

The Importance of Performance Evaluations for Family Businesses

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Regular performance reviews provide a legitimate platform for assessing every employee, but the opportunity they provide to both complement and offer constructive advice is even more critical for family members.

Strong emotions and a shared history can make it difficult for family members to mentor, guide and even criticize each other, even when it is best for the employee and the company. The tendency to avoid confrontation, although based on the best intentions, can have serious side effects.

As a family business grows in scope and magnitude, becoming more sophisticated and complex, it is important for the family to embrace best practices that support the operations, management, financial, sales and marketing and human resources components. Ensuring that all employees, especially those who are family members, maximize their skills and continuously improve their effectiveness and efficiency is essential for the company's future success and sustainability.

To accomplish this, the company should establish performance criteria and assessment methods that everyone adheres to within the organization. In this way, family members are not singled out, either for undeserved praise or punishment, and they benefit from following the same process as everyone else. They should be setting goals, establishing benchmarks and monitoring milestones while being held accountable for achieving their objectives. With this procedure in place, compensation and advancement can be merit-based, with proper documentation in place to support HR decisions. Regular check-ups can also help the family, minimizing 'surprises' and creating a fair measurement standard for all.

Some simple steps to make the performance evaluation process easier for family members include:

- Provide a written job description. This is the first and most basic step necessary to navigate along a career path.
- Establish specific measurements for performance, using metrics that help the employee understand their own success and how they are contributing to the family business' success.
- Determine what training will help the family member. To perform at peak levels, everyone needs access to the proper tools and resources.
- Agree to meet regularly to track progress. Catching problems early can help mitigate end-of-year challenges that are more difficult to overcome once they have gotten out of hand. Feedback offered during these sessions must be reasonable and objective if they are going to make a positive impression and instigate cooperation and even change when necessary.
- When changes do need to be made, collaborate and decide together how the family business member/employee can effectively implement the suggestions. Taking ownership over behavioral changes can lead to greater acceptance and commitment.

Every family member/employee should understand the value they add to the company through their interaction with staff, customers/clients, vendors, suppliers and the community. They can be more productive and useful when they have set goals and the tools to do the job well. They

will also be more mindful of attaining their milestones and be more accepting of feedback when it is delivered with the intent to help them continuously improve.

Our conclusion is this: do not short change your family members by refusing to conduct performance evaluations. They will gain from the experience and so will the family business!

Some of the information used in this article was researched at:

Ahola's BreaktHRough. "What Your Family Owned Business Needs to Know About Compensation, Evaluation and Employment Policies."

www.family-business-experts.com/performance-evaluation. "Performance Evaluation: Why Bother? For the Benefits!"

www.famil-business-experts.com/performance-metrics. "Performance Metrics: Work Not Measured Cannot Be Managed."