

Family-owned businesses

A human story

PART 3 | FINDING THE LEADERS FOR WHAT'S NEXT



Amrop

Leaders For What's Next

Family-owned businesses

FINDING THE LEADERS FOR WHAT'S NEXT

We continue our investigation into the fascinating world of the family-owned business by unpacking the executive hiring process. Some pitfalls can compromise a lasting fit. Fortunately, with honesty, foresight and an understanding of this distinctive world, they can be overcome. And the employee value proposition for an FOB is compelling.

In our examination of family-owned businesses, we find 8 profile indicators for incoming leaders.

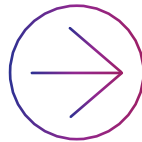


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FINDING THE LEADERS FOR WHAT'S NEXT

This series is based on conversations with senior Amrop Partners around the world. Professionals who have cultivated deep and trusting relationships with owners and successors.



+ UNDER THE SKIN

Academic and business publications exploring the FOB arena reveal a palette of common factors: from the emotional complexities of succession planning to indistinct boundaries between family and business. Amrop seeks to provide wider and deeper insights: how key factors play out in the leadership domain and what to do about them.

+ SCOPING THE TERRAIN

Our investigation concerns growing and globalizing mid-sized FOBs (with a turnover in developed markets of minimum \$1-10 billion, and in emerging markets of \$250 million to \$2 billion). Founders or descendants hold significant share capital and/or voting rights.¹

+ A 5-PART SERIES

In Part 1 of our series we explored the lifecycle of the FOB. In Part 2, we uncovered distinctive cultural facets. Here, in Part 3, we enter the world of executive search, progressing in Part 4 to advice for leaders joining FOBs. We conclude in Part 5 with a blueprint for family-owned businesses to bring out the best in their governance and talent advisors.



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1 The context

Any business relies on its leaders to steer it into an uncertain future. In their quest for the best, family-owned businesses must compete with other seductive suitors: listed global players, agile disruptors and unlisted cult brands.

Before exploring what is different about the executive search approach for an FOB, let's be clear on what is not. "It's about the thorough research, no matter what the role," says this Amrop Partner. "You may know the candidates, but you still have to do the work." A job description, says another Partner, is "a commodity — a piece of paper." As we'll see, this is merely the tip of the iceberg.

In our first article: 'Lifecycle', we examined critical phases in the evolution of an FOB: birth, succession, changes in finance and ownership, transformational events and governance shifts. The lifecycle may culminate in listed status, at which point many distinctions of an FOB dissolve. Until then, a family-owned business offers a culture and operating environment that an incomer is unlikely to find in any other organization.

On that basis, Amrop Partners emphasize these prime considerations for family-owned hiring organizations: *will this candidate fit our culture and espouse our values? Will the chemistry work? Is our legacy safe in this person's hands?* These factors matter as much as competencies do, as the executive will likely be working closely with family members who hold key positions.



Who decides there are three siblings to consider? Does one get the lead? How do we handle the others? More than appointing a CEO, you must look at the whole context and structure."

Amrop Partner

2 The search

An FOB decides to recruit. What now? Trusted advisorship means honoring undertakings. A solid base maximizes the chances of delivering. The executive search professional must take the time to get to the heart of the matter.

Consultation

"It's vital to ensure the firm really wants a C-suite hire," says one Amrop Partner. "We must put on the table that we understand the same thing." One FOB was seeking a Head of Strategy as well as a CFO. Rather than accepting the lucrative assignment at face value, the Amrop Lead Partner suggested appointing a young Chief of Staff to share the strategy role with the CFO. "Why not consider the structure first, then hire a head of strategy?"

Family dynamics can be tangled. "There's a governance issue," says another Amrop Partner. "Who decides there are three siblings to consider? Does one get the lead? How do we handle the others? More than appointing a CEO, you must look at the whole context and structure."

Unpicking the knitting can be trickier still when situations have developed over time. Another Amrop Partner cites a listed company owned by two families. "At least six to eight second generation family members are in different roles." Another still has a board for each business unit. The board members have different opinions on an external hire. "Some have a glass ceiling because they won't let go, others know they need an external brain." Another adds: "companies have come to us having lost a CEO and nobody can bell the cat because nobody knows exactly what the problem was."



A clear (and unbiased) view of the current status is therefore essential. But it is also important to build the future into the equation. An Amrop Partner recalls a request for an executive who could evolve into a CEO role, succeeding the current Managing Director (a co-founder). "The CEO role doesn't exist today, so it involved conceptualization of the role and the transition plan — the most interesting and difficult part." She recommends that hiring organizations consider tomorrow's governance structures when hiring today's executives. She invites us to consider a new CFO who brings not only financial acumen to the table, but can also guide future board transformation and install an audit committee.

Roles

As the FOB evolves, the pool of family members seeking key roles will expand. And as reported in 'Lifecycle', FOBs may encounter several turning points, from their ownership or financing model to portfolio re-engineering. In the event of a majority sale, the C-suite team is often replaced altogether. Where majority ownership or decision-making remains in family hands, the human chess board must answer both business and family needs.

FOBs may insert a family member into the CEO role and limit external hiring to technical or specialist functions: CFOs, CIOs, HR and CMOs. Whilst it would be simplistic (and wrong) to generalize, several Amrop Partners observe this tendency during earlier, more manageable iterations of an FOB. Says one: "It is when they realize that nobody can do the job internally that they seek outside." He recalls a family member who studied in Europe then returned to accept the CEO post out of a sense of responsibility. This is not uncommon, he says. Ten years later he was tasked with finding a replacement after the reluctant CEO reverted to his original life plan: a transition requiring sensitivity, governance and planning (as we'll explore).

Process

Once a solid, forward-looking brief is established, the hiring process will likely reflect distinctive cultural facets of family-owned businesses (see right). 'Tight-knit Discretion' is one. In general, confidentiality underpins the Code of Practice for executive search firms. An FOB search can go the extra mile: a candidate may not know the name of their potential employer until they meet. An Amrop Partner relates a case in which "only very few were told what company we were working for. They met three candidates, rather than five to six. You need to maintain the discretion for much longer."

Time and again, the cultural fit between the candidate and FOB emerges as the prime consideration — more so than for other types of business. Checking compliance demands a deep dive into an executive's mindset: subtle territory that isn't easy to summarize on a scorecard. Clients may request an open-ended meeting to test the waters. The signal-spotting is constant, an Amrop Partner warns: "If you demonstrate EQ in appreciating the proposition you will likely have the EQ to appreciate the adaptability you'll need in the role and culture. A failure to appreciate it signals failures in other areas."

Another Amrop Partner confirms the need for "intuition, trying and testing." This reflects another cultural facet of the FOB: 'Deep Determination'. Rather than a production line, the hiring process is an haute couture atelier: "You've got to work much harder at mitigating risk in the client's mind."

7 distinctive cultural facets of FOBs.²

1. **Deep Determination:** Space given to debating, reflection, planning and testing. Conservative risk management and investment due to having skin in the game.
2. **Tight-knit Discretion:** A low public profile, the firm shines, not the individual. Admission to the inner circle based on referencing from trusted advisors. Deep and enduring relationships.
3. **To the Point:** Relatively straightforward organizational structures. The family ultimately decides.
4. **Two-way mirror.** A long-term view on value creation. Deep memories and far-sighted vision. Based in a history of navigating storms, perspective-taking beyond temporary turbulence.
5. **Entrepreneurial DNA:** Solution-focus, optimism, collaboration and pragmatism. The 'owner-attitude' is appreciated (whilst respecting limits). Blurred work-life boundaries.
6. **Stable Homogeneity:** Robust engineering, longstanding purpose as the beacon. A tradition of appointing like-minded people. Disruptors tolerated, not sought. Evolution over revolution.
7. **Expectant Caring.** A passion for the business and its loyal stakeholders. Relationships beyond the transactional, generosity expected and given, also in crisis times. Above-average failure tolerance.





Give comfort that you are the stable factor while other things are transitioning and changing.”

Amrop Partner

Presenting the role

An Amrop Partner meets a frequent question from founders: “how do you convince people in companies who have a better reputation and are more professionalized than us?” The resulting value proposition is an ambassadorial exercise. It is based on the nuances of working with an FOB and adeptly expresses the role proposition.

In presenting the role to a candidate it is however vital to manage expectations — the strengths and pitfalls of a career in a family-owned business are closely intertwined. “We are careful in articulating the downsides. Where the company is headed and how the role needs to play into that strategy. How the person needs to go beyond the standard merit that you can bring to any company,” she says. “If a family member has stepped into this role, your ability to work with a founder or a shareholder will be important. And sometimes there are multiple family members. Either you understand that, or you don’t.”

Family-businesses have a reputation for stability and low executive churn. And most executives welcome reassurances of solidity and information about operating parameters and tools. But again, an over-riding set of factors prevails: “The culture, values, heritage. A long-term relationship.” However, change will inevitably come, (and it must, for the business to survive). For example, if the firm is sold, the C-suite team will almost always be changed, says one Amrop Partner. Another confirms: “Some things you see today are not going to be there in a year. A transition. Co-owners looking to keep the family out. Restructuring. The candidate will have to play ball.”

In this human story, nothing is cast in stone.

“The family might feel differently to before,” says this Amrop Partner. “Or the father running the show as Chairman died and now the next generation is making the decisions.” Regarding promises made to executives, career progression or compensation, those successors may have different ideas. “It was my father who made that promise, not us. And now everything’s changed.”

Candidates should anticipate blurred boundaries, in line with the cultural facet of *‘entrepreneurial DNA.’* Executives expecting iron-clad work-life parameters and remuneration for that Saturday golf game may need to think again. However this fluidity has a plus side: more flexibility than corporate architectures. This Amrop Partner has a message for executives who are feeling blocked: “You could take your skills to the family environment and go up one step. You’ve still progressed.” Another confirms: “You can move to a more open environment and participate more in the strategy and the execution of a business plan, M&A and so on. It’s very attractive for the right person,” Another agrees: “Typically you will get a lot of freedom. A lot of interesting things which some senior leaders find fascinating.”

Provenance

When it comes to mapping the search territory for an FOB executive, the cultural facet of *‘two-way mirror’* (respecting the legacy whilst looking far ahead) also plays a role. These are long-term appointments requiring people with a long-term attitude. A history of brief tenures has always raised questions in recruiters’ minds. In an FOB, whose emphasis is on continuity and stability, kangaroos need not apply. “They hate job hoppers,” says one Amrop Partner.

Nor do FOBs seek a track record based in a single (non-family) listed multinational. “Only a few of these candidates are flexible enough,” says one Amrop Partner. Another adds: “We avoid people who have always worked in scaled-up large companies because they lack the creation process. The kind of problems they have dealt with are going to be very different from the problems this company is likely to have.”

Instead, family-owned businesses value candidates that have undergone a steady cycle of role transitions, ideally in different ownership models. An international track record is appreciated by FOBs branching out of their domestic markets, as many are having to do. But above all, in line with the cultural facet of *‘stable homogeneity’* FOBs seek an understanding of a business rather like theirs.

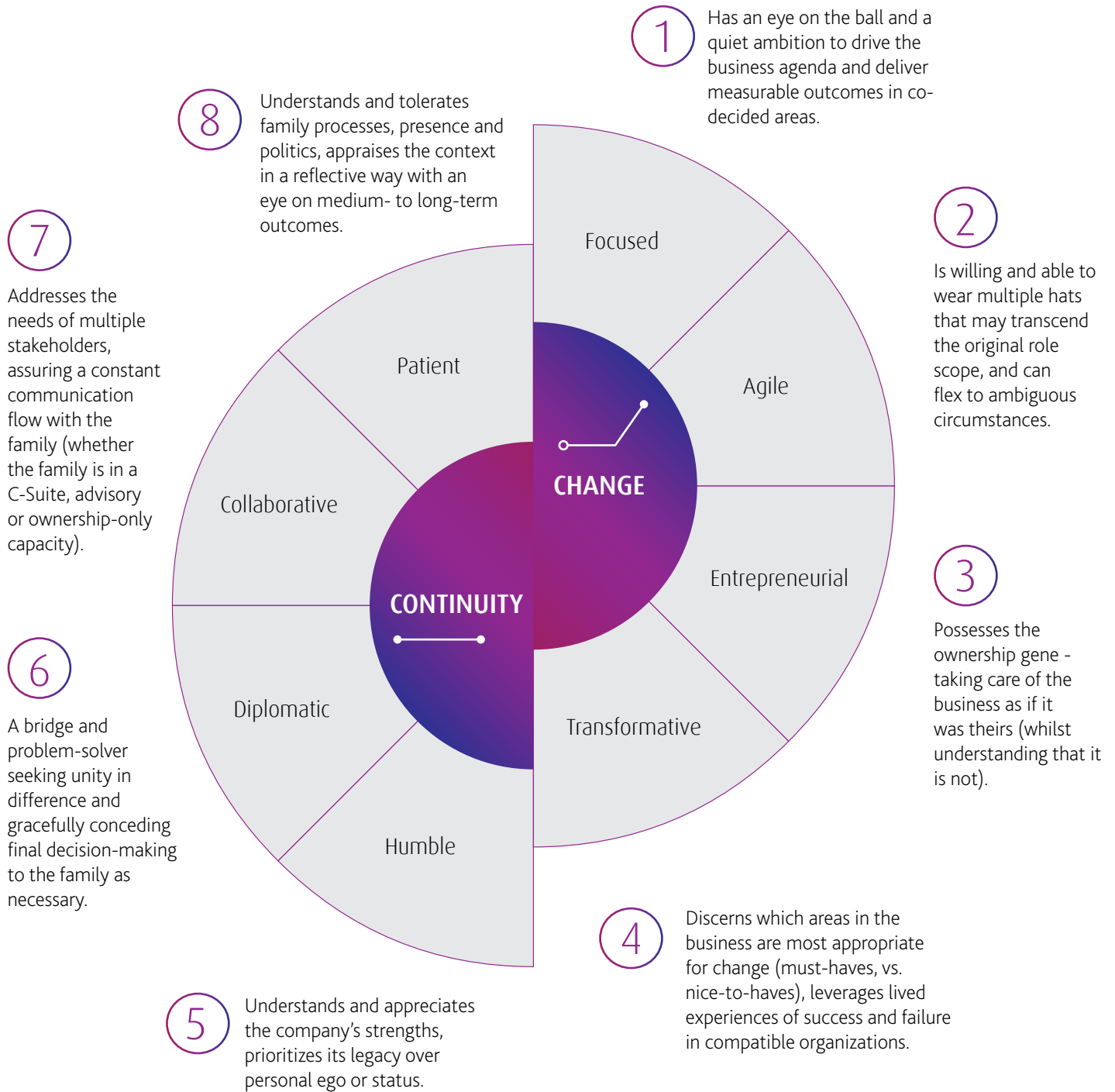
Profile

Beyond a technical job description, what specific leadership style does an FOB seek? The FOB executive is an anchor. An incremental change agent rather than a revolutionary, she facilitates a slow-burn transformation hand-in-hand with the family, “giving comfort that you are the stable factor while other things are transitioning and changing,” as one Amrop Partner puts it. We can argue that the profile embraces two perspectives: continuity and change. Within these, eight key indicators emerge from our conversations with the Amrop Partners (see next page).



Assuring continuity and change in an FOB

8 indicators for incoming leaders.



In the mobile environment of the family-owned firm an executive may take on more roles than they bargained for. An Amrop Partner relates hiring a CEO for a family office who also ran the family estate and an airfield. The family decided to put solar panels on the land “and suddenly they had a solar power company which they sold to one of the major energy companies.”

The right person has a high chance of success, says this Amrop Partner. “The moment you identify the candidate correctly, the narrative is customized to who they are and which part of the proposition works for them. It’s the excitement of transforming a company to the next level.”

Loyalty may be rewarded with a length of tenure that is untypical of a modern career. Based in South Africa, ShopRite holdings has retail operations in nine African countries. Pieter Engelbrecht is Group CEO. “He has been inside ShopRite nearly his whole life,” says this Amrop Partner. “I see it that the trust and loyalty has been stress-tested. And he has proved a brilliant group CEO. The same pattern is happening lower down — you trust people within a framework, and that only happens over time.”

However, candidates may well need to exercise their quality of patience during the hiring process — partially linked to the all-important (and subtle) exploration of personality and culture-fit. “Family-owned clients are testing, testing, testing.” The hire can take at least 50% longer than in a non-FOB, he estimates.

Compensation

Pay grids for listed organizations are unlikely to help candidates frame their compensation expectations from an FOB.

“Whilst nothing’s ever guaranteed, in the listed environment Nominations and Remunerations Committees look at performance-based measures. They are independent and apolitical. They are conducting managed succession and have a budget to appoint a Head of Tax, for example, who could become CFO in three years. The strategy is embedded, and the listed entity executes it.”

In line with the cultural facet of ‘*Expectant Caring*’ a high-performing executive will be rewarded accordingly, say some Amrop Partners. “If you are good, owners are generous. They may not pay 5% this year but double your salary. They don’t pay typical money.” Another is more cautious: “It’s likely you will be paid less than for the same role in a multinational. If you accept this, it means you share the values, mission and strategy.”

Can research shed any light on the matter? One study³ found that over half of 300 family businesses it surveyed target total pay levels above the market median to attract and retain executives (whereas most publicly traded companies target at the market median). Total direct compensation rose with increasing company size.

Interesting though this finding is, it is hardly conclusive. Another recent study⁴ explains why. Its authors analyzed peer-reviewed articles exploring executive compensation in family firms. The literature proved problematic. Definitions of an FOB differed. Studies relied on *agency theory* — an assumption that “family firm leaders are overly generous with family member employees... regardless of qualifications.” Finally, they tended to focus on the *business system*, as business scholarship naturally tends to do. “This often leads to overly simplistic comparisons between family and nonfamily businesses, ignoring the richness and complexity of family firms,” said the authors. Instead, they propose that future research examine the role of the *family system* in compensation-setting (for example, family cohesion, shared goals and values). This could help explain differences in compensation policies and practices between firms.

3 Integration

Onboarding

Given the nature of the FOB ecosystem, one Amrop Partner proposes a change of vocabulary: “Transition is a better word than onboarding which by design is supposed to be shorter. More to do with familiarization, less with doing the real job.”

She recalls being summoned to repair the damage caused by an appointment before the family member was ready to move on. “The executive was inserted as a number two and given no specific role or portfolio. He got lost in the operation.”

“Where the owner remains, the onboarding is about him or her. If the role reports directly into that person, they will define everything. Admittedly that can also apply to a listed CEO,” says another Amrop Partner. Even so, and recalling that patience is mostly a virtue in the FOB world, another recommends spending a third of the search process on onboarding to ensure the continuity that FOBs tend to prize.

There are signals that a founder is unready to step back. “They complain that the executive isn’t ready or that there are too many challenges.” An objective observer can refute (or confirm) such statements. Their presence is part of a formally planned process subject to governance at board and/or director level. It involves milestones: “In the next six to twelve months, what success signals would you like to see?”

Setting the right conditions for a successful hire often means straight talking she says. “We grill the founder: if the process was redone, how would you enable and support more? We pin down clarity and help the client understand the need for a transition process.”



Sources and further reading

¹ Asaf, A., Carvalho, I., Tellechea, J., Leke, A., Malatest, F. (2023). The secrets of outperforming family-owned businesses. McKinsey & Company

² Family-owned Businesses, a Human Story, Part Two: Culture (2025). Amrop.

³ Schindler, B., Schroeder, S., Family Business Executive Pay, Insights from the 2023-2024 Compensation Survey - Family Business Magazine. The research covered wide range of sectors and revenue sizes. Respondents provided compensation data for 10 common executive positions and an overview of pay practices.

⁴ Michiels, A., Botero, I.C., Kidwell, R.E. (2022) Toward a Family Science Perspective on Executive Compensation in Family Firms: A Review and Research Agenda, Family Business Review Vol 35, Issue 1, March 2022, Pages 45-67.

In 'Welcome to the Family', Amrop provides guidance for executives in their first few months in an FOB: the behaviors and actions that will equip them for success.





About Amrop

The Amrop Partnership is a premium leadership and executive search consultancy with 69 offices in 57 countries and a global team of more than 550 professionals.

We help our clients find and develop Leaders For What's Next.

Shaping sustainable success is our mission, craft and passion.

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