

Assessments Can Help Develop Family Business Leaders

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Assessments, tests, and evaluations are being used more routinely in businesses, and new tools are coming on the market designed specifically for family firms. In our consulting work with families and their enterprises, we've seen that assessments can help firms clarify individual and organizational needs and deeply inform the next steps that family leaders and company directors should take.

Assessments give family firms a source of objective data or information for higher quality decision making. They can be helpful as enterprise leaders consider a family member for promotion within the business, a next generation member's leadership capability and development needs, a family member's potential governance roles within various enterprise boards (business, family council, foundation, etc.), or as a way for families to identify and improve communication habits.

For example, one of our clients identified five mid-level candidates for their next generation of leadership. The company was growing 40% each year and the current president and CFO were ready to move on, so the client needed to assess the strengths of these five candidates and get ready for the transition. We developed a customized, confidential 360-leadership development assessment process that included both quantitative feedback (e.g., ranking on 50 scientifically validated behavioral items) and qualitative feedback (e.g., semi-structured interviews asking "what should this leader start, stop, and continue doing?") The assessment resulted in a 34-page detailed report summarizing the feedback from seven different rater groups (e.g., owners, board, managers, peers, direct reports, family/friends and self) and specific behaviors that could be implemented immediately. More than 50 people provided this performance feedback, which made them

more ready for the transition and guided the company's decisions about promotions, re-assignments, and new hires. (For details see www.AssessNextGen.com (<https://www.assessnextgen.com/>).

Business Assessments 101

Assessments take on various forms – from simple surveys or interviews to complex, statistically robust, multi-rater reporting. Our business, the Family Business Consulting Group, uses a simple form of assessment at the beginning of an engagement by conducting interviews with family members to define what they need and how we might be able to help. Answering the questions helps family members clarify their primary concerns and current challenges as well as the qualities they are looking for in a consultant. The FBCG team then utilizes this information to confirm stated needs and goals and to propose a way forward.

In fact, if family business consultants were asked to distill the steps of their work with families and their enterprises into one sentence, that answer would very likely include 1) assessing, 2) recommending, 3) supporting. Assessing the strengths and needs of both family and business(es) is the foundation of our recommendations for individual and family support and organizational change. The challenge has been that few tools expressly measure and assess the needs of families associated with multi-generational enterprises.

Collecting Data for Better Decision Making

While simply talking with stakeholders can always provide good insights, a wide array of more formal tools helps business leaders generate the hard data that informs sound decision-making. From financial goals to employee satisfaction, auto repair to cybersecurity, one

can find assessment tools to measure just about anything. For example, assessments help business leaders discover predictors of job success – not only the skills needed to perform basic tasks, but also less obvious factors like learning agility and collaboration.

Other tools provide insight into individual and team performance success and the gaps that may be preventing that success. Assessments that generate accurate information about the “softer” elements of effective leadership and human interactions are important in helping family businesses transition leadership and ownership to the next generation in increasingly complex environments. In continuity planning, the older generation may ask, “When is the best time to transfer ownership and control to these well-intentioned but naïve kids?” At the same time, the younger generation is asking, “What can I possibly do to demonstrate that I am capable of running this family business?”

Intuition, gut feeling, or even bias often guide decisions like these. The data from assessments of the next generation’s leadership capacities can confirm or dispel intuition, guide sound strategic decision making for the family enterprise, and reduce the risk of family disagreements about those decisions.

Kinds of Assessments

Many personality and behavior-oriented tools can help individuals and teams better understand their unique traits and blind spots. Behavioral or personality related self assessments like Myers-Briggs, DISC, Enneagram, Hogan, Strengths Finder, etc. are all designed to provide information about how an individual might typically respond or think in any given circumstance. This data can then be utilized to help that person identify and shift less desirable behaviors while deepening their understanding how they can increase their effectiveness. Self-reports can help individuals focus on performance outcomes (e.g., increased productivity and focus) or behavior outcomes (e.g., improved relationships and effectiveness). In our family business consulting engagements, we also use team assessments (e.g., customized 360 leader assessments) to increase team strengths while managing potential conflicts.

Qualitative or Quantitative Assessments

Other types of measurement tools are useful as well.

Qualitative assessments use words, pictures or digital content to describe a behavior or performance while quantitative assessments use numbers to describe a behavior or performance. Both are helpful in different ways. For example, when watching any sporting event there are often multiple commentators. One person provides the play-by-play and qualitative narrative. The second person provides the statistical comparisons and quantitative data.

Personal Assessments

Individual assessments, like those previously mentioned, focus on an individual’s behavior or performance outcomes. For example, when Mark is late to work or exceeds a sales goal, an individual self-report of personality assesses what Mark thinks, even though that may be inaccurate or inflated. Team assessments focus on the commonly shared behavioral or performance outcome of a group. An example would be Mark’s team engagement scores or team retention score after 12 months, or a milestone related to Mark’s family business continuity planning.

Multi-Source Assessments

Multi-rater or multi-source assessments typically ask leaders to solicit feedback from their managers, peers and direct reports in the form of 360 feedback reviews. That data is then shared in confidence with the participant and a plan of action forward is created based on the feedback provided. For example, a 4th generation family member who is being considered for a management position within the family enterprise might engage in an anonymous 360 process to determine blind spots and perceptions that might be addressed to ensure her success in the new position.

Values-Based Assessments

Values based assessments help families identify signature strengths that everyone agrees describe how the family flourishes when at their best. For example, a family that determined their top signature strengths included “gratitude, fairness and spirituality” were able to hone specific behavior practices by family members that were consistent with these strengths.

By definition, effective family leadership goes beyond managing a successful enterprise. It also includes managing the productive behavior of stakeholders – both family and non-family; providing clarity about the

strategic direction they are going; and upholding stated values of both the family and of the enterprise. Great leaders understand the impact they have on each of those stakeholders and how to accurately “read-the-room.” Assessing and developing these “softer” interpersonal complexities of leadership within the family enterprise – alongside more traditional types of benchmarking assessments – can provide solid data-driven evidence for the development and continuity of effective family leaders.

Conclusion

Through our ongoing work with complex family enterprises, we’ve seen that many factors affect planning for succession, governance, and leadership roles, particularly when family members are being considered for those roles. We believe families could benefit by utilizing assessments that provide additional data that can help them make sounder decisions about future leadership and governance – and ensure the continued success of the family’s business, foundation, family office, or family council.