



PRIVATE EQUITY *INSIGHTS*

Forward Thinking Thought Leadership

Family Office 2.0

Family offices must embrace innovation to succeed in the ever-accelerating investment market of the future.

This is **part four** of a four-part series on the powerful new role that family offices are playing in private equity.

It's been a sustained effort but your family office is now on the doorstep of lasting success. You have designed an effective direct investment program. You have a formalized strategy in place. You are successfully sourcing and winning deals. You even have a rigorous process for monitoring your investments and driving long-term value.

The final challenge is to foster your vision and ensure that your direct investment program continues to thrive as new generations enter the business. Of course, as your family evolves, so will your family office. But the overarching goal should remain the same: transferring wealth to the next generation as efficiently as possible. And not just financial wealth. Ideally, you will perpetuate a core set of values as well, such as your family's role in supporting the community.

This is not to say that, having crafted a successful direct investment program, it should remain static. Indeed, you should think continually about how to best operate in the market. Should you hire in-house talent and build a large internal infrastructure? Or, should you rely on a network of trusted advisors and consultants? Should you make investments on your own or partner with other family offices and other PE firms?

The aim, as always, should be continuous improvement. And, as you implement better governance and controls, your family office will become more successful in the investment realm. You will have better processes in place to streamline communication among various stakeholders and you will be able to reach decisions more quickly.

"Because family offices don't have the same urgency to deploy capital that other financial sponsors do, decisions can take longer—sometimes too long," says Francois de Visscher, founder of de Visscher and Co., an independent financial advisor to single-family offices. "Family offices sometimes lose deals not because they don't have the capital required but because they don't have the process to make decisions fast enough. The adoption of technology tools, such as online collaboration systems, can accelerate the communication process among family members and lead to better, more rapid decision making."

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Founder of Visscher and Co. LLC

To compete in the years ahead, family offices will need to embrace change. As the speed of business continues to increase, a culture of innovation will be a key differentiator for those family offices that succeed, helping them hasten their growth, improve acquisition strategies, and drive value creation. Leading family offices will understand that gains in the years ahead will depend on how well they can innovate to meet—and beat—the demands of an increasingly competitive market.

So, how does this happen? "A critical part of any innovation strategy is the ability to leverage business intelligence and advanced analytics," says John Bova, business development executive in CohnReznick's Private Equity and Financial Services Practice. "Not only can a robust data analytics program help a family office drive competitive advantage, it can enable quicker and better decisions on potential investments, uncover profit-generating opportunities within portfolio companies, accelerate the due diligence process, and discern market trends that facilitate a profitable, long-term wealth-compounding strategy. "

By making better use of data, family offices can analyze and uncover pivotal market movements and become true strategic partners with their portfolio companies. Ideally, family offices should maintain a management dashboard that consolidates data across all investments. Imagine being able to look across your entire investment portfolio and quickly uncover ways to drive greater efficiencies and savings.

As your family office grows, you should continue to search for new ways to drive ever-higher returns. And one of the best ways to do that is by participating in direct investments. After all, many family offices today are eagerly embracing the challenges and responsibilities they once entrusted to private equity firms. Why? Because they understand that direct investing will remain one of the most exciting and rewarding opportunities for years to come.

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