

Technology threatens the survival of Asian family businesses

Shane Meredith, Asia Director – FinTech & Wealth Advisory at Wealth Intelligence - Contemi Solutions, reveals why disruptive technology is the greatest threat and biggest opportunity for Asian family businesses.

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TECHNOLOGIES RANGING FROM ROBOTICS TO CRYPTOCURRENCY to machine learning are reshaping almost all markets. For instance, cryptocurrency and mobile payments could soon make paper currency a thing of the past.

Meanwhile, artificial intelligence, 3D printing, and robotics could make it possible for many companies to manufacture components; they now outsource, in-house. Consequently, many family firms' markets could vanish or change beyond recognition over night.

Technology will shape the future of family businesses

Under these circumstances, procuring and maintaining the capital and credit to finance new technology will be a primary focus of all Asian family businesses. Thus, maintaining high levels of liquid short-term investments; and large lines of credit, will be the primary financial goals of profitable family enterprises.

Therefore, family business owners will seek wealth managers with a track record of offering lucrative short-term investments. Owners will seek lucrative short-term

investments because their businesses will need large infusions of cash to keep up with technological change.

In this environment, wealth managers must become familiar with cash investments, private equity, and venture capital. More family firms will need quick cash and some of them will expect wealth managers to provide it.

Helping family business survive technological disruption

Under these circumstances, family firms will need to behave like start-ups to survive.

Business owners will need to develop contacts in the start-up, technology, and venture capital fields, for instance. Such contacts can alert family businesses to new technologies; and potentially disruptive start-ups, before they become threats.

One-way wealth managers can help with this process is to become familiar with venture capital. Wealth managers can protect family firms by encouraging them to invest in start-ups and new technologies.

Another advantage to that strategy is that family firms can become familiar with new technology before competitors. In addition, family firms could beat competitors to market with new products or services.

Therefore, educating family business owners about technology is one of a modern wealth manager's most important duty. Moreover, managers must teach family



firm owners that participation in incubators, angel investments, and venture capital are vital wealth protection strategies in today's world.

Wealth managers need to keep up with technology

Finally, technological disruption moves at a faster pace in Asia. Thus, Asian wealth managers have an even greater duty to educate clients about technological disruption.

In this environment, wealth managers need to understand the technology their clients' businesses use and potential technological disruptions to clients' industries. Managers need to advise client to maintain

sufficient amounts of liquid capital and credit because technology is expensive.

The modern wealth manager needs to monitor, research, and study technological disruption. Constant research is necessary because disruptive technology is the primary driver of business and financial decisions in most industries.

Wealth managers can profit from this environment by planning for technological disruption. In the final analysis, technological disruption is the greatest threat to family fortunes; and the largest opportunity for family firms, in today's world.

Only wealth managers who grasp that reality and educate their clients about it will make money in Asia.■

