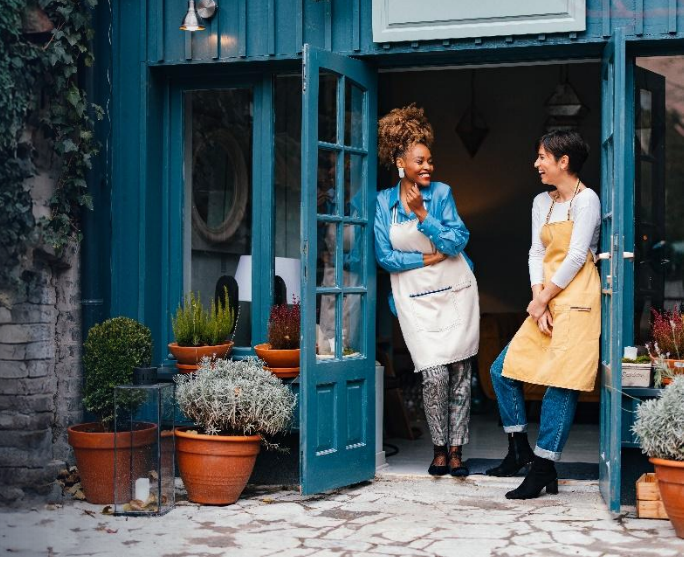
KPMG
Private Enterprise

# Family Business People: People/Talent Management

Article 4 of 6



Family businesses are often celebrated for their deep-rooted values, long-term vision, and significant contributions to economic growth. These enterprises are typically built on a foundation of legacy, trust and continuity, prioritizing not just profitability, but the preservation of the identity and reputation across generations. In today's fast-paced and competitive business environment, sustaining that legacy requires more than tradition, it requires top talent.

## The Importance of Top Talent

According to the 2025 Global Family Business Report, 'Talent attraction and retention' is identified as one of the top seven key drivers for growth in family businesses. This insight, drawn from a survey of over 2 700 family business leaders, underscores the critical role that skilled professionals play in the success of these enterprises. Achieving this is no easy feat. Family businesses must strike a delicate balance between honoring their heritage and embracing the fresh perspectives and skills that top talent brings.

Top talent is a catalyst for growth in any organisation. For family businesses, many of which operate with leaner resource structures compared to large corporations, hiring the right people can be transformative. This includes nurturing top family talent, which is integral to maintaining a business' legacy and values. Next generation family members often bring unique insights and a deep understanding of the business's history and culture, making their development crucial for continuity.

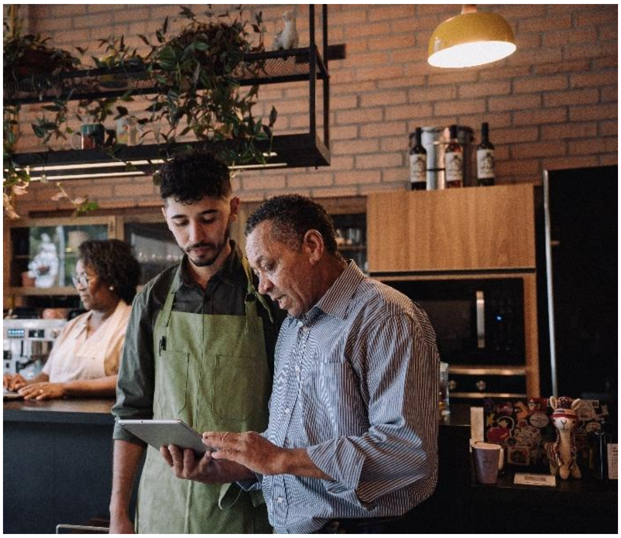
The impact of skilled professionals extends far beyond day-to-day operations. They can:

- Improve operational efficiency and productivity
- Lead strategic initiatives aligned with long-term vision
- Strengthen brand reputation and enhance customer loyalty
- Cultivate a culture of innovation and continuous improvement

**As Maria F Fonseca Paredes from Tecnológico de Monterrey, Mexico, aptly states**

*"Having a relevant value proposition, the right talent, the capacity to be agile and flexible, being close to customers and understanding the market forces are factors that lead to business success."*

## Challenges in Talent Management



Despite these clear benefits, family businesses often face unique challenges in attracting and retaining top talent. These challenges include:

- **Limited Career Progression**: Limited growth opportunities can discourage ambitious professionals seeking career advancement. They may be deterred by perceived ceilings in career advancement, especially when leadership roles are reserved for family members.
- **Resistance to Change**: A strong adherence to tradition can stifle innovation and discourage forward-thinking individuals.
- **Lack of Succession Planning**: The absence of a well-drafted succession plan can create uncertainty around leadership transitions contributing to instability that may deter long-term commitment.
- **Perceived Nepotism**: Favoritism toward family members can lead to perceptions of unfairness and discourage high-performing non-family employees.
- **Limited Diversity**: A workforce dominated by family members may lack the diversity of thought and can limit the variety of perspectives and ideas needed for growth and innovation.
- **Uncompetitive Compensation**: Without attractive remuneration packages, family businesses may struggle to compete with larger corporates for top talent.

These challenges contribute to the difficulties family businesses face in building a strong and dynamic team and highlight the importance of implementing thoughtful strategies to retain talent. While these challenges are noteworthy, with intentional planning, family businesses can create a workplace where top talent feel empowered to stay and succeed.

## Strategies for Success

In today's competitive talent market, employees are increasingly seeking more than just a paycheck, they are looking for both qualitative and quantitative benefits. This includes meaningful work, flexibility, and long-term financial incentives.

In order to successfully navigate these challenges family businesses should think beyond the traditional approaches to employee value proposition:

**Hybrid Work Models**: While challenging in operationally intensive environments, hybrid models offer flexibility and require a culture of trust and accountability.

**Employer Branding**: Positioning as purpose-driven, people-focused organizations through community involvement and social responsibility initiatives enhances appeal.

**Developing Leadership Programs**: Tailored programs that prepare family members for leadership roles while respecting the business's values and traditions.

**Encouraging External Experience**: Family members can benefit from gaining experience outside the family business before taking on significant roles within the business.

**Facilitating Open Communication**: Encouraging dialogue between family and non-family employees to foster a collaborative environment.

## Incentivising non-family employees’

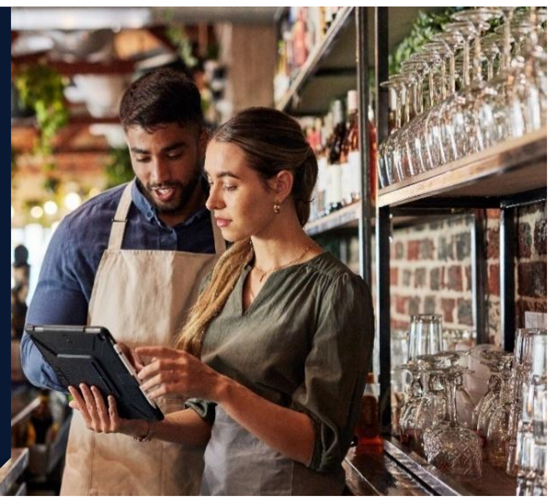
Whilst family businesses may be reluctant to offer equity ownership to non-family employees, there are alternative options:

- **Share Appreciation Rights / notional share plans**: Allow employees to benefit from increases in company value without owning shares.
- **Performance-Based Shares**: Offer different classes of shares based on performance targets, without voting rights.
- **Trusts**: Useful vehicles to facilitate long term broad based schemes whilst allocating a fixed percentage of the company for the benefit of participants.

These mechanisms align employee interests with the long-term success of the business and foster a sense of ownership and loyalty. It's crucial to consider the tax implications of these incentive schemes for both the company and employees.

## Call to action

Family business leaders are encouraged to evaluate their current talent management strategies and consider implementing some of these innovative approaches. By focusing on creating a strong employer brand, offering competitive compensation packages, and exploring innovative incentive options, family businesses can successfully attract and retain the top talent they need to drive growth and achieve long-term success.



### Articles in this Family Business series:

- Article 1: **Governance: Managing Dynamics for Long-Term Success in South Africa**
- Article 2: **Growth: Sustainability**
- Article 3: **Cyber: Securing your family's legacy**
- Article 4: **People: Talent Management**
- Article 5: **Wealth: Legacy Planning – Ensuring Prosperity for Future Generations and Communities**
- Article 6: **Succession Planning: Managing Blind Spots**

Click **here** to read each article.

### Author:

**Ziyaad Ravat**
Partner, Corporate Tax
M: +27 82 717 5133
ziyaad.ravat@kpmg.co.za

kpmg.com/socialmedia

KPMG Private Enterprise