



## Employing Non-family Managers – the ‘When’ and the ‘How’

---

One of the things that make family businesses such interesting – and occasionally fractious – organisations is the interaction of those within the family circle with those outside it which can result in anything from a harmonious synthesis of complementary styles to jealous and bitter tribalism.

CFB’s **Philip O’Donnell** starts from the beginning: the decision to bring non-family staff into the management fold.

---



Curiously, the place of non-family staff at the top management table has been a subject of division, with some of the most successful and progressive businesspeople arguing **against**. Sam Steinberg, a self-made Canadian retail mogul, was particularly (some may say recklessly) keen to keep his supermarket business a family affair: *“That business was built specifically for my family. Anybody [from my family] who wants to come in, there’s an open place for him. If the business is destroyed because of that, so be it.”*

Most, though, would take a more measured perspective, **favouring** instead the logic of investor Warren Buffett, who likened the familial retention of power and wealth within family businesses to *“choosing the 2020 Olympic team by picking the eldest sons of the gold-medal winners in the 2000 Olympics”* (Johnston, 2001). Of course, underpinning Buffett’s argument is the idea that the world of business is an out-and-out meritocracy, and in the long run – which generally corresponds to the distant planning horizons of family business owners – it usually is.

So for those businesses that aspire to growth and resilience, recruitment provides an opportunity to bring in the specialist skills that they themselves lack. Therefore, it is no surprise that the first executive position to be filled by a non-family member is often that of CFO (Jeuschade, 1998).

Another reason that firms hire non-family members is to **“professionalise”** their business (Klein, 2000). This, though, should come with a note of caution: “professionalise” is a subjective term that

can create different expectations among different people. Consider, for example, an aspiring young candidate that is attracted to the prospect of working for a small but well-known family business that is “professionalising its structures”. Would it be unreasonable for that candidate to think that within these professional structures he/she will be given an equal opportunity to ascend to the top positions? Certainly not, but perhaps the current family CEO sees professionalisation merely as moving to an electronic invoice system, and has no intention of considering anyone other than his own daughter as heir to his throne.

For the owner of a family business, particularly a small one with close familial ties within it, an interesting angle from which to view this issue is from that of a prospective employee, and of the small body of academic research that exists in this area, some of the most enlightening insights come from this approach. To summarise, an owner/CEO is expected to deliver on a number of (sometimes implicit) expectations:

- Application of quality corporate governance structures which protect the influence they may assert on business decisions and information sharing (Klein, 2007).
- A legally sound employment contract, and transparency vis-à-vis the company’s financial position (Aastrachen, et al., 2002).
- A willingness to delegate tasks (Becker, 2005).

So the question of **‘when’** is not only a business decision. A prerequisite of the appointment of a non-family manager is the realisation that, for the business to gain power in the long-term, the family may need to cede some power in the short-term.

And the **‘how’**? Ascertain the career expectations of any potential managers, and align them to the decision-making structure that you want to promote. Ensure that they know the values that the family brings to the business (Dyer, 1989), and the cultural idiosyncrasies that they will be expected to abide by. One of the most pointed findings of academic research in this area is that the personality and character of prospective non-family executives “are more important than professional attributes (Klein, 2007). If the fit is right, and if that synthesis is struck, then the future – for the business and for its newest employee – is bright.

*Dr Eric Clinton, Director of DCU Centre for Family Business, will host a **webinar on the role of non-family executives on 1<sup>st</sup> March 12pm – 1pm.***

*Please visit our website [www.dcu.ie/centreforfamilybusiness](http://www.dcu.ie/centreforfamilybusiness) to register.*