

# AUGMENTING THE FAMILY TALENT POOL

Non-family executives can face particular challenges once in the fold of a family business. **Dennis Jaffe** explains why it is vital that non-family executives feel their future is dependent on performance and not on their political alliances with family leaders



A family business can grow much faster than the family talent pool of executives needed to lead it. At some point in time, a family must begin to recruit talent outside the family. But working for a family business can present special challenges for non-family executives, and for the family. Not all families are clear about the benefits they can derive from

engaging non-family executives, and not all executives are interested in working in family businesses.

A non-family executive can bring a lot to the business, offering business skills and an objective view that contributes to the management of the company. The presence of such a person can bring credibility and capability to the family business. But too often, families focus on the benefits they bring to their business without considering how they can benefit the non-family executive. Or they wait too long before bringing in the people they need, do not recruit the level of talent they need, or inadvertently discourage the people they hire by making it difficult for them to do their jobs well.

To recruit the talent that it needs, the family must be clear with each other about what they offer the non-family executive. The family must prepare itself for the entry of new talent by clarifying its own policies and practices for family employees. While an executive may be comfortable knowing that a family member will probably head the business, the presence of several family members within the company can present a real barrier to attracting talent. Non-family executives need to know that they will be evaluated and offered opportunities for advancement based on their performance, not on the basis of making political alliances with family leaders.

An independent executive may feel that the family has a culture of loyalty and obedience, rather than focus on measurable results or performance in the marketplace. An environment that resembles the fable of The Emperor's New Clothes may result when everyone knows that something is greatly amiss, but nobody can voice it. What type of executive is attracted to that sort of business culture? Only one who views loyalty as being above capability and whose qualifications are their willingness to be obedient. Such a culture severely inhibits a family business



*Black sheep? Non-family executives need to operate as part of the flock*

from growth, innovation and development and fails to attract capable, highly motivated executives.

Other family businesses suffer from a variety of maladies that inhibit successful performance by non-family executives. Some family businesses that are inward looking – where family members compete with each other for status in the company – may neglect to focus on the market, customers and real competition. Other family businesses are overtly political, requiring non-family executives to ally with one or another faction of the family. In these, family rivalries are imported into the family business to the detriment of the non-family executive and the business. Some families recruit executives whose willingness to subordinate themselves is greater than their talent. One of the signs of a dysfunctional family culture is the inability to tolerate managers who are more talented or capable than the family owners. Family businesses with these maladies find it difficult to retain top quality talent and fail to attract the most capable non-family executives. The ones who remain may be the most loyal but not the most capable.

Another dynamic that limits the performance of the non-family executive is what is called a 'triangle'. This is a dynamic where one family member creates a strong bond with the newcomer, instead of facing an issue in their own family. For example, a parent may confide in the executive their feelings about another family member, putting the non-family manager in a bind. By accepting a special relationship with one family member, the cost is that another family member is excluded. While a non-family executive can be close to a family member as a colleague, the executive must be aware that this can contribute to dysfunctional family relationships. If the manager makes it clear that they are not comfortable hearing about personal or family issues, or feels that the issues should be dealt with directly by including the person who is being talked about, they avoid finding themselves in a dilemma where family relationships make it difficult to pursue their business objectives.

While dysfunctional dynamics within the family are not uncommon, fortunately, they are not the rule. Many family businesses have sustained several generations because they have successfully overcome these tendencies, and offer real authority and responsibility to non-family executives. The dealings of these families with non-family executives have several qualities that differentiate them from the inward-focused, politicised family businesses.

The most successful family businesses recruit and develop non-family talent honestly and transparently. Take the example of a business owner who recruited a

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non-family leader close to his own age, by making it clear that part of the role was to mentor his son. Since the non-family leader was 15 years older than the son, he was able to talk candidly about his tenure being not more than a decade, after which the son would take over, if he was ready. These expectations were shared openly and understood by the father, son and non-family executive from the beginning.

While it may be tempting to dangle vague promises about what might be offered to the non-family executive in the future (if the company goes public or ownership is diluted) a more realistic course would be to offer performance bonuses and the possibility of a large pay-out after a successful tenure.

Business-owning families enhance good working relationships with non-family executives by being honest about difficulties, and going so far as to set up a neutral party as mediator of conflicts. In one family the family elder was candid about his difficulty in sharing power, and asked the non-family executive to help him with this. He offered a contract that had generous terms if the executive were dismissed, to give the executive added incentive to put up with the struggle that he would likely have with the family elder. Other families designate independent board members or outside advisors to monitor the relationship between family leaders and their non-family executives. Such safeguards contribute to good working relationships between family leaders and non-family executives.

Transparency serves both the family and the non-family executive. Just as it is important within the family to share financial and business information, such data should be shared with the non-family executives. If an executive is not trusted with financial informa-

tion on how the business operates, he or she will find it hard to trust the family, or be candid with them about these issues. Transparency can further benefit the family by providing the non-family executive with clarity about how best to make a measurable difference. Effective family leaders are candid and upfront about roles, responsibilities and rewards of family members. If the family has a policy about family employment it should be clearly stated and shared with the executive. Non-family executives need to know that if a family member is an employee they will be assessed on the basis of their performance, can be challenged, disciplined and even considered for removal from the business. Clarity about roles, responsibilities and performance measures affirms that the business is operated as a business, and not as an extension of the family.

Leadership succession is an especially delicate process in all family businesses, and non-family executives can play beneficial roles. In some cases, the family shareholders may recognise that the non-family member is the best person to lead the company forward. In others, the non-family executive may be called upon to mentor and develop a family member to ascend into a key leadership role in the next generation. Still other cases call for non-family executives to share leadership with family members as part of the leadership succession plan. A healthy family business can look at the strengths

and weaknesses of family leadership, and assess what they need to complement it from non-family talent. In one company, a young family member was named

CEO, and a non-family executive was named president with authority over key functions.

Virtually every family business will face a point in time when they turn to non-family executives to play integral roles in continuing the family's success. By allowing for candor and real influence from a non-family executive, the business begins to pass wholly, or partially, into the hands of non-family leaders, and the family owners take on new roles: as owners and stewards; sustainers of the family's values, and parents to family members entering or remaining in the business. Some family members decide to work in the business, in leadership roles or positions similar to those of other employees. The rest of the family must learn new roles as owners, board members, or active shareholders. In such businesses, a family member may become CEO not because of family privilege but as the most capable person chosen to lead the business, almost always in some form of partnership with key non-family executives.

Some businesses fail because they cannot make the transition from total dependency on family members, but the most successful family businesses recognise the value of highly capable non-family executives. These businesses continue through multiple generations by recruiting exceptional non-family talent who hold the authority necessary to successfully manage the family enterprise, including working collaboratively with family leaders and developing the next generation of family leadership. Successful family businesses are characterised by their successful non-family executives. ■

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