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Pivotal moments



Pivotal moments for family enterprises

Like a great work of art, family enterprises are unique, crafted over time, and highly valued. While no two family enterprises are the same, they are united by a series of pivotal moments—opportunities to grow, evolve, or transform—and preparation is essential for fully seizing those opportunities. Through the [pivotal moments series](#) we explore eight foundational elements that can help shape the family enterprise.

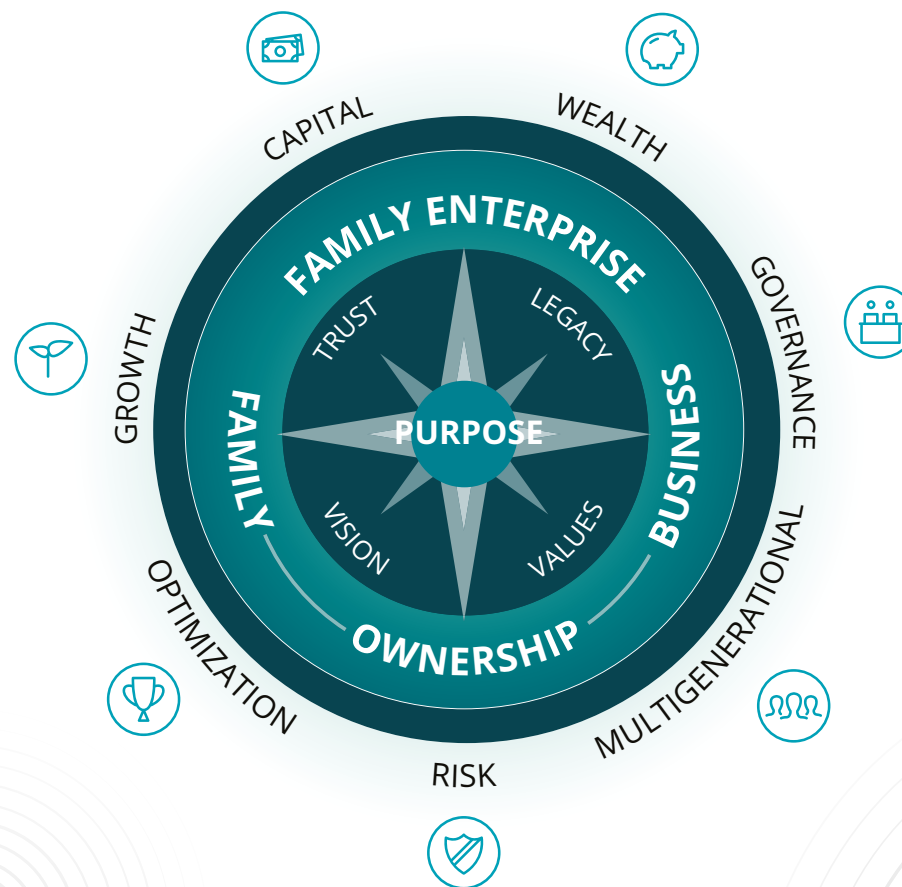
In the second chapter of this year's Guide we discussed one such pivotal moment in the life of any family or family enterprise, the death of the founder. We explored all those activities that must be undertaken before the wealth of the decedent passes to the next generation. While the death of a family member is certainly a pivotal event in the history of any family, it may be more complex when the largest asset of the decedent's estate is the family business.

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Beyond that generational shift of wealth, there are many other pivotal moments that the family and their enterprises will likely encounter. The way in which they approach these moments will shape the family enterprise for generations to come. In this series we focus on those pivotal moments that shape the future of a family's wealth.

Family enterprises include the interests of the family, operating business, and family office, as well as non-family member management and employees. Through a purpose-driven approach, family enterprises can guide themselves to a future consistent with the values and vision essential for a thriving and sustainable legacy of multi-generational success.



Pivotal moments for family enterprises

The art of governance

The first article in the pivotal moments series explores how a strong foundation of governance can help family enterprises make decisions in the various areas they encounter during the operation of the business. With an informed perspective, enterprising families can unleash the shared vision and values that inspired their business in the first place.

Every family enterprise faces pivotal moments that can alter the course of their business, from leadership transitions to external market forces beyond the team's control. Maneuvering through these challenges, mitigating risks along the way, and embracing new opportunities are at the core of a carefully designed and implemented governance model. Family enterprises that aspire to reach this objective can channel the same entrepreneurial energy that helped them build enduring, multigenerational enterprises and business portfolios. A strong foundation of governance can help family enterprises make decisions in areas including capital needs, technology, leadership transitions, and incentive planning.

One of the first steps is to understand that as families grow, so too, does complexity. Governance helps family leaders anticipate and address challenges by bringing greater discipline, transparency, and accountability to the issues that matter most. Additionally, there is no one form of governance

that suits all family enterprises. There are multiple governance forums to explore—Shareholder or Owner's Council, Family Councils, Family Boards, etc. Exploring a series of questions helps the family ascertain what suits them when considering establishing or refining a governance model.

The art of governance

1. Does our family have a forum to meet regularly to discuss matters of importance?
2. Do we have the right board composition?
3. Which types of governance structures and practices best serve us today?
4. Does our governance model consider the alignment between the short- and long-term needs of both the family and the enterprise?

Pivotal moments for family enterprises

Assessing capital needs

For the forward-looking family enterprise, opportunities abound. Whether diversifying into new industries, expanding existing lines of business, or adopting the latest technology, growth opportunities will likely present themselves. And, when they do, additional capital might be needed. Family dynamics can have a big influence on what requires additional capital, when it's needed, and how it's accessed and deployed. As discussed previously, establishing a formalized governance structure prompts the business to align on the "what," "when," and "how" in advance. Not only can this prepare the business to seize new opportunities with confidence and agility, but it helps ensure the needs of the business are balanced with those of family members.

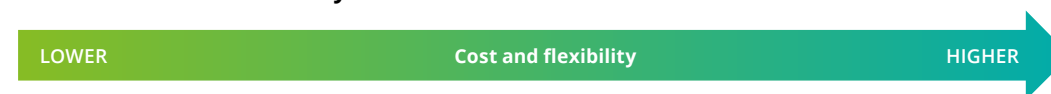
In the past, family enterprises had few options for accessing capital. As a result, they largely relied on traditional commercial banks. Unfortunately, many commercial banks often took a conservative stance and restricted how funds could be used, thereby limiting what a family enterprise could achieve. While the debt markets have evolved to include new, nontraditional lenders, many family enterprises are not aware of these options.

The proliferation of capital solutions may be good news for family enterprises, as it affords them greater creative license; however, proper timing is an important consideration for these options, as both internal and external factors play a role. This is where a capital needs assessment can help. It can

help the business and the family leaders determine their capital-raising goals and priorities, assess optimal timing, and explore funding options—in preparation for accessing future capital. To that end, the business should consider thinking through several questions during its normal governance deliberations before deciding on the opportune liquidity option to fuel their capital needs.

Assessing capital needs

Provider cost and flexibility



Lending sources



Traditional banks



Credit funds



Business development companies



Insurance companies



Hedge funds

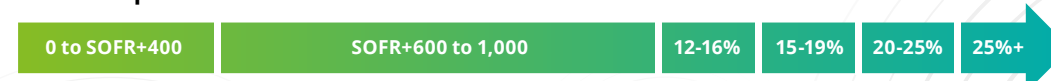


Mezzanine funds



Private equity funds

Cost of capital



SOFR: Secured Overnight Financing Rate

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The art of family business technology

Many family enterprises have a well-earned reputation for being customer-centric, relationship-driven, and long-term oriented. These attributes can help businesses when it comes to building and maintaining the components to run their IT environments. As technology plays a more important role in driving growth, increasing productivity, and capitalizing on new market opportunities, it's critical to understand that creating a robust technology infrastructure is a multiyear journey that requires sustained investment, strong executive support, engagement with employees, and deep relationships with vendors. This understanding and forward-thinking approach to technology is fundamental for family enterprises to position themselves for the opportunities, or pivotal moments, that may arise.

Maintaining an inventory of technology assets and developing a well-articulated plan for evolving the infrastructure, are essential for ongoing success. There are multiple benefits that can accrue from this approach:

Supports growth: Technology can support the growth aspirations of an organization, improve its engagement with customers, and enhance the value of its brand

Enables expansion: A technology foundation is also useful when considering opportunities that may be presented as the lines between traditional industries and sectors continue to blur

Improves valuation: An appropriate technology infrastructure may increase the intrinsic value of an enterprise

Once the family enterprise is aligned on evolving the technology infrastructure, a key consideration is assessing the state of the enterprise's technology landscape to determine if its existing systems are poised to meet the strategic goals of the business. Whether a family enterprise is in the early stages of evolving its technology stack or is more advanced, collaborating with the right vendors can help ensure it is achieving its technology objectives with solutions such as software as a service, technology packages, or systems integration. For family enterprises that want to modernize their technology infrastructure, one of the first steps is asking some basic questions of the team, vendors, partners, employees, and customers before embarking on the next technology implementation.

The art of family business technology

Your family business is your passion. And stepping back and taking inventory of your family business technology can help take that passion further.

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Upcoming articles in this series

As of the date of this release we have explored the first three of these important moments. Stay tuned as we explore more pivotal moments in the evolution of the family enterprise in future. Future topics will include:

Part four

Long-term incentive planning

Part five

Leadership transitions and the next generation

Part six

Legacy assessment

Part seven

The future of the business

Part eight

Family office creation

Deloitte Private guides family enterprises to thrive across generations by navigating the facets of family, business and ownership. We bring a 360-degree view across the challenges and opportunities faced by a family enterprise. Our purpose-driven approach helps elevate family enterprises, guiding you to a future consistent with the values and vision essential for a thriving and sustainable legacy of multi-generational success.



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