

Invest for tomorrow

How to plan your technology investment strategy

Technology is the 4th industrial revolution. Digital transformation remains at the top of many Board agendas and the possibilities offered by AI are gaining momentum by the day. Simply keeping existing tech ticking over is a risky strategy that could leave your business with a technological debt that is increasingly costly to overcome.

Many families have successfully steered their business through wars, recessions or, more recently, the COVID-19 pandemic. So why is technology a different type of challenge and what should family businesses be considering in this area?

Until the last few years, keeping the lights on with your IT was enough. Technology was a utility and provided an operational infrastructure, but it wasn't necessarily seen as an enabler. Adding headcount instead of new technology is a trap many have fallen into. But recent advancements, such as AI, alongside the skills shortage, mean that this under-investment leaves you exposed. Is your competition doing the same with less people, quicker and more accurately?

Invest for tomorrow, not just for today.

When planning your technology investment strategy, it's important to ask yourself, "what will my business look like 3 years from now?"

Profitable growth is enabled by technology. Replacing existing technology might not be on top of the board agenda – but it should be. While dividends, M&A or new capital projects might seem like more appealing ways to spend, it is crucial to consider the trade-off of not investing in technology too.

*"Family businesses often spend 0.5% – 1% of turnover on IT. But now everything is driven by data and technology, that spend needs to grow to at least 3%. There needs to be a paradigm shift in thinking and a move away from increasing headcount to increasing technology investment." - **Steve Hickman, Sector Lead, Family Business, KPMG in the UK.***

Focusing only on daily operational challenges means you can end up with a patchwork quilt of solutions. Buying a CRM solution for Sales, an absence management system for HR and payroll software for Finance may solve immediate problems – but looking holistically for an integrated solution may solve tactical problems and bring longer term efficiencies.

Growing businesses that leverage technology will see overheads flatten over time as technology enables greater productivity from the same headcount.



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So where should you start?

Changing the way your business approaches technology could be the mindset shift that unlocks future potential.

Many family businesses benefit from a strong culture, but is embracing change a part of that culture? The entrepreneurial spirit which started your business may be at the heart of your culture but, with daily operations taking up valuable time and resource, innovation can quickly become a side of the desk job. Succumbing to the comfort of entrenched ways of working can often lead to resistance to change and siloed decision-making that means articulating the investment required to update technology can be a challenging ask.

"It can be a struggle to keep technology implementations under control from a cost and timetable perspective. Often this is due to the desire to adapt existing, rather than adopt new, technology in order to keep longstanding processes unchanged - even if they are no longer industry best practice or indeed critical to the business. This can add unnecessary cost and complexity." - **Steve Hickman, Sector Lead, Family Business, KPMG in the UK.**

Culture built around proactive change and maintaining the momentum in your founder's innovative approach is key to keeping stakeholders engaged and avoiding slow, costly implementation programmes.

Tech is everyone's remit.

Tech must be on the board agenda. Meeting technology partners should be treated with the same importance as meeting the bank. To turn the dial on technology adoption it's important that the board, or the family members in charge, understand that technology unlocks growth. It is not just the IT function who are responsible for creating a robust technology ecosystem. The whole business needs to own the change – IT are just the enabler.

"Businesses need to spend more on technology now than they did ten years ago. This is a new way of thinking for many leaders who may have held tenure for decades. Simply keeping the lights on without investment in new ways of working can mean your business gets left behind." - **Steve Hickman, Sector Lead, Family Business, KPMG in the UK.**

Consider whether you have the right skills in-house to drive change. Do you need to hire personnel to support this, whether permanently or as sub-contractors, alongside your advisers? Sometimes, it's not just the technology that needs augmenting, it's the change management approach. The most successful implementations carve out people to work on change management alongside the IT specialists to ensure change happens, and sticks.

Expanding your network means expanding your access to insight.

With an open mindset to the potential growth technology can drive, it can then be overwhelming to understand what the right solutions are. It's important at this stage to be bold and seek insights from new sources. Challenge your thinking. Step out your comfort zone and join a new network. Seek external input from a range of advisers and software providers. Invest in learning. There are many ways to access new information that will inform future-focused strategy planning. Google searches and YouTube tutorials rarely hold the true insight needed.

"It's important to try to stay open-minded and not defensive. It's impossible to know everything in a competitive environment that is in constant flux, so getting out of your comfort zone and realising that you might have outgrown existing suppliers or advisers is a big mindset change that can have huge benefits." - **Steve Hickman, Sector Lead, Family Business, KPMG in the UK.**

Clarity and consistency are key.

Many family businesses work with their incumbent vendors year after year, being driven to marginally increase cost for slight technology improvements. But this approach can mask the wider opportunity of new tech breakthroughs.

When you do invest, be very clear on what you are doing and why. Showing your teams that leadership are committed to change is critical to success. Breaking the “we’ve always done it like this” mantra is hard. It creeps into implementation and results in tinkering with additions - which can end up costing more. Committing spend to technology that will leap capability forward in the long run drives more efficiency.

“It’s important too to stay the course with technology investment plans. I have seen many times that when implementation is going well, there comes the temptation to strip back and reduce costs. But these costs only crop up again a few years later.” - Steve Hickman, Sector Lead, Family Business, KPMG in the UK.

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There are a few key areas to consider when building your technology investment strategy.

ERP and cloud transformation will become more prominent. Software vendors are increasingly making older systems end of life in favour of scalable, cloud-based offerings which can offer greater security to protect against cyber-attacks. So, should you just replace what you have today or take a holistic view? There is increasing appetite in every area of a business for better insights and this creates a unique opportunity.

The way we buy technology is also changing. Gone are the days of investments in hardware, licensing costs and annual maintenance. It is increasingly common to pay for software as a service on a per user per month calculation which is a completely new way of operating for many to get their head around.

AI and data open a new world of opportunity. Many businesses rely heavily on Excel – and it is a fantastic tool – but it results in manual processes. Automation provides a springboard for growth. The right technology offers data available at the touch of a button and the ability to reimagine processes by removing repetitive tasks. Investing in future-ready core systems is the backbone to collecting data. And everything hinges on good data. Without it you cannot achieve better reporting, automation, process efficiency – the list goes on.

The sky is the limit.

Investing in adopting new technology is a core strategy to becoming a family business of the future and a core component of maintaining the legacy of your family business going forward. Family businesses have navigated change across generations and must now continue to drive change by accelerating their use of technology.