

A Voice of Authority in Mergers & Acquisitions

A Test for Success

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When considering transferring your business to a son or daughter or establishing a new partnership, the folks at Robbinex strongly believe in the power of psychological testing. Although testing does not guarantee success in any activity, it does indicate the propensity to fail. In essence, the test, coupled with competent analysis will aid in determining whether a person has the skill set, motivation, desire and personal psychological habits that would give them the opportunity to be successful.

Many parents mistakenly assume their children are as capable as themselves. If the parents are intelligent and motivated, it is generally believed that the children will also possess these qualities. However, what is often overlooked is the fact the parents have acquired a lifetime of knowledge and when confronted with a difficult situation, they can draw on their experience and accurately select the best course of action based on what has previously been done. In comparison, a child has little to no experience in the business. They have no source or past examples to apply to a distressing situation. Parents often expect their children to step in and assume responsibility of the business when they are 25 or 30 years. It has been confirmed, time and time again, that this approach often leads to disappointment.

One such example occurred in the early 1980s. The assignment was to organize an intergenerational transfer between a father and his son. The family was extremely proud to be passing the business on to the fifth generation. The son was 29 years old and had been working in his father's florist business since the age of 17. In November, as soon as the transfer was completed, the parents departed for Florida. Upon their return in April, the father discovered that his son had lost almost \$80,000 during a period when the company would normally make \$60,000 -70,000. He severely criticized his son and his impulse was to sell the business immediately.

After reviewing the situation, it was discovered that the son had little understanding of financial management or accounting principles. He was not involved in the purchasing of product and the only advice provided to him on the issue was that 'you can't sell from empty shelves', so he consequently doubled his orders at both Christmas and Valentine's day regardless of the

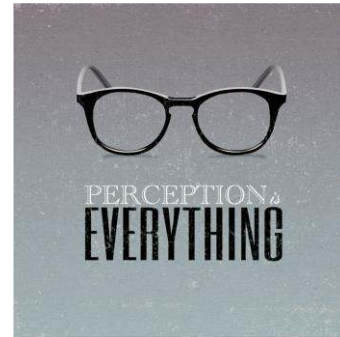
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We provide our clients with experience-based knowledge to maximize the value of their companies, to help them make:

...the right exit decision,

...at the right time

...for the right reasons.



fact that the majority of Christmas product no longer sells after December 24, and that roses drop in value by 50 - 60 % the day after Valentine's and have a very short shelf life. His primary responsibilities, prior to taking over from his father, were as a floral designer/arranger and his focus was on organizing and arranging high volume deliveries within the community.

Subsequently, they were introduced to an industrial psychologist who fully assessed the son's strengths and weaknesses. It was uncovered that the son was not only insufficiently trained on critically important business functions, but he also suffered from a mathematical learning disability. This revelation enabled us to establish a corporate structure that met the needs of the business and the son. An outside controller was recruited who then conducted all of the financial management and facilitated some of the purchasing decisions. The son has now been successfully operating the business for more than 20 years.

Another scenario for psychological testing is for business owners with multiple children who have an interest in the business. In one case, we assisted a business owner with three sons—the two oldest were already involved in the business while the third son was requesting to be part of it. Psychological testing indicated the oldest son, 49, was most likely to succeed with the business, while the second son, 42, was more inclined to do well in a different type of business. Through proper family planning, financing was made available for the second son to acquire his own business. He admitted he really didn't care for the family business and was happy to be moving on to something else. The third son was convinced by the results of the test that he really was quite happy and very successful practicing as a lawyer and decided to remain in the legal profession.

A secondary purpose for the psychological assessment is to determine the compatibility of those working together. This can include siblings, but more specifically, partnerships. For example, if tests are completed by two individuals, it can determine whether they will work well together, what they need to do to work effectively, if they have difficulties working collectively and what steps they can take to minimize frustration and stress caused by their proximity to each other. At Robbinex, we strongly encourage all developing partnerships to benefit from psychological assessments and to meet with an industrial psychologist to determine whether the partners have the ability to work together on a long-term basis.

A psychological test known as TAIS is composed of 144 multiple choice questions and takes approximately 35 - 40 minutes to complete. After completion, a computer analyzes the data and creates a 40-page report outlining the variances in the 20 major motivational measurements for the psychologist, who will then arrange to meet to further assess the person(s) and make the appropriate recommendations.

This program can be quick, painless, relatively inexpensive and provide powerful assistance to making those life altering decisions we are often faced with.



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