

# Challenges for family offices building in-house teams

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As family offices and high-net-worth individuals increase their expertise in alternative investments, so they need to take a well-planned and focused approach.

In recent years, high net worth individuals (HNWIs) and family offices have significantly increased their allocations to alternative assets. Mainly driven by the opportunity for superior long-term returns and their entrepreneurial experiences and networks, wealthy entrepreneurial families have enhanced their expertise and structures for investing in alternatives. Entrepreneurs have turned from occasionally making business angel investments into building private equity teams – in some cases extending this to the hedge fund, real estate, infrastructure and commodity sectors.

While some have adopted diversified fund of fund-type approaches across all alternative categories, others have focused on their specific areas of entrepreneurial expertise. Yet common to both approaches is a requirement for well-trained and experienced professionals, who possess in-depth industry knowledge and significant dedication.

## Improved structures and well-defined strategy

As a result of the enlarged teams, structures have to be improved. Less organised and uncommitted structures used for occasional business angel projects have to be adapted to the greater complexity of managing multiple projects, implemented by several teams and strong personalities. In addition, changing team structures – depending on the expertise required and the development stage of the targets – often adds complexity.

When making such a transition, remaining flexible enough to adapt to the fast-changing investment environment is challenging. Organisational structures have to be introduced, which allow management to monitor investments effectively and to make the right decisions. These decisions may include introducing fresh expertise to teams, as

well as deciding which specific situations justify consulting external resource and service providers. Doing this requires a well-defined strategy and efficient structures – as well as effective information, resource, knowledge and network management.

A defined strategy helps to focus limited resources and expertise to the best possible effect, improving the chances of generating above-average returns. A well-planned approach should, therefore, enable efficient resource management and decision-taking.

## Effective information and resource management

In addition to management and team structures, high-quality information systems and infrastructure need to be in place. These enhance the transparency of information management, increase efficiency and allow effective decision-taking. Inefficient information and resource management create lengthy decision-taking procedures.

Effective knowledge and network management is essential for managing complex key issues. Yet this should go beyond information management. Indeed, these factors are essential for composing the right project teams.

The importance of the challenges highlighted in this article are realised, generally, by management, yet they have given them little attention. In order to meet their objectives, however, they must place the topic high enough on their agenda to address all areas of concern, adequately.



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