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Luna Glucksberg and Roger Burrows

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FAMILY OFFICES AND THE CONTEMPORARY INFRASTRUCTURES OF DYNASTIC WEALTH

BY

LUNA GLUCKSBERG AND ROGER BURROWS

BIOS

Luna Glucksberg is an urban anthropologist based in the International Inequalities Institute (III) at the London School of Economics, UK. Email: l.glucksberg@lse.ac.uk and **Roger Burrows** is Professor of Cities in the Global Urban Research Unit [GURU], Newcastle University, UK. Email: roger.burrows@ncl.ac.uk

ABSTRACT

This article examines the phenomena of "family offices" (FOs) within the context of the re-emergence of patrimonial forms of capitalism. As global wealth becomes ever more concentrated in the hands of dynastic wealth elites we examine the new financial infrastructures – within which FOs are key - that are emerging in core urban areas to support them. We review the existing literature on the phenomena and report on an observational study of their form and functioning in London and beyond.

KEYWORDS

Dynasties; Family Offices; London; Patrimonial Capitalism; Wealth Elites

1 INTRODUCTION

The reproduction of dynastic wealth has long been an important sociological topic. The analysis of the institutionalised infrastructures of support in the reproduction of economic capital across time and space, and the social and cultural capital this generates, has often been a central features of French sociology for example. The classic work of Bourdieu [1989], Pinçon and Pinçon-Charlot [2000] or, more recently, Wagner (2007) are emblematic of this tradition of work. One element of this infrastructure – family offices (FOs) – which have been important historically [Wilson, 2014] have, however, received less sociological attention than they might have. With changing patterns of global wealth inequality – especially since 2008 - FOs have begun to emerge in such numbers and with responsibility for so much wealth that renewed interest in them is urgently required if the social sciences are to develop a more adequate understanding of the form and functioning of contemporary elite formations. This call for greater understanding has been nowhere better articulated than by *The Guardian* newspaper in the UK

> Family offices have their roots in the sixth century when a king's steward held responsibility for managing royal wealth, a model later adopted by many aristocrats…But the modern concept of the family office – an organisation that manages private wealth and other family affairs – was developed by the financier JP Morgan and the Rockefellers in the 19th century. The number of single-family offices in the UK has more than doubled to around 1,000 since the 2008 financial crash, and they manage more than $1,000bn (£700bn) in assets (Batty, 2016b)

In what follows: we explain the global financial context within which these new forms of FO have emerged; describe how they manifest themselves within the context of London; review what we already know about them from the extant literature; and conclude with a brief set of ethnographic observations about their

contemporary form and functioning that, we hope, might prefigure further more extensive studies of this particular organisational form.

2 LONDON AND THE GLOBAL SUPER-RICH

Patterns of global wealth inequality are intensifying. Oxfam [2016] claim that in 2010 the wealthiest 388 people on the planet possessed as much wealth as the poorest half of the world's population. By 2012 this figure was 159, in 2014 it was 80, and in 2015 it was just 62. The most recent annual World Wealth Report [2016] produced by Capgemini and RBC Wealth Management for the financial services sector calculates that there were some 15.4 million, of what they term, High Net Worth Individuals [HNWIs] – each with $1m or more of investable assets – in 2015; a figure significantly greater than the 8.6 million reported in 2008 at the time of the global financial crisis. Of course the accuracy of such data can be contested, but the scale of the inequalities involved means that any such quibbles are of little significance; global wealth is becoming ever more concentrated and, as Piketty [2014] points out, unless something radical happens, it is set to become even more so.

It comes as no surprise then that as global wealth has become ever more concentrated it has invoked major changes in the social and cultural geography of our cities [Hay, 2013]. In London, for example, concentrations of "super-rich" lifestyles [Featherstone, 2014] have generated a deeply unbalanced and top heavy housing market that does not address the needs of the city (Glucksberg 2016), resulting instead in the mass construction of fortified and bunkered residences; super high-rise residential towers; seamless and sealed mobility

systems; and various other architectural and infrastructural paraphernalia [[Atkinson, 2015; Graham, 2015; Paris, 2016]. Alongside this, we have also seen the transformation of many "traditionally elite" areas [Webber and Burrows, 2015] as – what we might think of now as - the "merely wealthy", and their aesthetic sensibilities, are displaced by the raw money power of the "super-rich" [Atkinson *et al*., 2015; Batty, 2016a; Glucksberg 2015]. This is something rather different to just an extension and/or intensification of what are commonly called gentrification – or even "super-gentrification" – processes [Butler and Lees, 2006]; this is the emergence of a *plutocratic city* [Atkinson *et al*., 2016] – a city for the "new Croesus" in which even the most established wealthy neighbourhoods of London's West End [Wilkins, 2013] are not immune to some fundamental transformations.

Peter York, the renowned cultural critic, has been one of the most insightful social commentators on the transformations that are occurring in neighbourhoods such as Mayfair [York, 2013; 2015]. To be sure the people who now own houses and flats in Mayfair are very different to a generation ago.

> The super-rich – the global *serious money* people – come from absolutely everywhere to live, work and trade in twenty-first-century Mayfair. *As house buyers*, they particularly come from Western Europe, Eastern Europe and the Middle East…They're usually often absentees. The primest houses and flats…are…bought almost entirely by non-doms…The tiny clutch of Brits in at that level are really non-doms too, defined by their tax status and time spent in their various houses and offices around the world [York, 2013: 46-47, emphasis in original].

These changes to the geodemographics of established elite London *residential* neighbourhoods have begun to be documented in the academic literature [Atkinson *et al*., 2016; Webber and Burrows, 2015]. However, other of the observations made by York have, hitherto, received less attention. He points

out how the built environment has been slowly transformed by, what he terms, “money men”; many properties have been quietly *repurposed* to support the financial needs of the über-wealthy.

> The other overlapping *players* in the Great Game of New Mayfair plutocracy are people who work in Mayfair/St James’s huge but secretive finance sector. Mayfair is the world’s “second City” of hedge funds, private equity firms and “family offices”. But unlike the Square Mile, with its familiar names, its huge purpose-built eighties-on-steroids *corporate* buildings…the Mayfair City is discreet…Mayfair has been utterly transformed on a rather quiet basis over the last fifteen years. Little companies have floors in anonymous, upgraded blocks. Some work behind hollowed-out Georgian facades with built-out, built-on backs, 40 foot rooms where you least expect them…*Most people don’t know they’re there*…[But]…[t]he Mayfair hedge fund industry is Europe’s largest by a mile’ [York, 2013: 47-49, emphasis in original].

York [2013: 49-50] is, justifiably, critical of the lack of attention that the social sciences have, hitherto, paid to this new financial infrastructure developing in the heart of the West End. To be fair, the work of Beaverstock and his colleagues [see, *inter alia*, Beaverstock and Hall [2016] and Beaverstock *et al*. [2013]] has, recently, begun to rectify this somewhat, but, given their obvious significance, we still know far less about the urban geography, anthropology and sociology of hedge funds, private equity firms and family offices than we should.

When the sociological literature has dealt with *hedge funds* it has often been within the framework of [pre-crash] science and technology studies [STS] of finance, as in the work of Hardie and MacKenzie [2007], or it has been concerned with the somatic consequences of working in such contexts [Riach and Leanne, 2014]. If hedge funds as a topic of investigation are, at last, beginning to register on sociological agendas then the same cannot be said of the two other organisational types.

Private equity houses are *businesses that acquire other businesses* – often very big businesses – based upon forensic accounting technologies [Gospel *et al.*, 2014]. As York [2013: 51] explains:

> They analyse their assets and their people and their vulnerabilities like someone intent on a hostile takeover. Then they get the firms to take on a mountain of debt to allow the private equity firm to buy them and transform them…Private equity firms own massive tranches of British business now…

Indeed, this is so, as their portfolios now include the likes of: Boots; Pret-a-Manger; Leeds Bradford International Airport; Fat Face; Ask; and Zizzi.

Family offices, however, are more mysterious entities. We became aware of them whilst conducting fieldwork as part of a study carried out between 2013 and 2015 examining social change in some of London's wealthiest neighbourhoods - about which more below – but, at the time, could find little in the way of analytic material to help us better understand their form and function. York's cursory comments on them motivated us to find out more, and that it was we report on here. What he has to say about them is a good place to start, and he is worth quoting at some length.

> The world has more billionaires than ever…and billionaires have so much *private* business to transact, so many investments, different *asset classes* – art, property, equities – to look after in so many time zones and tax jurisdictions, that the old systems of lawyer, banker, accountant, aren't enough. If you're really rich, you warrant an office...The global rich, increasingly, live in Mayfair…The people who look after their money – some of them astonishingly rich too – work there…Mayfair and St James's are absolutely humming with very superior *butler* types – many of them well-bred Brits…We've become very good at looking after the rich…*enabling* away, smoothing the path. They're earning a very fair whack – as family-office men…but they're not…the principals, the owners, the definably super-rich themselves. They're *super-help*. The driving force is somewhere else, usually somewhere offshore [York, 2013: 52-54, emphasis in original]

3 LIFE IN THE *ALPHA TERRITORY*

As already indicated, our interest in the phenomena of family offices arose as part of a far broader interdisciplinary study of social change in the wealthiest neighbourhoods in London. There are any number of ways that one might attempt to identify such places, but we used the commercial *Mosaic* geodemographic classification which provides a workable proxy for a granular understanding of the residential locations of different segments of the wealthiest elites [Burrows, 2013]. The *Mosaic* classification, released in 2009, uses over 400 different data values held against almost 49 million adults in the UK to place each adult into one of 67 different "types". Many thousands of other behavioural variables are then cross-tabulated against these categories in order to provide the basis for understanding the preferences and values of residents in each type of neighbourhood. The four most prestigious of these types are collectively grouped together and labelled as the *Alpha Territory* – defined as "groups of people with substantial wealth who live in the most sought after neighbourhoods in the UK". These areas roughly coincide with what estate agents now call "prime", "super-prime" or sometimes even "ultra-prime" London. Specifically these are postcodes predominantly located in Chelsea, South Kensington, Knightsbridge, Belgravia, Mayfair, Notting Hill, Holland Park and then up to Hampstead and Highgate [Burrows, 2013]. For a period of some 30 months a team of anthropologists, human geographers and sociologists collected various forms of geodemographic, historical, interview, observational and statistical data from a series of case study neighbourhoods at the heart of this *Alpha Territory*.

The first named author is an urban anthropologist and it was whilst she was conducting ethnographic fieldwork in Mayfair in 2013, as part of this study,

that she first became aware of the presence of "family offices". The existing literature on the phenomena was, as we will see, sparse and other than the comments made by Peter York, already quoted above at some length, no one [including other researchers and fieldwork informants] seemed to know much about them. However, via some initial informal fieldwork conversations in clubs and hotel lobbies, then some more formal recorded interviews and, eventually, an invitation to both attend and to speak at an international conference organized specifically for family offices – allowing unprecedented observational access – a more nuanced understanding of their role has been gleaned. It is this that we will attempt to communicate in the rest of the paper.

4 THE EXISTING LITERATURE

Before reporting on the data collected by the first named author we will summarise what is already known about family offices. The one overwhelmingly common conclusion, shared across the meagre existing literature, is the firm belief that family offices are *important* and yet, simultaneously, very *under-researched* phenomena [Wilson, 2014].

One of the earliest mentions of family offices is in 1978 from Shelby White, a journalist, who ran a story about them in a financial weekly paper, *Barron's*. She notes that family offices have been around for a long time, noting, for example, the Winthrop family office, dating back to 1871 [White, 1978:20] and also the observation that dynastic families such as the Rockefellers have certainly made use of them in various guises throughout their histories. White concludes that, up to the time of her writing, they continued to manage the wealth of the very rich "from the cradle to the grave":

> Most of all, family offices have served as a unifying force, keeping the money intact as the families have moved out of the entrepreneurial, risk-taking business that formed the basis for the wealth [White, 1978: 9].

During roughly the same period, Marxist sociologist Marvin G. Dunn [1980] was writing in very different manner about family offices.

> This relatively unknown form of organization – "the family office" – may prove to be one of the more important means available to wealthy families for maintaining their social and economic position in society [Dunn, 1980: 8].

Dunn examined the ways in which one major dynastic family - the Weyerhausers – used their family office "to maintain a cohesive family unit through successive generations" and concluded that "the connections among kinship, class, corporations and the political process uncovered here are relatively unknown" [Dunn, 1980: 8].

It would be easy to imagine that such ground-breaking research would be followed up, but as Savage and Williams [2008] show in their review of the history of elite studies – the early work of Pareto, Mosca and Michels, through to the theories of C. Wright Mills, Floyd Hunter, James Burnham, Robert Putnam, Ralf Dahrendorf and many others - this did not happen. It was not just work on dynastic families that fell out of favour; it was research on elites *per se* that entered a secular decline until recent years. This was a global trend. For example, Gilding [2004], an Australian sociologist of elites, shows that although the 1970s and 1980s – much of it continuing to to be inspired by the work of Mills [1956] on *The Power Elite* in particular - saw a flurry of activity in the research fields of power and wealth in Australian society this somehow dried up during the 1990s [2004: 128]. Gilding's recent work [2004; 2005; 2010] shows, however, that kinship and family relations are still key to the reproduction and survival of

elites in terms of not just *succession*, but also the *accumulation of capital*. Mizruchi [2013], similarly, proclaims that variability in the effectiveness of American corporate elites can often be accounted for by reference to differences in family dynamics. The balance of evidence suggests that it was not that the organisation of family matters amongst dynastic wealth elites across the globe became any less important; it was just the case that the social sciences lost interest.

Indeed, there was a period between the mid-1990s and the mid-2000s when much of sociology developed an analytic amnesia about capitalism, political economy and the institutional contexts of power [Burrows, 2005]. Possibly the *only* positive thing to come out the financial crash of 2008 was the realisation, both politically and analytically, that capitalism and elite power were still highly pertinent topics with which to engage! As has been well rehearsed, it was the publication of Piketty [2014] that most clearly articulated the renewed importance of such matters. As Savage [2014] makes clear, the implications of Piketty's analysis have been wide ranging for sociology, in particular the necessity to rethink how we might study the very wealthy. For Savage there is an urgent necessity to return to and/or develop new approaches that foreground matters of family, friendship, kinship and related matters. He asks:

> [W]hat kinds of rituals and symbolic life is characteristic of the super wealthy and the broader elite? What is the role of elite education, of residential and consumption patterns, of friendship and social networks amongst these groups? This is arguably the fundamental sociological question of our age, in exploring the kinds of closure and social and cultural elitism which might now characterize the very highest levels of the social structure. What kind of kinship alliances, elite rituals, and institutional powers do we [now] see around us? [Savage, 2014: 603]

If this message has not yet been fully picked up in the academic mainstream then this is certainly not the case in the “industry” literature [Wilson, 2014]. We now have a substantial tranche of specialized industry publications such as *Trusts and Trustees* [Garnham, 2001; Howe and Edwards, 2011], *The Journal of Wealth Management* [Hauser, 2001; Rosplock and Hauser, 2014] and *Trusts and Estates* [Hamilton, 2002], all of which feature articles about family offices and their operation.

More specifically, it is the upcoming wealth transfer to the next generation of elites that has wealth managers in all their guises working as hard as they can to be part of the action. In the US alone, Schervish and Havens [quoted in Rosplock and Hauser, 2014], estimate that some $58.1 trillion “will be transferred and divided among heirs, charities, estate taxes, and estate closing costs” [Rosplock and Hauser, 2014: 14].

Gray [2005: 10]], a practitioner with years of experience in the wealth management industry, argues that historically family offices are comparable with the private banking services that were available to elite families in Europe as far back as 300 years ago, when wealthy merchants set up what would in turn become merchant banks. The fiduciary relationships of the time developed then during the Industrial Revolution into what would look like a family office today, but in a very straightforward sense, involving simply the - male – entrepreneur, his spouse and children. This European model was then carried to the USA, where the private banks co-operated with trust companies to offer better services to the wealthy, and the American family office was born, to serve families such as the Rockefellers, the Carnegies, the Vanderbilts, the Morgans and other dynastic capitalist families.

In time, the need to separate the operating family business from the business of managing the wealth of the family would also contribute to the establishment of separate family offices, devoted exclusively to managing the wealth accrued by the business, mainly by preserving it, but also by investing it and using it to support the lifestyles of the various family members. This was essential to avoid confidentiality issues and, quite simply, the embarrassment of family members whose financial dealings would otherwise be disclosed to staff who also worked in the operating family business [Gray, 2005: 11].

From the perspective of business and management studies in academia, Wessel *et al.* [2014] summarize the current available literature on family offices and, again, conclude that "the awareness of the family office phenomenon in management research is low" [2014: 37]. Similarly, Fernandez-Moya and Castro-Balaguer [2011: 84] call family offices a "relatively neglected topic within the study of family businesses": while they agree that the concept of family offices is not new, they argue that contemporary family offices are *substantially different* from their 20th century counterparts. Lopez *et al.* explore the development of family offices in general [2011] and in Spain specifically [2013], and illustrate the different types and functions of family offices currently in existence, and conclude that they are crucial instruments of wealth management for contemporary elite families.

Despite all their secretiveness, family offices are not, however, totally exempt from public scrutiny. In 2010, Bloomberg published a ranking of the "top 50 Family Offices", showing that, between them, they had nearly 500 billion US$ they were responsible for managing. Decker and Lange [2013] use a systems perspective to observe how family offices are reported on in the business press

in three different countries – UK, USA and Germany. They find, amongst other issues, that family office structures suffer a tension between the creation and preservation of wealth. Their conclusion chimes with the other literature when they argue:

> The limited awareness of this type of organization does not mean that family offices do not deserve our interest. Their confidential and secretive natures while being extremely financially powerful organizations make them appear to represent a multifaceted phenomenon. Therefore, they may be of interest to researchers, students and managers all over the world [Decker and Lange 2013: 304].

The industry literature also provides us with useful lists of the different services that can be expected from a family office, from income tax planning to financial planning, cash flow management, preparation of financial reports, philanthropic strategies, investment services, asset allocation and so on [Rosplock and Hauser 2014]. Hamilton [2002] adds bill paying and payroll, tax compliance services, property management, private travel management and the management of "collections".

The Guardian report, with which we opened this paper, provides up-to-date details of the current situation in the UK:

> The number of single-family offices worldwide is estimated to have risen by up to 40% since 2008 to 10,000-11,000, with combined investable assets of up to several trillion dollars…In the UK, those that only manage a single family's wealth are unlikely to require registration with the Financial Conduct Authority. Therefore, they are subject to far less scrutiny than private banks and hedge funds, despite the size of their assets making family offices influential players in the global economy. These offices serve individual families with investable assets of at least $100m but typically more than $250m, with the top tier managing fortunes of several billion….The uber-wealthy known to have family offices include Bill Gates, former Google boss Eric Schmidt, Oprah Winfrey, the Duke of Westminster, the Sainsbury and Goldsmiths families, and inventor James Dyson. There are now about 1,000 single-family offices in the UK, compared with 400 in 2008 [Batty, 2016b]

So the existing literature suggests that family offices are important, but that little is known about them. It provides the beginnings of a history of their development and some schematic descriptions of their forms and functioning, but it is clear that there currently exist no systematic studies of what are clearly major institutional components of the financial infrastructure of contemporary dynastic wealth formations. In what follows the first named author reports on her anthropological journey inside the world of family offices. Such an ethnographic approach will hopefully offer new insights not achievable via other methods such as analyses of press materials [Decker and Lange 2013] or structured interviews and surveys [Amit *et al*, 2009]. So in the next section we move the narrative from the sociological "we" to the anthropological "I".

5 INSIDE THE WORLD OF FAMILY OFFICES

It was a castle. And I [Luna] was going in to it. It could have been out of a fairy-tale. The turrets, the towers, the balconies: and the lake at its feet, only about visible because of the low cloud – it was December, and cold – but you could imagine it shimmering into view any time, and it would have been perfect, with the snow capped Alps towering behind it. I was a long way from Mayfair, geographically, but that was where the journey had started, two years earlier. Following the money, one could call it. And it had taken me here, up on the mountains surrounding this grand old castle.

The castle, of course, was now a hotel. The "royalty" I was going to meet were the representatives of family offices from all over the world, gathered here to discuss the issues that mattered most to them, away from prying eyes – apart from one urban anthropologist.

I had been vetted, and thoroughly so. First I was invited to participate by my gatekeeper, whom I had met through mutual contacts developed in the field, centred on a club in Mayfair. Then the person responsible for this gathering had met me beforehand, once, briefly, near a tube station in East London, well away from Mayfair. Dressed in a suit, undistinguishable from any other office worker milling around us. He had explained a few things about what sort of event he was inviting me to, and I had introduced myself. The meeting was not, as is often the case, about what was being said: we measured each other up. There was nothing I could do to influence his decision, even trying to lie or deceive him would have been intensely stupid, as well as unethical. He decided to trust me, and me him.

5.1 What is a Family Office?

It was 7.30 in the morning, and the beginning of a two-day conference. It was the earliest starting conference I had ever attended. As I walked into the castle/hotel with Alex [a pseudonym], my gatekeeper, I tried not to stare too hard at the gigantic lobby, the staircases elegantly sweeping up to the other floors, the piano, and the art on display. I thought I had become used to all this in two years of fieldwork in the most exclusive locations in London – I had been taken to the Hurlingham club for drinks, dined in the some of the most exclusive restaurants of Mayfair, even had personal training sessions in the most luxurious health club I could have ever imagined – but nothing had prepared me for this.

Alex and I were staying in a different hotel, just down the hill. This was a convenient way to keep an eye on me – after all, it was his reputation on the line, and he had taken a big risk bringing me here. I had already understood, by then, how this world functioned almost exclusively on relationships of *trust*. Websites,

business cards, CVs and the rest did not matter here: reputation was all. I tried my best not to do anything that would embarrass or damage him in any way.

It was Alex who had first explained to me what a family office was: it was hard to generalize, he said, because by definition they are unique and modelled around the family they serve, but broadly speaking they consist of a number of people, from three or four to tens or even hundreds, working together to look after a family and its investments. In terms of wealth, broadly speaking a family needs to be worth at least US$100m for a Multi Family Office [MFO], which as the name suggests serves a small number of families, and at least US$250m for a Single Family Office [SFO]. Their managers would normally come from top consulting firms and include economists, lawyers, psychologists and various advisors specializing in family business. They would usually look after the financial and legal side of the business, including managing investments across the world, property portfolios – again, globally – and family succession, inheritance, divorces, children, in-laws and so on. The joke here, Alex laughed, is that the *in-laws* are referred to as *out-laws*, and the main role of a family office in that situation is to make sure that they do not "get their paws on the family capital", usually wrapped up in a trust fund that only family members have access to.

Interesting language, I thought to myself: it was clear from the start that although we were talking about money, the link between kinship, property rights and wealth was key. It was about the social reproduction of a particular group: discussing and defining who is part of the family and who is not is safe, familiar territory for an anthropologist. I tried hard to remind myself of that as I walked through the lobby of the castle/hotel, ignoring the art, the grand piano and the

majestic staircases, and focusing on the fact that I was going to meet a group that no-one had observed in this way before, which again is not unusual for an anthropologist, and that the fact that my clothes and demeanour may not have fit in with the ambience– though I had tried – was simply what happens when you enter a new field. It was textbook “studying up”, as Nader [1972] had suggested as far back as the early 1970s; although Becker [2014] is correct when he argues that “studying up” is neither novel – nor was it when Nader called for it – nor so much different from any other kind of fieldworks where the social scientist necessarily will be ill at ease because they are entering a new, unknown and unchartered social space.

At 7.30 in the morning the family offices were already there, milling around, having breakfast, which was laid out on many tables, fruit and pastries of every kind you could imagine, tea and coffee and juices. No one was really eating, as far as I could see; networking was what they were there for. The first thing that struck me upon entering the space reserved for the conference was the sheer number of white males present: female bodies mainly walked the room carrying trays. I saw maybe five people who could be described as from a black or minority ethnic [BME] group at the entire event, out of more than 200 attendees. A female fund manager later described the crowd as “male and pale, as always”, with a laugh barely hiding her disappointment with the situation.

At 8.30, we had the initial plenary session, in the main conference room. The main speaker – white, male and middle aged, as were all the other plenary speakers throughout the conference – laid out what family offices were, what their main concerns were and, ultimately, why a social scientist like me should be there instead of leaving it all to bank managers. In front of an audience of

around 200 people, in the room that would normally be the ballroom of the hotel but was going to be taken over by the family offices for the next couple of days, he stressed how the main problem was the *changing nature of families*. I was so surprised that my written notes say: "THIS IS ABOUT KINSHIP!" - in capitals and underlined. I showed them to Alex, silently, and he nodded approvingly: this was why he had brought an anthropologist along, of course.

The speaker presented three case studies of families that have different structures and arrangements. The first one is technically and legally sound, all the right trusts and mechanisms are in place, but the family is not strong from an *affective* perspective; they dislike and resent each other, and so nothing works or gets done. Not a good idea. The second one is *value driven*, their approach is driven by emotion, they know who they are and how to be a family together, and they like each other, things are a lot better. This is an essential ingredient of any successful family, without this you can have all the technicalities you want in place, but the family won't thrive. The third family is *vision* driven, their motto is "We don't want to own the pony express when the trains come around", so it is all about having a vision and planning for the future; thinking in *generational* terms. In this case the key statement would be "planning is everything, plans are nothing", meaning things change and you cannot rely on any plans because you cannot predict the future, but you can think in a forward planning way, and indeed you should, taking into consideration the impact of your actions on future generations, understanding where the family and the business want to be in the next twenty, fifty or even a hundred years; that is very valuable perspective he said.

Of course the point is bringing the three examples together. The problem for most families is that traditional models – one factory, one family home, one set of children from married parents per generation, children who are physically close and not all over the world - are not often relevant anymore. This is the difficulty, he explains, not advising them on business; that is "easy". They are creating and reproducing dynasties in a changing world, which is why it makes sense for me to be present. The problem is, essentially, an anthropological one.

5. 2 What do they do?

To put it bluntly, Alex said, you look after them, and they let you look after their money: that's all there is to it. But of course, it can get all rather complicated:

> What does get tricky though is if there's an operating business, which there often is, sometimes they will pay certain family members to stay away, because they don't get it or they're a pain or whatever it is, and then at the point that there gets to be maybe a sale of the business or someone passes and there's money to be split, there can be difficulty … what's a fair split here, some of us have worked hard to keep this business going and you haven't worked in the business, or what's fair if you've got one kid who's an investment banker and one kid who's a social worker, does the social worker kid deserve a bigger share, because they're not making the kind of income or is a split a split? - Alex, 2014.

So to begin with you have to manage the family; this can involve all sorts of things, as we have seen in the example above, and requires tact, mediation and understanding. Some families will use family constitutions – setting out rules they all have to follow, for example including annual or biannual meetings, which are crucial to keep the various generations and branches together and especially in order to give more junior members of the family the chance to express their opinions and ideas as to what the family should do and which direction it should take, in a formal yet relaxed setting. If they do not come together then they fall

apart much more easily - though at times it is the opposite, and it is crucial that they do not all come together at once. It's about the individual family, of course. The constitution may state that all family members have to get their spouses to sign "pre-nups", with no exception, in order to protect the family capital. It may broadly stipulate how succession is worked out, how inheritances are planned, or what happens when family members are not interested in the main, or any, of the family businesses.

Then, you need to manage their lives: some call it "lifestyle management", but the vernacular slang for it is "walking the dog". Many offices simply state that they do not "walk the dog", which is shorthand to say they do not want to get involved in running the more mundane domestic aspects of the families lives. Such as what, I asked him? For this he directed me to Joan [again a pseudonym], who was a luxury asset manager – but with a long and distinguished career working for families - also based in Mayfair.

One distinct aspect of the business of family offices is the management of the "standard" lifestyle that goes hand-in-hand with the wealth and global mobility that characterize this very small sector of the population, Joan explained. Travelling, for example, is a different thing for them, much easier, not like for you and me, she said. We need to pack our clothes, think about how we are going to get there, wherever "there" may be – if we can afford it – and anyway, where are we going to stay, how do we travel from the airport to our final destination? For her clients it was not like that. Her job was to make sure that the transitions were as smooth as possible: packing would not be required because an appropriate wardrobe, including shoes, would be available in all the

different properties – I had heard this before from shop assistants in boutique shops, where wealthy elites would buy as many shoes as they had residences, and had not really believed it. But "of course", said Joan, as if I were a small child. Everything needs to be organized, as the client likes it, so that their socks are always in the same drawers, toothbrush on the correct side of the sink, just as they are at "home" – although where that primary base might be is, of course, a moot point; a very moot point [Paris, 2013].

Not only that. Everything would be taken care of, globally, so that the right kind of drinks, for example, would be available in the car that picked them up, on the plane, in the car at the other end. If a child liked a certain brand of baked beans would they be available everywhere across the fleet? Yes, of course: baked beans on the yacht, baked beans on the jet. And upon arrival, the properties would be perfect, not just clean but recently decorated to the owner's specification, staffed with permanent staff whose job it was to take care of maintenance and gardening and everything else that needed doing. Employing resident caretakers was essential to maintain high standards of security, she stressed, because you cannot have staff going to the press when their contracts are terminated, it makes much more sense to keep hold of them as much as possible, treat them well and engender loyalty from them this way. It was her job to recruit and train the staff, as well as dealing with agents if properties needed to be bought or sold, or with designers when they needed redecorating – clients like having fresh looks, he said.

She also ran the yachts, which require a very high degree of maintenance in terms of both physical repairs and interior decorating (Spence 2015). In that role, something that is very important is making sure that the clients do not get

taken advantage of: having a yacht, by definition, singles you out as extremely wealthy, and maintenance companies would routinely overcharge by as much as they thought they could get away with, if they believed no-one was checking the bills. This was a point that was made to me by a number of people, this feeling that the very rich needed protecting from predators out to get them. It was Joan's job to make sure that the prices were right, that the captains were not taking kickbacks for using one yard over another, that there were never any drugs on board – you cross many different legislatures at sea, penalties in some countries do not bear thinking about, and legally as the owner of the vessel the family member is responsible for anything that happens on board. Even if they themselves would then be protected by the legal team, a situation such as that would be unpleasant and possibly embarrassing in front of family, friends and business associates, which would be a very bad outcome altogether. Joan made sure things worked so that his clients always felt at home, always felt at ease, wherever they may be.

Together with running the "normal" day-to-day lives of the families, offices also deal with all kinds of emergencies that may present themselves. For example one interviewee at the conference told of the case of a lawyer for a family, whose client called her saying there had been an accident - grandma is hiking on Mount Everest and she's broken her hip. Well, the private bank advisor cannot help, as a wealth adviser he really could not and should not have got involved with that sort of thing, but the lawyer could. She got on the phone, made lots of calls and they got grandma to a hospital - the good one - and got her flown back as soon as it was safe to do so. That is the sort of wrap around, bespoke

service that a dedicated family office can provide, but a private bank simply cannot.

This last example shows really well why many offices do not want to get involved with this sort of work: it is potentially dangerous, it is difficult and complicated and, crucially, very hard to price. It is very hard to turn a profit on something like this, so MFOs in particular stay away from one off, complicated lifestyle requests such as these – or the various ones demanding celebrity events, buying and managing remote islands and so on. But what is crucial here is that by doing these sorts of things for the families, the right offices put themselves at an advantage when it comes to managing the money, which is where the profits are made. Because, of course, saving grandma creates *trust*. And you need to build that trust if you want them to invest with you, which is ultimately how you make the real money. You cannot expect to show up when the patriarch dies, and tell the heirs – so, want to invest with me now? You need to have been there for a long, long time first. Again, it is all about relationships and trust.

5. 3 Transitioning wealth: managing money, managing families

After the plenary session, I observed a smaller presentation in a stream dealing with how to advise families about their internal configurations and functioning. A representative of a major international bank, working on the "family office" side, presented it. Even major banks try to run boutique services that are "like" family offices, clearly. What he was saying seemed to be in direct contradiction with everything I knew about wealth accumulation, specifically Piketty's [2014] argument that - at least for now – wealth is concentrating "upwards", in the hands of fewer and fewer individuals. And yet, this banker, whose job it was to

make this happen, to retain and concentrate wealth into the hands of his clients – seemed to say exactly the opposite, that the chances of families managing to pass on their wealth to their children successfully – central to the new patrimonial capitalism identified by Piketty [2014] - were rather slim indeed, and that only 10 per cent of them would manage that feat. This mantra – the problem of transferring wealth across the generations – was a ubiquitous backdrop to the whole conference.

In the next presentation the speaker – the first BME person I had seen on a stage so far, used this quote: "The most successful families preserve their wealth by focusing on the human capital as much as they focus on financial capital". He went on to explain that financial capital meant "preparing the money for the children", while human capital meant "preparing the children for the money". It was very, very easy for the first generation of entrepreneurs, for example, to focus too much on the financial side, amassing a fortune, and forget the all too important human side, forming their heirs for that fortune. This was how families lost their wealth, he explained.

Once again, this was clearly about kinship, not finance or economics. The wealth needs to be preserved just as well as the family line; the two are intertwined and inseparable. It is about creating dynasties. It is not about individuals, the outlook is generational: this obviously clashes with the more short-term outlooks of bankers narrowly focused on their quarterly figures and yearly bonuses. When asked what the difference was between managing corporate and family affairs, another speaker insisted that it was *emotions*. Boards of corporations tend to act rationally, or at least that was the rhetoric, but for families the emotional baggage was substantial and the point of a family

office was to manage the relationships between its various parts: family; business; trusts; boards; and so on.

Finally, the last speaker in the session stressed how the most important thing that advisors had to understand was the need to focus on what younger clients wanted. And why should that be, he could hear the audience ask? Well, because they will be the ones inheriting the wealth. And when they don't know what to do with it, or how to invest it, if you have already established a good relationship of trust with them, they'll hand it over to you: and here he stared at the audience, and his eyes shone, and he had everyone's attention.

Here is why. Leading industry experts consider the current renaissance of family offices to be the direct result of something they call the upcoming "wealth transfer event" [Rosplock and Houser, 2014]. This has been estimated by Havens and Scheverish [2014], US researchers on wealth and philanthropy, in these terms: "Our current estimate of wealth transfer for the 2% growth scenario is $58.1 trillion in 2007 dollars for the 55-year period from 2007 through 2061". That is $58.1 trillion that will be transferred in the USA only. On a global scale, the figure will be many times greater than this. It is therefore understandable why financial intermediaries of every sort would be keen to compete for this business. As the wealth is passed down, whether it is retained, dispersed, concentrated or squandered, there will be fees paid to the advisors, and even as small percentage points the earnings made will be enough to make intermediaries very wealthy indeed. At last I understood properly what I was looking at in the castle, beyond the art and the turrets, the rhetoric and the canapés: wealth transfers and dynasty making, indissolubly intertwined – patrimonial capitalism reloaded!

6 CONCLUSIONS

Family offices play a crucial role in elite families reproduction, ensuring not only that capital is retained but also that the family line is maintained. More than any other institutional actor they understand, and are well placed, to help families in their dynasty-making processes, from managing their daily lives to steering and engendering family cohesion in a variety of ways. Although the financial side of their operations is where profits are most likely to be made, family offices have a clear advantage over private bankers because they work *for* the family, and not a bank, and are therefore able to think more strategically in terms of generations and capital preservation, which is what matters most to the families, rather than the short term returns, quarterly and yearly bonuses that drive bankers and fund managers. Although family offices have a long history they are largely absent from social scientific accounts of post-crash political economy and social geography. With the re-emergence of patrimonial forms of capitalism [Piketty, 2014] and ever-increasing concentrations of global wealth their contemporary role as key institutions in the urban infrastructures of capital accumulation and elite formation demands far greater attention. All we have been able to do here is to alert interested readers to their presence, review what little we already know about them, present some initial observations on their contemporary functioning and, finally, to concur – strongly - with Peter York that they deserve much greater sociological scrutiny than they have hitherto received.

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