Julius Bär

GLOBAL FAMILIES

SPECIAL REPORT


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FOREWORD

By Guy Simonius
Head of Family Office Services

Global families are a relatively new phenomenon. When Julius Baer first opened its doors more than 130 years ago, they simply did not exist. The rapid globalisation that we have seen since intercontinental flights became commonplace, and the liberalisation of cross-border travel and migration laws in many countries, have enabled families to spread all over the globe, build international businesses, and live their lives in a vastly different way from their ancestors.

All this has brought an immense number of new opportunities. It has, however, increased the complexity of family life in equal measure, something that we have witnessed first-hand in our interactions with the families we serve.

In the past few decades, for example, we have seen many more families spreading out across the globe. Indeed, in this era of global citizenship, families can freely decide upon multiple locations where they wish to live, work, or study. The benefits can be huge, although the legal and regulatory frameworks of individual countries are becoming ever more sophisticated and – in combination – incredibly complex. Outstaying your welcome in a country by even a day or two can have much larger consequences for an entire family than one might expect, passing on wealth to new generations across borders even more so.

When a family has members, interests, and assets spread across the globe, unexpected shifts and turns such as the Covid-19 pandemic bring the unique challenges of being global into sharp focus. How do you ensure your international business can keep running if travel is prohibited? How do you ensure family members in different countries are cared for, no matter what? How do you find common ground and maintain good communication between generations, where opinions tend to differ greatly and can often lead to conflict around such issues as family values, investments, or succession planning?

This special report on Global Families aims to answer some of these questions. In it we look at the driving forces behind the changes shaping life for global families today, how three different families around the world are dealing with these challenges, and the role that family-oriented services such as family governance can play in mitigating increased complexity.

As a company that began its life as a family business and has been advising numerous families across generations and challenges, we know how much family matters. We hope you find this report useful and wish you an enjoyable read.

From our family to yours.

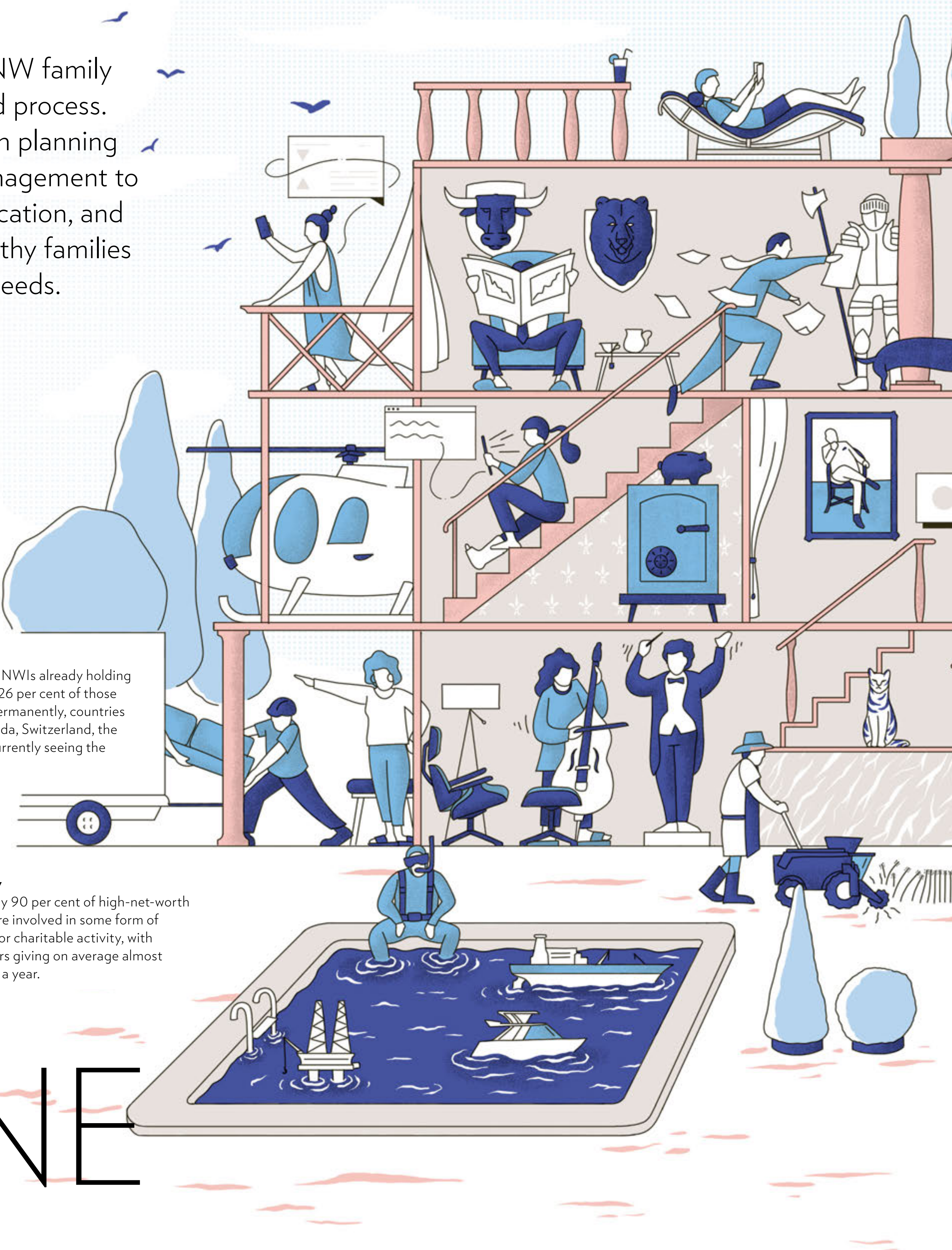
38
STAYING POWER

44
OUR FAMILY'S JOURNEY

ALL

Running a UHNW family is a complicated process. From succession planning and wealth management to real estate, relocation, and education, wealthy families have complex needs.

Real estate
Property investments make up more than a quarter of a UHNWI's portfolio, and on average they own 3.63 homes globally. In the Middle East this rises to 4.63, and in Latin America to 4.71. In light of Covid-19, the value of country houses in particular shot up in the second quarter of 2020.



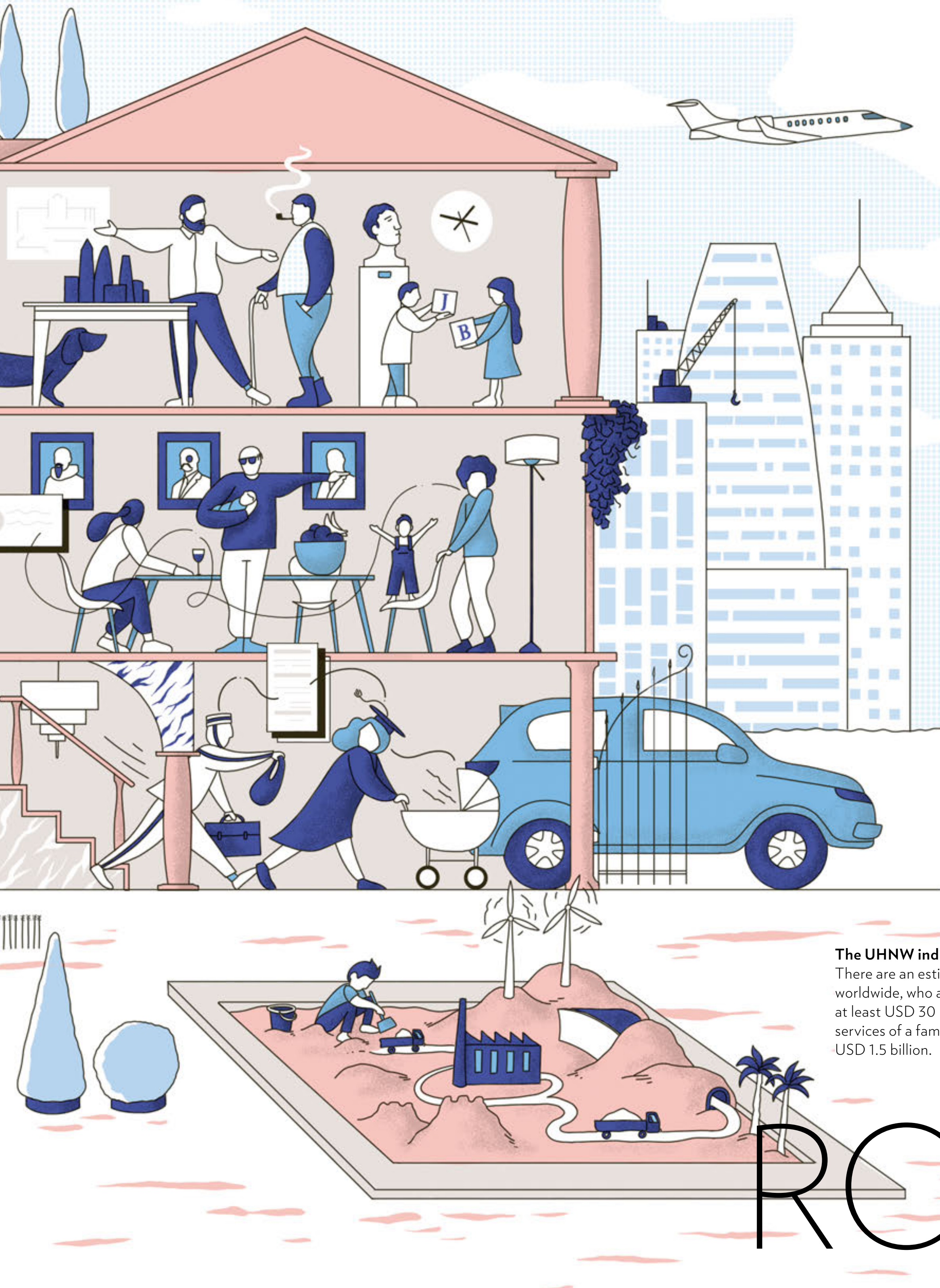
Relocation
With 36 per cent of UHNWIs already holding a second passport and 26 per cent of those planning to emigrate permanently, countries such as Australia, Canada, Switzerland, the UAE, and the US are currently seeing the largest wealth inflows.

Philanthropy
Approximately 90 per cent of high-net-worth households are involved in some form of philanthropy or charitable activity, with wealthy donors giving on average almost USD 30,000 a year.

ONE

UNDER

Concierge
With time always in short supply for UHNWIs, the global market for concierge services has boomed – it was valued at USD 537.6 million in 2018. Although a vast range of services are offered, the most commonly requested are for repairs and contractors, travel and home services, and gift buying.



Succession
In the next 25 years, an estimated USD 68 trillion will be transferred between generations in the US alone, the greatest wealth transfer in history. This transfer will not come without its issues, and around 70 per cent of all UHNW families do not currently have a succession plan in place.

Family business
Family businesses play a significant role in the global economy, with 750 of the largest businesses generating a total of USD 9.1 trillion in 2018. The US and Germany are centres for family businesses, but Asia, particularly China and Hong Kong, are fast catching up.

The UHNW individual
There are an estimated 513,244 UHNWIs worldwide, who are defined as having assets of at least USD 30 million, with those requiring the services of a family office having assets of at least USD 1.5 billion.

ROOF

IT'S A SMALL

The inaugural Julius Baer Family Barometer reveals that complexity for global families is on the rise. We explore the causes and implications.

By Josie Cox

WORLD

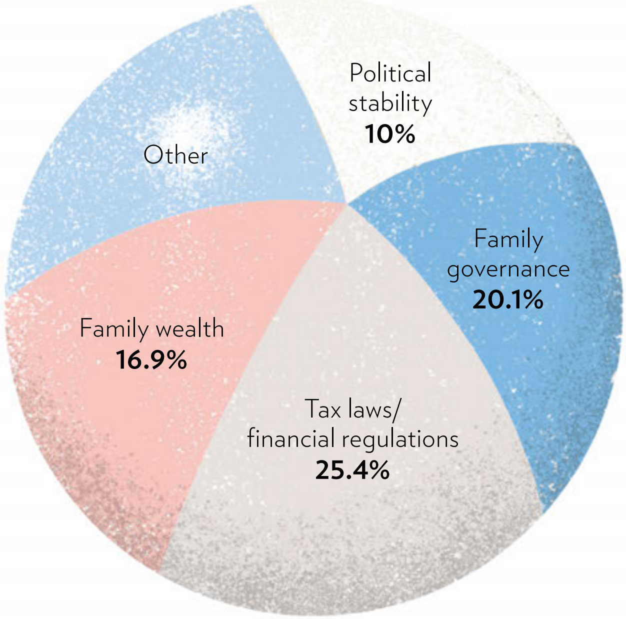
The origins of world trade can be traced back to the 1st century BC, when luxury products from China, such as spices and silks, started to appear on the other side of the world in Rome. It was then that commerce stopped being an exclusively local activity, but it wasn't until the 19th and 20th centuries that globalisation accelerated and started to define everything from the way we work and travel to the way we foster relationships and communicate.

Globalisation has created boundless optionality, but for families the advantages have also been accompanied by a slew of complexities and challenges. In the Julius Baer Family Barometer 2020, 90 per cent of relationship managers surveyed agree or strongly agree, from their experience with wealthy clients, that life has become more complex to manage as a family over the past decade. Some 80 per cent state that the number of family advisors has grown and now covers aspects that were not covered 10 years ago. Regulatory changes were cited as the most prominent hurdle, but family governance was a popular answer too – a concept that is perhaps as difficult to define as it is for many families to address.

According to the UK's Chartered Governance Institute, a membership body for governance professionals, the term refers to the way in which entities are run and to what purpose. It determines who has power to make decisions, and who is accountable. Governance should ensure that decision-making processes and controls are in place so that the interests of all stakeholders are balanced and respected.

But when it comes to families, good governance may become particularly tricky to safeguard on account of any number of things: members dispersing geographically, succession plans blurring, or motivations diverging. Of those surveyed, 88 per cent said they believe the next generation will have a wider range of issues to deal with than families today, underscoring an urgent need for families to consider solutions – ideally well before the gravest problems materialise.

Key talking points within UHNW families in 2020

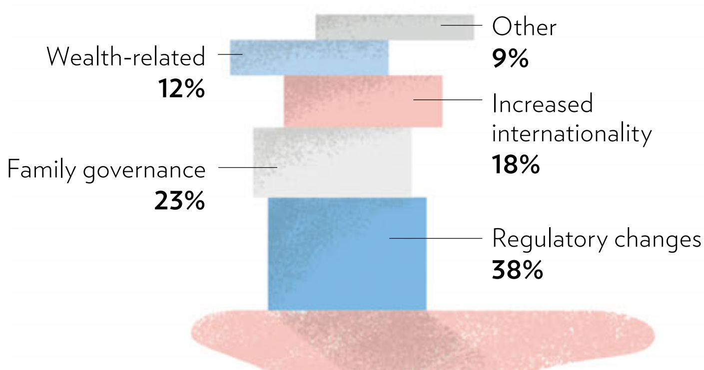


Regulation/taxes are a key complexity driver and are also considered to be the most important talking point within UHNW families

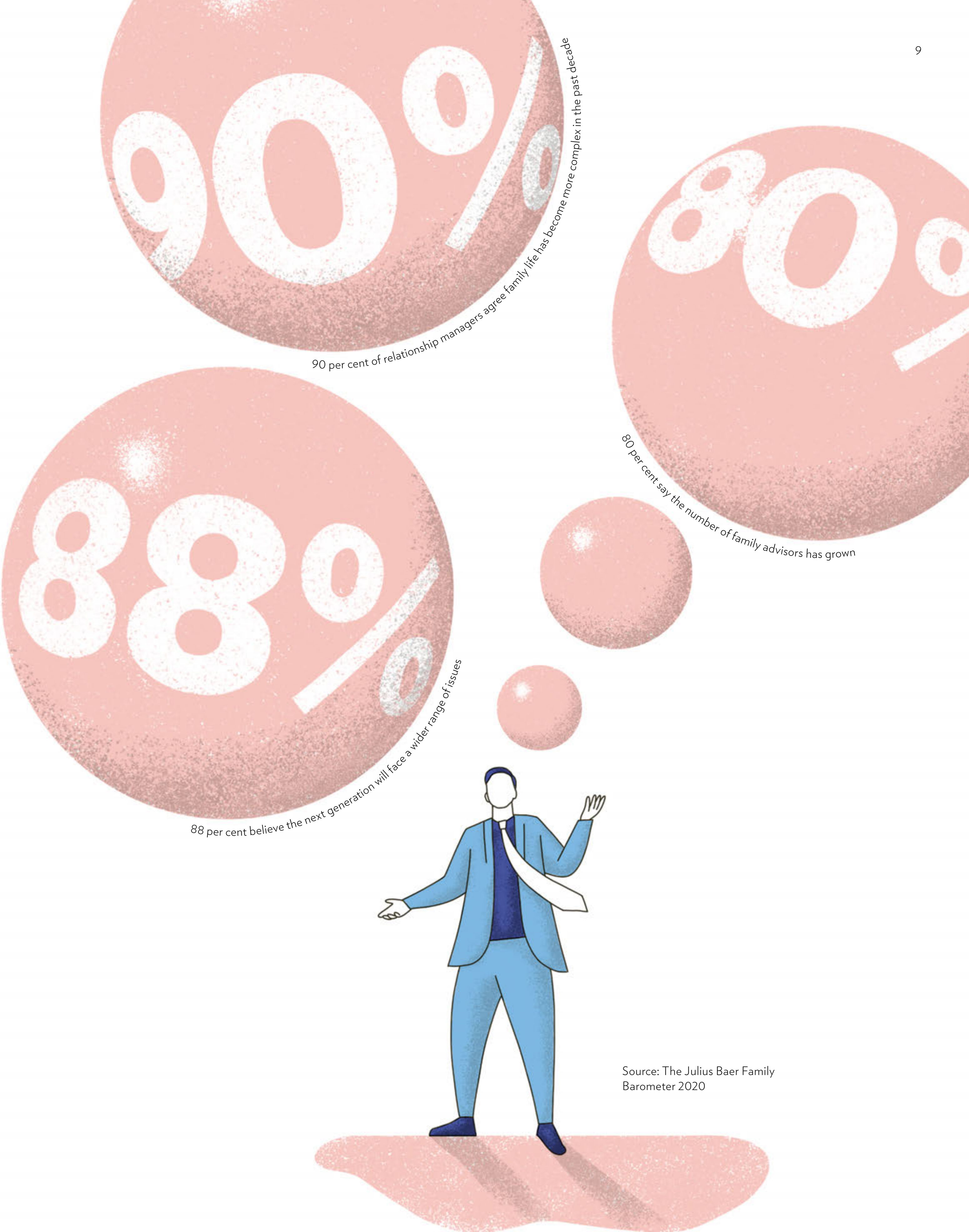
Family governance-related challenges are rated as a more important talking point by relationship managers than wealth-related factors

Political stability is considered to be more present in discussions than factors such as environment, safety, privacy, or education

Complexity drivers



Regulatory changes are the single most important driver for complexity. Yet 41 per cent of relationship managers state that internal factors such as family governance or increased internationality are the most important factor



Source: The Julius Baer Family Barometer 2020

> "As well as being increasingly international, families are becoming more multigenerational as life expectancy in many countries rises and family models change."

Though some form of globalisation has been in motion for centuries, international migration has increased dramatically within just the past few decades. Research conducted by the Washington DC-based Pew Research Center showed that in 2017, around 44 million US residents were living outside their birth country – around five times as many as in 1960.

If classed as a national population, the global migrant population would now rank as the fifth largest country in the world, and, although many migrants relocate because of war, poverty, or civil unrest, Pew found that the majority are driven by opportunity: they're not moving away from something, but towards something that might provide a more lucrative, interesting, or rewarding life.

Migration can stoke economic growth, encourage innovation, and lead to personal wealth, but for families it inevitably leads to complications.

SCATTERED FAMILIES

While entities like the World Trade Organization and International Monetary Fund have become prominent and powerful bodies in managing and controlling international trade and capital flows, the problems faced by families spanning the globe have often fallen between the cracks of policy and regulation. More fundamentally, the scattering of individual families around the world can quickly lead to a misalignment of priorities and values. Different branches might develop their own ideals and traditions, leading to a breakdown in communication or even relationships, which in turn could complicate managing affairs – financial or otherwise.

Though every family is unique, understanding the nature of the problems presented by globalisation is perhaps the most effective way of combating them. The value of maintaining strong connections should never be understated, regardless of how large, diverse, or widely distributed a family is. A thorough and timely understanding of rules and regulations in different jurisdictions, and how they may affect family and business affairs, is crucial.

As well as being increasingly international, families are becoming more multigenerational as life expectancy in many countries rises and family models change. It's paramount that people appreciate the implications of this. Life expectancy at birth in the European Union was estimated by Eurostat to be 80.9 years in 2017, compared to just 69 in 1960. Different generations will have different ways of interacting, upholding traditions or introducing new customs. This impacts how families function – and how they do business.

Birth rates around the world may be falling, but that doesn't mean families will necessarily become simpler. Marriage rates in the EU are declining and divorce rates rising, but such commitments no longer define the parameters of the family unit. Legally recognised alternatives to marriage, such as partnership, have become more prevalent, while legislation in various countries has adapted to confer more rights on unmarried couples.

All these trends will contribute to the evolution and development of the global family in the years to come. Consolidating those preferences and values – often across different continents and time zones – relies heavily on strong communication, tolerance, and empathy. Globalisation continues to put that to the test.

THE CORONAVIRUS CHALLENGE

Just as steady demographic and societal trends have challenged global families, so too have entirely unexpected events, perhaps none so much as 2020's coronavirus outbreak. As countries around the world were forced into lockdown, families had to come to terms with not only a new, socially distanced reality, but also mass cancellations of global transit, dramatically curtailed international trade, and a halt to other commercial activities.

> "Covid-19 is unlikely to have slackened the pace of globalisation in the long run."

Navigating a sudden health crisis presented a litmus test for international families, some of which were forced apart by travel bans, while others were contained in the same location – perhaps for the first time in years.

Like international governments and businesses, families were compelled to experiment. In the face of not being able to move around freely, many became more comfortable relying on technology to communicate and do business. Some might have used the crisis to reflect on and reassess their ambitions, commitments, and goals. For others, the economic fallout resulting from the health crisis may have called for a fresh approach to addressing financial issues within the family unit, or thinking harder about succession planning.

Although Covid-19 has cast a fresh light on the interconnected nature of our world, it's unlikely to have slackened the pace of globalisation in the long run. The forces of internationalisation are intact – if anything, the process may have become more complicated. Families will have to continue to adjust to them, from the political to the cultural, and the social to the economic.

As we move through the next decade, and as we adapt to a new reality, the issues faced by global families are unlikely to become less complex – from logistics to staying truly connected and dealing with decision-making around wealth and business. By being aware of past impediments, however, and by understanding the existing hurdles, it's possible to anticipate what might be heading our way.

Globalisation will always create both opportunities and setbacks. For a family, the art lies in being able to overcome the latter swiftly, while reaping the benefits of the former for years to come. It's certainly not easy, but family life – as many of us will concur – rarely is.

SALVA TORE

FERRAGAMO JR

After an initial grounding in finance and business, this scion of a famous Italian fashion family returned to nature and the careful renovation of Il Borro, the family's Tuscan estate and winery.

I bear the name of my grandfather, Salvatore Ferragamo, the founder of the Florence-based fashion house. I am very proud to have been named after my grandfather, but it is also challenging, because of the high expectations it brings with it. I always try to bear in mind the creativity and charm he put into his shoes with my own work at Il Borro, because I am a firm believer that no doors open without dedication, passion, and constancy, even if everybody knows your name and is curious about you. That's what my father teaches me every day: my father is always my first point of reference.

Il Borro is a 2,700-acre estate in the heart of Tuscany, where my family would spend the summer when I was a child. The name 'Borro', which probably meant a chasm or gorge in Tuscan dialect, was originally that of a fortress built to defend a strategic area crossed by stretches of the Clodia and Cassia byways, two important Roman roads.

The first written record of the castle dates back to 1254, but it was in the 16th century, under the patronage of condottiere and politician Alessandro del Borro, Il Borro's true 'father', that the stronghold was first transformed and extended, shaping the estate we know today. The estate's event-packed aristocratic history began with him, and went on to include some of Europe's noblest families – the Medici Tornaquinci of Florence, the Torriani of Milan, the princes of Hohenlohe Waldenburg, and finally, from 1904, the Savoy dynasty. In the mid-Fifties, Il Borro passed to Duke Amedeo of Savoy-Aosta, and after him to my father Ferruccio, who decided to buy it in 1993.

RESTORING A COMMUNITY

Back then, the estate was completely different: abandoned and in very bad condition, with serious land erosion, very limited infrastructure, and an extremely leaky roof. As soon as my father bought the estate, I began working with him to restore this medieval village and help develop the wine business, of which I am currently CEO.

Before joining my father at Il Borro, I had worked in the international division of KPMG Peat Marwick in Florence, and nationally and internationally in KPMG's audit, finance, and consulting departments. From 1990 I did an internship at Salvatore Ferragamo SpA in the marketing and production departments, where I worked on marketing strategies for the company in Italy and France.

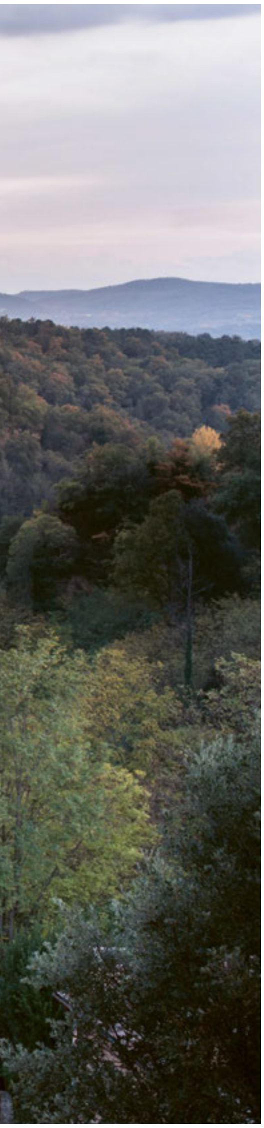
I then decided to further my professional training with an MBA at New York University's Stern School of Business, specialising in finance and international business. All these experiences provided me with a diverse toolset that has proven invaluable in helping me to shape the future of Il Borro.

One of the first things my father and I decided to do with the estate was save the existing vineyards and develop the wine business. We invested in an area which was not living up to its potential at that time. My love for the Tuscan countryside and for great wines drove me, step by step, to make Il Borro winery what it is today. My uncle Massimo owns a prestigious winery and estate in Montalcino, and sometimes we talk about family and business, drinking one of the wines we both produce.

> "We invested in an area which was not living up to its potential. My love for the Tuscan countryside and great wines drove me to make Il Borro winery what it is."

Since 1993, Salvatore Ferragamo (CEO of Il Borro) and his father Ferruccio,
have been custodians of the historic Tuscan estate and winery, Il Borro

An aerial view of the medieval hamlet at the heart of the 2700-acre estate



Vittoria Ferragamo, who is in charge of Orto del Borro,
the estate's organic garden, and Special Projects

A bottle of Il Borro, the estate's organic flagship wine

Ferruccio Ferragamo's wider family, photographed in 2016, with Salvatore Ferragamo Jr (third from left), Vivia Ferragamo (centre left of fireplace) and Ferruccio Ferragamo (centre right of fireplace). Vivia, Ferruccio's eldest daughter, curates the estate's concept shop, Boutique del Borro.

Salvatore Jr, Vittoria, and Ferruccio Ferragamo in Il Borro's historic wine cellar

AN ACT OF FAITH

Il Borro is much more than a family business to me: it is an act of faith which has evolved over 27 years. This is why we are still in love with it and dedicate even more energy, passion, and time to its development. I work closely with my father and my sister Vittoria. I am very fortunate to have a good relationship with both of them and I have to thank my grandmother Wanda for this, as she made a great effort to build a strong family unit and bond from our childhoods onwards. She sadly passed away two years ago. I miss her wisdom very much.

I am instilling her values and those of my parents in my children, and I really hope that they will convey them to their own children in the future. I hope that my children's current love for this place will make it their future job, but we do not have a family governance structure at Il Borro like that of the fashion company. It is, however, something we are evaluating for future generations.

A COMMITMENT TO GIVE BACK

There are two main forces driving my family and me in this business: respect for nature and the need to put something back, in exchange for the many resources we take from the planet in pursuit of our business aims. Ours is a tangible commitment, not only to making the best use of our soil, but to every single aspect of life at Il Borro. Our biodynamic farming and sustainability principles are evident in many of the estate's projects: solar power, electric vehicles, and solar panels have all minimised our impact on the environment. Il Borro is a negative carbon footprint estate and new generations will benefit from this.

We only make decisions about the business and estate after much thought about their impact on the wider community and on future generations. Our connection with the planet translates, quite simply, into a relationship of give and take, at all levels.

At the heart of the entire restoration project, which began in 1993, was a desire to bring the estate back to life, preserving its traditions and history for the future. The company is definitely a way to guarantee my children, and future generations, new and diverse opportunities for employment, but the estate also employs many people from the local Valdarno area, creating a virtuous economic circle for the entire region.

Above all, our love for this land means respect: all practices at Il Borro target sustainability and respect for life and the environment. We are winemakers, men of the earth, who value sustainable agriculture and want to preserve the environment, by generating excellence today and for centuries to come.

> "There are two main forces driving us: respect for nature and the need to put something back, in exchange for the resources we take from the planet."

BUILDING ON SOLID GROUND

Family governance is an important and rapidly developing discipline that offers support and guidance for managing the wealth and interests of HNW and UNHW families and can help to ensure a smooth transition between generations.

By John Franklin

Family meetings
Where all family members come together to discuss business matters.

Family council
A decision-making committee formed from the family assembly, limited to 3-5 members.

Family policy and constitution
A fundament of family governance that is recognised by all family members. A strategic document that defines rules for organisation, succession planning, and conflict resolution, as well as a guideline for asset management and family values.

Wealthy families have always existed, but society around them has changed considerably in the past few decades. Today, it might seem obvious that a family's wealth and business will not necessarily go to the eldest son, yet for generations that was not the case. This societal shift, particularly in the West, has introduced a new layer of complexity for multi-generational and multinational families seeking to preserve their wealth, interests, and often businesses.

Professor Nicole Conrad, a partner at ATAG Attorneys and a family governance specialist, knows this better than most. "Today's younger generation no longer feels any obligation to the family business or the management of the family's assets," she says. "In the past, control was given to the eldest son and there was no discussion. Today, the younger generation discuss. They are likely well educated, with their own passions and interests in life. They want to take their own path, create their own family."

It is widely known that family businesses rarely make it to the third generation: a recent PwC survey put the proportion at just 12 per cent. In the first generation, ownership and company management are in the hands of the founder. If successful, a banker, lawyer, and tax consultant are employed, and by the second generation there is often already dual leadership. Division of responsibility begins to occur and structures to deal with differing opinions are required. By the third generation, things become even more complicated.

"The second and third generations have not grown up together, which can have advantages and disadvantages," says Prof Conrad. "The emotional bonds are weaker and people behave more professionally. Their relationship to the family business is more like a shareholder in a public company." Accordingly, this generation focuses more on matters many find controversial: participatory rights, dividend payments, and revision of business documents.

This is where family governance comes in. The discipline, which has developed rapidly in recent decades, can help families to work through and formalise their succession plans. "Family governance can best be described by its purpose: the long-term strengthening and consolidation of a family, and, where there is a business involved, identification with the company," explains Prof Conrad. Difficult situations that arise as a family tries to navigate from one generation to the next can be alleviated by various instruments. These can include family reunions, training and education programmes, and conflict resolution mechanisms. "Although studies have shown that these do not have a direct impact on the positive performance

Family committee(s)
Examples include: an investment committee to manage assets; a non-profit committee; a new generation committee (educating and training for family members); a personnel development committee (for family members working in the business).

of a company, family businesses that have good cohesion and willingness to change are more successful than average."

More important still is the so-called fair process, which is a cornerstone of family governance. This involves creating a set of fair, transparent and verifiable rules for all family members and shareholders, and their access to the family business. These can then be complemented by a constitution that determines the conditions for other family members to work in the business, as well as the criteria to qualify as a suitable successor and guaranteeing security for the next generation. It also helps to mitigate any personal relationships interfering with business decisions, and to ensure coherence between family members. In large families where interests diverge considerably and the potential for conflict is great, this is key, as disputes cause significant damage to the continuation of a company.

Family governance is not just for businesses, though. The same societal changes that have caused a shift in the way family business succession is handled have also altered the way family wealth is maintained and transferred. Younger generations of wealthy families have grown up in a more open society where education, independence, and female empowerment have changed the way they consider and use their legacies. This has not only challenged the preservation of specific family values, but also means a standard 'blueprint' for life as a family no longer exists in a hyper-individualised world. As a result, family governance has become increasingly important for wealthy families too.

Family governance can offer a platform for discussing different views between members, and for mitigating any potential conflicts before they arise. It can also be applied to nearly every situation and can help maintain wealth through family changes such as marriage, divorce, and death.

"Family governance is very valuable when it comes to the maintenance of assets over generations," says Prof Conrad. An example would be if a patriarch or matriarch with no clear successor sells their business.

They are now cash-rich, possibly with a diversified asset portfolio that, if managed correctly, is sufficient to provide income for their family members over generations. "In this context, the establishment of a family office, or the establishment of a family foundation, both of which are instruments of tailor-made family governance, should be considered."

No two families are the same, so nor are their approaches to business or wealth. A long-established wealthy family in Asia and a newly moneyed family in Europe will have very different requirements, so every aspect of governance must be tailored to the individual situation. In places such as Germany and Switzerland, family governance as a discipline is well established and many global families look to these countries for guidance on how to safeguard their businesses and wealth for the coming generations. However, what works for a family in Berlin or Zurich will not necessarily work for a family in Beijing. "You cannot cut European family governance approaches and paste them into Asia or the Middle East," explains Prof Conrad. "You must develop specific instruments that take into account how the individual families and societies work."

Whereas in the past, wealth might have been created by one entrepreneur in one country, passed to the male heir, and expected to maintain the family for generations, today's globalised nature of wealth means the requirements and considerations of moneyed families are far more extensive and complex. By employing the discipline of family governance, security and stability can attempt to guide assets through periods of boom, bust, uncertainty, and renewal, benefiting not just family members but also a broader spectrum of society as a whole.

Single/multi/virtual family office
Establishing a single-family office is useful for a highly diversified portfolio requiring active professional management, while for smaller or less diversified portfolios a multi-family or virtual family office is a good option. Additionally, this way the family can find and manage the relevant experts to support them.

"IT IS A MATTER OF IMMENSE PRIDE AND JOY WHEN YOUR LOVED ONES JOIN YOUR MISSION"

Dr Ravi Pillai, Chairman of RP Group

Interview by
Emily Rookwood

Dr Ravi Pillai moved to Saudi Arabia in 1978 and has since built up a successful construction empire

Dr Ravi Pillai, Chairman of RP Group, has built his construction business up from the ground over the course of 42 years. Now he is enjoying seeing the next generation take an active role in its further development.

How did you get to where you are today from both a personal and a business perspective?

I was born into a farming family and grew up in a small village in the coastal Kollam district of Kerala, India. I always had a fascination with doing something of my own – a business or a venture – and I had already ventured into small businesses during my teenage years. This entrepreneurial trait came in handy when I entered into a modest construction business after graduation with the help of some experienced engineers. Despite having zero background in the construction business, my venture became somewhat successful, working for some of South India's biggest companies, such as FACT and the Cochin Refineries. However, unforeseen challenges stifled this opportunity, so I set my eyes on uncharted territories.

I moved to Saudi Arabia in 1978, during the early days of the oil-led boom, when oil prices were barely USD 10 per barrel and the region was full of opportunities. I started RP Group that year with just 150 employees. Back then it was very rare for Indians to win big projects, even more so for a new company. But, with our undying determination to work hard and with the grace of God, we were able to expand and grow into one of the largest employers in the Middle East.

When I look back at my journey – a grand, memorable and fulfilling one that is still going on – I have a very long list of people to thank. Everything has only been possible because I have had the privilege of working with very talented and dedicated employees, great business partners, customers who continue to put their trust and faith in me, vendors who meet our demanding quality and safety standards, governments with business-focused policies, bankers who helped us expand our operations, and the list goes on.

But, if there is one thing I truly am grateful for, it is my family. They have always stood steadfast with me – even more so in testing times. I feel blessed to have them in my life, especially my wife Geetha, who is my real strength. My son Ganesh, my daughter Dr Arathi, and son-in-law Dr Aditya have always been strong pillars of support in all my endeavours.

With personal and business interests spread over many countries, your family is truly global. What does being a global family mean to you?

While basic human traits – their needs, aspirations, motivations, and insecurities – remain similar across the world, there are certain characteristics that define each region and country. This uniqueness of each place is what makes this world such a colourful tapestry.

Being a global family means trying to bring together the best strengths of each region to complement each other. I was born and brought up in India but for most of the past four decades I have lived in the Gulf, with business interests that span beyond these two regions. Being a global family means adapting to the local customs and culture of each of these regions and countries. Most importantly, one must always adhere to the rules and regulations of each jurisdiction.

“Wherever I go I see governments trying to ease the way of doing business, working to attract capital and skills.”

How do you approach the complexities of living and working in many different countries? Have you noticed that operating across borders has changed in recent years, and if so, in what way?

Maybe it is the experience of four decades of being a global citizen with business interests and personal attachments spread across countries, but I find a lot of ‘unity in diversity’ between countries. As an avid business traveller, wherever I go I see governments trying to ease the way of doing business, working to attract capital and skills, and looking to invest in infrastructure and technology. In every country, I come across businesses that are looking to expand internationally. I meet people of different nationalities – all of them want to grow professionally and raise their standard of living. I don’t think I am the only one who finds it fascinating to bring these strengths and individual aspects of each country together in a manner in which they complement each other.

Operating across borders has always evolved on a continuous basis. Four decades ago, when I decided to become a global citizen, passports used to take months to come by and flights were sometimes once every few days, unlike today, when they are every few hours. Thanks to technology, international borders now seem somewhat faded, at least in this part of the world. There are obviously immigration, customs, and business-related rules, but looking at the rapid growth in air traffic and tourism in recent years, mutual business interests and cross-region investments, as well as strengthened geopolitical ties, you get the feeling that there is increasing assimilation between India and the Gulf countries.

That being said, we are currently seeing a move away from the worldwide globalisation drive, so we will have to wait and see what effect that has on our lives.

Your children have recently joined your business. Was it always your intention for the RP Group to be a family business, and what experience and perspective do your children bring to the company?

Both my children are involved in the business, but they did not have a seat at the table readily available on a silver platter. Ganesh and Dr Arathi have attained professional degrees from prestigious institutions in their respective fields and have gained work experience outside of group companies, and while they are my biological children, my business, RP Group, is no less my baby – it is an institution that I have given most of my life to. It is a matter of immense pride and joy when your loved ones join your mission and strengthen your resolve to make a difference to the world. In our case, this was only possible because they have proven themselves in different fields outside of family businesses and exhibit the same zeal and rigour towards the business that I have.

There are many benefits to working with my children. They have had a different level of international exposure and a quality education, so the business can benefit from their different vantage points and fresh ways of thinking. They also share the same core principles of ethics, commitment, and focus as I do. This makes me confident that they can take the RP Group to the next level. Another advantage is that we get to spend more time together.

Dr Pillai and his family celebrate their housewarming in Kerala

Dr Pillai with his son, Ganesh Pillai

Has the Covid-19 pandemic changed the way you think about working and living in a global context?

The last time I faced such challenges, especially regarding travel restrictions, was probably during the Gulf War in the 1990s. I often used to quip, "My real home is the sky because I'm always travelling," so you can imagine how overwhelming these times have been for me – and for most global business families. The customary global business culture with a lot of travel and personal interaction has definitely been shelved for now, and we are working to adapt to the new business climate.

For my family and me, health experts have cautioned those above 60 against travelling or risking infection. Hence, videoconferencing has become an integral part of day-to-day life. Thanks to technology, we are largely able to compensate for the lack of in-person meetings and visits.

My biggest focus since the Covid-19 outbreak, however, has been the health, safety, and well-being of my employees. We are doing everything possible to ensure they are looked after – from ensuring the safest possible work environment to providing dedicated healthcare support, hospital beds, and international charter flights for our employees from around the world to get back to their families safely.

You do a lot of work with your community in Kerala. Can you tell us about your approach to philanthropy?

I face a bit of a dilemma whenever I am asked this question. I used to believe that your left hand shouldn't know of any charity that your right hand gives. However, over the years there are reasons which have swayed me away from this belief. The first is transparency. When we are open about the work we do, it brings transparency to these activities, which is especially necessary when they are done on a large scale. Another benefit is spreading the word about such causes can inspire others to engage in similar and even bigger philanthropic causes. Perhaps the most important reason is that those in need are aware there is a helping hand out there and they can try to get help.

It is extremely important for me to give back to others. I am a man of humble origins and simple beliefs. To me, the idea of giving back to the community is a question of what you do when you have a big cake. If you try to eat the whole cake, you may enjoy the first few bites but eventually your stomach will hurt. If you share the cake with others, more people will enjoy the same and you will truly be satisfied for making the best use of that cake.

I believe in 'Vasudhaiva Kutumbakam', which means 'the world is one family'. Everything we do should be done keeping in mind how we can make things better for this family. I think this act of giving back should be done by everyone – and especially those with greater resources at their disposal. It is the successful individuals and families that should do the heavy lifting.

"My children have proven themselves in different fields and exhibit the same zeal and rigour towards the business that I have."

HOW RP GROUP HAS DEVELOPED

RP Group was founded in 1978 with just 150 employees.

After winning numerous infrastructure and defence-related construction contracts in the Gulf, including a project to build the Royal Air Terminal at Riyadh Airport, RP Group grew to 5,000 employees.

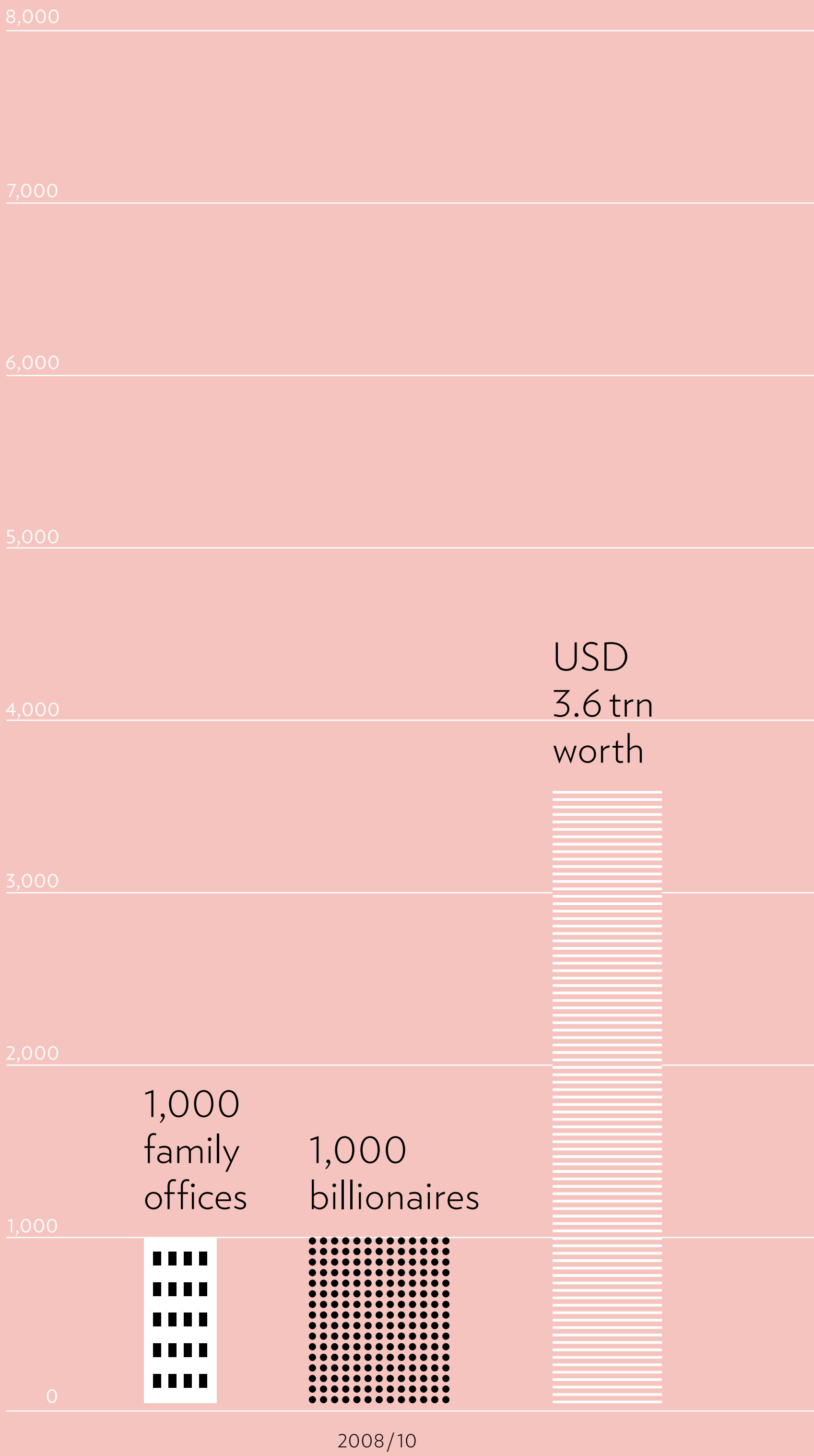
As the price of oil increased upwards of USD 25 per barrel, the RP Group expanded into other areas such as industrial contracting, including oil, gas, and petrochemical projects.

Today, RP Group is headquartered in Manama, Bahrain with projects spanning the Middle East and India. With over 100,000 employees, it is one of the biggest employers in the region.

OFFICE EXPANSIONS

By Richard Fernsby

Family offices have been around for centuries, but the rapid growth in numbers of billionaires in recent years has seen them become more popular than ever among wealthy families.



The idea of the family office has a surprisingly long history. Although the actual term only gained popularity at the start of the 20th century, thanks to wealthy families such as the Rockefellers and the Morgans in the United States, according to the 'EY Family Office Guide', "Family offices [as a concept] have their roots in the 6th century, when a king's steward was responsible for managing royal wealth." Some even suggest that they stretch back as far as Ancient Rome, where Emperor Augustus Caesar, widely considered one of the wealthiest figures in history, was advised on all matters, financial or otherwise, by his Senate.

Advisors have always played a vital role in guiding and supporting wealthy families and individuals. In the 11th century, Alan Rufus, Lord of Richmond, and William de Warenne, Earl of Surrey, advised William the Conqueror in matters of state. Matthäus Schwarz, the right-hand man of Jakob Fugger, Europe's most prominent merchant in the 1500s, was one of only a few men trusted to help manage his guesstimated fortune equivalent to nearly

USD 400 billion today. As the scope of their responsibilities grew, it became necessary for advisors like these to employ others to help manage their affairs. The term 'majordomo', which stems from Medieval Latin and means 'head of the house', was given to the head of these teams of advisors who managed an individual's property, business, assets, and lifestyle – effectively becoming a single-family office in modern terms.

The family office as we know it today originated in the mid-1800s, when the family of financier and art collector JP Morgan founded the House of Morgan to manage their wealth. In 1882, the petroleum magnates the Rockefellers followed suit with their own version. These are typical examples of modern-day embedded family offices serving one family only, a model becoming increasingly rare today given the increased proliferation of wealthy families. The financial services firm Brown Brothers Harriman suggests that around USD 100 million of assets is the starting point at which having a family office becomes worthwhile. For its 'Global Family Office Report 2019', Campden Wealth surveyed 360 family offices around the world and they had an average of USD 917 million in assets under management.

For families with fewer assets who still want to benefit from the structure and expertise of a family office, multi-family offices – external companies managing several families at once – were created, with increased digitalisation leading to the appearance of virtual family offices more recently. Today, an increasing number of financial institutions provide family office and virtual family office services. These are growing fast in popularity and offer hybrid solutions with greater flexibility than more traditional incarnations.

These changes are rewriting the definition of what a family office is and does. Today, family offices usually offer services that go far beyond wealth management. The obvious examples are charitable giving and administrative matters, but frequently they will also be concerned with governance and relationships in terms of family-owned businesses and investments. They may also run concierge services for the family, organising everything from business travel to holidays and children's schooling. Increasingly, they are becoming a kind of one-stop shop for services that busy, wealthy families need.

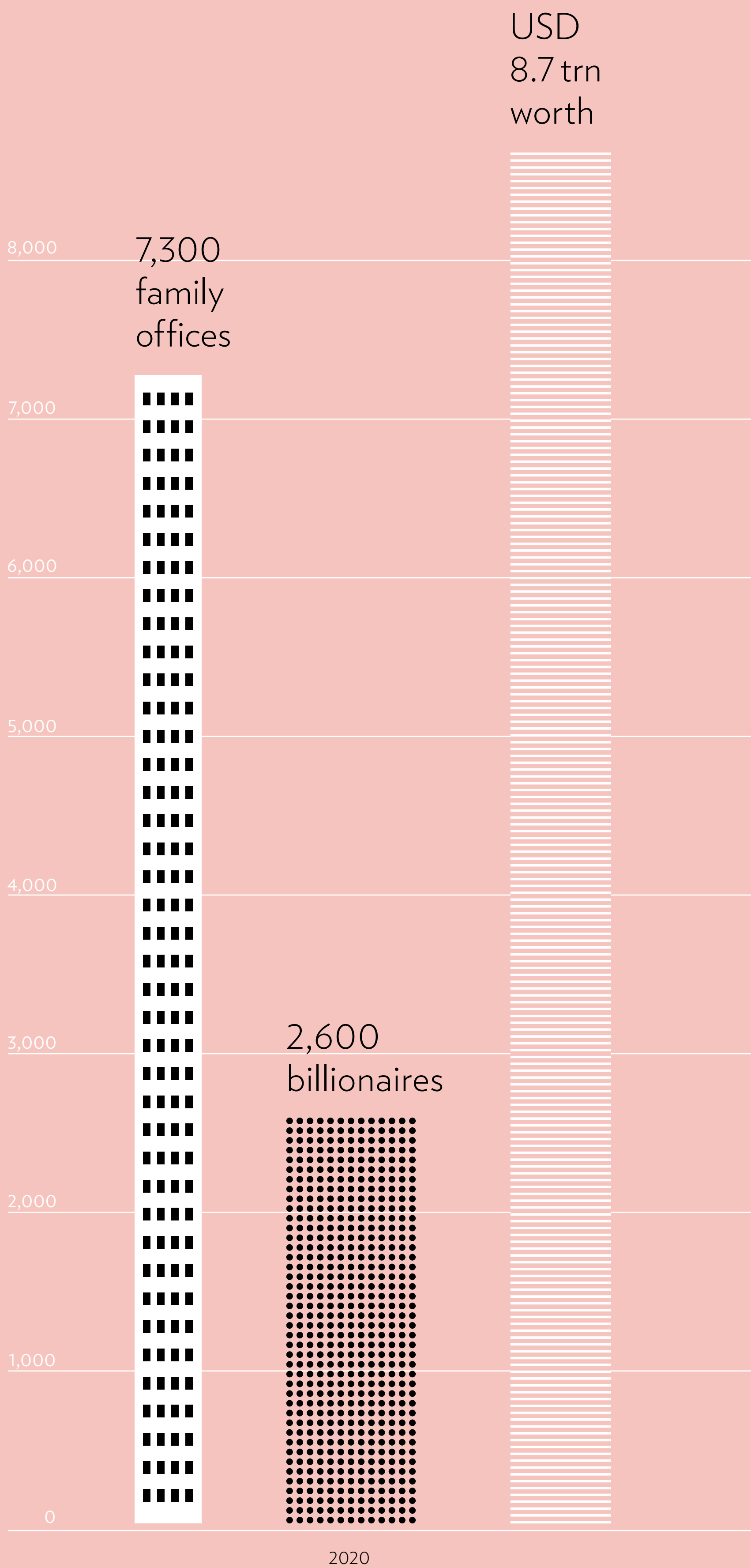
With their increased scope, family offices are becoming ever more popular. In 2008 there were around 1,000 family offices in the world. Today there are 7,300 according to Campden Wealth (other estimates stretch to more than 10,000), with an estimated USD 5.9 trillion under control. This boom has been driven in part by the enormous rise in the amount of ultra-high-net-worth (UHNW) individuals in recent years. In 2010, globally, there were just over 1,000 billionaires, with a combined net worth of USD 3.6 trillion. Now there are between 2,100 and 2,600 (again, estimates vary), with a combined net worth of USD 8.6–8.7 trillion.

Particularly notable has been the rise in Chinese and Indian billionaires. Dr Rebecca Gooch, who undertook the Campden Wealth research, explained, "In Asia, where we have seen a remarkable 44 per cent increase in the number of family offices over this period, there has been a surge of growth in business which is leading to a rise in the ultra-high-net-worth population." Places such as Singapore and Hong Kong have become hubs for family offices, joining traditional locations such as Zurich, London, and New York.

"The family office as we know it today originated in the mid-1800s, when the family of financier and art collector JP Morgan founded the House of Morgan."

Keith Johnston, CEO of the Family Office Council, which represents around 100 single-family offices in the UK, says the rise has also been driven by the financial crisis, which resulted in many UHNWIs taking a more hands-on approach to managing their wealth. The family office model enables them to have more control over their finances while also supporting them with the increased complexity they face in other areas of their lives.

With a growing number of HNW and UHNW families looking to have the full spectrum of financial, lifestyle, and administration services in one place, coupled with the increased focus on home and family life in the wake of the Covid-19 pandemic, the role of expert advisors will become ever more important. Little did Augustus know what he was starting more than 2,000 years ago.



Sonia Cheng has been CEO of Rosewood Hotel Group since 2011

STAYING

By John Franklin

Sonia Cheng's family devoted years of planning to her development – both within and outside the family business – in order to prepare her for leadership of the Rosewood Hotel Group.

POWER

With properties and business interests spanning the globe, Sonia Cheng, a married mother of four, is part of a truly global family. She is a third-generation member of the Hong Kong-based Cheng family, whose business covers property, infrastructure, retail, and hospitality, and at the age of just 30 she took over as CEO of Rosewood Hotel Group, acquired by her family in 2011. She also holds executive directorships at New World China Land and New World Development, the company founded by her grandfather Cheng Yu-tung in 1970.

A graduate in applied mathematics from Harvard University, Cheng, 39, worked in the real estate divisions of several private equity firms to gain valuable experience before making the leap into hospitality when her family acquired Rosewood.

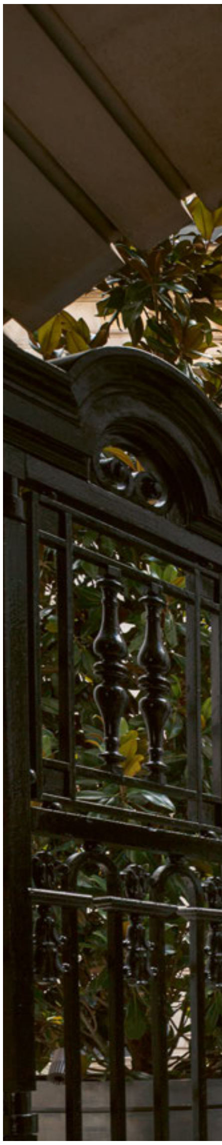
Bringing the next generation of family members into the various arms of the family business is clearly something that the Cheng family have approached with forethought and planning. Sonia's father Henry prepared her and her siblings for their transition into the businesses from a young age. Given that hotels had always been in her blood, it was a natural decision for Sonia to take over the lead of the hospitality arm of the company. However, despite spending large portions of her childhood in hotels, and having been shown first-hand by her father the attention to detail and dedication required to run a world-class business, she didn't have the standard Cornell University degree in hospitality or 20 years of experience that most hotel CEOs have.

As part of their business succession planning, the family discussed the best approach for Sonia to take over the hotel group. Together they decided that the most effective way was a crash course on the business. "I spent two years going from department to department to try to understand how everything works, as well as developing a thorough understanding of the industry," she says.

A fortunate aspect of multi-generational families is that there is often the knowledge and experience of close relatives to draw on when tackling new endeavours. Cheng was lucky to have her father and grandfather as role models. Their values have influenced both her personal and professional approaches: "My father and grandfather gave me two bits of advice that shaped who I am as a leader and a person: be humble, and invest in people and relationships."

Her education and experience outside the family business proved invaluable too: "I still apply what I learned then to my work today. My experience in finance gave me a very solid grounding in understanding the fundamentals of any business, and provided me with a very analytical and data-driven approach, which I use to run the company." Aside from pure business experience, time spent in education and work prior to joining the family company allowed Cheng to "live and experience different cities around the world, which strengthened my sense of 'globality' and gave me a wider perspective to approach my personal and professional life". It also gave her a greater appreciation for the position she and her family were in. "Being a global family means being thoughtful stewards of our opportunities so that we maximise our ability to influence and create value in a global society."

For Cheng that means steering the group in the right direction, especially given these uncertain times. The travel and hospitality industries have been among the hardest hit by the Covid-19 pandemic, and in many countries where Rosewood operates the timeline for the reopening of tourist industries is uncertain. Cheng has used this interruption of business to reinforce her and her family's commitment to their values: "The recent world events have been unprecedented. Personally, the circumstances invite profound reflection upon what is truly most important in life to me – health, family, and the people that make our communities. I see this time as an opportunity for our business to step up and assist with the needs, which is why we launched



"Being a global family means being thoughtful stewards of our opportunities."

The iconic Edwardian façade of Rosewood London, which opened in 2013

Sonia Cheng (far left) pictured at Rosewood Hong Kong, the group's landmark Victoria Dockside property, in 2019 with the opening team

Rosewood Raise, an initiative to assist our people and the local communities in which we operate during these uncertain times."

The Cheng family have been huge personal supporters of this initiative, providing the seed money for the fundraising efforts, and for Cheng philanthropy is an important element of being a global family. "Beyond giving back financially, it is important to me to lead Rosewood Hotel Group to be a company with a sense of purpose." This means using the global resources and connections of the family and the business to build projects that will be relevant for the next generation.

Keeping the future in mind, and embracing changes in society and culture, allows Cheng and her siblings to discuss ideas openly. "My siblings and I are very aligned in keeping the next generation [millennials and Gen Z] in mind as we build our businesses. In all that we do, we want to continue the visionary path set by our grandfather and father, and create something that will be relevant for generations to come."

When it comes to her own children joining the family business, Cheng is primarily interested in ensuring that they find their own passions first. "Every child has their own potential that is beyond anyone's expectations. To me, the most important thing is to provide the support where possible to broaden their exposure and knowledge, from which they will find their own passion." Their childhood experience will be far removed from their parents' due to the transformation from a physical era to a digital one, but the strength of the Chengs' core values will undoubtedly transcend yet another generation of this global family: "Find your passion, value people, be inspired, stay hungry for new ideas, and knowledge is key."

"Every child has their own potential that is beyond anyone's expectations."

OUR FAMILY'S

By Raymond J Baer

JOURNEY

Raymond J Baer has been
Honorary Chairman of Julius Baer
since 2012

The Baer family have lived through the full lifecycle of a business, from the foundation and growth, through transformation and reorganisation, to selling their controlling stake while staying close to the Group. Their unique insights have helped to shape Julius Baer's approach in assisting other families. Here, Raymond J Baer, Honorary Chairman, shares his own family story and the lessons learnt through the generations.

Julius Baer started with one man and one small business. Over the years, the Bank started to grow, incrementally at first, but by the third generation expansion was picking up pace. The Baer family was growing even more rapidly. By the time discussions began on handing leadership of Julius Baer from the third to the fourth generation, the family was over 130 strong, with three living generations and three branches. The second generation had grown up within a quarter-mile radius of each other, and this closeness was of huge value to the business and facilitated smooth decision-making. The fourth generation, however, did not grow up in the same way. Instead, we were globally spread, had different educations, and there was less cohesion, despite the fact that we had many family gatherings. Simply put, we all had different outlooks on life.

> "When you have built a business as a family, thinking about letting it go is very difficult. This was certainly the case for us."

In the run-up to selling our controlling shares of Julius Baer in 2003, our family discussions became increasingly tense. It was a very emotional time and everyone knows that when you mix emotions and business, it becomes difficult. For our family, one of many key questions was one of trust: did the third generation trust that the fourth generation could help the Bank develop further?

In an attempt to find some alignment, we attended many family office seminars over the years at various universities. We also enlisted the help of Professor Randel S Carlock, head of the family business department at INSEAD, who conducted interviews with all of the members in an attempt to find the right conclusion for both the family and the business. Ultimately, the decision was taken by the family to relinquish control and allow the bank to grow further and succeed.

Looking back, it was the right decision to have taken and today Julius Baer is a strong player in the market. It is a proud employer with fantastic people, and our family still plays a role. This is the best outcome we could have hoped for, but, if we are being quite honest, we could have avoided issues putting more emphasis on family governance early on. The same prudence we used to interact with the Bank, we should have applied to the family governance.

When you have built a business as a family, thinking about letting it go is very difficult. This was certainly the case for us. Sometimes, though, keeping things in the family is not always best for the next generation or for the business, which can be better served by having more distance from the family, but that is very hard to see for yourself.

To have an outside advisor supporting the key decision makers of the family is incredibly helpful, but that cannot just happen as and when you need it. You need to build trust with that advisor, the family needs to know them, and they need to know and understand the family, so the process takes many years.

My advice to other families in a similar position to ours is to start extremely early. Finding an advisor and establishing the correct family governance is key, because it disciplines the discussions within the family. Everything becomes less emotional, more rational, and it may help the stakeholders to come to better conclusions.

It can also help families to avoid reaching the point where they only come together because there is a business decision to make. That is not good ground to stand on. There needs to be a multi-dimensional connection between the business and the family, or else you risk the falling-apart of the two sides.

I would hope that the lessons our family learnt are a unique selling point of our services at Julius Baer. We can talk from our own experience and help others address critical issues early on. We have lived through it, and, what's more, we have accompanied many families around the world from different cultural spheres through those generational changes. Over the years, we have not only gained a wealth of experience in advising families, but we have also built lasting relationships with them at the same time. At its heart Julius Baer remains a family business, and to us there is no business that is more important than family.

ON PRESERVING WEALTH

If you build wealth, you tend to have all your eggs in one basket. That is especially true for family businesses. This can be good, because you really watch the basket to make sure those eggs are safe and can flourish over time. However, from the point of view of an investor it is advisable to diversify over time. Why? Because as an investor you want to protect what you have built. Because you want to ensure you are in a position to weather any storm.

Over 130 years of history, the Julius Baer Group and its founding family weathered many storms from wars, political disputes, and numerous financial crises. Every generation had its challenges. One of them was to steer the Bank into safe waters. All the lessons we learnt for the family and for all the stakeholders in our business are a treasure to share with other entrepreneurial families around the world. It is easy to forget all the external risks when you focus entirely on growing your business. Things can go wrong; they don't have to be based on your own wrongdoing. World events can have disastrous effects on individuals and businesses alike, and that's why having external advisors with genuine experience to help you diversify your assets in a disciplined way is vital.

Marie and Julius Baer with their sons Werner, Richard, and Walter

Hans J Baer, Dr Nicolas J Baer, Peter J Baer, and Dr Ernst Bieri

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