SEVEN PITFALLS

THAT CAN DERAIL YOUR TECHNOLOGY PROJECT

The decision to replace an existing family office accounting system or implement technology for the first time requires substantial thought. Many factors must be considered – from downtime and budget to the availability of internal resources and often varying opinions of family members. While all technology projects face hurdles along the way, the challenge is to prevent hiccups from becoming major roadblocks that run up costs and impact the ultimate success of the project.

To ensure the family does not get saddled with more than it bargained for, below are seven pitfalls to avoid when embarking on a technology project.

1. Failure to secure buy-in from "the top" – Implementing technology is a commitment. For a project to succeed, the entire office, including family members and support professionals, must be on board. There needs to be consensus on the overall project and its priority vis-à-vis other responsibilities.

If not, individuals critical to the project may be pulled off suddenly to focus on other activities deemed more important by certain members of the family. Without top-down support, the project risks being delayed (or failing altogether) due to lack of time, funding or resources.

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2. Not defining goals and what constitutes success – A family office accounting system must be flexible enough to meet the accounting and reporting requirements of all parties -- whether the 93-year-old matriarch, the 22 years old millennial or the tax specialist. Each stakeholder has different goals and expectations. And each will have a different way to gauge success.

It's important to understand why the family is undertaking the project. Is it to save money? Add value? Manage risk? Clarify and align perspectives. Decide up front what problems need to be solved. Articulate goals and determine how success will be measured. Without clearly defined goals, it's easy to lose a sense of priorities and fall prey to "scope creep," which will impact the perceived success of the project.

3. Not understanding what can go wrong – Even the best-laid plans can face unexpected hurdles. Expertise gaps, resource shortages, data integration issues and misalignment of expectations can cause delays in the project and increase costs.

To mitigate these risks, ensure the vendor has a rigorous process for implementation that clearly delineates key decision points. Work together to identify where the challenges are likely to arise and proactively develop a plan to address those issues. Ensure that the family office project manager fully understands what is required at each step so that responsibilities can be assigned in advance and experts brought in as needed.

"Get the family's internal house in order by preparing data," advises Marcella Odum, Chief Financial Officer & Vice President, The Lupton Company. "Know the new system requirements and address hardware, software, server needs or interfaces to existing systems in advance." Having a solid grasp of the project will enable the family to quickly identify red flags and correct data or connectivity issues before they become a major stumbling block.

4. Underestimating costs and resources – The first step in

evaluating different vendor solutions is to make sure it is an apples-to-apples comparison. Know what is included as part of the software package, and what costs – maintenance, training, upgrades, reports, customer support – are additional. There is a big difference between a system's price, which is a one-time expenditure, and its cost – which goes on forever.

When calculating Return on Investment (ROI) for the project, don't forget to factor in the cost for internal resources, additional hardware/software and productivity lost as employees get up to speed on the new system. Balance those costs against savings as a result of new efficiencies.

5. Getting blinded by bells and whistles – Many of today's accounting systems include visual components and whiz-bang reporting features, which make it is easy to be swept away by the initial "wow" effect. Know the family's technology strategy. Are they conservative or cutting edge? "Balance the advantages emerging technologies present versus the various risks," advises Hugh Bagatelle, founding partner, Windward Advisory Group.

Peel back the veneer. Dig deeper to understand critical components and what the system can and cannot do. For example, how is data gathered -- is it manual or automatic? Can existing spreadsheets be integrated into the system? Are the financial calculations sound? Can custom reports be created in-house?

Request several demonstrations of the software to be sure the office understands the nuts and bolts of the system. Chris Martinez, Managing Director, Oakbrook Solutions' Family Office Practice recommends doing a Proof of Concept (PoC) to stress test the system with the family's own data. And, make sure to kick the tires early in the process to ensure the vendor supports all key requirements. Getting to the final stage only to discover that a vendor's general ledger isn't truly integrated with their portfolio and partnership accounting, for example, is not time well spent for anyone.

6. Not vetting the vendor – Ensuring the short- and long-term success of any new technology investment is not about selecting the best vendor. It's about selecting the best vendor for the family. Ask for references. Talk to clients whose implementations were the most challenging. Find out what the issues were so that the family can learn from that client's experience.

Ask about the company's strengths. Software solutions are built for specific markets and functions, and each vendor has its strength. Be realistic regarding what the accounting system can and cannot do. Perform due diligence on the financial health of the software vendor, their track record, commitment to the market and approach to product development.

7. Forgetting that it's not only about the software – A vendor-client relationship is just that – a relationship. It's not only about the software. It's about trust, service, support, commitment, dedication, people and addressing challenges when they arise. That's why selecting a vendor that the family likes and can work with for the long term is one of the most important decisions the family can make.

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