

Ten Rules for Successful CEOs in Family Firms

By: JoAnne Norton, Ed.D, The Family Business Consulting Group

Who should lead the family firm when a family member can't, won't or shouldn't? Are there strategies that can be employed to improve the odds of success of non-family CEOs? What can family owners do to develop successful relationships with their non-family CEOs?

I recently interviewed 12 successful non-family CEOs in Southern California to explore the factors that lead to successful relationships between non-family CEOs of family businesses and the family owners. My findings appear below:

Rules 1-4: Characteristics of Successful Non-family CEOs

Highly competent in business

Not surprisingly, clear business competence was the number one attribute contributing to the success of the relationship. Family firms are in business to make a profit. It is difficult for a family who owns a business to have satisfying relationships with the leader to whom they have entrusted their family heirloom, if the business is not thriving. CEO competence is generally what leads family shareholders ultimately to trust the non-family CEO, and trust is the key to establishing successful relationships.

Validated by their own sense of accomplishment

Successful non-family CEOs were generally validated by their own sense of accomplishment and internal drive. They did not seem to need positive reinforcement, because they took joy in just doing things well. With a high internal locus of control, they were not dependent on the approval of others.

Know when it's necessary to take unpopular stands with family owners

Successful non-family CEOs were able to tell family owners what they might not want to hear to take a

stand even when there was pressure for togetherness. The non-family CEOs in the study did this by giving the family owners reality checks, realistic assessments of difficult situations, to replace the misperceptions the owners might have had. Sometimes the CEOs simply had to educate the family owners. At other times, a CEO may have to, as one of the participants said, draw a line in the sand. In that case, the non-family CEO explained that if he was not supported in a certain situation, he would take his talent elsewhere. Furthermore, some of the participants in the study said that they took stands with the family owners frequently. Just as critical as taking a stand is knowing when not to take a stand.

Optimistic about the future of the family business

Overt optimism and a positive attitude toward the family owners and the future of the businesses were obvious in the interviews with the successful non-family CEOs. When asked about their fondest wishes, the non-family CEOs generally focused on the health of the family enterprises. Whether dealing with operational matters or relational matters, the CEOs wanted their employers to thrive.

Rules 5-8: Strategies of Successful Non-family CEOs

Understand a family business is different from a public company and what shareholder value means in their unique situations

Creating shareholder value in a family business often means something completely different from what that term means in public companies. Non-family CEOs must understand the difference. Nothing is more important than comprehending that a family business is not the same as a public company; that comprehension is key to its success. The CEOs in the study also said they were much happier to lead private companies than they

would be to lead public companies. The stories told by the successful non-family CEOs would suggest that they understood exactly what shareholder value meant to their family owners, since this term also varies from owning family to owning family.

Align themselves with family owners regarding the company's vision, and communicate that vision to the family owners as well as the employees

The successful non-family CEOs were aligned with family owners regarding the company's vision. Although the CEOs in this study created the visions, each accepted a vast amount of input from the family owners. The CEOs then vividly communicated the vision to the family owners, the top management team and the employees. It did not seem to make much difference whether the vision was formal or informal, as long as the family owners and CEOs were clear about what the vision was and that they all agreed to it.

Have empathy

Successful non-family CEOs displayed several different levels of empathy. Not only did they have empathy for what the family owners were experiencing as a group, but the CEOs had empathy for the owners individually. Non-family CEOs also demonstrated empathy toward family and non-family employees. Non-family CEOs need to have the flexibility to take on a number of roles with the family, depending upon the situation nurturer, referee, sounding board and others. It seemed to be particularly advantageous for family owners if the non-family CEO was an effective coach to the younger generation.

Find an advocate to help them understand the family owners

Successful non-family CEOs almost always had an advocate or champion a family member or other professional who understood the family owners and acted as a liaison between the family and the non-family CEO. Some had a champion from the owning family. Others had an advocate who was not a family member but a professional who had known or worked with the family for a long time and understood the family owners. These advocates acted as stabilizers between the non-family CEO and the family owners.

Rules 9-10: Tactics of Family Owners for Successful Relationships with Non-family CEOs

Create opportunities to get to know the non-family CEO personally very early in the process

The successful non-family CEOs experienced an early bonding opportunity with the family owners, and there was a personal liking between the non-family CEOs and the family. The family owners reached out to the non-family CEOs, warmly welcoming them into the business sometimes before the non-family CEO even started to work at the company.

Validate the non-family CEOs with both tangible and intangible rewards

Tangible rewards included stock, cash and opportunities to participate in family investments. Intangible rewards were promotions, recognition, explicit trust and inclusion in social events. Paradoxically, most of these non-family CEOs did not seem to need recognition, but the fact that the family owners rewarded them appeared to contribute to the success of the relationships.

To learn more about The Family Business Consulting Group and how we serve families like yours, call us at (773) 604-5005 or email us at info@thefbcg.com. There is absolutely no obligation.

The copyright on this article is held by Family Business Consulting Group Publications®. All rights reserved. All forms of reproduction are prohibited. For reprint permission, contact editor@thefbcg.com.

THE FAMILY BUSINESS CONSULTING GROUP, INC. and FBCG are registered trademarks and the FBCG logo is a trademark of The Family Business Consulting Group, Inc.