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# Pivotal moments for family enterprises
# The art of family business technology

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**EDITOR'S NOTE**

*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. This is the third article in a series exploring the eight foundational elements that can help family enterprises maximize the opportunities that arise. Because, with the right canvas, family enterprises can craft a business that supports its evolving vision, interests, needs, and values for generations to come.*

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

In this installment of our eight-part series, "Pivotal moments for family enterprises," we'll explore how modernizing your technology infrastructure and implementing new technology can help you take your masterpiece into the future.

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.

### Scalable, strategic investments

As we explored in the previous installment of this series, capital resources influence how family enterprises approach new initiatives, such as technology adoption. "Among the capital allocation decisions businesses undertake, many companies can benefit from establishing a solid technology baseline that allows for flexible, rapid, and scalable growth," says Chris Jackson, managing director, Deloitte Consulting LLP. Jackson points to investments in technologies such as cloud computing, AI, and machine learning as key areas of focus necessary to navigate the rapid pace of technological change.

Following that baseline, 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, now known as industry convergence. Examples of industry convergence include brick-and-mortar retailers expanding into health care and wellness or online shopping through the rise in buy now, pay later options where retailers operate in an area that was formerly the domain of banks and credit card companies.  According to Jackson, companies that haven't invested in core technologies will have fundamental gaps that can impair their ability to be agile if convergence opportunities arise.
- **Improves valuation**: An appropriate technology infrastructure may increase the intrinsic value of an enterprise, which may be an important consideration as a family enterprise considers capital-raising alternatives.

As family enterprises consider these investments, boards can play a critical role in challenging and guiding management's decisions. Consistent with the principles of good governance in providing input and oversight, board members can provide diverse perspectives to help shape the strategy. A strong board may add value by challenging the status quo and prompting management to consider how to better leverage technology for competitive advantage, either by improving customer engagement or in operations, such as research and development, HR, or finance. Board members may be able to provide insights based on their experiences as to the importance of these investments to stay competitive for generations to come. Finally, it may provide input when trade-off decisions need to be made, such as how much business investment is needed versus distributions to family members and shareholders. Technology and transformational change can be a multiyear journey, so leadership and the board should consider the level of effort and capital required to bring an organization along that journey.

### Taking stock: Establishing an outcome orientation

Once the family and board are aligned on evolving the technology infrastructure, the next step 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.

"Intentional planning around technology requires organizations to think through the specific value they want to derive and how technology can support that now and into the future," says Jackson.

Picture a family enterprise that has traditionally relied on custom-developed software and on-premise systems to address customer and compliance needs. If a company's goal is to free up developers and other practitioners to work on higher-value business needs, cloud-based technologies and software that leverage leading practices and controls could support that objective.

Likewise, technology can support talent goals. Technology tends to have a direct correlation on an organization's ability to attract, inspire, and retain talent that wants to be in an environment where they can work with new and emerging technologies. This can be beneficial as organizations compete for talent in positions that are no longer bound by geography as employers embrace remote arrangements.

**"Many companies can benefit from establishing a solid technology baseline that allows for flexible, rapid, and scalable growth."**

And the benefits to talent strategies extend beyond remote work. In industries where workers need to work in person, companies may gain an edge by investing in technologies that create a richer, more engaging employee experience. This is especially true in industries such as manufacturing. In a recent Deloitte survey, 86% of manufacturers said smart factories—with highly responsive connected systems that learn from new conditions in real or near-real time—would be the main driver of competitiveness in five years.

While the technology platforms may play a role in attracting talent, keeping employees engaged requires a robust technology adoption strategy of its own. "Digital transformation isn't about just putting in technology, which is a material cost," Jackson says. "Getting technology and new processes to be adopted by the people in the organization is a heavy lift as well. Employees, like customers, need to be brought along the journey as they sometimes push back if you don't involve them upfront. So, change management as it relates to technology transformation is certainly something organizations should be thinking about."

A lesser considered outcome that technology can support is aligning to a company's purpose, such as its environmental, social, and governance (ESG) approach. If your purpose includes a commitment to your community, do you employ technologies that honor that commitment? For example, consider a transportation fleet that uses artificial intelligence to maximize route efficiency and reduce its carbon footprint. "That matters when you talk about generational shifts—and the individuals coming in to take over family-owned businesses who may have different priorities than their predecessors. Effective governance, diverse talent and ideas, and a focus on purpose and impact are the key ingredients organizations should use to plan for the future," Jackson says.

### Alignment among vendors and internal stakeholders

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.

External technology providers can help organizations streamline operations or enhance productivity, but family enterprises that depend on outside technology support should also know how to navigate and leverage the power of these ecosystems.

When evaluating vendor proposals, companies should consider factors that might affect the relationship over the long term, such as the relationship between price increases and inflation. There's an art to the process: Making the most of strategic partners requires a defined strategy to ensure all parties are aligned around key outcomes. Without clear lines of communication across leadership on ownership, timing and implementation, and a well-defined technology strategy, decision-making can undermine enterprisewide goals. However, with these conditions in place, along with the support of the board, an understanding of the investment, the value to be derived, and a long-term orientation, family enterprises may once again position themselves for continued success.

## Where to start

For family enterprises that want to modernize their technology infrastructure, the first step is asking some basic questions of the team, vendors, partners, employees, and customers:

- Is our technology strategy aligned with our business strategy?
- Are there partners in our ecosystem that can help us advance our goals if we engage them differently?
- Are we considering the power of our data and how we are managing the data for both value and risk mitigation?
- Are we considering potential competitive threats from nontraditional providers as the lines between sectors converge?
- From a generational and succession standpoint, are we considering how ESG factors into our technology decisions?
- Has our board of directors recently reviewed the short- and long-term capital investments and the impact of new technology investments on our capital expenditures?
- How will technology investments impact shareholder distributions over the next five to 10 years?

1 Maria Monteros, "Why retailers see health care offerings as a post-pandemic booster," *Modern Retail,* May 10, 2022.

2 Deloitte, "Smart Factory for smart manufacturing," accessed August 24, 2022.

3 Jackie Wiles, "5 ways to optimize vendor negotiation strategies amid IT contract inflation," Gartner, July 27, 2022.

## NEXT UP IN OUR SERIES

*Part four in this series will explore **long-term incentive planning** as a valuable recruitment, retention and performance management strategy, and what family enterprises should consider.*

## GET IN TOUCH


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