

i3 Insights - Thought Leadership  
for Family Office  
and Family Business Oversight

# From Family Business CFO to Family Office CFO

## Supporting a Seamless Transition

*When the time to create a family office arrives, many families settle for what, or who, they already know.*

*High net-worth families and their businesses have complex structures and those complex structures are most often understood by either their current CPA or their CFO, but is that the best approach?*

Last month, we discussed the “Hows and Whys” of a family office: when a decision has been made to create a family office and the legal paperwork has concluded. Now, we must address the “who” of a family office; leadership for the newly-formed entity.

Family offices most often evolve from family businesses. The first and most trusted advisor to the CEO or the patriarch/matriarch running the family business is generally the CFO. Most commonly, the CFO of the family business – the source of the cash flow – will ultimately deploy that cash flow to other investments. The family business CFO is involved with deploying funds based upon the CEO’s or the patri-/matriarch’s goals for the family office.

The family business CFO is the most familiar with all of the family’s assets and assumed to be best-suited to move into the new family CFO office because of this familiarity.

### Anticipating Transitional Gaps

Should the transition involve the family business CFO moving into the family office CFO role, continuity gaps may arise because the source of the cash flow and purpose for the growth of wealth will change, and the family business’s financial leadership may change.

Once a family moves to a family office structure the purpose of the money, the direction of the money and the purpose of the family evolve from how primary cash flow is generated: it changes from primary operating company generation to generation through investments.

### Mode of Operations

A family business CFO may think in terms of how a business operates and how cash flows are generated. In most cases, this happens within a highly structured, process and policy controlled environment that has operating components to it.

Conversely, and in addition to a focus on cash flow management, a family office CFO deals with multiple personalities, differing objectives -- from the philanthropic to commercial real estate -- and the added layer of (often complex) family behavioral dynamics; there will be intricate issues to resolve that relate more directly to family dynamics than business dynamics.

For the business CFO, previous experience has most likely been that of structured, defined hierarchies; generally, more time has been invested in the development of a defined business structure hierarchy than of a family hierarchal structure. The loose reporting structure of a newly created family office may prove a challenge to the business CFO and forceful structuring of the family office configuration may receive push-back if not outright hostility. The transitioning CFO may also face under-staffing and sluggish or outdated legacy accounting and reporting systems that are not designed to deal with the more complex requirements of the family office structure.

It is wise for the transitioning family office CFO to remember that while you can remove a family member from a business, it’s hard to remove a family member from a family.

Kevin Heaton  
Founder & Family CFO  
[kevin.heaton@i3resources.com](mailto:kevin.heaton@i3resources.com)  
Follow us @i3resources  
i3, LLC

i3 Insights is a monthly thought leadership document from i3, LLC addressing key issues faced by family offices and family businesses today.

To ask a question or to inquire about Family CFO consulting services, email us at [info@i3resources.com](mailto:info@i3resources.com)

To invite Mr. Heaton to speak at a meeting, conference or function, please contact [karen.masullo@i3resources.com](mailto:karen.masullo@i3resources.com)

*"The business CFO transitions into the family office most commonly because of familiarity and continuity and the CFO must be cognizant of the fundamental change of purpose and direction from business objectives to family objectives. "*

## Page 3 From Family Business CFO to Family Office CFO: Supporting a Seamless Transition i3 Insights 2

### Purpose and Challenge

The first question to be answered for a Family CFO is straightforward: Is the family defining a fresh structure and direction for the family office, or are they simply transferring the way things were managed from the business into the family office?

The business CFO may, by default, define the family office because they are the known, trusted advisor and are most familiar with all of the assets. The challenge comes from this definition: is there a greater goal and purpose, or is the family office an asset management group only?

An experienced family CFO does not allow a disconnect from the family's longer-term goals and vision; they foster it and bring structure, strategy and process that supports the vision. Clearly defining the responsibility as it relates to each individual area is paramount in a family office.

### Case Study: Goya Foods - When a Family CXO Exits

The Goya family presents an interesting study of the family business to family office CXO transition; while this transition involved a COO, it does illustrate the challenges and successes involved with a complex family dynamic. This transition evolved out of internal conflict that ultimately [spilled into court](#). Celebrating its 80th anniversary in 2016, and now in its fourth business generation, Goya Foods is the country's largest Hispanic foods company. [Andy Unanue](#) began working in his father's company in their Miami office, working his way up to President of Goya de Santo Domingo. After his brother Joseph F. Unanue died, he became Executive Vice President, and then ultimately Goya's COO in 1999.

In February 2004, Unanue left Goya (after the contentious lawsuit between family members) to establish a family office. Through his family office AU & Associates, LLC, he made investments in companies such as Opt-Intelligence, Inc., BigFish Games, Inc. and eSchoolData, LLC. He was also a former Operating Executive of Palladium Equity Partners.

In August 2007, Unanue formed Trufoods LLC, which now owns the franchises Wall Street Deli, Arthur Treacher's Fish & Chips, Ritter's Frozen Custard, and Pudgie's Famous Chicken.

The family office then created AUA Private Equity. As detailed on their webpage, AUA seeks control or significant minority investments in U.S.-based, lower middle-market companies that are Hispanic-oriented or family-owned within the consumer products and services sectors. In May of 2019, AUA Private Equity Partners created [a new food investment vehicle](#), Gourmet Culinary Holdings (GCH) – a company organized to acquire interests in, and partner with, U.S.-based, premium specialty food manufacturers.

In 2015, Goya Foods CEO Robert Unanue said this: *"A big part of surviving as a family-owned company is understanding that not everyone in the family will want to be a part of the business. Sooner or later you are going to have shareholders who won't have as much passion or interest for the business and that's OK. For any family businesses you have to make sure you provide options and even potential exit strategies for those who don't have that interest. You don't want your future family members feeling bound to something that may not be for them. At the end of the day you want a healthy group of shareholders."*

### Creating Clarity

At i3, before consulting with a company that is closely held or by family, we work to create the vision and purpose behind each CFO and define the financial intentions on the business office side and family office side equally. Our responsibility is to provide clarity for the family and their CFO in either role or both.

If there is a conflict of financial philosophy, we revert back to the family governing documents – the Family Constitution, Investment Philosophy and Investment Policy. Once the purpose is defined, differing business philosophy conflicts are largely mitigated and more easily mediated. The family governing documents are a fundamental foundation to the transitioning CFO.

One of the benefits of having a family office or a private Asset Management family CFO consultancy such as i3, is that we can help guide the business CFO transition. The transitioning CFO may be responsible for both roles after establishing the family office, but the approaches are decidedly different. Ultimately, the CFO should have a successor ready to step in to the family business CFO role as the family office requirements and demands increase.

*to manage and grow private assets without the stress that can fracture families; we work to bring the family and their wealth into harmony.”*

*Kevin Heaton, Founder and Family CFO, i3*

## From Family Business CFO to Family Office CFO: Supporting a Seamless Transition i3 Insights 3

### The Dangers of Complacency

When the time to create a family office arrives, many families settle for what, or who, they already know. High net-worth families and their businesses have complex structures and those complex structures are most often understood by either their current CPA or their CFO. These financial roles are most familiar with the financial inner-workings of the family-related assets because they're the ones that closed or are closest to the transactions.

Families are reluctant to lose that knowledge-base and often consider the knowledge-holder irreplaceable. Moreover, that person is considered doubly irreplaceable because they cut the checks and assure the bills are paid. This can be dangerous as that financial role may begin to define the culture and direction of not only the family business, but the family office as well. As the first C-suite hire of the family office, the CFO is technically defining their own role.

i3 believes however, that the person should never define the position but rather the position should define the person.

The five key areas of consideration when transitioning a family business CFO role to the family office CFO role are:

**Gap Analysis:** Review everything from financial mission, tax environment and legal support to software, hardware, staff resources and budgets. Will the transition from a highly structured business environment to a loosely structured family office environment prove too taxing for the existing family business CFO? Is an external advisor or family CFO expert required?

**Operational Mode:** How will the transitioning CFO balance family financial dynamics against family behavioral dynamics without alienating family members and amplifying existing conflicts?

**Purpose:** Is the family office a financial administrative center only, or is there a broader purpose related to growth of wealth, purpose of wealth, philanthropy and education?

**Clarity:** Are the formal family governance documents complete and is the transitioning CFO aware of existing or potential conflicts that may arise?

**Definition:** Lastly, has the CFO role been clearly defined, and not treated as a simple extension of the duties of the family business CFO job description?

While there are a number of challenges that come with managing significant wealth, families and the senior executives who are dedicated to serving them should take full advantage of those with knowledge in these areas. As long as families have had wealth, established approaches and solutions have evolved to support them. Seek the advice of those professionals and organizations who work with similar families to guide profitable, structured actions.

At i3, we recognize the more complex dynamics at play when multiple generations of a family are involved with the growth, management and disbursement of wealth.

Our expertise in the mediation of complex challenges facing high-wealth families comes from first-hand experience and deep private asset management insight and expertise.

Next month we'll discuss "Crisis Management and the Family Office." Until then, feel free to contact me personally at [kevin.heaton@i3resources.com](mailto:kevin.heaton@i3resources.com).

803.399.9009

info@i3resources.com

101 West Main Street

Suite 200

Lexington, SC 29072

*“While you can remove a family member from a business, it's hard to remove a family member from a family.”*

*Kevin Heaton, Founder and Family CFO, i3*