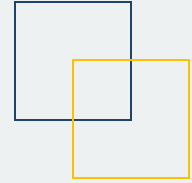




FAMILY ENTERPRISE LEADERSHIP

Why Great Executives Struggle in Family Businesses

*Navigating the Landmines and Quicksand of Family Business*

BY

Doug Baumoel
CONTINUITY**Bill Stranberg**
STRANBERG

Hiring a non-family executive is often a pivotal moment for a family business—a step toward professionalization, growth, or succession. Yet many of these high-stakes hires fail, not because of a lack of competence, but because the executive unwittingly steps into a landscape of unexamined family dynamics and outdated policies and practices that might have supported family leadership. When family systems and business systems collide without a clear roadmap, the result is predictable but avoidable: failure that could have been prevented with proper preparation.

01 Two Patterns of Failure

Family business leaders who have brought in non-family executives recognize two distinct failure patterns. Understanding the difference matters because each requires a different remedy.

THE EXPLOSIVE RISK

Landmines

Systemic, hidden dynamics rooted in unspoken assumptions. When triggered, they detonate instantly.

THE SLOW DECAY

Quicksand

An insidious, long-term erosion of trust and credibility that saps an executive's momentum.

■ Landmines

Landmines are systemic, hidden dynamics rooted in unspoken assumptions. When triggered, they detonate instantly, damaging an executive's legitimacy and often leading to loss of support or quick termination.

A new CEO might make what appears to be a straightforward business decision—refreshing a legacy brand or repainting a founder's longtime office—only to be met with outsized hostility. What looks like resistance to change is actually a threat to emotional anchors of identity and tradition. These are not merely business assets; they carry socioemotional weight that no business logic can override.

Similarly, an NFE may believe they have a genuine mandate to lead, only to discover that their decisions are quietly overruled by family members who hold either no formal role or a subordinate one but wield absolute authority behind the scenes. Invisible veto power persists because the boundaries of real decision-making authority were never explicitly established.

Attempting to hold a “legacy” employee or family member accountable can backfire quickly if that individual is shielded by lineage rather than performance. Family business owners are often tenaciously loyal to long-term employees and advisors, and an NFE who doesn't understand this terrain can damage their credibility in moments. Equally damaging are the undisclosed financial practices that blindside executives—hidden family loans or capital withdrawals that surface unexpectedly, creating sudden operational and reputational risks. Intentionally or accidentally uncovering such practices can trigger conflict within the family and between executive and ownership, leaving the NFE caught in the middle.

Success is rarely about finding the “perfect” candidate; it is about building a platform where a talented executive can actually succeed.

DOUG BAUMOEL & BILL STRANBERG

■ Quicksand

Unlike the immediate blast of a landmine, quicksand operates differently. It is an insidious, long-term erosion of trust and credibility that doesn't detonate but simply saps an executive's momentum until they are disempowered.

When a family lacks a unified shareholder vision, the NFE is pulled in conflicting directions by different family factions. Satisfying one group inevitably alienates another, making genuine success impossible. The executive becomes a target for existing disagreements rather than a leader who can chart a course.

The authority-accountability gap is equally corrosive. NFE leaders are frequently held responsible for bottom-line results but lack the actual authority to hire, fire, or allocate capital without family interference. This structural trap sets executives up for blame regardless of circumstances.

A related trap emerges when business boundaries dissolve. Under the guise of “we’re all family here,” a CFO might find themselves managing a family office, holding separate sets of confidential information with different family members, and distracting from core business performance. This conflation of roles undermines professional standing and can be deeply demotivating.

Strategic decisions made informally—at Sunday dinner rather than in the boardroom—render formal governance structures hollow. The NFE relies on systems that have no real authority, while the actual power operates in shadow channels. Equally problematic is family employee compensation that operates on different rules. Some families decide that family members working in the business merit higher salaries because they bring institutional knowledge and are likely to stay through rough times. While this reasoning has merit, when rank-and-file employees discover these disparities, the NFE is left justifying a practice they didn’t create and may not control.

Finally, when an NFE manages a family member while reporting to another family member, the risk of short-circuiting the reporting structure becomes acute. Family members can communicate around the NFE through direct family channels, leaving the executive unable to actually lead.

02 Creating the Conditions for Success

Avoiding these traps requires that the family do the substantial work of alignment before the search even begins. Success is rarely about finding the “perfect” candidate; it is about building a platform where a talented executive can actually succeed. This means making deliberate choices across several critical areas.

01 Unified shareholder vision comes first. The single greatest red flag is a family discussing CEO qualifications before they have agreed on what they want the business to achieve. Without this alignment, the executive is merely a target for family disagreement. This doesn’t mean the family must agree on every detail, but they must share a coherent sense of strategic direction and business purpose.

02 Governance structure provides the framework. A well-structured corporate board—even if not fully independent—provides clarity on how high-level strategic decisions will be made and how C-suite executives will be evaluated. Additional governance structures like an owners council and family council can keep family members aligned and connected while keeping family conflict out of the boardroom. These structures don’t need to be complex, but they must be real and functional.

03 Corporate values must be lived, not posted. Too often, corporate values statements are aspirational words on a wall or in a company manual—or are not articulated at all. Real corporate values should derive from family values and live in the actual behaviors and decisions of leadership. Leaders should be held accountable to these values, and this accountability should extend to family members as much as to any other employee.

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- 04 **Family employees require explicit accountability.** How are family member employees actually reviewed and held accountable? Are career paths for family members well-articulated and clearly communicated? A robust, anonymous 360 process designed specifically for family member employees can ensure they receive honest feedback on performance and clarity on whether they're succeeding on their intended career path, rather than complicating the org chart with ambiguity.
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- 05 **Roles and expectations need to be clarified explicitly.** The role of a family employee is often defined by much more than the org chart. Family members may be on an executive development track that has never been clearly discussed with their manager. NFE leaders need to understand that their role may extend far beyond traditional management—they may need to serve as mentor, consigliere, and coach to rising generations and family members.
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- 06 **Family employee compensation should be transparent and intentional.** When families decide that family members working in the business are worth more because they bring institutional knowledge from growing up in the business or because they are likely to remain loyal through difficult times, this should be explicit and reasoned. These employees may indeed be the most hardworking and committed. Their work often extends beyond standard hours, and work-related strategy conversations happen around the dinner table. Understanding and articulating this reality helps NFEs navigate what might otherwise appear to be entitlement or nepotism.
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- 07 **The structure of reporting relationships matters.** Avoid placing an NFE in a position where they manage a family member while reporting to another family member. The risk of short-circuiting the reporting structure is high because family members have a direct communication pathway around the NFE. Families must set clear boundaries and expectations in a group setting to ensure the NFE is actually empowered to lead.
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- 08 **Consider an interim model if the family is in transition.** If a family is unaligned or undergoing significant change, a permanent hire may be premature. A “bridge executive”—an interim leader tasked specifically with strategic planning, rightsizing the company, professionalizing governance, and developing a successor—can prepare the foundation for the next long-term NFE to thrive. This approach acknowledges that sometimes the family needs preparation before the business can support permanent professional leadership.
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- 09 **Bring in third-party facilitation and expertise.** Family business leaders must understand that entering a family business as a non-family executive is inherently challenging. While expertise in a functional area is necessary, family dynamics insight and softer skills are equally important—and rare to find combined in a single candidate. Building support for both the family and the NFE through coaching and expertise from specialists in family enterprise helps families and executives navigate the landmines and quicksand that can undermine even the strongest candidates.

03 The Real Commitment

Hiring a non-family leader is an investment in the business's future, but it requires an ethical commitment from the family to provide a stable foundation. The family cannot expect an outsider to succeed in a system the family hasn't prepared. By identifying landmines and draining the quicksand early—by doing the work of alignment, governance, and transparency—families can move from a culture of instability to one of genuine professional partnership.

The executive they hire will have the chance to actually lead. And the business will have the chance to endure.

ABOUT THE AUTHORS' FIRMS



CONTINUITY

Continuity helps enterprising families navigate the complex intersection of family, enterprise, and wealth, working to prevent, manage, and heal from conflict so the family stays aligned and what they have built endures.

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Stranberg specializes in CEO succession planning and executive search for family-owned and founder-led businesses, offering leadership consulting, executive search, and executive integration.

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