Talent Management in Family Business

Adopting a talent management system can ensure the right people are working for your organisation, according to Dr Melrona Kirrane, Lecturer in Organisational Behaviour at DCU and Professor of Leadership at PNU, Riyadh.

The focus of traditional approaches to employment was on skills & education, duties & responsibilities, experience and some characteristics of the employees. The focus of talent management includes these features, but also considers elements such as traits, behaviours and indeed talents of the employee. Talent management involves three core elements: selecting the right people, engaging, managing and retaining them, and developing their potential. Talent management emphasizes that people are not your most important asset, the right people are. This means having the right people with the right skills doing the right job at the right time at the right cost. This approach to employment is underpinned by a guiding philosophy which emphasizes an holistic view of the employee population and regards the workforce as a valued entity. Organisations taking this approach provide guidance and support to staff to help them achieve their full potential, and it is anchored in the strategy and shared vision of the purpose of the organisation.

There are five core elements to talent management:

1. Identify and Assess Existing & Needed Talents
2. Hiring and Developing Staff
3. High Value Appraisals
4. Understanding Compensation & its Impact
5. Turnover and Succession Planning for the Future

Central to each of these components is the requirement for accurate measurement. Critical metrics are segmented turnover data, readiness levels for key positions, segmented engagement levels, number of strategic/critical jobs unfilled and percentage of inside vs. outside hires for leadership and critical jobs. While implementing such a process in any organisation is a considerable undertaking, implementing it in a family business brings further challenges: the businesses may not recognise the need for change due to historical success; norms of kinship systems may be at odds with economic rationality; emotional impediments, such as parental altruism, lead to the wrong family members being selected for positions in the company.
One of the biggest issues in family businesses is succession. Failing to consider the successor’s capabilities is one of the primary causes of succession failure (Kets de Vries, 2011). Of businesses involved in family succession, only 30% are expected to survive the first generation, 15% are expected to survive to the third generation while less than 3% are expected to survive to the fourth generation.

Problems for incumbents include loss of power and confronting their mortality. To feel capable of relinquishing control, the owner has to have trust in the offspring’s capabilities. This depends primarily on the offspring’s skills, previous work experience outside the company, and demonstrated commitment to the company.

Problems for children include not being considered a viable successor, lack of trust, and doubts about their competencies. Overall, males are preferred for succession, even over first born daughters. The best time for a son to succeed his father is when the father is aged between 50–60 years and the son is aged between 23–33 years. Problematic issues that may arise between fathers and sons concern their separate needs for power, identity and achievement.

Generally speaking, the succession rate of daughters is very low (2%). One reason cited for this is the incumbent’s (father’s) desire to protect her from the cut and thrust of the business world. Issues that may arise for daughters include role conflict between being “daddy’s little girl” and being a businesswoman. There is also the double message received by daughters to provide grandchildren while simultaneously being warned against neglecting the business. Interestingly, women-owned family businesses are 1.7 times more productive than those run by men and are six times more likely to have a female CEO. One explanation for this is that women’s “feminine qualities” (e.g., conciliatory, attentive, supportive, cooperative) render them very suitable for dealing with the challenges of managing conflict in family firms.

Sibling rivalry can also appear when ego, stress, disagreement, or inequality is perceived among brothers and sisters. It may be inadvertently increased by parents when they engage in comparisons between siblings. Clear division of responsibilities can help avoid this conflict.

Overcoming these issues is not easy and often an external agent can help facilitate the process. It is also important that family members take some steps to render themselves appropriate successors and so earn the trust of other family members in their abilities and competencies to move the business forward.

The following are some recommendations for family members in family businesses:

1. Get an education (e.g., financial education can be largely helpful) and define your career goals prior to taking over the family business.
2. Find a mentor.
3. Gain experience at an outside organisation.
4. Don’t take over the business unless you feel a passion for it.
5. Have your own standards, not those of your parents.