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SUMMARY

FAMILY OFFICES AND PRIVATE EQUITY: A CLINICAL STUDY OF LEADING INDEPENDENT EUROPEAN FIRMS

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Principal Topic

A 2005 EVCA survey highlighted the large commitments made by family offices to private equity in Europe. This paper, developed jointly with EVCA, is an extensive clinical analysis of the private equity investment practices of the largest independent family offices in Europe. The objectives of the study are (1) to document the family offices' structures and governance processes; (2) to investigate in detail the allocation process to various asset classes, in particular private equity; (3) to evaluate the family offices' syndication and information gathering behaviors; and (4) to create a new typology of family offices better reflecting the drivers of their risk investment behavior. The key propositions of the paper are (1) that the families' attitudes to risk, driven by strong cultures and investment philosophies, a multi-generational time horizon, broad networking abilities and an ability to move quickly in high uncertainty domains, leads to aggressive private equity allocations and sophisticated investment, syndication and control procedures; (2) that factors such as connectiveness to the family business, size of clientele served and generational distance to founder influence their private equity investments.

Method

The study builds on a comprehensive, pan-European clinical analysis of 25 of the largest independent family offices. The respondents represent assets under management in excess of €60b, not including the stakes in the family business. Extensive face-to-face interviews were run with each family office, focusing on issues such as governance (organisation and controls), decision processes regarding asset allocations, compensation, management of conflicts, reporting, etc.

Results and Implications

The paper contributes (1) by providing a first extensive analysis of family offices' private equity investment behavior across Europe for a population of the most secretive, most influent investors; (2) by generating a new typology of family offices specifically engineered to capture their attitudes to risk investments; (3) by detailing the processes and structures put in place to allocate funds to private equity and venture capital funds; (4) by documenting an area which could explain the survival and relative strength of an organizational model (the family business) often derided.

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