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Family office technology solutions

The art of successful information management

As family offices face rising expectations from external parties and the families whose assets they manage, a common question is whether technology investments and priorities are suited for the moment. At these pivotal junctions, there are multiple factors that may bring about this reflection. There are evolving tax and regulatory compliance needs that require robust processes, easier access to data, and enhanced documentation. There are also internal pressures from owners and principals demanding more personalized reporting, including insights and analysis into both current and future projected investments. In other cases, the factors comprise a mix of internal and external influences, such as a family enterprise making the leap into adjacent markets or expanding their investment portfolios, triggering a review of technology models.

This white paper seeks to explore the importance of choosing the right technology and operations service delivery model for family offices to promote organizational effectiveness—and support the core responsibility of the family office in ensuring the long-term preservation and growth of wealth.

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Identify the back-office bottlenecks

One example that captures the importance of building modernized technology processes is a recurring issue among family enterprises: an ineffective approach to information management. Many family office landscapes comprise a variety of fragmented solutions that are not well integrated. There may be legacy systems comprising proprietary databases. Organizations may have accumulated vast amounts of data spanning decades, predominantly stored in spreadsheets. Teams may be receiving information in different formats from external stakeholders such as private banks, global custodians, or fund administrators.

Once the data is collected, family offices must strive to cleanse the information, integrate it into existing processes, and transform it in a way that allows for end users to consume it. This endeavor often entails substantial manual manipulation of data, further compounding the complexity of operations. Furthermore, manual handoffs of information among teams can lead to errors and delays in processing information reported to family members.

This type of unstructured data poses challenges because it not only makes timely ingestion and decision-making difficult, but also complicates reporting to stakeholders. Delayed information hinders the ability to respond to current market conditions and limits forward-thinking analysis and scenario planning. It affects the ability to assess the impacts of changing asset allocation and quickly address emerging issues, such as assessing portfolio exposure to specific countries and adjusting investments accordingly. Therefore, it's critical to organize and maintain a single source of truth that's ready to be utilized to drive analytics, insights, and decision-making.

Govern for lasting impact

With the complexity and rapid evolution of technology, effective software management is critical to ensuring seamless operations. With good software management practices in place, family offices can mitigate system downtime, reduce security vulnerabilities, and boost operational inefficiencies. Without the right guardrails, a family office technology implementation project can veer off track, pushing out timelines and diminishing attention and interest from stakeholders.

A trusted internal sponsor can safeguard against competing priorities and keep the focus on the overarching technology implementation goal. Whether it's the CFO, CIO, or another leader with the authority to influence technology adoption, a designated champion can play a vital role in supporting and pushing the implementation forward.

Securing the buy-in of other supporting members of the team is also important. After all, they stand to benefit, especially when it comes to automating transactional or back-office capabilities that can free them up to focus on higher-value tasks. Teams' participation in the design and technology selection process should not be overlooked. That includes engaging and aligning staff with the process, clarifying roles, emphasizing the importance of their input, and ensuring everyone understands the reasons behind the initiative.

Cultivate and strengthen vendor relationships

When elevating a fragmented technology model into a best-in-class approach, family offices may find themselves working with multiple new vendors. Consider that each area of business operations, such as data ingestion, portfolio management, accounting, and client communication, may require one or two specialized providers. Outsourcing some or all of these functions can enhance productivity, but the multi-vendor approach can also pose implementation challenges that require careful attention to integration.

In addition, the nature of updates in today's enterprise software landscape requires an understanding of release cycles, experience in deployment, and a commitment to thorough testing. As a recommended practice, organizations can assess whether they have the right internal expertise or will need to consider outsourcing software operation and issue resolution to a managed service provider that can take on such processes on behalf of the family office.

Balance the onboarding-implementation collaboration

There are a number of leading practices family offices can adopt in training and onboarding their staff for technology implementations. Some of the considerations are practical. One is managing the challenges of talent shortages, particularly for enterprises that are located outside major financial centers, which can make it more important to provide incentives for talent acquisition and retention.

In cases like these, family offices may be compelled to outsource certain functions such as accounting. It's imperative that internal staff involved in technology adoption and change management receive continuous training throughout the implementation process. Involving stakeholders from the start is vital, allowing them to define use cases and requirements and participate in the selection process. Even if a third-party consulting firm is engaged, the family office staff must play an active role in software requirements and design, as well as testing.

The onboarding experience should not be limited to courses provided by the technology vendors, however. Continuous training and stakeholder involvement from the beginning ensures successful adoption and drives ongoing improvement. Someone within the organization needs to stay updated and take advantage of new features and capabilities. A continuous improvement mindset in the post-implementation period allows for leveraging of the system's full potential—and builds upon an initial deployment to meet evolving needs.

By prioritizing ongoing training, encouraging open communication between vendors and stakeholders within the family office, and embracing a posture of continuous improvement, family offices can ensure effective staff onboarding and technology implementations, and maximize the value derived from their software investments.

Prepare for unconventional circumstances

When family offices vet potential new vendors, one key capability they should be looking for is whether the provider is prepared to address stress conditions, imperfect situations, and edge cases. While vendors typically focus on their strengths and impressive features, it is essential to prioritize real-world and unique scenarios that align with the family office's requirements.

By providing clear instructions and highlighting specific areas of focus, such as reporting for unique circumstances or integrations with particular systems, family offices can determine whether vendors are a suitable fit. It is imperative to request tangible evidence and specific details regarding integrations and connectivity to validate a system's functionality. This approach can help ensure that the system is thoroughly tested during a demo and enables the family office to make an informed decision based on the right technology fit.

Key areas of consideration

Here's a summary of the essential ways family offices can ensure technology implementations meet the family's needs.

Technology selection. When considering tech implementations, family offices must prioritize understanding their specific needs and goals. Identify use cases, reporting requirements, and data accessibility to ensure alignment with objectives. Rather than focus on the technology itself, focus on the core problems the business needs to solve.

Vendor management. Effective vendor relationship management is crucial to successful technology implementation. Establishing dedicated points of contact and relationship managers ensures continuity—and a deep understanding of your system and business. It is important to choose vendors that align with specific needs. By fostering strong vendor relationships, a family office can secure the needed expertise, receive personalized support, and address issues promptly.

Data conversion. Thoroughly review and validate data before migrating it to a new application. Identify and address any issues or inaccuracies in advance. Careful review prevents misconceptions or problems originating from the new system, rather than the underlying data. Coordinate with the vendor to establish a data conversion plan that enables smooth testing of the application's functionality and reduces the risk of data-related challenges during implementation.

Stay firm on time limits. When planning the timeline for evaluating a new technology, family offices should consider several factors. An adoption process may take eight to 12 weeks, depending on the complexity. Negotiations and due diligence can extend the timeline. Then there's the implementation phase, which can range from three to six months, depending on the use cases and software being implemented. To avoid any misunderstandings or disappointments, it's critical to start with a thorough selection process that includes clearly documented requirements. Adequate resourcing should also be ensured to support successful implementation.

Conclusion: Ensuring transparency across the family enterprise

The benefit of technology enablement is the ability to integrate technology and data seamlessly. A family enterprise can connect portfolio management capabilities from the front office into its tax and fund accounting requirements and then feed its ability to conduct performance analytics and added reporting. That means not just the organization benefits, but also the family and its individual members. A complete, centralized, and interconnected document management system also strengthens client relationships and embeds data and cybersecurity across the whole technology suite.

Thanks to vendors, family offices don't need to have all the capabilities necessary to acquire these benefits in-house. When considering an operating model, and the technology to implement, strategic thinking is going to set the foundation for a successful transformation.

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