Non-Family Executives in Family Firms

Family businesses are those in which members of a family exert significant influence through ownership or management of the firm. According to a Deloitte & Touche study, Canadian family firms are estimated to employ 4.7 million full time and 1.3 million part time workers. In these large numbers family members are a minority. An average Canadian family firm employs 1.5 family member managers (6.8%), 2.5 non-family member managers (11.4%), and 18 employees (81.8%). Therefore, it is crucial to understand how to hire, select, develop, motivate, and retain the most talented non-family members in family businesses.

Although family business owners rate maintaining the commitment of non-family employees as one of the top two highest priority concerns (the other being leadership succession), remarkably little attention is being devoted to these integral stakeholders in family firms. The perspectives of non-family employees in family business seems rarely to have been considered in the family business literature, even though—as just noted above—it can be estimated that over 80 percent of people employed in family business are not family members.

This perspective is important, because the large proportion of non-family employees working in family business may not always think in the same way as family members. For example, when non-family members make judgments about the family business system using the achievement of economic objectives as the standard of evaluation, the family business system can sometimes appear to be in conflict with rational business practice. And conversely, the economic objectives system can appear to be insensitive to important family priorities, leading family members to be defensive in dealings with non-family decision makers in family business. Thus the family business setting can be seen to be cognitively demanding when viewed from the perspective of the non-family employee. Because of the preponderance of non-family employees in family

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business it becomes important to step into the mental shoes of these employees and attempt to understand the expectations that they must negotiate daily to effectively conduct their work.

With significant advances in sanitation, nutrition, and medical knowledge, the Canadian population has experienced incredible increases in life expectancy. In turn, longer healthier lives are leading to longer work spans for Canadians. Moreover, women have joined the workforce in large numbers. Over 60% of all women between the ages of 16 and 64 are currently active participants in Canadian workforce. The combined effect of these two major changes in Canada has lead to a unique historical first – men and women belonging to FOUR different generations are simultaneously active in today's family firms. Thus, family business leaders must not only plan to go through their own longer stretch of work life, but find ways to productively engage family and non-family members of different generations and genders going through varied life cycle stages.

In addition, increasing numbers of family businesses leaders are considering partial or full retirement. Many of these leaders choose to keep the business ownership in their family, rather than selling when they retire. However, their children may not be ready, or may not be interested in working in the business. As a result non-family executives are increasingly becoming a permanent or interim solution for many family-owned businesses.

In short, it is ripe time to devote careful attention to how to attract, retain, motivate, and compensate the most capable employees in family firms.

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