Creating Win-Wins for Non-Family Executives

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As family businesses grow and prosper from one generation to another, it is not uncommon for them to bring in non-family executives to round out the expertise of family members. When family businesses survive well into the third and fourth generations, there are generally more non-family executives than there are family executives involved in the company. Consequently, there are hundreds of thousands of non-family executives working in family businesses across the country. While the role of non-family executive is one of the most critical roles in growing family enterprises, it is often considered one of the most confusing and complex. It has been my good fortune to learn what non-family executives want, directly from the nearly 100 of these business executives that I've coached, interviewed, and surveyed over the past decade. Additionally, I have personally served as a non-family executive, and have reported directly to four different non-family chief executive officers. I have also had the opportunity to talk to many family owners as well, and it is my conclusion that in order for families to successfully pass from one generation to the next and for businesses to flourish, there must be a win-win for family owners and for non-family executives. To create a win-win for family owners and for non-family executives, family owners must:

1. Find the right person for the job

Due diligence is critical when looking for someone with the right fit to be a non-family executive for your company. Successful non-family executives should have all of the following characteristics:

A. Be competent and have a proven track record of success in your industry or a similar one.
B. Have the ability to stand up to the family when needed, and the judgment to know when it is not, because although a healthy ego is good, arrogance is not.
C. Have empathy for the family owners because the owners' names are on the door, not the name of the non-family executive.
D. Understand that a family firm is different from a public company with regard to goals, dreams and hopes for both the family and the business.

2. Speak with one voice

If 10 different family members tell a non-family executive to do 10 different things 10 different ways, the non-family executive cannot possibly win and neither can the family. That's why it is critical for the family to get together and decide who will be the official "voice" of the family. It could be the family chairman of the board of directors or the chairman of the family council, but it is imperative that this leader solicit feedback from the family and for the family to reach consensus, if possible, before directing non-family executives.

If the family owners do not have an owners council or a family council, that should be the very first order of business. The saying: "United we stand, divided we fall" has great relevance for families who want their businesses to prosper. There are many books on how to start a council, as well as consultants who can help you.

3. Be able to share your vision for the family and the business

You should be able to clearly articulate your family's vision for both the family and the business to the potential non-family executive early in the interview process.

In order for non-family executives to be able to move your family in the direction you want to go, they need to know your vision for the family. Do you want the business to last from one generation to the next, or do you want to get the business ready to sell? They also need to know your vision for the business. Do you want the business to grow incrementally over time, taking few risks, or are you comfortable growing quickly while taking lots of risks?

Again, the key is having an active council comprised of family members so that the family and ownership group can come to a clear understanding around their vision, and then share this with all stakeholders in the system, including the non-family executives.

4. Reward non-family executives fairly

While making a healthy profit is the motive for most businesses, it might be equally important for some family owners to make sure that any family member who wants to work in the family business can. While that can be an acceptable priority, if the result is the company has to keep a low-functioning family relative employed — and this affects profitability, this could be experienced as unfair to a non-family executive if their bonus is based on profitability. If having family members employed in the business is important to the owners, the family should make it a goal for the non-family executive, and the bonus should have a mechanism to reflect meeting that goal in addition to profitability.

In addition, my research indicates that while non-family executives appreciate financial rewards, they also value non-financial rewards, such as being invited to family functions and being given creative gifts or acknowledgements. One very enterprising family had a proclamation signed by the entire family board to congratulate the non-family chief executive for meeting his goals.

5. Give your non-family executives the opportunity to hear what you want

Many successful non-family executives claim family owners are their greatest resource. By taking the opportunity to truly listen to the family, non-family business managers and leaders have been able to give the family exactly what they wanted. It is up to you to invite the non-family executives to meet with you formally and informally so you can talk to them and get to know them. Formally, the non-family executives should be invited to family council meetings both to speak and to listen. Informally, you could invite the top non-family executives to dinner the opening night of your family assembly meeting or to lunch just prior to a board meeting. The main point is for you to understand them and for them to understand you. As Stephen Covey says, "The deepest need of the human soul is to be understood."

6. Do not gossip about your family members or non-family executives

As tempting as it might be to tell your executives not to be concerned about the "piddling issues" of your "little sister" when you are frustrated with her, you do your sister and your non-family executives a great disservice if you do. If the non-family managers see you downplaying her importance to the business, they might start doing the same thing, or worse yet, they might feel as if they have to take sides. The same goes for talking behind the backs of your fellow non-family executives.

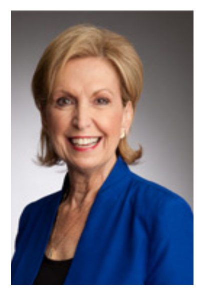
7. Respect your non-family executives

Famous psychologist Dr. Murray Bowen has been credited with saying: "We cannot respect another person enough." This is particularly true of non-family executives. While the family that owns the business is extremely important, so are the families of the non-family executives—do not forget that these executives, while involved with your family, have families of their own, and a range of interests and priorities outside the company.

You are correct that the executives should earn your respect, but again the burden of finding the right executive is on you. Be sure to follow the criteria above and bring respectable non-family executives into your family business, so that you can respect them, and they can respect you.

Conclusion

Some non-family executives have said that joining a family business feels more like being adopted or marrying in than being hired because they realize they are playing influential roles in the family as well as the business. There is no doubt that non-family executives are crucial to the success of your family business, and a win for your non-family executives is a win for you. In the end, success is always about having great relationships. My experience has taught me that the relationship between family owners and non-family executives is one of the most precious in any thriving family business. To borrow from an old saying: "Take care of your non-family executives, and they'll take care of you."



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