and the future. Similarly, Family Office professionals simultaneously keep an eye on the professional future and the personal future of their clients.

The services an FO typically offer entrepreneurs include the following:

Fundraising

As every start-up creator knows, availability of funds make all the difference between tipping over and reaching the tipping point of success.

Valuation

Valuation is the art of seeing financial realities in the abstract future and the complicated present. FO professionals usually are proud exponents of this art form.

Real Estate Services

Finding ideal tenants, finding ideal landlords, helping relocate to a new property, helping manage the property are all tasks an FO does routinely so that their clients can focus on more important matters.

Treasury Management

Sometimes, enterprises have surplus cash that far exceeds their immediate running costs. The FO’s core competence in wealth management comes into play here. Any worthwhile FO can optimally match the corpus amount and the tenure of the investment with the apt financial instrument.

Business Advisory

This includes services like Legal discussions and

Mergers & Acquisitions. FOs can negotiate great pricing and terms for their clients and also take care of the smooth transfer of money – be it handling foreign currency, setting up an escrow account, executing the deal around the clock and thereafter deploying monies into various entities.

Monitoring Investments In Unlisted Companies

This service is best explained by citing the case of a billionaire who did not see the need for an FO. “But,” he said, “I own 50-60 companies and I need help tracking the performance of 20 of them.”

So the FO helped him set up MIS systems and monitored the health of his investments in these unlisted companies. Anybody with interests in multiple businesses is bound to benefit from this service.

A Final Word

Entrepreneurs are prime-movers of our capital-intensive society. In many ways, they determine the growth and development of our species. It’s only fair that their journey is made easier by Family Office professionals.