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## The Importance of Cultural Fit and Alignment of Values when Appointing External NEDs

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I would never argue that family businesses are better, they are just different. Within each family business, there are differences. Head-hunters need to mine deep enough to understand the difference, in order to deliver a successful search.

The value that independent directors can add to family businesses is hard to argue against. By appointing the best non-executive directors, businesses will often bolster their strategic plans and management processes, make more robust financing decisions, strengthen their succession plans and achieve greater continuity when control is passed between generations.

One key difference we need to be aware of when hiring for family businesses versus other companies, is in the way internal appointments are made. Often with internal appointments, years are spent assessing their capability to step-up to the plate whereas with an external search process, due diligence and assessment is done over a period of only weeks. It is therefore crucial to get external appointments right. We have to understand that an external appointment is often a big milestone for family businesses, as it can be a shift from what may have been the natural path of appointing someone internally, even to the board.

Another unique thing about family businesses is timeframe. Most family businesses have a clear view that they wish to hand over a bigger, better, more successful enterprise to future generations. Family businesses have a consistency of ownership and the ownership tends to have a longer timeframe - this has a bearing relevant to hiring non-family members. Because of this timeframe, their vision and values become fundamental, as they have sustained the business over the long term.

Non-executive directors joining the board of a family business cannot contribute and perform, unless they align very strongly with these values and vision. That is different to being comfortable with the values. In a family business, you cannot be misaligned with values. This may not be different or better than what you have to do when hiring for a Plc but headhunters have to understand the reasoning more deeply.

So, how do executive search firms identify these values? Sometimes they are written but sometimes we cannot read them - we feel them in the ether and in conversations. Often, we can see it with what they do beyond their business.

- *How do the family members interact?*
- *What relationship do they have with their local community?*
- *What investments do they make in their core business?*
- *And what risk appetite do they have?*

These actions help gauge the sort of character and values that should be prevalent in any prospective independent non-executive director. Lifting the bonnet to identify these values requires careful handling.

Particular to family businesses is the deep sense of belonging and identity, and even the gentlest inquiry can feel like a personal invasion. Thus, it is crucial for the search partner to build secure relationships by demonstrating empathy, respect and care. In a Plc, you spend a lot of time dealing with shareholders but you don't live with them. In a family business, you live with the shareholders. It is only once this knowledge is acquired, that the cultural fit of candidates can be tested. This is achieved by the search firm diligently assessing individuals during the interview and referencing process, not only for their experience and knowledge, but their personality, behaviour and relationship building skills.

The approach must include carefully crafted questions that are skilfully posed in order to surface rich and relevant insights. During the process of assessing cultural fit, it is important to reflect upon whether strong matches still allow for considerable diversity of thought and that candidates are able to share alternative perspectives sensitively.

The search partner also plays a key role in imparting business knowledge to candidates and highlighting the hallmarks of family businesses such as their longterm outlook and often complicated family relationships. This not only helps establish whether there is a fit, but also facilitates the smooth transition of the successful candidate. Furthermore, search partners must recognise challenges that emerge for their clients during engagements. Covid-19 is no exception. It may be that firms need support in bringing additional skills to the boardroom to help them maintain their culture and values in the era of remote working. As constant change remains a feature of the commercial landscape, businesses and their appointed search firms must work together seamlessly to generate maximum value from partnerships.