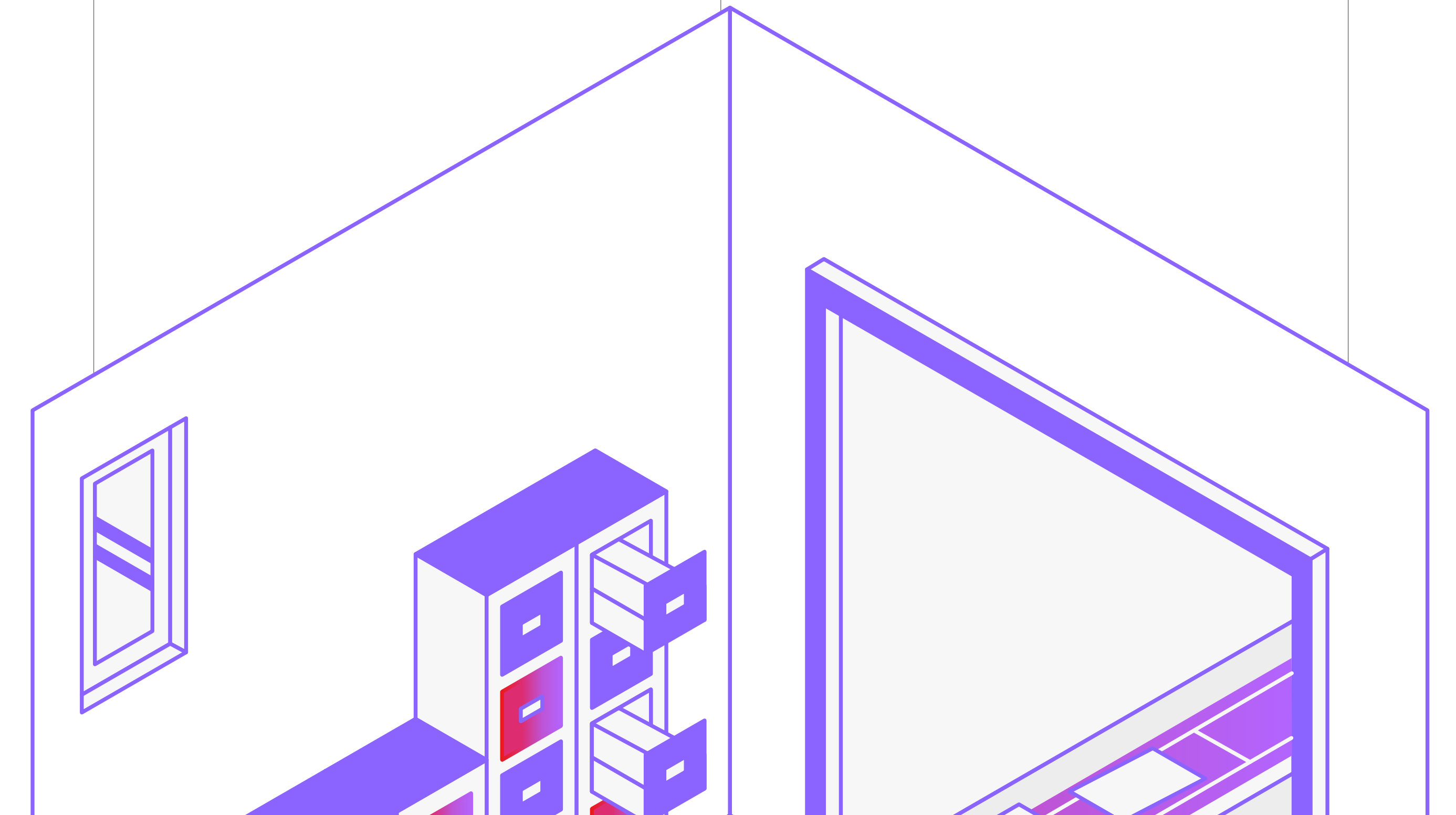
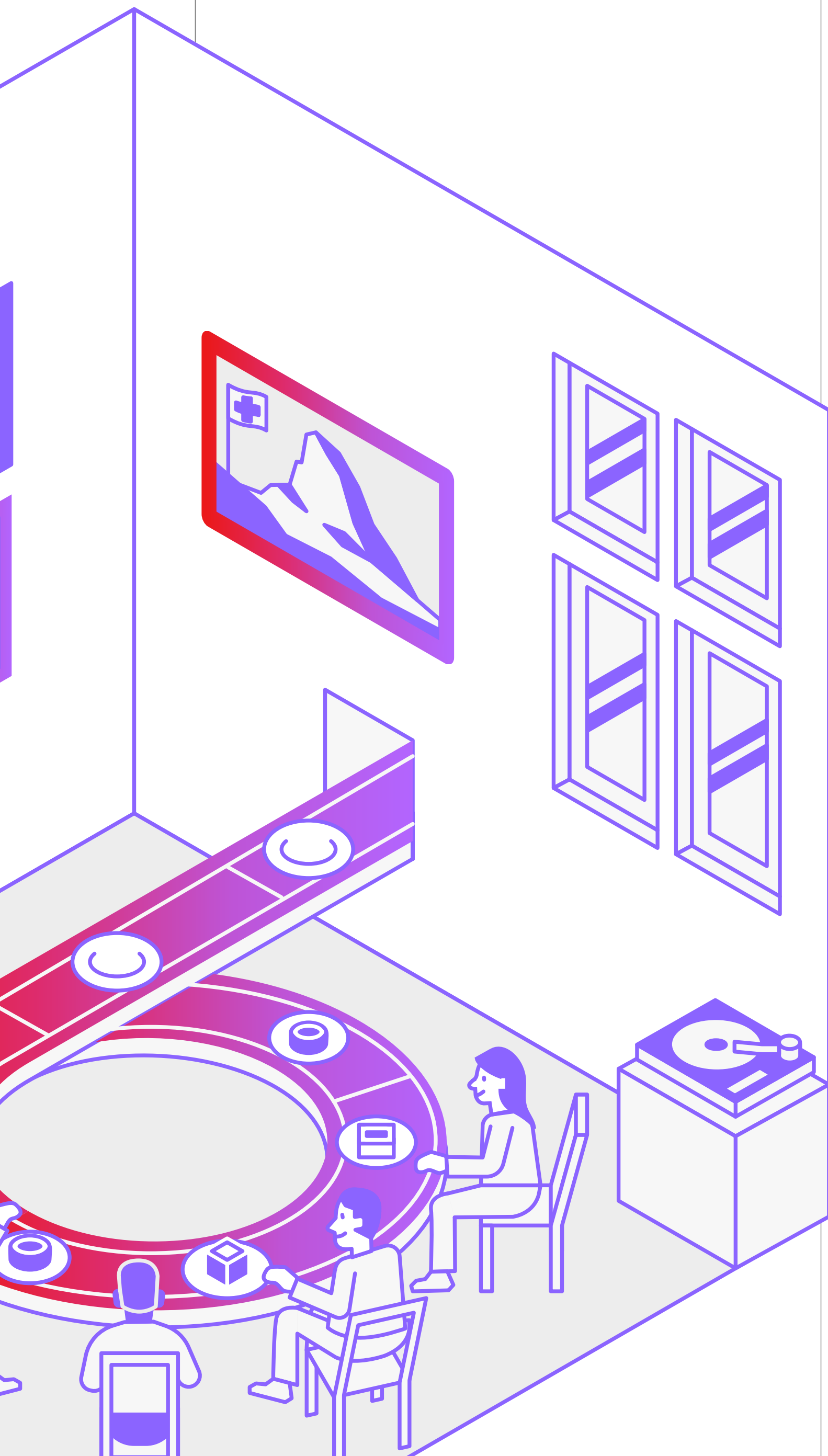


The Founder Office Blueprint

A guide to designing and building bespoke
Founder Offices for exceptional entrepreneurs

POWERED BY T S U G U



With years of combined experience designing and building offices for founders and their families, we're very clear on what works, and what doesn't. **The traditional Family Office construct is no longer fit for purpose for serial founders today. It requires a rethink and a refit.**

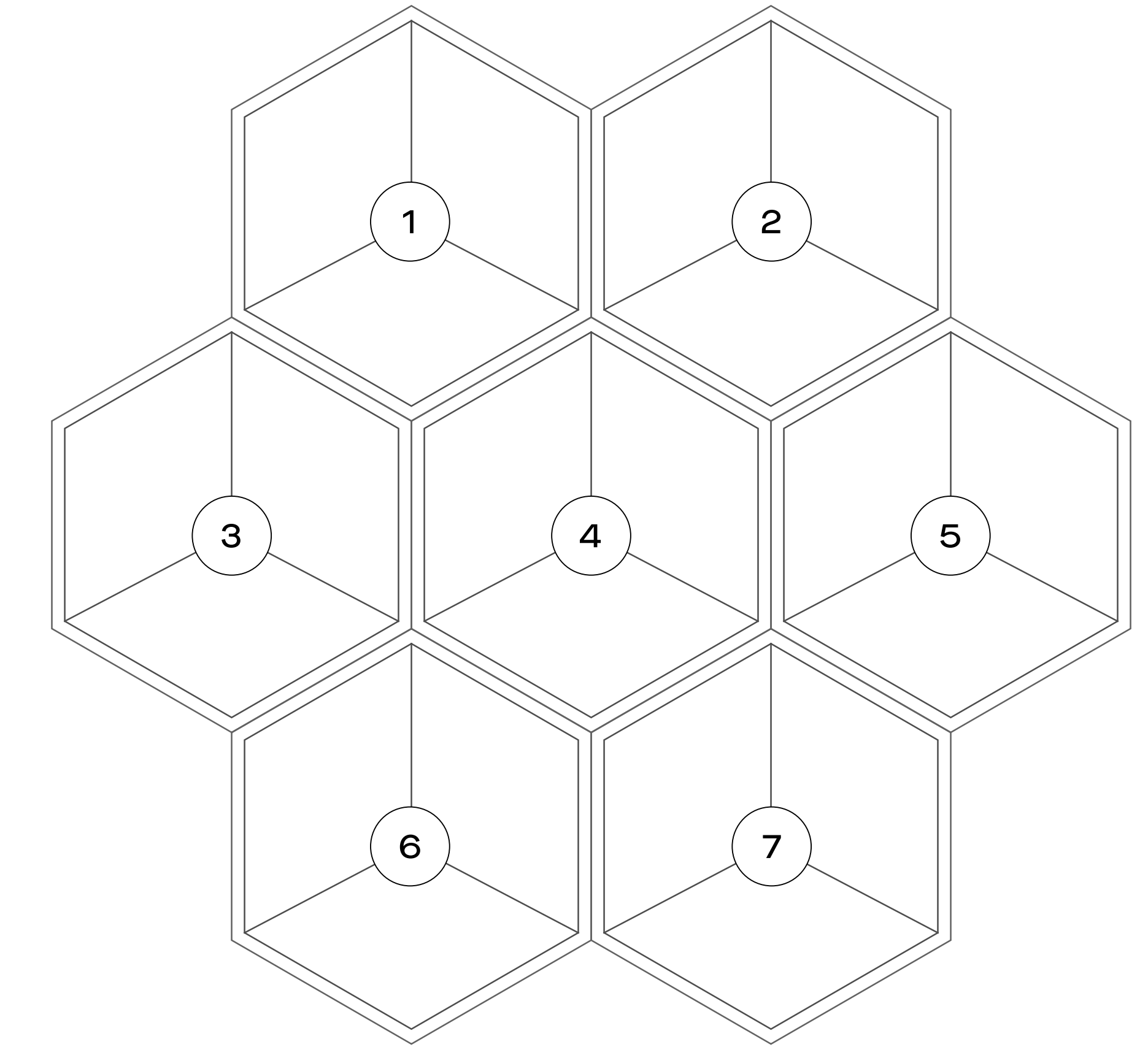
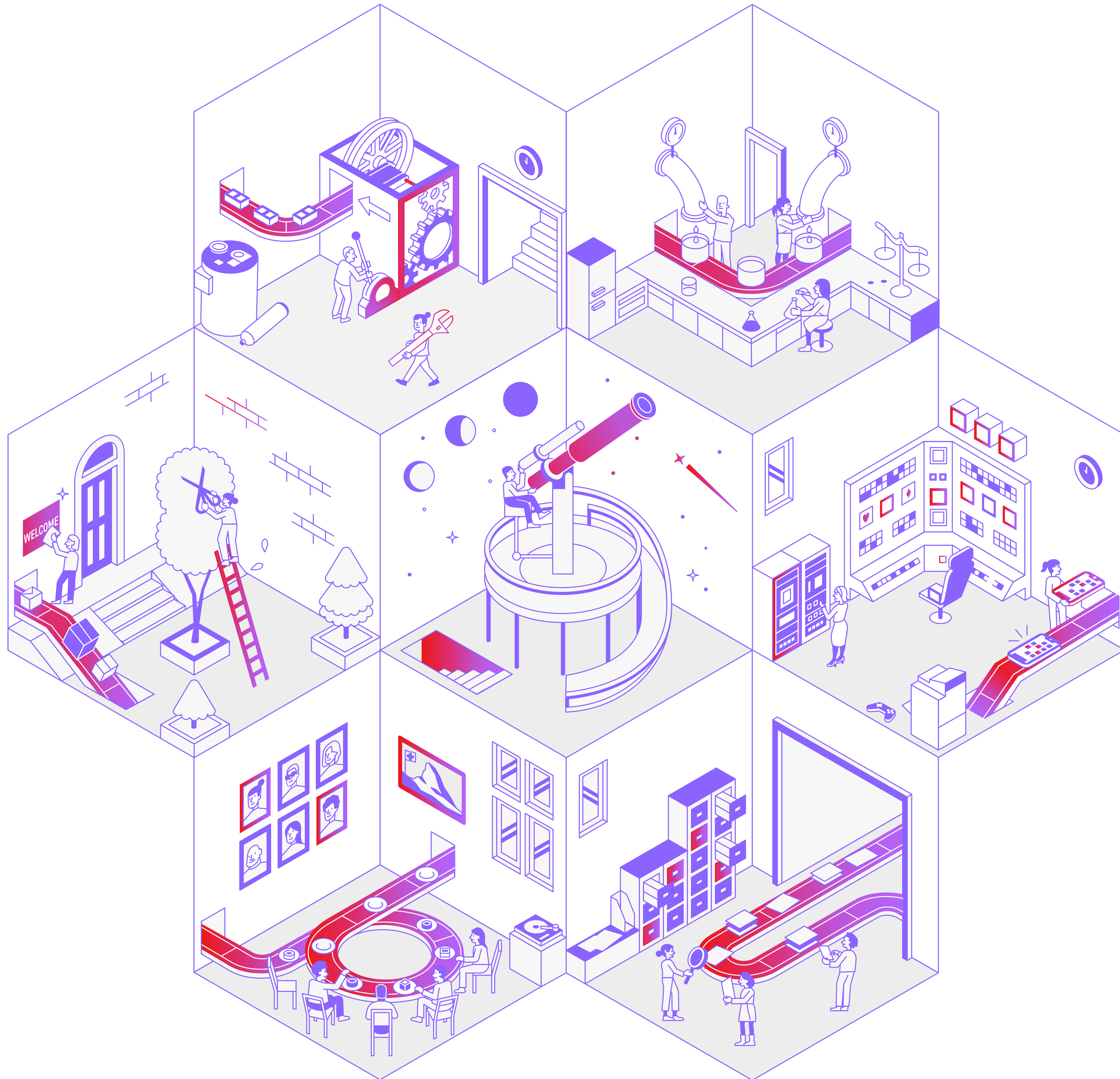
When designing Tsugu, we set out to build a particular type of investment office, taking intentional steps to bring together the optimal parts of a dynamic, entrepreneurial office, and leaving behind those elements that – while traditionally adopted – no longer serve the needs of today's entrepreneur.

We are often approached by founders and peers, who seek our counsel on the journeys we've travelled. Of course, every journey is different and every founder office is made up of different elements, but this Founder Office Blueprint is the culmination of our collective expertise.

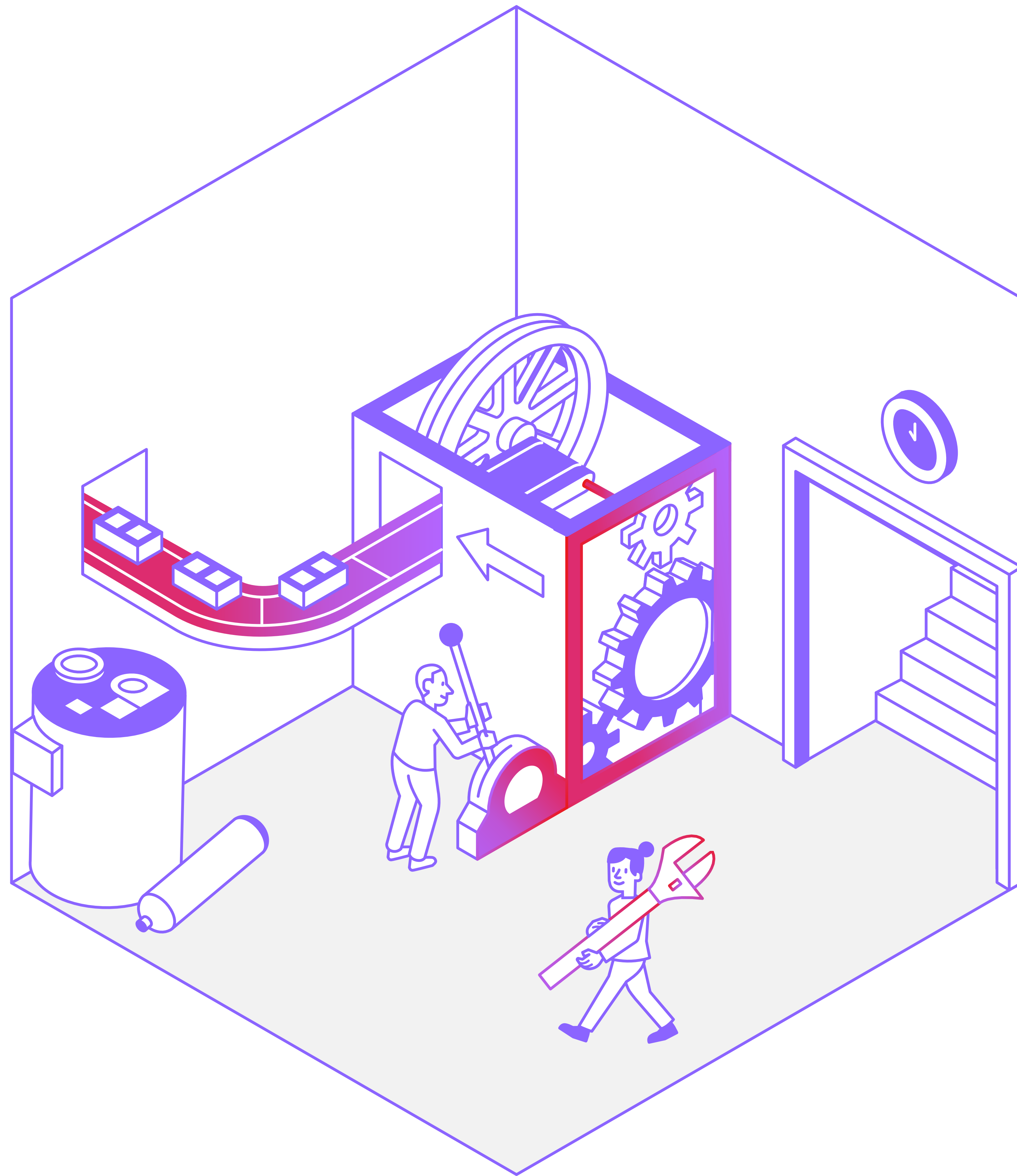
Founder Offices are often set up by people who are closely connected with a founder, or in some cases, the founder themselves. You have the founder's deep trust, and might be a specialist in a number of areas relevant to their universe. Whether you've built a Founder Office before or not, think of your unique lens as your superpower (while remembering it can also give you blindspots).

Our Blueprint guides you through seven different elements to explore, understand and decide on when designing your office – from building out an investment function, to tips around legal, tax and regulatory matters.

Consider your point of view on each of these areas, then build out a one- and five-year vision and business plan (together with a fully costed business model) to bring them to life. Don't underestimate the power of talking to others who have been on this journey before. Share learnings, source sounding boards, get creative. There will be lots of views and opinions – so pull them together, learn from them, and use them to set your path.



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Structure, Operations & Governance

STRUCTURE

Determine your optimal Founder Office structure. How will you organise your business? What's the chain of command? How will information flow? How will you collaborate across teams and departments?

Take advice from professionals, and don't underestimate tax, legal, and regulatory considerations – these are often highly influential.

GIVE SOME THOUGHT TO

- | | |
|--|-----------------------|
| 01 ENTITY
COMPANY, FOUNDATION, TRUST,
PARTNERSHIP | 06 GOVERNANCE |
| 02 LEGAL CONSIDERATIONS | 07 PRIVACY |
| 03 TAX CONSIDERATIONS | 08 TAX CONSIDERATIONS |
| 04 REGULATORY CONSIDERATIONS | |
| 05 JURISDICTION AND
GEO-POLITICAL OUTLOOK
CONSIDER TIME ZONE, PROXIMITY,
STABILITY, ACCESS TO EXPERTS | |

* POWER UP

Look at the landscape both in terms of what has gone before, and what might be coming down the road. While we can only make decisions based on what we know, we can often anticipate headwinds, so don't forget to prepare for these.

OPERATIONS

The big question: How will you get things done? It can be tempting to attack the operational side of the Founder Office with a tactical approach, but looking at it strategically is essential to making sure you can deliver the long-term vision in a systematic, logical way. Building deep, intentional foundations and infrastructure, is both protective and efficient.

Think about how the various parts of the puzzle are ordered – it may be that you prioritise higher risk areas at the start, and leave other less pressing considerations to later.

GIVE SOME THOUGHT TO

- | | |
|---|--|
| 01 TEAM | 07 BRAND, PR AND COMMUNICATIONS |
| 02 INFRASTRUCTURE | 08 PLAYBOOKS, MANUALS AND POLICIES |
| 03 INSURANCE, RISK MANAGEMENT AND REGULATORY CONTROLS | 09 HOUSEHOLD AND CONCIERGE |
| 04 INVESTMENT OPERATIONS | 10 PERSONAL SECURITY |
| 05 OFFICE ENVIRONMENT | 11 RELATIONSHIPS, ECOSYSTEM AND ADVISORY NETWORK |
| 06 REPORTING AND MONITORING | |

✳ POWER UP

Once your operational infrastructure is set up, consider stress testing it with a ‘90-day fire-drill’. If the founder or head of the Founder Office is incapacitated for a period of time, would your infrastructure stand up to scrutiny? Would it continue to operate in a streamlined way? Where would the gaps be?

GOVERNANCE

What’s the system of practices and processes that define, control and direct your Founder Office? Without effective governance it can be hard to maintain control and easy to slip into bad habits.

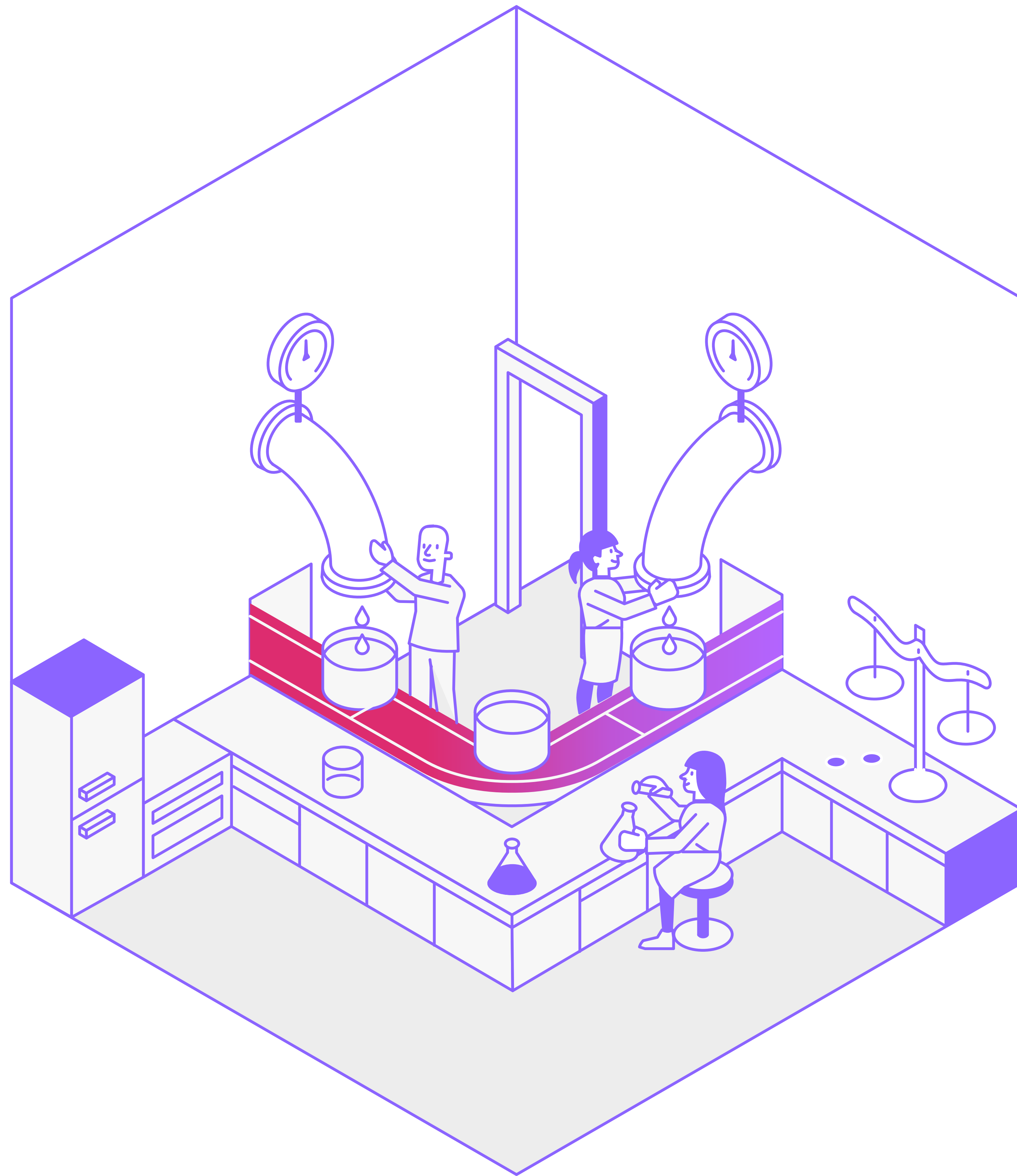
While the level of governance in any Founder Office is dependent on a number of factors (including the regulatory environment, size, etc), there should always be some core governance principles which serve to protect the founder, align decisions and help to create institutional memory.

GIVE SOME THOUGHT TO

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|---|---|
| 01 BUSINESS PLANS | 04 RECORD KEEPING |
| 02 DISPUTE RESOLUTION MECHANISMS | 05 PROCESS/ PLAYBOOKS |
| 03 DECISION-MAKING FRAMEWORKS:
- INVESTMENT GOVERNANCE
INVESTMENT STATEMENTS AND POLICIES
- CORPORATE GOVERNANCE
ROLES AND RESPONSIBILITIES, BOARD/COMMITTEE MEETINGS
- FAMILY GOVERNANCE
FAMILY CHARTERS, FAMILY CONSTITUTIONS, SHAREHOLDER AGREEMENTS | 06 CORPORATE STRATEGY |
| | 07 SUCCESSION, CONTINUITY AND EDUCATION |

✳ POWER UP

Governance is often slow to develop in a Founder Office, with incremental steps being taken as the office grows, often driven by gaps highlighted when mistakes occur. Don’t make this a tactical function – it needs to be intentional, albeit not over-engineered.



Investing

STRUCTURE

Take a holistic view of your investment universe. Look at the investments as a whole, and undertake a comprehensive strategic capital allocation exercise to make sure that returns, risk and reward are viewed in the round.

It's vital you put the work in up front. Take the time to build strong investment governance including strategic asset allocation frameworks and investment policy statements. In simple terms: What are you investing in and why? What do you care about? Capital allocation is key across the founder's universe – don't underestimate the opportunity cost around illiquid investments and make sure capital allocation is kept under review.

In a Founder Office, investments can often be dispersed and unconsolidated. They can be held with multiple managers with relationships built up over time. The decision-making around how much of your Investment function is outsourced v brought in-house is critical in informing the approach.

GIVE SOME THOUGHT TO

- | | |
|--|--|
| <p>01 ASSET CLASSES
EQUITIES, FIXED INCOME, CASH/CASH EQUIVALENTS, COMMODITIES, PE INVESTMENTS, VENTURE, REAL ESTATE, HEDGE FUNDS, CRYPTO, ART AND COLLECTABLES, LUXURY, PUBLIC MARKETS, OPERATING BUSINESSES</p> | <p>07 MANAGER SELECTION
FEES AND BENCHMARKING</p> |
| <p>02 PASSIVE V ACTIVE INVESTMENTS</p> | <p>08 AUDIT AND FINANCE
INCLUDING PERFORMANCE AND VALUATION</p> |
| <p>03 SECTORS AND THEMATICS</p> | <p>09 TAX AND LEGAL</p> |
| <p>04 BANKING AND CUSTODY ARRANGEMENTS</p> | <p>10 JURISDICTIONAL ISSUES
REGULATORY, TAX, REPORTING</p> |
| <p>05 STAGE OF INVESTING
VC, GROWTH, PE, AND BEYOND</p> | <p>11 INVESTMENT ORIGINATION AND MANAGEMENT</p> |
| <p>06 REPORTING</p> | |



 POWER UP

There are five common pitfalls when it comes to the investment function of a Founder Office. Be aware of them, and avoid falling into these traps as you build.

01 LACK OF INVESTMENT KNOW-HOW

Signs of this include having return expectations that are entirely unrealistic, making direct investments with inadequate resources and skills, or a reliance on in-bound deal sourcing. It's easy to underestimate how difficult it is to outperform the market.

02 OVER-CONFIDENCE

Don't assume you can outsmart others and the market by investing in a sector without specialism, or by implementing an investment strategy without adequate resources.

The key question to ask here is: What is our right to play and what is our right to win?

03 IMPATIENCE

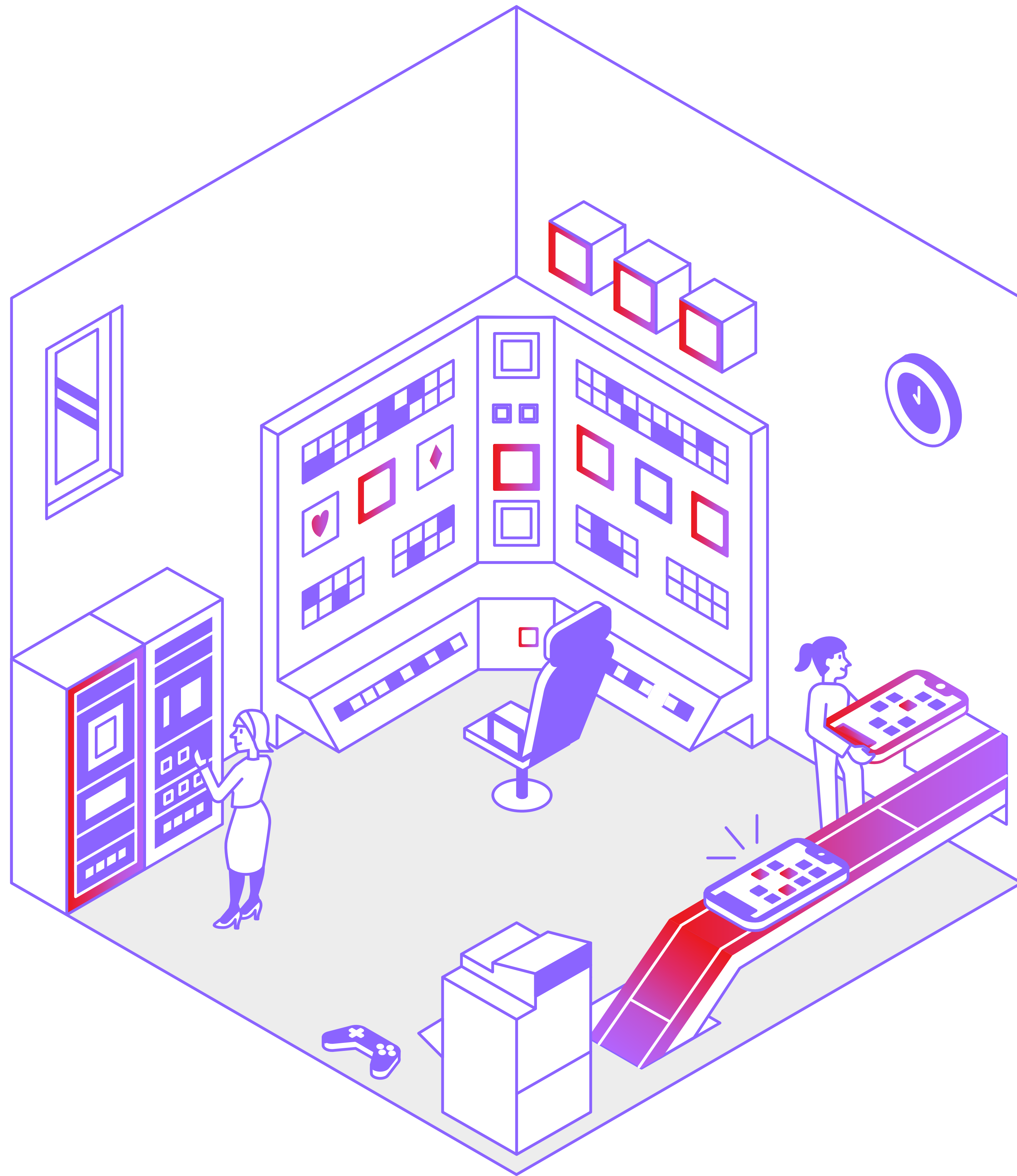
Taking shortcuts will almost always end in disappointment. Don't underestimate how long it takes to build up a world class investment portfolio – particularly in private markets (for direct or fund investments).

03 ENDOWMENT EFFECT

Looking at the business through the lens of a rational investor is vitally important. Holding onto a business for too long generates huge opportunity costs.

05 FOMO AND PASSION FALLACY

Be aware of the hype cycle and remember that people only talk about their successes. If you're making passion-driven investments, keep a level head. Passion does not automatically lead to success.



Tools & Technology

TOOLS & TECHNOLOGY

Technology serves a number of different purposes within a Founder Office. At the very minimum, it facilitates communication, collaboration and automates processes. Used more widely, it can give businesses such as Founder Offices the firepower and competitive edge they need to maximise their impact.

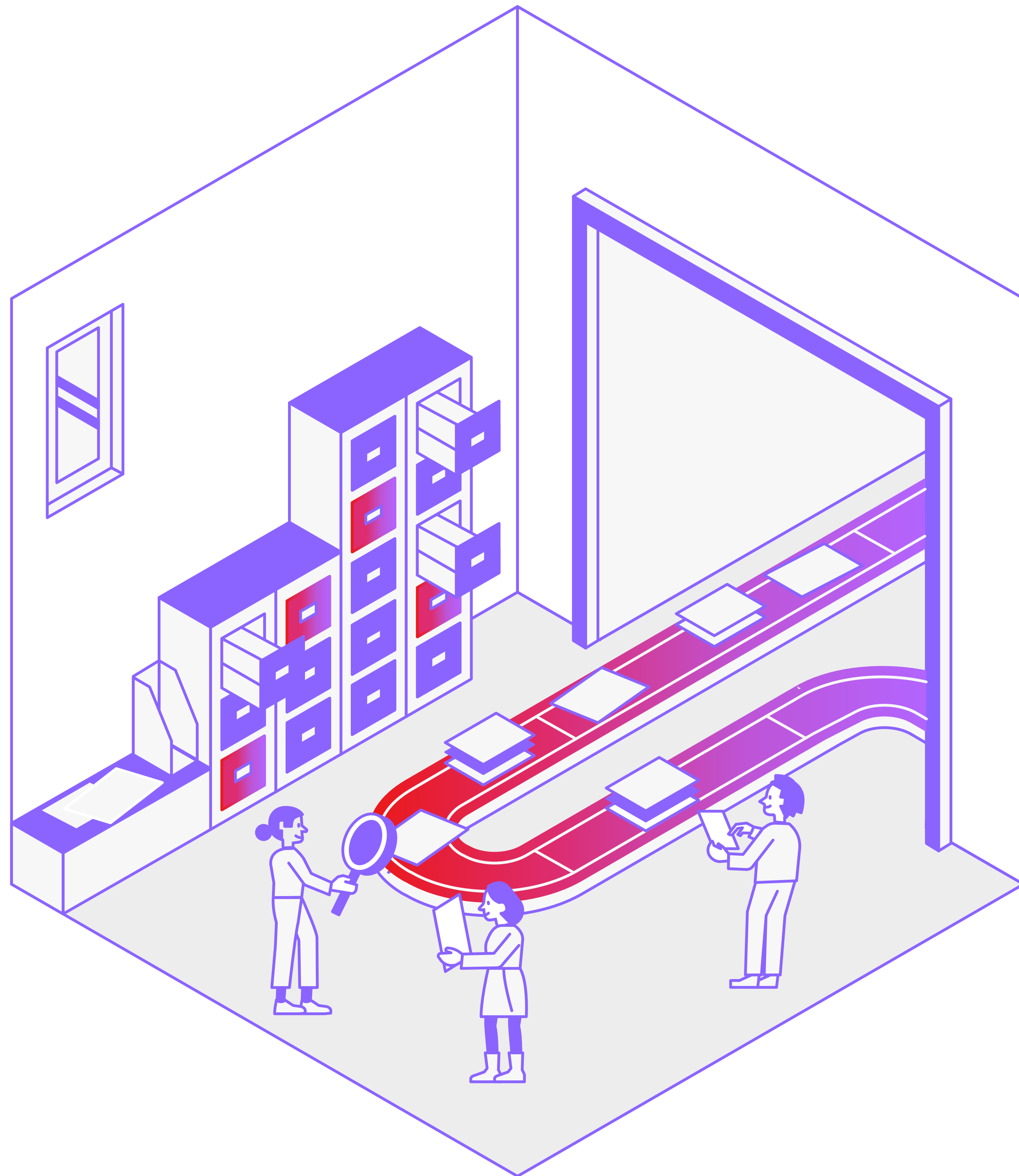
Tech adoption is something which varies hugely depending on the culture of the Founder Office, and can be heavily divisive. Many entrepreneurs have built their successes around technology and expect tech to amplify their Founder Offices. Some are less focused on optimising through technology.

GIVE SOME THOUGHT TO

- | | |
|--|--|
| 01 INFORMATION TECHNOLOGY AND CYBERSECURITY | 05 REPORTING AND RECORD KEEPING |
| 02 COMMUNICATION CHANNELS AND MESSAGING | 06 OPERATIONAL PLATFORMS
LEGAL, CRM, TALENT ACQUISITION |
| 03 DATA AND ANALYTICS | 07 INTELLECTUAL PROPERTY |
| 04 DUE DILIGENCE, FINANCIAL CRIME AND FRAUD PREVENTION | |

* POWER UP

Regardless of your approach to technology, cybersecurity is key. Most founders guard their personal privacy fiercely, and they are increasingly becoming targets for cyber threats. Technology needs to protect as much as it needs to enable, and keeping technology updated and under review is an essential part of building a successful Founder Office.



Legal, Tax, Finance & Regulatory

LEGAL, TAX AND REGULATORY

Strong legal, tax and regulatory foundations make sure the Founder Office can deliver on the long term vision in a way that's compliant and optimised for its environment.

Getting these foundations right will protect the business from future scenarios that could be hugely detrimental from a legal, reputational and financial perspective.

GIVE SOME THOUGHT TO

- | | |
|---|---|
| 01 APPLICABLE TAX AND REGULATION | 06 KYC PROCESS |
| 02 LEGAL AND TAX STRUCTURING | 07 JURISDICTION SPECIFIC ISSUES, AND CROSS-JURISDICTIONAL ISSUES
E.G. TRANSFER PRICING |
| 03 LEGAL AND REGULATORY FILINGS AND LICENCES | 08 REPORTING, MONITORING AND DECISION MAKING |
| 04 REGULATORY CONSIDERATIONS | 09 LITIGATION AND DISPUTE RESOLUTION METHODS |
| 05 EMPLOYMENT POLICIES AND PROCEDURES
INCLUDING VISA/IMMIGRATION ISSUES FOR THE TEAM | 09 CONTRACTUAL REVIEWS, LEGAL DUE DILIGENCE AROUND INVESTMENTS AND M&A |

* POWER UP

Build a powerhouse of advisers to which you can turn to help wherever you need to go. Network is key – talk to others who have the benefit of hindsight, create a cross-jurisdictional ecosystem of experts who you can lean on and access at short notice when timeframes are tight.

FINANCE

Finance is often outsourced in the early stages of a Founder Office but whether you bring this in-house or leave it to a third party, it is a key part of its smooth running and operational efficiency, so should be given due care and attention.

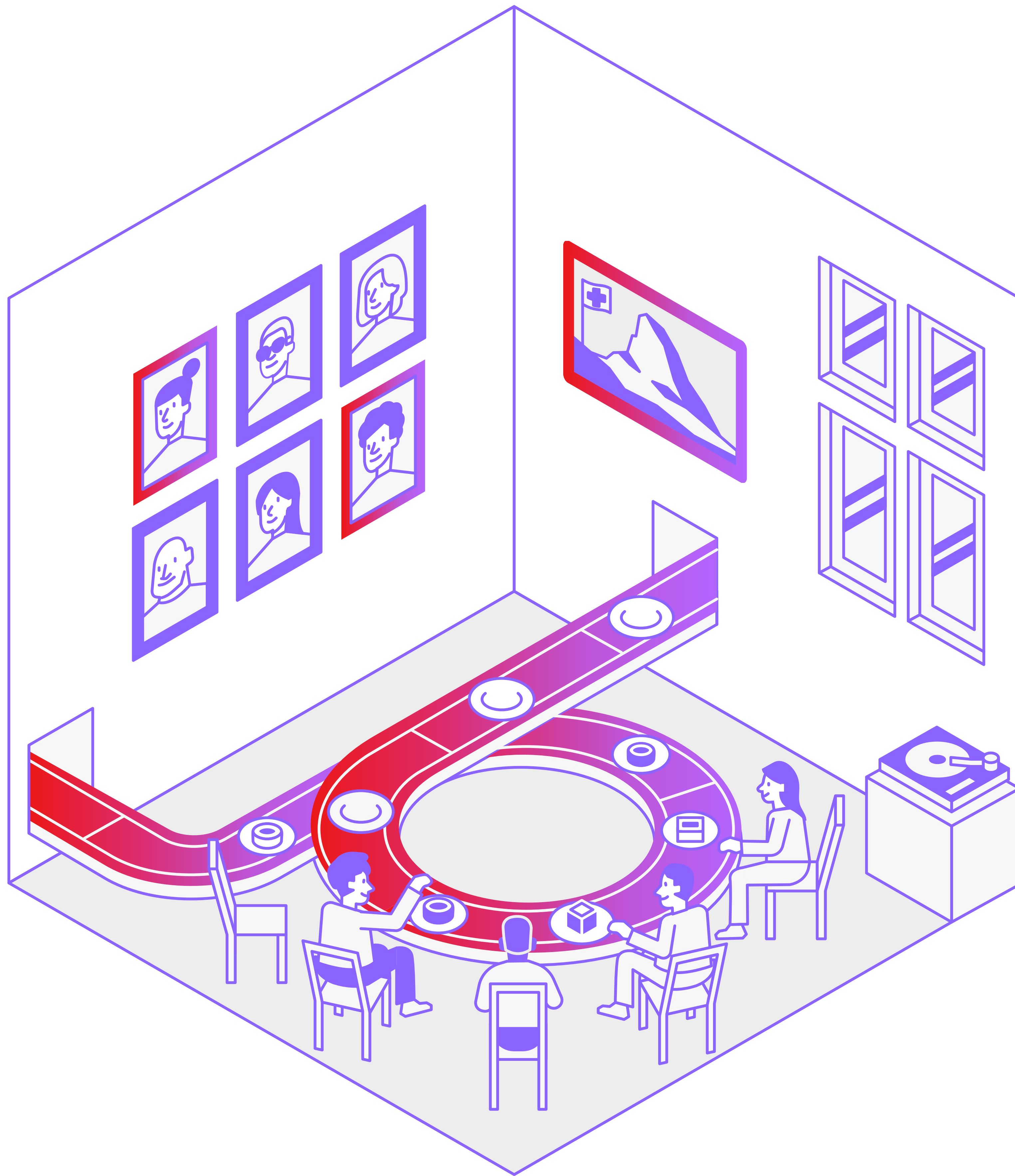
Either way, make sure you discuss the following and come to clear decisions on your approach.

GIVE SOME THOUGHT TO

- | | |
|---|---|
| 01 CURRENCY
REPORTING AND OPERATING
CURRENCIES, ASSOCIATED FX | 06 BUDGETING, FINANCIAL ANALYSIS
AND REPORTING |
| 02 CASH-FLOW AND PAYMENTS | 07 LIABILITIES |
| 03 FINANCIAL AND MANAGEMENT
ACCOUNTING | 08 CREDIT CONTROL |
| 04 AUDIT AND CONTROLS | 09 FINANCIAL DUE DILIGENCE
ON INVESTMENTS |
| 05 TAX | |

 POWER UP

Be intentional about which functions you choose to handle in-house and which you outsource in the early stages of a Founder Office. You may find you run up significant costs in-house, but this would offset costs otherwise charged by third parties.



PEOPLE & TALENT

The people you hire must give the founder and the office the expertise and institutional knowledge that it needs to drive towards the office's vision. Every hire must make a profound impact.

One common pitfall when building a Founder Office is that Principals often surround themselves with 'yes' people. To offset this, you must create a team culture and processes that foster real, candid and honest advice.

Consider the right combination of personalities, expertise, seniority, and value alignment when building your team. Depending on the size of the business, and the extent of the underlying wealth, key hires may include:

FOUNDERS/ FAMILY MEMBERS

TAX AND LEGAL

C-SUITE – CEO, CIO, CFO, COO, CTO, COS

HEAD OF TALENT/ HEADHUNTER

GENERAL COUNSEL

OPERATIONS AND
ADMINISTRATION MANAGER

ASSET SPECIALISTS

M&A

FINANCE

RISK OFFICER

People & Talent



GIVE SOME THOUGHT TO

01 INSOURCING V OUTSOURCING

02 GENERALISTS V SPECIALISTS

03 LEADERSHIP

04 EMOTIONAL INTELLIGENCE

05 VALUES ALIGNMENT

06 TRUST AND DISCRETION

07 LEARNING AND EDUCATION

08 CREDIT CONTROL

09 LONG TERM INCENTIVE PLANS AND COMPENSATION

A CO-INVESTMENT PROGRAMME COULD HELP TO ALIGN YOUR TEAM

 POWER UP

It's easier to hire people you know rather than people you don't. You've already built trust and this will be reflected in the culture of the office, however, in the long term, it's highly unlikely that those early hires will be the right (and the best) hires. Make the best hires, not the easy hires. Hire slowly and with reference to the values of the Founder Office - unwinding a bad hire can be hard, and having the wrong people in the team can destroy culture and do long term damage to morale.



Brand, PR & Communications

BRAND, PR & COMMUNICATIONS

Building a well positioned brand identity from the start will shape the future of the business.

A slick, clear and well defined offer to the market will help you stand out in a crowded marketplace, help you hire and retain top talent, and make it easier to pitch yourself to new connections.

Laying the brand's foundations ahead of a launch is as important for team cohesion and internal communications, as it is for launching the brand to the wider world.

GIVE SOME THOUGHT TO

01 THE NAME OF YOUR FOUNDER OFFICE

02 YOUR PURPOSE (YOUR NORTH STAR)

WE EXIST TO: ____
SO THAT: ____
BECAUSE: ____

03 YOUR STRATEGIC CHOICES

THE THINGS YOU'LL DO TO DELIVER ON YOUR PURPOSE [OFTEN THESE BECOME COMPANY PILLARS]

06 YOUR VALUES, COMMITMENTS AND NON-NEGOTIABLES, INCLUDING YOUR APPROACH TO:

- MORAL AND ETHICAL STANDPOINTS
- RESILIENCE AND AGILITY
- INTEGRITY AND HONESTY
- QUALITY OF OUTPUT
- TEAMWORK AND COLLABORATION
- ACCOUNTABILITY AND OWNERSHIP

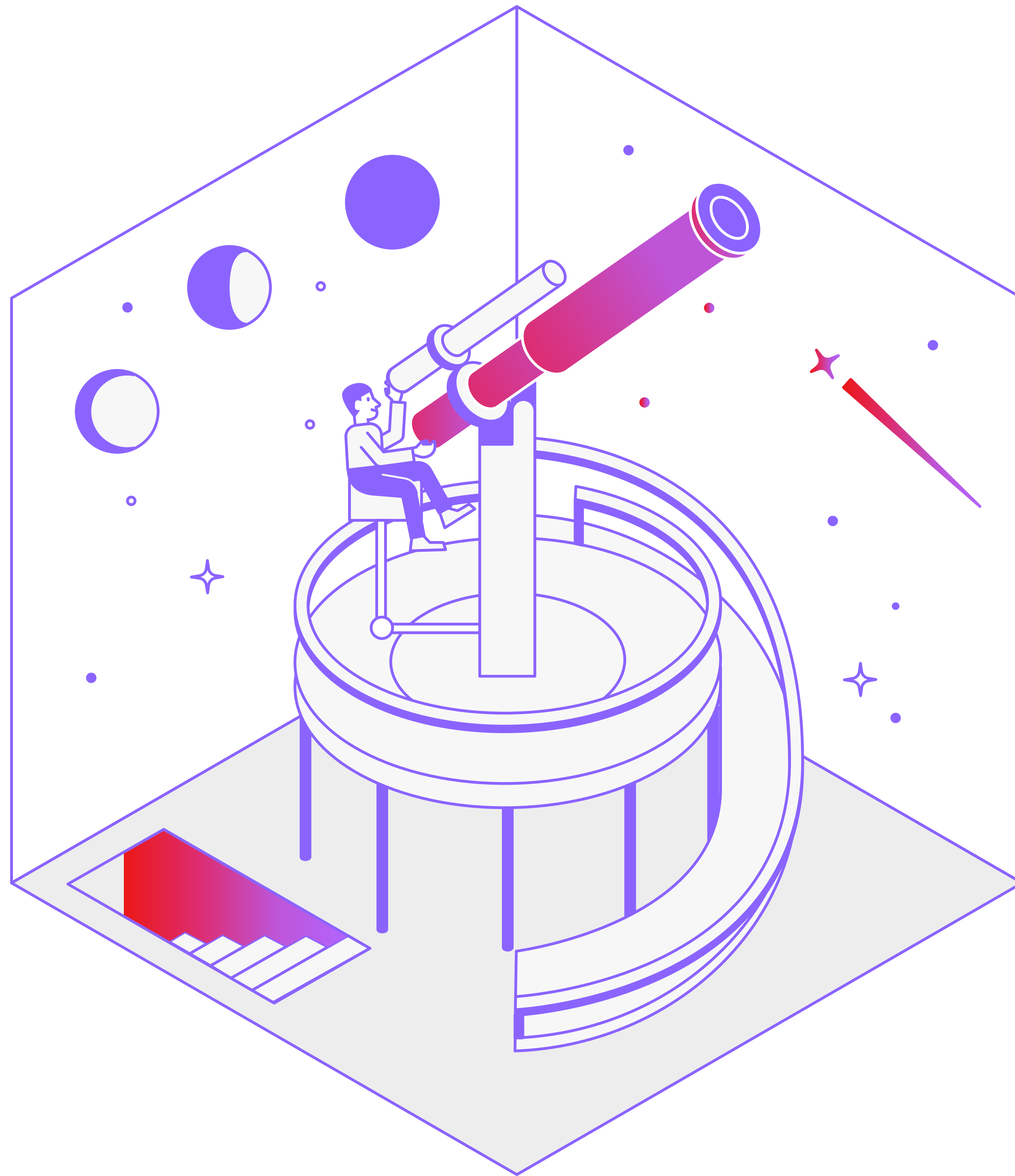
07 APPROACH TO RELATIONSHIPS

Once you've decided on the above, you'll want to consider which parts you want to share externally, and which parts are exclusively for the team. Sharing values and commitments externally gives the company a personality. If people feel aligned and connected to your values as a business, they are more likely to want to be a part of it; be it as a new recruit, a service provider or a brand champion in the world.



 POWER UP

Your instinct could be to keep the brand low-key, but there may be benefits to bringing it out into the open to the extent you are comfortable, not least for talent acquisition, KYC checks, market validation and relationship-building. Having no information can often create unnecessary red flags, so say enough to drive the best business outcomes.



THE FUTURE

It can be tempting to build a Founder Office in a tactical way, but to build the best requires long term perspectives and strategic thinking.

The life of a Founder Office has three distinct phases to it:

01 CONSOLIDATION PHASE

Building the foundations intentionally, profoundly, and with foresight, makes sure your Founder Office has the infrastructure and frameworks to deliver on its long term vision. This phase will feel the slowest in terms of progress, but it's arguably the most important.

02 GROWTH PHASE

Often the fastest phase of development, when the majority of hires are made and the team kicks in as an effective powerhouse. It can be easy for some of the more critical infrastructure to strain at this point - it's important to make sure that governance and decision-making keeps up with the growth to avoid making mistakes and missing opportunities.

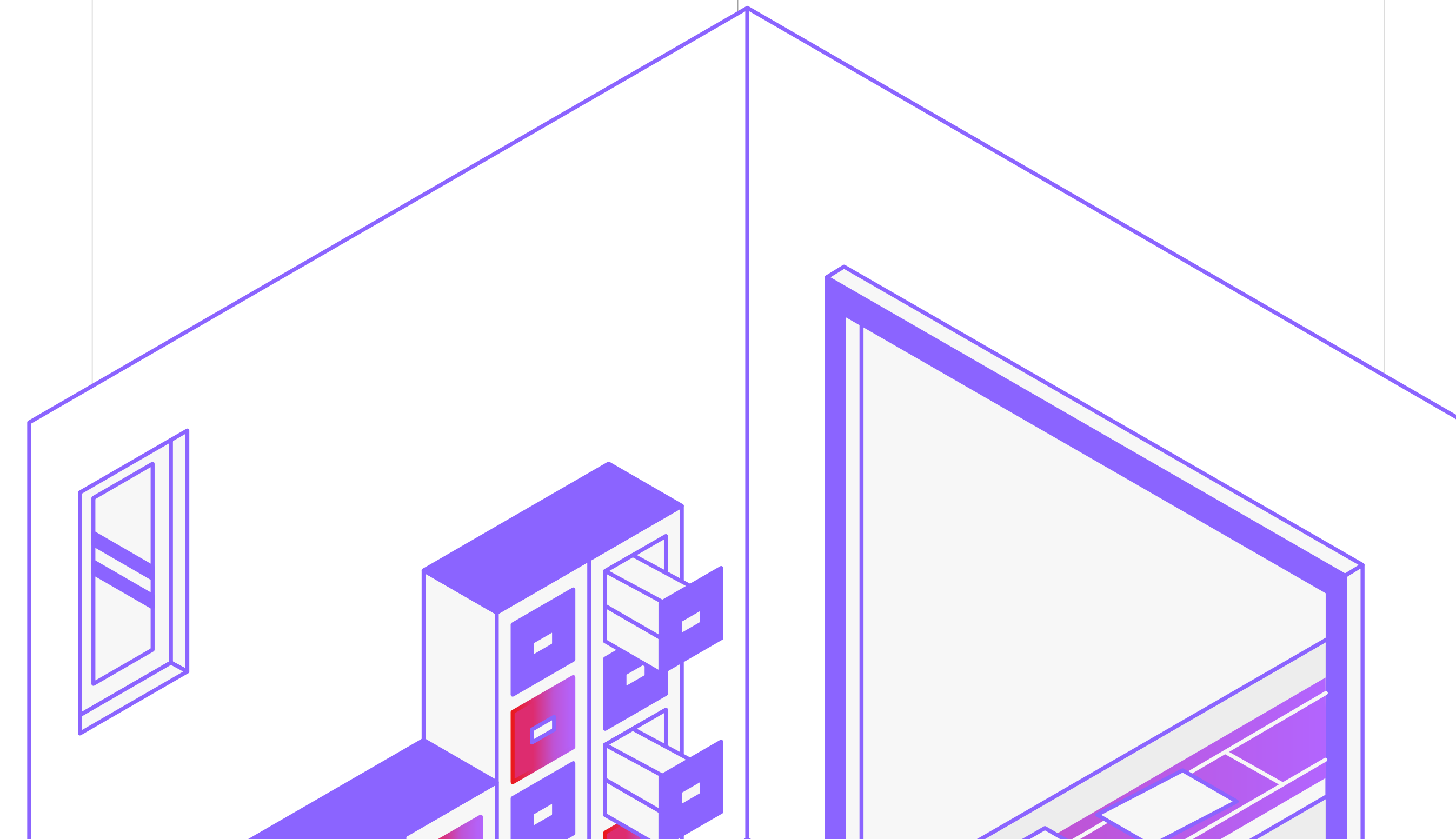
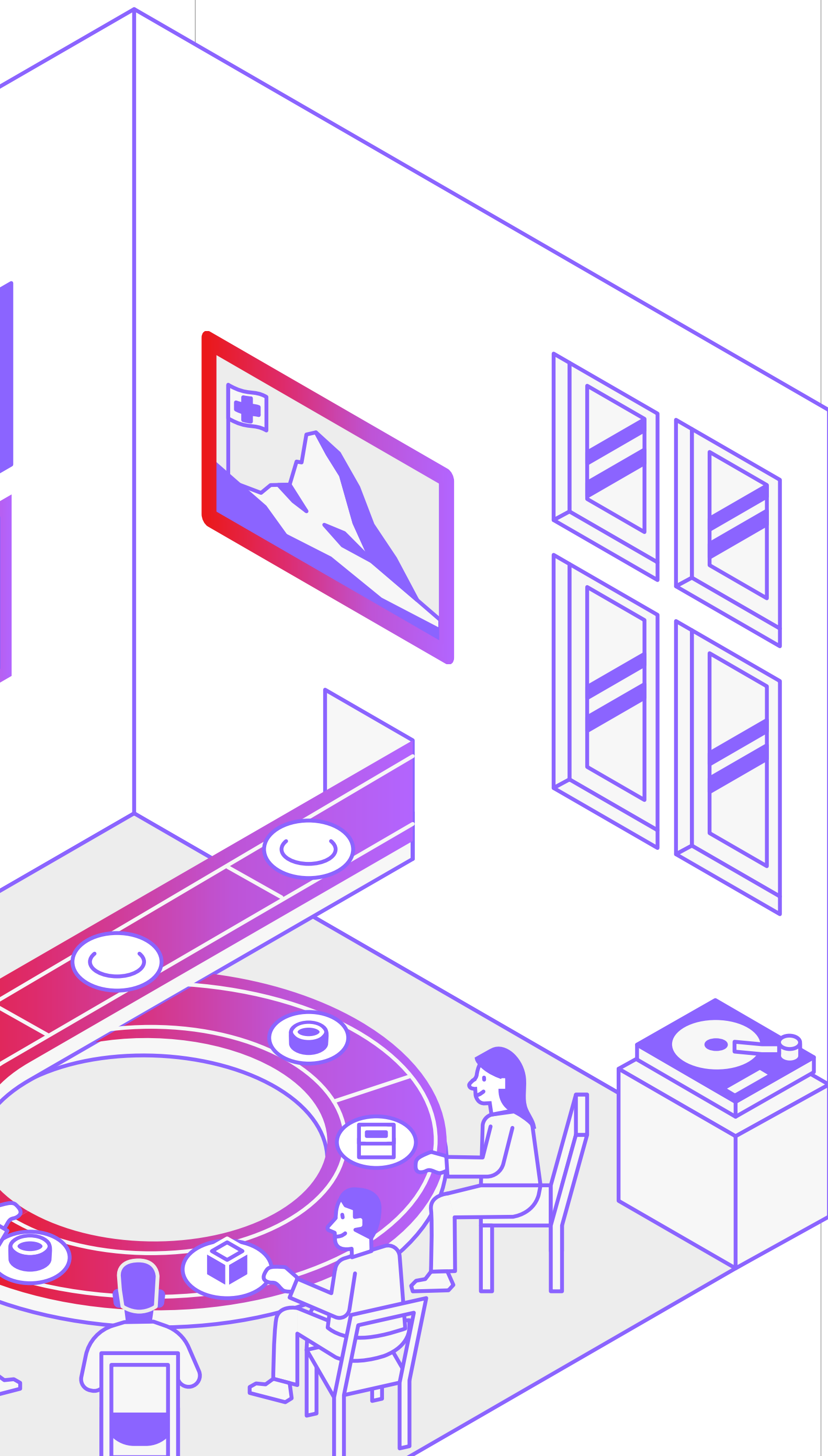
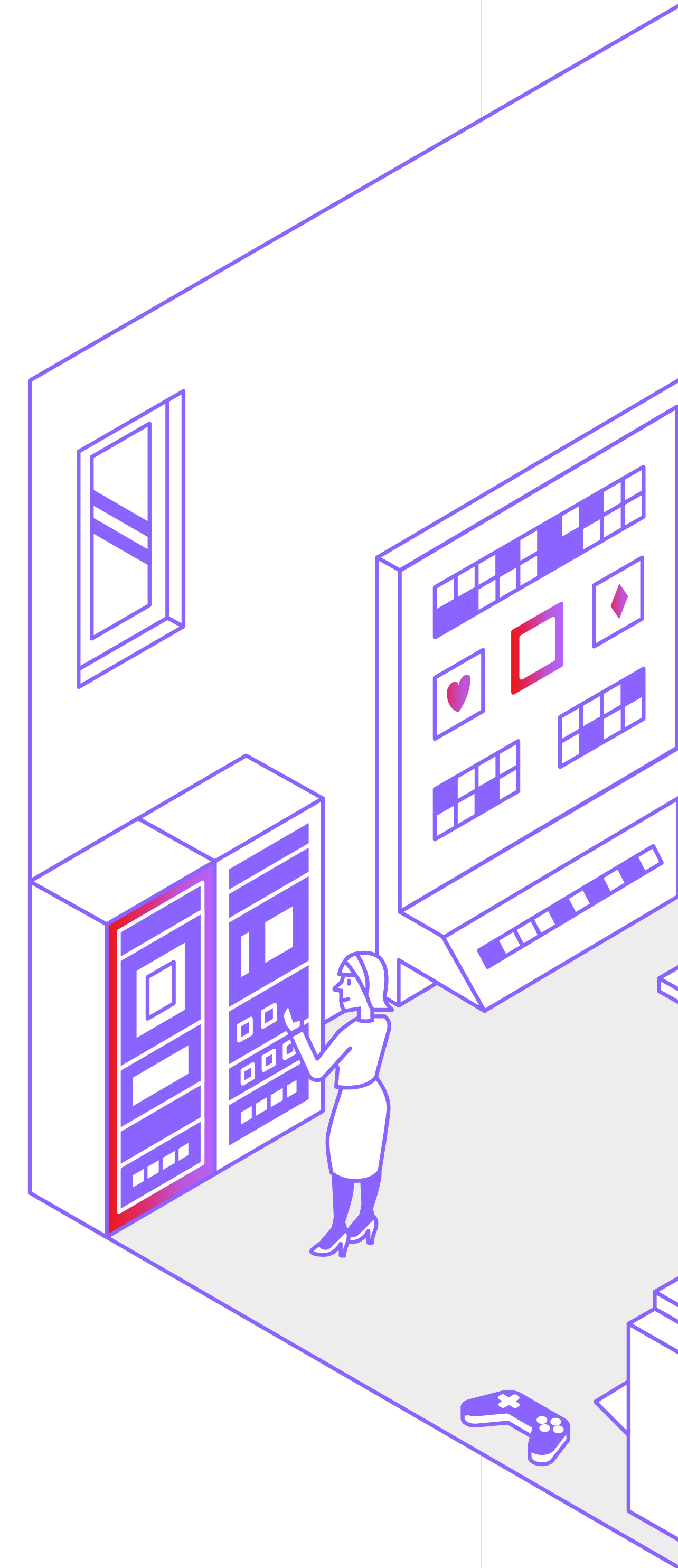
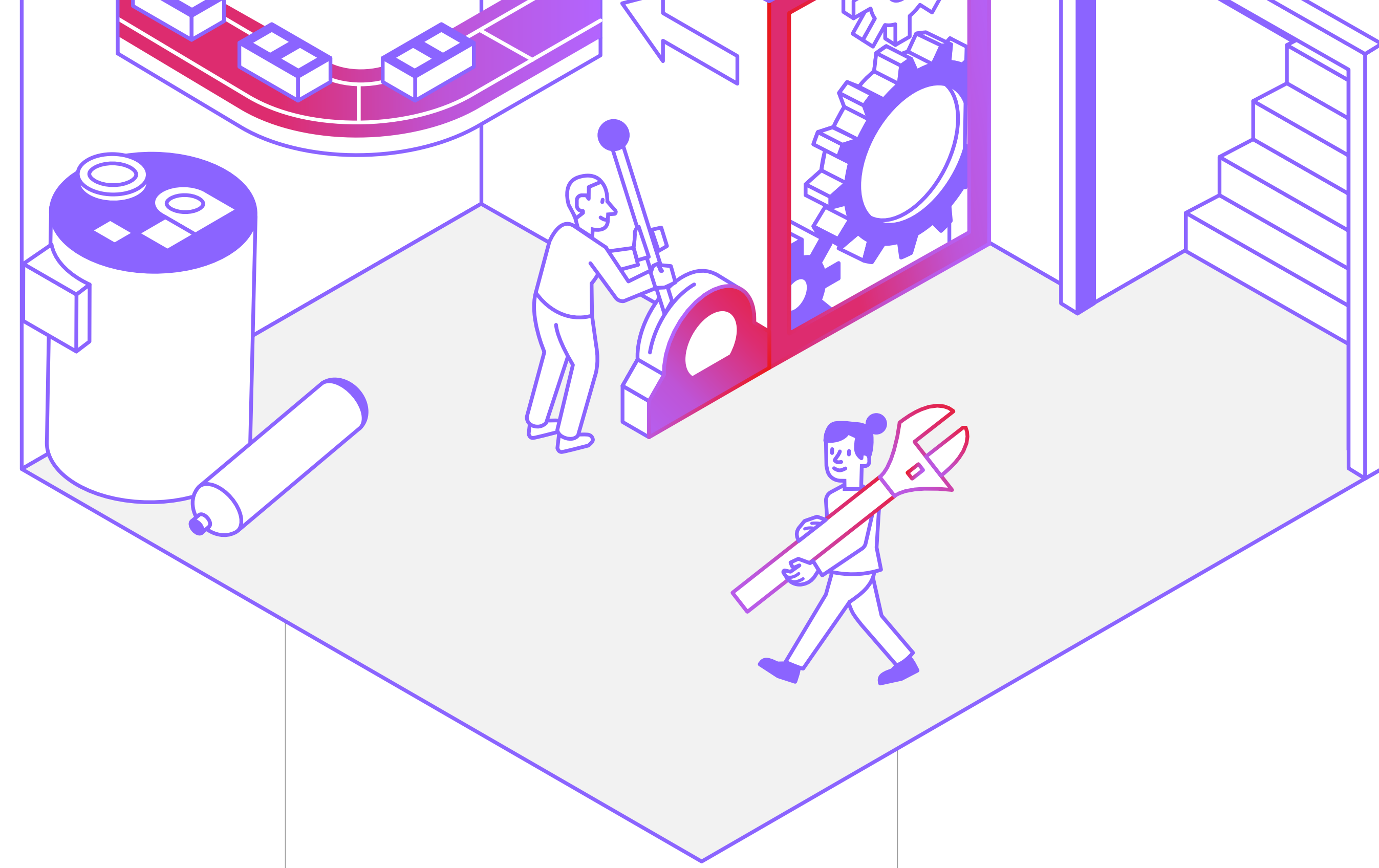
03 REALIGNMENT PHASE

Taking an objective view of what you have built makes sure that the model is continually iterated. Progress is impossible without change. If the office stands still, it's not progressing, learning or adjusting to its developing environment. Of course, as your Founder Office develops, its focus will need to adapt to the changing needs and priorities of the founder. Topics like succession, consolidation of philanthropic activity, or luxury assets may become important and their interests are likely to dictate your direction.

The Future

 POWER UP

Exceptional entrepreneur, Hiroshi Mikitani, believes that organisations must evolve and adapt as they scale, to successfully navigate the significant changes. Challenges tend to occur at multiples of three and ten in various aspects of business. The way a company runs at 3 people, will be different to a company of 10, 30 and 100. At each of those moments, something in the organisation will break – be it your communications system, your team dynamic, your payroll or your accounting. Avoid skipping over a multiple step and instead, acknowledge the ‘break’ and adapt procedures and processes accordingly.



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