
Family enterprise leaders need extra social skills

'Emotional intelligence' has been highlighted as a requirement for CEOs.

Family firms must redefine the term to encompass additional competencies.

By Fredda Herz Brown and Fran Lotery

SOME FAMILY BUSINESS SUCCESSORS, while well prepared for the technical and financial aspects of the job, seem less prepared for a potential leadership role. The following vignette may seem uncomfortably recognizable.

George and his sister, Dianna, grew up expecting to enter the family business. George always told Dianna that he would be president of the company. He was pushed on by his desire to win his father's approval (finally) and to make up for what he perceived as his father's leadership failings of the last 25 years. Dean, their father, had been successful by most standards, but George thought Dean did not lead well. George had convinced himself he could exceed his father's success.

Against this backdrop, George entered the business after getting experience in two different companies. While he had enjoyed his work, George had been less than successful according to everyone's viewpoint but his own. He believed he had been given bad deals or weak team members, or had not had the cooperation of others. He asked Dean for a job after the last of the two outside jobs ended. Dean knew George needed to understand selling if he was to be successful in the family's distribution company and therefore offered him a job as a salesperson. He also wanted to capitalize on his son's talent as an outgoing guy.

George did well in his position, racking up sales. However, his way of operating with others left much to be desired. He liked shortcuts, did not think company rules applied to him and treated his fellow team members as if their job was to assist him. He believed that because he was part of the owning family, he deserved respect. He loved

being part of the owning family and did not hesitate to use the family name to his advantage. He even told several of his superiors that when his father retired, he would succeed him as president and CEO.

Although George was extremely capable at sales, he showed little patience for long-term strategy and did not hesitate to offer his opinions even when he lacked background information or experience. When sales were up, he took the credit, and when they were down, he blamed the other salespeople. He made no secret that he lived the good life and appeared disinterested in how his bragging affected others.

Dean suggested that George attend executive management meetings before he was promoted into an executive position. During these meetings, George did not hesitate to offer his opinion even when he knew nothing about the discussion item or the impact of his proposed solution. At

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times, he even diminished or overrode the input of others. He seemed to show little respect for the other people's senior position. Dean was mortified. "This will never work," he thought. "My son needs to wake up."

George did not seem to be self-aware enough to know that if he were to succeed his father, given his current behavior, he would likely have difficulty motivating others to follow his vision, even if he had one. He appeared to behave as if authority should be his because of his lineage, not some-

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thing he needed to earn.

What price would the family or the company pay if George succeeded his father without learning how to develop the emotional competencies—what has been referred to as emotional intelligence—necessary to be an effective family leader?

What is emotional intelligence?

In 1990, researchers Peter Salovey and John D. Mayer coined the term emotional intelligence (abbreviated as EQ), describing it as “a form of social intelligence that involves the ability to monitor one’s own and others’ feelings and emotions, to discriminate among them, and to use the information to guide one’s own thinking and action.” This definition also holds true for family enterprise leadership but in and of itself is limiting. Emotional intelligence redefined for these enterprises must address the need for an additional interpersonal and social set of skills in order to sustain the

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enterprise across generations and branches and through business growth challenges—an EQ that accounts for the unique and often confusing nature of family relationships and culture. This expanded definition takes into account the need for leaders to:

- Manage the complexity that results from the mix of feelings expressed and emotions observed in multiple stakeholders.
- Possess the capability to put their own self-interests second to the interests of the greater family enterprise.
- Think in terms of a story that articulates an inclusive vision for all family members.
- Be a calm presence in the face of family conflict and tension.
- Understand how unresolved tensions or discord from the past can and will play out in the present during times of transition and succession.
- Have the ability to manage the complex interactions between family members.
- Understand how their own emotions, behavior and attitudes can influence, negatively or positively, family interactions, relationships, harmony and satisfaction.

While family enterprises often prepare their offspring educationally for the kind of work they may do in the family’s company or companies, they frequently do not consider how they might prepare them for dealing with the intricate balance of tensions between the emotions of ongoing historical relationships as well as managing the relationships to other stakeholders. Everything about the family business is personal and emotionally charged. The interaction of family dynamics, the historical foundations of the enterprise, current growth needs and challenges, ownership transition, the needs of family and business life cycle changes and, of course, the ways in which past decisions and experiences get carried forward into the present create a complex stew of complementary and conflicting wants and needs of the stakeholders. While it would be nice and convenient to say that one must keep the emotions and the family out of the business decisions, it is clear that the most one can hope for is balancing the tensions of both forces.

We have evaluated the performance of more than 40 next-generation family business leaders through a 360-degree survey process. This process, which we call the Family Enterprise Leadership System (FELS), involves the objective and subjective input of more than 500 raters made up of working family, non-working family, peers, subordinates and senior leaders. Preliminary findings indicate that EQ competencies like emotional self-awareness, accurate self-assessment of strengths and weaknesses, self-management, social awareness and the ability to manage family relationships are considered more important than organizational, business or technical competencies.

These findings seem to be consistent with emotional intelligence research conducted in the corporate world. The general conclusion is that EQ competencies contribute at least 80% to 90% to the qualities that distinguish outstanding organizational leaders from average leaders (Daniel Goleman, Richard Boyatzis and Annie McKee, *Primal Leadership: Learning to Lead with Emotional Intelligence*, Harvard Business School Press, 2002).

Bolstering the successor’s EQ

For George, a commitment to understanding the emotional history of the family and its values and culture—and how those are important to the company—would be a good beginning. Next, Dean should provide opportunities for George to get accurate feedback on his performance, including how he behaves toward and with others. Next-generation leaders often do not have a structured development plan that targets their development needs and builds on their strengths.

Since George has limited experience outside the sales area, it would be helpful to create an internal advisory group charged with helping George grow. He could be assigned to a cross-departmental project that aligns with the overall strategic plan of the enterprise. At the same time, this would provide George with opportunities to be part of a team responsible for driving results. In regular meetings with his advisory team, he might get some feedback and assistance in identifying behavior that impedes him from build-

ing credibility and respect and achieving results. Further, it is important to place him in situations equal to his level of experience, rather than letting his family status define what meetings he should attend. This will also aid a redefinition of what it takes to be a leader.

Showing others he is capable of teamwork would go a long way toward building trust not only among employees, but also among other stakeholders. George needs to know that leadership is a role you grow into, not one that is given by family name or ownership. He, his father and other family members might provide some direction to overcome his sense of entitlement.

George has some strengths to build on. His outstanding sales ability shows that he is capable of listening to others and meeting their needs. He can learn to be more emotionally intelligent. He needs the unique set of capabilities required of emerging leaders in the family enterprise that go beyond cognitive ability and business acumen.

Family enterprise leaders' extra burden

There are many aspects of leadership that are similar in all business entities, such as ensuring positive ROI to shareholders over time while adhering to ethical and moral standards. But leaders of a family enterprise are pressed to do more. They must also manage the tensions that arise when members in a family are partners in owning or managing a business. And in a family that shares a growing portfolio of assets that may include a legacy business, emotional intelligence is especially important because leadership and, consequently, succession challenges multiply.

Luckily, emotional intelligence is a learned rather than innate capability and can improve with practice, experience and genuine, thoughtful feedback. It is in this way that the next-generation leader can develop the foundation needed to shift from what might be for some a burden of leadership to the intrinsic and extrinsic rewards that come from successfully stewarding one's family into the future. **EB**