

Hello. This is Wayne Rivers at The Family Business Institute. As always, thank you for tuning in. Please go to YouTube and subscribe to our channel so you don't miss any of our blogs. We would like to have your comments below. And, if you have any ideas about future blog topics, things that interest you or plague you in your family business, please let us know and we'll do a future blog and try to maybe get some of those questions answered.

This week, I want to talk about a fact, I think. Intelligence is overrated, and, ultimately, try to answer the question, what do your successors in your family business need? So, I was reading last week, and I saw this statistic. I think it was in some meme on social media somewhere, so I immediately discounted it, thinking it had to be foolish, but I checked it out, and it comes from the Carnegie Institute, and they said that 85% of your financial success has to do with your skills in what they refer to as human engineering. That's emotional intelligence, empathy with other people, and there was one other thing. I forget what it was, but look it up yourself. Carnegie Institute, 85% of your financial success is due to your people skills in so many words.

Well, I was intrigued with that, and I have some other support information to back that up, but keep in mind, a caveat here, they were talking specifically about your financial success, but I'm willing to bet that if other studies are out there, that your people skills contribute to your success in all other walks of life, too. It's probably not just your financial success. I think this was the focus of the study, but I'm willing to bet that that statistic is probably true. Your emotional intelligence contributes to your effectiveness in so many areas of life.

When it comes to succession, the research, the family business research on succession seems to always focus on professional development, technical skills, and certifications and designations and things like that. It doesn't focus enough on personal development and people skills. There's just too much effort and emphasis on the technical aspects of our businesses and not nearly enough on the people aspects of our businesses, so when it comes to this next generation successors, we don't have good evaluation metrics, the metric that family businesses use the most, and you've heard me lament this before, is hours worked because you can see somebody rolled in the door at 7:00 and they left at 7:00 PM, and Golly Moses that person put in 12 hours so he or she must be fanatically committed to the success of the business. Well, maybe they're just poor workers. Maybe they're inefficient. Maybe they spend all their time on the phone or answering emails or something. Work hours is a really flawed metric for whether people are good at, committed to, successful in your family businesses or not.

The other thing that technical emphasis disregards almost is a support network. Most young people, your 20 and 30-year-olds, in your family business today, family or non-family executives for that matter, don't have much of a support network out of work. They don't have any peers or they have very few peers with whom they can talk and share ideas and issues and challenges and try to find solutions and things like that. There again, focus on the technical crowds out the people aspect.

Let's talk about what your successors actually need. Well, there's this thing around ... Daniel Goleman came up with it a long time ago, called EQ, Emotional Intelligence, contrasting EQ with IQ, intelligence intelligence, problem solving intelligence. EQ is Emotional Intelligence. It's understanding people, empathizing with people,

sensing their needs, understanding your own needs and being self-aware, and that's the second thing that your successors need is they need to work on themselves. They need self-development, they need to have constant constructive feedback through 360-degree instruments or executive coaching or things like that. They need feedback on themselves and how they can improve. It's not just technocrats, but as leaders in your business.

They need a peer network. They need people they can talk to and share with, challenges, opportunities, ideas, innovations, all those things. You can rely on them, I suppose, as being younger to certainly bring you things from time to time, but wouldn't that learning curve be shortened considerably if they also had a peer network that they could tap into to bring them ideas so they could bring them back to the senior leaders in the family business?

They need training on communication, primarily on listening. Listening would be the number one thing. They also need training on another aspect of communication, which is vital in business if you think about it, and nobody ever talks about this. They need some training on negotiation. Everything in business from deciding whether or not to give an employee a raise, to negotiating with a customer. There's so many things in a family business, even inter-family conversations, especially if they result in disagreement, requires some element of negotiation. That's an important piece of the training.

Then one of my favorite pet peeves, I know you've heard me talk about this before, your successors need training in managerial finance, not compliance finance, not putting the right number in the right box on a silly tax return, not making sure the balance sheet balances. You ought to have people to do that for you, but managerial finance, which numbers are really important in my business? What metrics do I need to really look at and focus on? What key performance indicators, KPIs, do I need to be looking at in my business to know that we're on the right track or the wrong track?

Basically, the public accounting industry has sprung up, and it's all about trying to save taxes at the end of the quarter or the end of the tax year, and what I'm saying is the training there is misplaced when it comes to your successors who will run your business in the future. They need managerial finance training, not compliance accounting training.

Ultimately, what your successors need to learn is to think like businessmen and businesswomen. It's not so much that they're task doers or technicians in your business or they're really good at IT. Those things are fine, but for the people that are really going to run your business in the future, that are going to drive your future success, they need to be leaders, and the way they get to be leaders has a lot more to do with who they are as people than what they can do as technicians.

We'd love to have your comments. Thanks very much. This is Wayne Rivers at The Family Business Institute.