A finance professional who understands the family: family firms' specific requirements for non-family chief financial officers

Abstract

Non-family chief financial officers (CFOs) are often the first non-family members recruited into a family firm's top management team. Based on the extant literature and with reference to the resource-based view of the firm, family firm peculiarities can also be expected to affect the requirements family firms look for when hiring non-family CFOs. To analyze these requirements, this paper draws on interviews with family firm owners, chief executive officers and non-family CFOs. Family firms' specific requirements for CFOs are analyzed along four dimensions, namely education, professional know-how, career path and social/interpersonal skills, and 11 propositions are then developed. The presented findings suggest that family firm owners seek to integrate non-family CFOs with professional non-family firm experience in order to enrich the family firm's resource pool. In turn, non-family CFOs are required to adapt to the specific governance characteristics prevalent in family firms.

Keywords

Family Firms, Chief Financial Officer (CFO), Non-family Management, Qualifications

JEL classification

G30, M40

1 Introduction

In most national economies worldwide, family firms are known to account for the majority of all businesses and to act as employers of large parts of the workforce (e.g., Klein 2000; IFERA 2003; Kraus et al. 2011; Staglianò et al. 2013). When family firms increase in size and age, they tend to rely more on non-family managers because family members can no longer meet the organization’s growing managerial requirements or simply no longer actively work in the family firm (Klein and Bell 2007). Most of the (limited) research on non-family managers in family firms has thus far focused on the role of non-family chief executive officers (CEOs) (e.g., Blumentritt et al. 2007; Chittoor and Das 2007; Hall and Nordqvist 2008). However, the CEO is rarely the management position for which family firms initially recruit non-family personnel. Instead, the position of the chief financial officer (CFO) is usually the first role for which a controlling family hires a non-family manager because the know-how of a CFO is highly specialized and often lacking in controlling families (Filbeck and Lee 2000; Gurd and Thomas 2012). In this vein, previous research has shown that non-family CFOs can provide valuable knowledge resources to a family firm and in this way help professionalize the firm and mitigate financial distress in difficult economic conditions (Filbeck and Lee 2000; Lutz et al. 2010; Caselli and Di Giuli 2010; Lutz and Schraml 2012). However, despite the importance of both non-family management in general and non-family CFOs in particular for growing and/or ageing family firms, research into what family firms seek when recruiting these managers is scarce (Klein and Bell 2007; Lutz and Schraml 2012; Gurd and Thomas 2012; Hiebl 2013). Thus, the present paper seeks to address this gap by examining family firms’ specific requirements for non-family CFOs. Specifically, the aim of this paper is to provide empirical evidence of the requirements for non-family CFOs in family firms and to explain why family firms have these requirements.

This paper’s main theoretical argument for proposing specific requirements for non-family CFOs in family firms rests on the resource-based view of the firm. The resource-based view rests on the central assumption that the competitive advantages of firms rely on the resources available to them and on how well these resources are managed (Barney 1991; Mahoney 1995; Barney et al. 2011). Since the very origins of the resource-based view, scholars have underpinned the importance of human capital as a potential source for competitive advantage (Barney 1991; Wright et al. 2001; Coff and Kryscynski 2011; Hauschild and zu Knyphausen-Aufseß 2013). In particular, the human capital resources of top managers such as the CFO are seen as constituting an important source of competitive advantage (Castanias and Helfat 1991; Castanias and Helfat 2001; Kraus et al. 2011; Mitter et al. 2012). However, such human capital-based advantages are often contingent on firm specificities (Lazear 2009; Coff and Kryscynski 2011). Thus, one manager's human capital may create a competitive advantage for one type of firm, but his or her skills may not offer such a distinct competitive advantage for another type (Castanias and Helfat 2001).

Compared with non-family firms, family firms have been found to feature distinct characteristics such as a long-term orientation, patient financial capital and corporate cultures that rely on mutual trust (Habbershon and Williams 1999; Sirmon and Hitt 2003; Filser et al. 2013). Most importantly for this paper, family firms are also regarded as differing from non-family firms in terms of human resource management. On the upside, family firms have been described as creating more flexible work arrangements, as offering warm, friendly and intimate working relationships and as offering their employees the possibility to gain deep firm-specific tacit knowledge. On the downside, family firms have been found to experience difficulties in attracting highly qualified managers due to limitations in wealth transfer and opportunities for career advancement (Habbershon and Williams 1999; Sirmon and Hitt 2003). Thus, I argue that family firm specificities should also affect the requirements family firms put in place for non-family managers. Specifically, I conclude that family firms can be expected to have specific requirements for non-family CFOs and that these requirements differ from those of non-family firms.

Equipped with this basic assumption and the resource-based view as a theoretical lens for studying CFO requirements (Ahrens and Chapman 2006; Graebner et al. 2012), I chose to conduct a cross-sectional multi-case study to follow the above-stated research aim (Lillis and Mundy 2005). This multi-case study rests on 20 semi-structured interviews with non-family CFOs and CEOs as well as with the supervisory/advisory board members of family and non-family firms. The findings derived from this multi-case study are organized along four dimensions of requirements when recruiting CFOs, which were derived from the extant literature: education, professional know-how, career path and social/interpersonal skills. According to this paper's findings, family firms attach less importance to a non-family CFO's formal education than non-family firms, but place greater emphasis on personal/social fit, including the CFO's intrinsic long-term orientation and the ability to moderate between family members in cases of conflict. Family firms also seem to have additional requirements for non-family CFOs: knowledge of tax, law and wealth management is valued more highly, especially when the family and business spheres of the family firm overlap to a great extent and the firm thus experiences high levels of family influence. Moreover, the paper indicates that family firm owners try to strengthen the family firm's human resources skill set by hiring non-family CFOs with non-family firm experience, while also attempting to retain family firm-specific resources. Therefore, the present paper adds to the extant stock of knowledge on non-family managers in family firms (which, to date, has primarily focused on non-family CEOs) by focusing on non-family CFOs. It also adds to our understanding of family firm requirements for non-family top management team members, such as the CFO. Combined with the findings of Hall and Nordqvist (2008), this paper's findings also indicate that the controlling families of firms that are increasing in size and age are developing an understanding that the cultural fit between non-family managers and the family firm is an important prerequisite in order for non-family managers to contribute positively to the family firm development as much as possible. Eventually, the paper also contributes to the general CFO literature by conducting an in-depth examination of the requirements in a specific organizational setting, namely that of family firms, which has been called for in recent research on functional C-suite[1] members (Menz 2012).

The paper proceeds with an integrated overview of the relevant literature and a discussion of the resource-based view's relevance to analyzing human resources for this research. The literature overview is divided into the current understanding of non-family CFOs in family firms, the general requirements for non-family managers in family firms and the general requirements for CFOs discussed in the

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[1] The term "C-suite" refers to the corporate executive suite and comprises all chief officers such as the CEO or CFO. The term "C-suite" is often used interchangeably with the term "top management team" (Nath and Mahajan 2011).

CFO literature. The paper then moves on to describe the employed methods and findings and develop 11 propositions. The last section comprises conclusions as well as an outlook for further research and the paper's limitations.

2 A resource-based view on the non-family CFO in family firms

To capture all relevant sources that relate to non-family CFOs' qualifications, I analyzed three literature streams: studies directly dealing with non-family CFOs in family firms, studies dealing with non-family managers in family firms more generally and studies dealing with CFO qualifications more generally. In order to find relevant sources for each of these literature streams, a systematic literature review (Tranfield et al. 2003; Jesson et al. 2011) was conducted.[2] An overview on the extant literature's most important findings for this paper's topic can be obtained from Table 1.

=== Insert Table 1 here ===

Considering the notion that non-family CFOs are usually the first non-family managers recruited into family firms (Filbeck and Lee 2000), it seems to be surprising that the literature on this type of manager is scarce (Hiebl 2013). A few previous studies have dealt with some aspects of the role of non-family CFOs in family firms. Some of these studies have investigated how non-family CFOs influence family firm performance (Gallo and Vilaseca 1998; Caselli and Di Giuli 2010; Di Giuli et al. 2011). Whereas Gallo and Vilaseca (1998) do not identify

[2] Keywords that described each of these three literature streams were formulated and various electronic databases searched. These databases were Scopus, Emerald, SpringerLink, EBSCO Business Source Premier, ScienceDirect and Google Scholar. I searched these databases for various combinations of the following keywords: "Chief Financial Officer*", "CFO*", "qualification*", "requirement*", "skill*", "education*", "family business*", "family firm*", "family controlled", "family owned", "non-family manage*", "Chief Executive Officer*", "CEO*", "top management" and "C-suite". Note that the asterisks allowed for different suffixes such as "non-family management" as well as "non-family manager".

how having a non-family CFO influences the performances of large Spanish family firms, Caselli and Di Giuli (2010) and Di Giuli et al. (2011) find a positive correlation between the existence of a non-family CFO and the performances of small and medium-sized Italian family firms. In small and medium-sized family firms, the management team configuration, including a CEO from the family and a non-family CFO, should be beneficial to firm performance (Caselli and Di Giuli 2010). These results generally correspond with the findings on accounting in family firms, which have shown that, especially in smaller family firms, the employment of non-family management personnel can help the family firm professionalize its finance and accounting practices (Amat et al. 1994; Giovannoni et al. 2011), which might explain the performance differences among family-controlled small and medium-sized firms.

The findings of Filbeck and Lee (2000) and Di Giuli et al. (2011) concur with this notion, finding that when family firms employ a non-family CFO, they use more modern financial management techniques. Hence, the employment of non-family CFOs seems to speed up the professionalization process of family firms or, in some cases, might also be seen as the starting point of this process (Lutz et al. 2010). From these perspectives, the employment of a non-family CFO per se can be regarded as an important resource in the sense of the resource-based view, as non-family CFOs provide knowledge and skills that help professionalize the family firm or enhance firm performance, thus potentially creating competitive advantages.

From the perspective of the controlling family or family CEO, other studies have investigated what makes families employ a non-family CFO in the first place (Lutz et al. 2010; Lutz and Schraml 2012). It has been found that controlling families who aim to reduce the financial risks of their businesses and enable succession within the ranks of the family prefer to employ non-family CFOs over family CFOs. By contrast, families who place greater value on independence and control over the family firm avoid hiring non-family CFOs (Lutz and Schraml 2012). Accordingly, Gallo and Vilaseca (1998) show that non-family CFOs enjoy less strategic decision-making power than family CFOs. The authors argue that this might be because of the lack of efficient control mechanisms for non-family managers in family firms. However, the goal of independence only seems to be predominant as long as the family firm performs well. Lutz et al. (2010) report that family firms in financial distress prefer to turn to non-family CFOs, as these managers are expected to supply the relevant financial management know-how to overcome the crisis situation. This is why Lutz et al. (2010) conclude in reference to the resource-based view that family firm owners – especially in times of financial distress – see the integration of a non-family CFO as strengthening the family firm's resource pool.

Regarding the narrower research focus of this paper – the specific qualifications of non-family CFOs in family firms – the existing literature also offers some insights. The studies of Gurd and Thomas (2012) and Gallo et al. (2004) partially address this topic. Based on eight interviews with family CEOs of small and medium-sized Australian firms, Gurd and Thomas (2012) show that a non-family CFO's technical excellence in accounting is crucial to family CEOs and that CFOs should have a personality that enables them to get along with the family. By contrast, based on a survey of large Spanish firms, Gallo et al. (2004) do not identify any major differences in the characteristics of non-family CFOs in family firms and non-family firms, which supports the notion that large family firms differ little from large non-family firms in terms of finance and accounting practices (Speckbacher and Wentges 2012; Hiebl et al. 2013). Gallo et al. (2004) also show that in terms of education, hierarchical position in the organization and influence on strategic decision-making, CFOs in family firms are similar to CFOs in non-family firms.

Moving to the second literature stream analyzed, the broader literature on non-family managers in family firms, a general finding is that the integration of non-family managers in family firms is seen to be an important part of family firm professionalization (e.g., Dyer 1989; Gersick et al. 1997; Songini 2006; Chittoor and Das 2007). Again, in the sense of the resource-based view (and partially also explicitly relating to the resource-based view), non-family managers are described in these studies as adding the necessary professional management knowledge to the family firm. Thus, it seems to be natural that families would primarily evaluate non-family managers based on their formal professional qualifications, such as education, training and management, and industry experience (Blumentritt et al. 2007; Hall and Nordqvist 2008; Dawson 2011). However, it has been found that formal qualifications alone are insufficient for enabling non-family managers to fully contribute to family firms (Blumentritt et al. 2007; Hall and Nordqvist

2008). Instead, Hall and Nordqvist (2008) argue that in addition to formal qualifications, non-family managers also need cultural competence to successfully manage a family firm. According to Hall and Nordqvist (2008, p. 58), cultural competence can be defined as “an understanding of the family’s goals and meanings” and “the values and norms underlying the reasoning for the family to be in business”. Similarly, Blumentritt et al. (2007) argue that business competence might not be enough for non-family managers to succeed in family firms. In addition, non-family managers also need to be aware of the family’s plans and try to “balance business concerns with family dynamics” (Blumentritt et al. 2007, p. 327); they must, therefore, rely heavily on interpersonal skills. This is why for the research aim of the present paper it seems to be necessary to assess not only formal CFO qualifications such as functional know-how or work experience but also interpersonal and social skills.

However, concerning the relevance of the findings presented by Blumentritt et al. (2007) and Hall and Nordqvist (2008) for the present paper, it should be noted that both studies focus on the requirements for non-family CEOs and thus their findings cannot be readily transferred to the qualifications for non-family CFOs. For instance, the importance of cultural or interpersonal competence for non-family CFOs might not be as high as it is for CEOs, as the former might have less contact with the controlling family than the latter. CFOs might also rely more on specialized knowledge than CEOs, for whom general and people management skills could be more important. Thus, the skills essential for non-family CFOs cannot be directly deduced from the existing literature on the requirements for non-family managers in family firms. Moreover, the current family firm literature focuses on a rather broad and general description of the skills needed for non-family managers, which warrants further investigation into the specific skills needed for functional C-suite members in family firms such as the CFO.

Some hints of what these specific skills for CFOs might be can be drawn from the general CFO-related literature. The most discussed CFO qualification in the literature is educational background. For CFOs, a university degree seems to be a prerequisite, as studies that investigate educational background have found that the overwhelming majority of CFOs has such a degree (Collier and Wilson 1994; Baker and Phillips 1999). CFO education also affects the nature and quality of accounting practices, as having a business-related education has been found to enable CFOs to introduce more innovative accounting practices (Naranjo-Gil et al. 2009). Similarly, CFOs that hold an MBA or a CPA have been found to be less likely to restate earnings, which is often used as a proxy for accounting errors (Aier et al. 2005). Thus, education can be interpreted as a micro-foundation of human capital and as a source of competitive advantage in the sense of the resource-based view (Coff and Kryscynski 2011). The signaling effect of the university education of CFOs might be especially relevant to family firms, as they often need to hire non-family management personnel from outside to professionalize the family firm and introduce modern management practices (Songini 2006; Dawson 2011). Therefore, I conclude that CFO education should be an important aspect to examine when analyzing a family firm's specific requirements for non-family CFOs.

Another important CFO qualification is work experience, either in the fields of finance and accounting or in CFO positions (Baker and Phillips 1999; Aier et al. 2005; Baxter and Chua 2008; Naranjo-Gil et al. 2009). Like business education, having a longer tenure as a CFO seems to positively influence the CFO's ability to introduce innovative accounting practices and avoid accounting errors (Aier et al. 2005; Naranjo-Gil et al. 2009). Furthermore, Geiger and North (2006) show that accounting quality seems to increase in firms that have externally hired their CFOs. In this vein, Mian (2001) finds that CFOs are two to five times more likely than CEOs to be hired from outside the firm. These results show that CFOs' former work experience may also be a basis to build more advanced finance and accounting practices and thus may be a source of competitive advantage (Coff and Kryscynski 2011). Thus, in the present paper, I also examine family firms' requirements for CFOs' career paths.

To summarize, the above-presented literature shows that the integration of non-family CFOs into family firms may strengthen the family firm's human capital base and lead to superior family firm performance. Thus, non-family CFOs per se may serve as sources of competitive advantage in the sense of the resource-based view (Lutz et al. 2010; Lutz and Schraml 2012). The related literature also provides some insights into what might be important dimensions or micro-foundations of human capital (Coff and Kryscynsky 2011), with which CFOs might strengthen a firm's resource base. These are the CFOs' education, their career paths, their professional know-how and their social/interpersonal skills.

However, it seems difficult to conclude from the (limited) extant literature how family firms should differ from non-family firms in their requirements for CFOs along these dimensions. This is why these dimensions were used to formulate guiding interview questions in the below-presented multi-case study, but they were still formulated as open-ended in order to let family firms' specific requirements emerge from the interview material.

3 Methodology

To create a first overview of the skills required for non-family CFOs in family firms, a cross-sectional multi-case study approach was conducted (Lillis and Mundy 2005), using semi-structured interviews as the research instrument. The present paper aims not only to list the specific requirements of family firms when recruiting non-family CFOs but also to provide initial evidence on why these skills are relevant to non-family CFOs in family firms.

Multiple case studies are especially suitable to such "why" questions, as they address the operational links that have to be investigated in depth to generate provisional theories about complex social phenomena (Eisenhardt 1989; Yin 2009). Moreover, the opinions of corporate executives, who are the main sources for this study, are known to be generally rather accessible via qualitative methods such as interviews because executives are "unlikely to take the time to fill in questionnaires" (Rowley 2012, p. 262). The newly generated findings presented in this paper are then directly discussed and compared with the current literature in the respective sections (Alvesson and Sköldberg 2009; Qu and Dumay 2011).

Between June and October 2011, 20 semi-structured interviews were conducted with the non-family CFOs, CEOs and supervisory/advisory board members of 11 Austrian family firms and four Austrian non-family firms. To increase the comparability of case study firms (Yin 2009), firms were invited to participate in the study only if they had their headquarters in Austria, could be classified as manufacturing firms, had at least 250 employees at the time of the study, had at least 50 million Euros in revenues, were not listed on the stock market and had the legal form of a limited liability company. Firms that fit these criteria were identified via publicly available information (e.g., their websites) and then contacted by e-mail with an invitation to participate in the study. With the invitation e-mail, potential interviewees also received initial information on the goals and design of the study and were ensured absolute anonymity. After participants had declared their willingness to participate, interviewees were sent field manuals for the interviews a few days before the actual interview. These manuals consisted of two parts: a standardized questionnaire on the education, career path and experience of the interviewee and a set of open-ended questions for an in-depth analysis of the skills required for non-family CFOs. The open-ended questions were created based on the literature review presented above and, together with the standardized questionnaire, are provided in the appendix.

Interviews lasted between 58 and 207 minutes and were digitally recorded and fully transcribed, resulting in more than 500 pages of text. Transcripts were sent back to interviewees to correct any misunderstandings. The approved interview transcripts were then coded using the "general inductive approach" (Thomas 2006). This approach lets topics emerge from the text without creating a code system before transcripts have been read and compared. When a topic emerged from one transcript, the other transcripts were scanned for the same topic and coded accordingly. Although the actual coding approach is inductive in nature, the focus of interviews was derived in a deductive way by analyzing the relevant literature and deriving the four key dimensions of CFO requirements stated above (education, professional know-how, career path, social/interpersonal skills). The general inductive approach thus focuses on the actual processing of the text created via interviews (Thomas 2006). By using MAXQDA software, approximately 2,700 codings were generated.

=== Insert Table 2 here ===

Descriptive information about the studied firms and interview participants is shown in Table 2. As observed in this table, of the 20 interviewees, 13 were CFOs, three were chairpersons of supervisory/advisory boards and four were CEOs. Two CEOs and two chairpersons of supervisory boards were also (partial) owners of their respective family firms and thus these can be regarded as members of the respective controlling families. The remaining 16 interviewees (all 13 CFOs, one chairperson, two CEOs) were not major owners or members of the respective controlling family and thus can be regarded as non-family managers or directors. This variety of interviewees' professional positions was created to attain a comprehensive view of CFO qualifications that does not just stem from the subjective views of CFOs.

For the classification of case firms as either family firm or non-family firm, I relied on Klein's (2000) concept of "substantial family influence". According to this concept, family influence in a firm (a continuous scale ranging from 0 to 3) is calculated by adding together the share of equity owned by the family (ranging from 0 to 1), the share of family members on the management board (ranging from 0 to 1) and the share of family members on the supervisory board (again ranging from 0 to 1). Klein (2000) suggests that when a family holds at least some equity in the firm and the family influence score reaches at least 1, the firm can be regarded as a family firm. Using this approach, 11 firms in the sample were classified as family firms and four as non-family firms. The sheer numbers of family firm (11) and non-family firm cases (four) might lead to the conclusion that the sample used in this study is asymmetrically biased towards family firm cases. However, Table 2 also shows that of the 20 interviewees, 14 had both family and non-family firm work experience, five had only family firm experience and one had only non-family firm experience. Interviewees with both family and non-family firm experience especially allowed for the sufficient consideration of both family and non-family firm situations, as these interviewees were able to report on the differences concerning the requirements for non-family CFOs in family and non-family firms based on their own working experiences. Thus, the smaller total number of non-family firm cases in the sample set was alleviated by the combined family and non-family firm experiences of interviewees.

4 Findings and Propositions

The following subsections summarize the key findings along the four dimensions of CFO qualifications identified in the extant literature (see section 2): education, professional know-how, career path and social/interpersonal skills. For each of these dimensions, propositions are formulated on family firms' specific requirements for non-family CFOs.

4.1 Education

As displayed in Table 2, all but one of the interviewed CFOs have university educations, mostly in the field of business administration. However, although all 15 interviewees in family firms hold university degrees, only five of them (Chairperson B, CFOs E, F, G, N) viewed an academic education as an obligatory requirement for a non-family CFO in family firms. By contrast, all five interviewees in non-family firms stated that a CFO must have a university education. The lower emphasis on formal education in family firms was explained by the typical career path in family firms: it seems as though in family firms, prospects for promotion remain intact even if the candidate lacks a university education, as the chairperson of the supervisory board in case B explains:

"When family firms have hired good employees, they seek to retain them. When an employee shows good performance, his or her chances of progressing into a top management position are higher in family firms. Most probably, our executive in charge of financial management would not have had the same career options in other organizational structures, considering her missing university education and career path."

By contrast, for non-family firms, most interview participants declared that CFO candidates without a university education are unlikely to even be considered for the CFO position, as a university degree is usually a prerequisite. Thus, in the analyzed non-family firm cases, potential CFO candidates without a university degree are precluded from reaching the CFO position. CFO O recalls from his non-family firm experiences:

"In non-family firms, having a university education as a CFO is standard today. CFO candidates without a university degree are not even considered. This may be a pity, as CFO candidates without a university education might make as good CFOs as university graduates. However, you do not even look at them because you have to winnow down potential candidates from a mass of candidates. So, for CFOs, university education is the admission ticket."

Therefore, the opinions expressed by interview participants suggest that although all family firm CFO interviewees in this study hold university degrees, an academic education seems to be a less important requirement for non-family

CFOs in family firms than for those in non-family firms. Thus, from a resource-based perspective, these findings indicate that firm type (family firm vs. non-family firm) acts as a driver for the valuation of the resource of university education. In this sense, the present study offers some confirmation that family firms attach less importance to a university education (Fiegener et al. 1996; García Pérez de Lema and Duréndez 2007) for the position of the CFO.

Anyhow, four non-family CFOs in family firms (CFOs C, E, G, H) applied this hypothesis to growing family firms. They stated that in the family firm they work for at the moment, the percentage of university graduates among employees is low compared with non-family firms. However, they expressed the opinion that this gap in the percentage of university graduates is likely to diminish in the future: executives without a university education who now hold important management positions have been working for the family firm for a long time (in most cases, more than 20 years) and reached their positions when the family firm was much smaller. After their retirements, the interviewed CFOs predicted that these executives would likely to be replaced by university graduates because of the increased size of the family firm (see the quotes in Table 3). In this sense, as family firms grow, they begin to resemble non-family firms in terms of the educational level they require from management candidates.

This notion suggests that the lower reliance of family firms on formal education when judging CFO candidates might not continue as the family firm grows. By contrast, for larger family firms, interviewees' statements indicate that the university education of CFO candidates might be just as important as it is in non-family firms. In this sense, the opinions expressed by interviewees suggest that the requirements for non-family CFOs in family firms are moderated by firm size. This paper's findings might thus be interpreted as further evidence that as family firms grow, they increasingly begin to resemble non-family firms (Gersick et al. 1997; Kellermanns 2005). To summarize, I propose:

P1a: *Ceteris paribus, to reach a CFO position, a non-family CFO's university education is a less important requirement in family firms compared with in non-family firms.*

P1b: *The relationship proposed in P1a is moderated by firm size in the sense that with a growing firm size, family firms increasingly require CFO candidates to hold a university degree.*

For large firms, this proposition agrees with the results presented by Gallo et al. (2004) who find that in large Spanish family firms and non-family firms, CFO education does not differ significantly. However, for smaller firms, there are no empirical findings yet on the differing levels of CFO education in family firms and non-family firms. Thus, P1a and P1b add to the literature by suggesting that firm type (family firm and non-family firm) interacts with firm size in predicting the CFO's educational level.

=== Insert Table 3 here ===

4.2 Professional know-how

In addition to education, all interviewees mentioned the importance of the CFO's functional know-how, as acquired after education during his or her professional experience. Not surprisingly, for both family and non-family firms, the most important component of functional know-how for CFOs that emerged from this study is a holistic and sound command of all finance and accounting functions. However, certain specific areas of functional know-how emerged as being of particular importance to family firms. One such family firm-specific area of CFO know-how arises due to the overlap between the business and family spheres in family firms (Gersick et al. 1997; Haynes et al. 1999). Both interviewed non-family CFOs and family representatives noted that a CFO in a family firm not only has to concentrate on the development of the business but also has to consider the impact of his or her decisions and actions on the controlling family and its wealth. For instance, this also includes the private tax, legal and asset management issues of family members. Therefore, in family firms, it seems as though the non-family CFO also has to have extended knowledge about law, tax and asset management. A statement from CFO G, who mainly worked for non-family firms before his CFO appointment in a family firm, illustrates this finding:
"What I now notice in the family firm is the requirement for the CFO to have to not only know about finance and accounting but also know about taxes and legal company structures. The interaction between the firm's interests and the interests of family shareholders has to be considered at all times. There is always the question of how to display the firm's results and the results of the private firms of

the owners and how to optimize the owners' private tax planning. I think this interaction is typical to family firms."

While a basic consideration for the effects of business decisions on the private wealth situation of the controlling family was mentioned in all family firm cases, this topic is even more important for non-family CFOs who are directly in charge of the family's private asset management activities. This situation was observed in three family firm cases (cases E, G, I; see also CFO E's quote in Table 3). In these cases, the non-family CFO's responsibilities also explicitly included the management of the family's private finances, which increased the importance of his or her functional know-how in asset and wealth management. Thus, if the controlling family chooses to let the non-family CFO also manage its private assets, the CFO is also required to have a sound understanding of asset and wealth management. However, all three non-family CFOs in these family firms expressed skepticism about the family's private asset management being part of their area of responsibility. They noted that they are ultimately responsible for the financial performance of the family firm and that their incentive compensation is based on firm performance and not on their performance in private asset management. Moreover, they reported the existence of contradictory goals between the firm and the family, which they confronted in their positions because of their responsibility for the family's private asset management. Furthermore, one of these three CFOs (CFO G) explicitly stated that he aimed to reduce the time he spent on private asset management and to transfer the role of private asset management to an institution outside the family firm.

The evidence from these three cases suggests that additional requirements (namely extended tax, law and wealth management knowledge) for a non-family CFO's qualifications seem to be relevant if there is an extensive overlap between the family and business spheres in a family firm, which corresponds to higher family influence as measured via Klein's (2000) substantial family influence formula. This requirement can also be interpreted as an attempt by the controlling family to maintain family firm-specific resources that foster their competitive advantage as defined by the resource-based view (e.g., the high commitment of family members because of the strong intermingling of the family and business spheres) despite the addition of a non-family manager to the family firm, which could potentially lower the "familiness" of the family firm (Habbershon and

Williams 1999; Frank et al. 2010). In such cases, the present study provides evidence that non-family managers have to adapt to the controlling family's needs to be eligible for the CFO position; specifically, they have to account for the family's private asset management, even if they are opposed to it (which all non-family CFOs in this study were). Thus, I formulate the following two related propositions:

P2a: *Compared to family firms with lower family influence, in family firms with higher family influence the controlling family's private asset management is more often organized within the firm and falls within the CFO's area of responsibility.*

P2b: *In family firms with higher family influence, the non-family CFO is more likely to have additional knowledge of tax, law and wealth management than in family firms with lower family influence.*

These propositions extend the findings of Chrisman et al. (2012), who suggest that a higher involvement of the family in the family firm fosters the adoption of family-centered non-economic goals. They show that the degree of family involvement also strongly influences the tasks of non-family managers. In this regard, the goal of maintaining family firm-specific resources such as a close relation between the family and the business spheres may also result in requiring non-family CFOs to have specific resources to strengthen the family firm's human capital pool.

Another specific role for a non-family CFO in family firms mentioned in the interviews was as an overall business advisor to the family. Because family firms usually have flatter hierarchies (Dailey et al. 1977; Peters and Buhalis 2004) and often use resources more frugally than non-family firms (Dyer 1989; Carney 2005), they tend to employ fewer management personnel. In line with this notion, interviewees reported that in family firms, the non-family CFO is often required to act as an overall business advisor to the family, with a role extending beyond finance and accounting issues. Therefore, especially for non-family CFOs in family firms, broad knowledge of a vast array of business functions was considered to be an important attribute. Chairperson M recalls from his family firm experience:

"Besides the expectations for every in CFO, in family firms, the CFO also has to be an advisor to the controlling family – on financial issues, on tax issues, also for

the family's private matters. […] Family members would be unlikely to ask the CFO whether to buy or lease a private car, but for instance, they do consult with him or her about whether it might be a good time to buy or sell shares in the family firm. And for tax issues, the CFO is usually the family's first contact."

In this regard, the non-family CFO is "used" not only for his or her proficiency regarding the family firm's business issues but also as a resource to family members regarding private matters (see also CFO A's quote in Table 3). In this respect, the employment of a non-family CFO in a family firm might serve not only as a competitive advantage to the family firm but also as a cost advantage for family members, who can avoid paying fees for professional financial advice. However, the non-family CFO's role as an advisor in private affairs seems to come into effect only after employment and it was not mentioned by the interviewed family firm owners as a requirement during the recruiting process. Therefore, although non-family CFO candidates might not be judged by their abilities to consult with family members on tax or legal issues, after they have been recruited they might encounter a demand to do so. Still, among a broader choice of suitable non-family CFO candidates, a CFO candidate's experience as a tax consultant or asset manager is likely to be a decisive factor in the recruiting process of family firms with closely connected family and business spheres and thus with greater family influence. Therefore, I propose:

P3: *Unlike non-family firms and family firms with less family influence, family firms with greater family influence consider a non-family CFO candidate's professional know-how not only from a business perspective, but also incorporate into their hiring decision the candidate's ability to assist the controlling family with private matters such as financial, tax or legal issues.*

4.3 Career path

An analysis of the career paths of the interviewed CFOs shows that the majority (10 out of 13) were promoted internally to the CFO position. Only three CFOs (cases D, G, J) were recruited from outside their current firms. Interestingly, all three of the external recruits were hired to family firms and none were hired to non-family firms. Two of these CFOs (D, G) were recruited from non-family firms and one (CFO J) was hired from a CFO position in another family firm.

However, this CFO had previously been recruited directly from a non-family firm into the prior family firm CFO position. These descriptive results on the small sample investigated in this study indicate that non-family firm experience seems to be an important factor for controlling families when they are searching for a new CFO. This notion, derived from the career path analysis of the interviewed CFOs, also receives support from this study's interviews with family representatives. They mostly stated that when hiring non-family management personnel, they actively seek to integrate managers with extensive non-family firm experience, although sometimes not in the form of directly recruiting external managers into the CFO position, but into preparatory positions such as controller or treasurer. Family representatives also expressed that they expected the non-family CFO to bring new practices and know-how acquired from his or her non-family firm experience to the family firm. A statement from the chairperson of the board of the family firm from case B explains this finding:

"I quite like it when we get people from a non-family environment. Coming to us from a non-family firm would absolutely be no obstacle; quite the contrary: I see this as an enrichment to our firm. Especially in the fields of finance and accounting, from my point of view, people who have undergone training in a non-family group can provide valuable impetus to professionalize or change finance and accounting functions."

Thus, this study's results indicate that by hiring non-family CFOs with extensive non-family firm experience, family firm owners aim to add additional resources to the family firm and thus strengthen the firm's pool of human resources. Put differently, family firm owners mainly expect a non-family CFO's previous non-family firm experience to have positive effects on the professionalization of the family firm (see also CEO F's quote in Table 3). This finding indicates that they feel a need to professionalize the family firm. Moreover, it seems as though they consider the management of non-family firms to generally be more professional than that of family firms and thus expect the non-family firm experience of the CFO to bring more professional management techniques and processes to the family firm. In this sense, they aim to increase professionalism (among other characteristics) by adding the external human resource of a non-family CFO. Thus, in line with the findings of Hall and Nordqvist (2008), this study provides evidence that family firms tend to regard non-family managers with non-family firm experience as more professional than family managers or non-family managers with pure family firm backgrounds.

However, other interviewees, especially CFOs, stated that previous family firm experience is also helpful when taking over a CFO position in a family firm because it allows them to already be aware of the peculiarities of family firms regarding their typical decision-making and governance processes. Hence, from the non-family CFO's perspective, it seems to be useful to have some working experience in a family firm environment to be prepared to take on a top management position in a family firm, such as the CFO position. One CFO also stated that typical characteristics in family firms, such as a high degree of owner influence in decision-making (Astrachan 2010; Moog et al. 2011) or quick decision-making in general (Ward 1997; Braun and Latham 2009), mainly become relevant to non-family employees when they reach top management positions. Thus, previous work experience in family firms (including at lower levels of the corporate hierarchy) may be a valuable resource for potential CFO candidates. However, it can be followed that this experience is only helpful if family firm owners aim to maintain these characteristics despite having widened the influence of non-family managers through the integration of a non-family CFO. In contrast to the situation in family firms, the interviewees' appraisal of family and non-family firm experience was not so different against the background of a non-family firm scenario.

Another specific requirement for non-family CFO candidates in family firms mentioned in the interviews was industry experience. This requirement was only stated by family firm owners and not by non-family firm interviewees. Family firm owners stressed this point, stating that when a non-family top management member has sufficient experience in the industry, he or she needs less time to become familiar with the firm, as CEO F explains:

"Experience in the same industry as ours is certainly helpful for the CFO. Then, the CFO already knows about the characteristics of the cost accounting and financial accounting systems in our industry."

Interestingly, non-family firm respondents stated that the CFO position would not require industry experience, as finance and accounting processes differ little compared with other corporate functions, such as sales or operations. The higher attached value of same industry experience in family firms may suggest that family firm owners seek to integrate a new non-family CFO into the family firm as smoothly as possible by demanding the same industry experience, which they hope will reduce the time the newly appointed CFO needs to adapt to the family firm.

To sum up, whereas interviewed family representatives mainly stressed non-family firm experience and same-industry experience as valuable resources of non-family CFOs, the interviewed CFOs also mentioned former family firm experience in order to be better able to deal with family firm peculiarities as valuable resources for non-family CFOs. Therefore, from a resource-based perspective these findings can be interpreted as when hiring non-family CFOs, controlling families try to add extra resources to the family firm. But at the same time, they aim to maintain existing family firm-specific resources by demanding that the non-family CFOs adapt to the specifics of family firm governance, which is underpinned by the interviewed CFOs' notion that family firm experience is helpful to deal with family firm peculiarities. Thus, it is proposed:

P4a: *Unlike non-family firms, when assessing non-family CFO candidates, family firms value previous non-family firm experience over previous family firm experience because they expect a strengthening of the family firm's resource base by adding non-family firm experience in the form of non-family CFOs.*

P4b: *Family firms value a non-family CFO's same-industry experience more highly than non-family firms as they expect the non-family CFO to integrate into the family firm more quickly when having same-industry experience.*

P4c: *Non-family CFOs who already have family firm and/or same-industry experience are able to cope with family firm peculiarities and integrate into the family firm more quickly when they are newly hired by a family firm than non-family CFOs without such prior experience.*

4.4 Social/interpersonal skills

Substantial differences between family firms and non-family firms were detected in the requirements for non-family CFOs summarized as "social/interpersonal". However, some requirements emerged as important for non-family CFOs in both family firms and non-family firms. Overwhelmingly, the most important requirement in this regard (mentioned by 14 interviewees) is the ability to communicate effectively. Additional skills that were found to be necessary and important for non-family CFOs in both family firms and non-family firms were integrity and honesty, leadership skills, a certain intuition for numbers and the ability to integrate quickly into new firms.

The specific requirements for non-family CFOs in family firms are all related to the integration of the controlling family into the family firm. In this line, I found from the case study analysis that these specific family firm requirements for CFOs are especially applicable to firms with controlling families that are intensively integrated into the family firm (mostly in the form of family members being part of the management team) and are less applicable to family firms with less intensively integrated families (e.g., when family members are only part of the supervisory board, but no longer part of the management team).

Both CFO interviewees and family firm owners noted the need for a personal/social fit between the controlling family and the non-family CFO. family firm owners also stated that they would strongly include cultural fit in their decisions when deciding among potential CFO candidates. The most frequently mentioned requirement for non-family CFOs in family firms in the social/interpersonal dimension is the CFO’s sensitivity to family interests. CFOs with both family firm and non-family firm experience stressed this point and highlighted the serious differences for non-family CFOs in family firms and non-family firms. To show his or her sensitivity to family interests, it is important for a CFO to acknowledge the consequences of all decisions and developments for both the business and the family, as the chairperson of the supervisory board in case C explains:

“A CFO in a family firm must not do something that, on one hand, is in accordance with the firm’s interests, but which, on the other hand, harms the controlling family. This must not happen. Therefore, he or she has to have an eye on both spheres. He or she is well advised to consult me about critical topics and to find a common solution that benefits both spheres. For instance, a tax decision that helps the firm but that results in family members paying higher income tax is not tolerable in a family firm.”

Owing to the long-term orientation of family firms and their focus on sustaining the business (Mahto et al. 2010; Lumpkin and Brigham 2011), a valuable feature of a non-family CFO in a family firm was also found to be his or her intrinsic long-term orientation. This requirement stands in contrast to the often observable short-term orientation of CFOs in non-family firms, as CFO D explains (see also chairperson C's quote in Table 3):

"When judging the suitability of a CFO, a family-controlled firm looks at other features compared with a non-family firm; for instance, whether the CFO is long-term oriented. […] Family firms rather look for reliability, for someone who will stay in the firm for a longer period of time. […] A non-family firm rather seeks CFOs who are more aggressive and drive shareholder value in the short-term. Non-family firms tend to say, 'I hire a CFO and after three years, if he or she has brought the firm forward but then leaves again, that's also fine. Then, I hire someone new, who brings new impetus to the firm.'"

Three CFO interviewees (C, D, J) who moved from a non-family firm to a family firm reported a "culture shock" when arriving in the family firm, in the sense that they experienced a completely different decision-making culture in the family firm compared with their former non-family firm experiences. According to these interviewees, this "shock" was connected with the concentration of the decision-making power in family firms. From their non-family firm experiences, CFOs were used to fact-based and rational decision-making. By contrast, in family firms they more often found emotional and non-fact-based decision-making by the controlling family to be the case. Thus, these CFOs pointed out that for prospective CFOs in family firms it would be relevant to consider in advance whether they would be able to cope with and accept the controlling family's decision-making power. This requirement also corresponds with the importance of previous family firm experience mentioned in section 5.3. If a CFO candidate already has family firm experience, he or she might better understand the centralized decision-making processes of family firms. Similarly, CFO interviewees also mentioned that in family firms it is important for the CFO to be able to tolerate frustration. This skill is necessary because in family firms, non-family CFOs frequently make recommendations based on facts and rational reasoning that are rejected by the controlling family. In these situations, CFOs must cope with the family's decision-making power. However, CFO interviewees stressed the importance of not ceasing to challenge or question the family's decisions, as they viewed their role as that of critical counterparts to the family.

Nevertheless, sustaining this behavior requires a high degree of tolerance for frustration.

Finally, the interview analysis showed that a non-family CFO also often acts as a moderator in cases of conflict between family members (see CFO O's quote in Table 3). Thus, the CFO needs mediation skills in order to achieve consensus among family members despite prior disputes or conflicts. Non-family CFOs stated that this is especially true for family firms that have more than one family member who is operationally involved in the family firm's management team. In these cases, the non-family CFO is often the only non-family member in the management team and thus he or she acts as a type of independent referee.

In conclusion and in line with previous studies on non-family CEOs in family firms (Blumentritt et al. 2007; Klein and Bell 2007; Hall and Nordqvist 2008), this study also found that cultural or social/interpersonal competence is a highly important requirement for non-family CFOs in family firms. This finding extends prior knowledge by presenting some concrete social/interpersonal skills necessary for non-family managers in family firms, which have thus far been discussed rather ambiguously. Moreover, from the findings of the present study, it follows that the high importance of cultural fit between family and non-family managers should be relevant for non-family managers in family firms in general. So the high importance of cultural fit is not only the case for CEOs, who have been the focus of the extant literature on non-family managers in family firms and who might be deemed to have closer contact with the controlling family compared with functional management team members such as the CFO. Summarizing the above-presented results, I propose:

P5a: *Besides the general social/interpersonal requirements for CFOs, compared to non-family firms, family firms lay greater emphasis on non-family CFOs' cultural fit with firm owners.*

P5b: *Among other social/interpersonal requirements for CFOs, family firms place higher value than non-family firms on a CFO's intrinsic long-term orientation and their ability to moderate conflicts between owners.*

P5c: *The assessment of the CFO's social/interpersonal skills as proposed in P5a and P5b is moderated by the presence of family members in the family firm's management team, which leads to the CFO's social/interpersonal skills being of even greater importance.*

From the fact that the interviewed family representatives stressed the cultural/social fit of the non-family CFO with the family, it can be concluded that they were aware of the importance that the personal/social skills of non-family managers align with the family firm's values. This finding stands in contrast to the results presented by Hall and Nordqvist (2008), which suggest that family firm owners underestimate cultural fit when hiring non-family managers. A possible explanation for this discrepancy might be found in the generation and size of the family firms under investigation in Hall and Nordqvist's (2008) compared with those in the present study. Whereas Hall and Nordqvist (2008) focus on smaller family firms with a maximum of 130 employees, this study analyzed family firms and non-family firms with at least 250 employees. Moreover, Hall and Nordqvist (2008) examine mainly first- and second-generation family firms, whereas the 11 family firms investigated in this study are mostly in their third or higher generations (see Table 2). Generally, larger and older family firms tend to employ more non-family managers (Klein and Bell 2007). Owing to the larger sizes and longer histories of the family firms in this study compared with those analyzed by Hall and Nordqvist (2008), the majority of this study's family firms had already gained substantial experience in employing non-family managers. Therefore, they may have built upon this experience and by now know the importance of considering cultural fit as an aspect of hiring decisions involving non-family managers. Stated differently, when first hiring a non-family manager, family firms might underestimate the importance of cultural fit and overestimate the non-family manager's professional skills (Hall and Nordqvist 2008), but when they do so continuously, they learn to integrate cultural fit into their decisions. However, this idea is only triangulated by combining the results of the present study with those of Hall and Nordqvist's (2008) in terms of the size and generation of the family firms investigated. Thus, this notion needs careful corroboration by future studies, which should aim to analyze the recruitment processes for non-family managers in family firms of different sizes and generations.

5 Conclusions

This study investigated the specific requirements of family firms when they hire non-family CFOs. Based on an analysis of the relevant literature, four dimensions of CFO requirements (education, professional know-how, career path and social/interpersonal skills) were derived and used as guiding topics for a multi-case study. From the analysis of 15 firm case studies and 20 semi-structured interviews, 11 propositions were then developed. An overview of these propositions can be obtained from Table 4.

=== Insert Table 4 here ===

This study adds to the literature in several ways. First, it is the first to conduct an in-depth investigation into a specific aspect of the employment of non-family CFOs in family firms, namely the specific requirements family firms demand when hiring non-family CFOs. Second, it contributes to the general literature on non-family managers in family firms by closely examining the requirements for these managers and delivering more fine-grained information on which concrete skills are required from non-family managers. The detailed analysis of requirements for non-family CFOs is necessary, as functional C-suite members such as the CFO face substantially different requirements than CEOs (Menz 2012), who have been the focus of the existing literature on non-family management in family firms. Third, combined with the findings presented by Hall and Nordqvist (2008), this paper's findings offer a potential explanation for the underestimation of cultural fit in family firms when hiring non-family managers. This paper suggests that larger and older family firms with more experience of hiring non-family managers develop a better understanding of the success factors for hiring non-family managers and therefore strongly integrate cultural fit into these decisions.

The findings of this study should be of relevance to family firm owners, non-family CFOs in family firms and family firm advisors. Based on the results of this paper, family firm owners who are pondering hiring a non-family CFO for the first time might be better able to gauge which specific family firm-related requirements may be important in this personnel decision. Thus, they could likely reduce failures in the hiring process and avoid unsuccessful relationships with non-family CFOs. Furthermore, CFOs and financial management professionals who might want to reach a CFO role in a family firm can also use the results of this paper as a guide about the specific skills they are likely to need to acquire in order to be appointed to a CFO position in a family firm. In particular, CFOs who currently work for non-family firms and who are contemplating switching to a family firm might also receive insights into the requirements expected in family firms. Finally, family firm advisors might find these results useful when advising family firms on what to look for when searching for and integrating non-family managers (specifically CFOs) into the family firm.

Future research might test the propositions developed in this study for significance in quantitative research settings. Moreover, further studies of the requirements for other non-family functional C-suite members in family firms such as chief operating officers, chief information officers or chief marketing officers (Menz 2012) might be valuable for both practitioners and academics, as these functional C-suite members might – just as do non-family CFOs – face distinct requirements in family firms. Although this study has created a first overview of family firm requirements for non-family CFOs, the specific role of the non-family CFO in family firms deserves further investigation. For instance, future research could investigate the organizational roles played by non-family CFOs in family firms in more detail. Furthermore, longitudinal studies of the development of non-family CFOs in family firms might show how these important non-family managers are hired and how they develop their roles and establish trusting relationships with controlling families.

This study has some limitations. It uses qualitative research methods; therefore, the findings, generated using a relatively small sample size, cannot readily be generalized. Moreover, to increase the comparability of the analyzed cases, this study narrowed the sample to include only Austrian industrial firms that have at least 250 employees, have 50 million Euro in sales, are limited liability companies and are not listed on the stock market. Obviously, an investigation of firms with other characteristics might generate different results. Thus, a replication of this study in different cultural or governance settings, for instance in countries that use a one-tier board system in contrast to the two-tier board system prevalent in Austrian firms (Weimer and Pape 1999) or studies with a focus on smaller firms, might be useful. Lastly, it cannot be concluded from this study whether family firms that carefully select non-family CFOs ultimately perform better than family firms that do not. Thus, the implications of an optimal person-–organization fit between a family firm and a non-family CFO on family firm performance must be left to future research.

Appendix: Interview manual used in the present multi-case study

Case number:	**CFO name:**
Firm name:	

Standardized Questionnaire

General firm characteristics

Firm name:
Legal form:
Industry sector(s):
Year of foundation:

Quantitative firm characteristics

Number of employees:
Annual revenue (Euro, millions):

Family influence

Number of management board members:	Number of family management board members:
Number of directors:	Number of family directors:
Family share in equity:	

Interviewee characteristics

Year of birth:
Family member:

Current position:
With the current firm since:
Education:
Years of CFO experience:
Years of total working experience:
Years of family firm experience:
Recruitment channel:

Open-ended Questions

1. Which elements do you consider as crucial when evaluating a CFO candidate's career path?
   (For CFO interviewees: Which elements of your career path do you consider crucial for your current role?)

2. When searching for a new CFO, which functional and personal requirements are most important for you? Do you have educational requirements for the CFO?
   (For CFO interviewees: Which functional and personal requirements are most important for your current role? What part does your education play?)

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Table 1. Main findings from the literature review

Literature stream	**Main findings**
Non-family CFOs in family firms	• Non-family CFOs increase family firm performance in small and medium-sized firms (Caselli and Di Giuli 2010; Di Giuli et al. 2011), but not in large firms (Gallo and Vilaseca 1998) • Non-family CFOs strengthen a family firm's human resources and help professionalize the family firm (Filbeck and Lee 2000; Lutz et al. 2010; Di Giuli et al. 2011; Lutz and Schraml 2012) • Non-family CFO's technical excellence in accounting and in reducing financial risk is important for family firm owners (Lutz et al. 2010; Gurd and Thomas 2012) • In large family firms, non-family CFOs' education levels do not differ from those of CFOs in large non-family firms (Gallo et al. 2004)
Non-family managers in family firms	• Non-family managers provide external knowledge and thus strengthen a family firm's resource pool (Dyer 1989; Gersick et al. 1997; Songini 2006; Chittoor and Das 2007) • Family firm owners evaluate non-family managers mainly based on formal qualifications and tend to underestimate cultural competence (Blumentritt et al. 2007; Hall and Nordqvist 2008)
General CFO qualifications	• University education is standard for CFOs (Collier and Wilson 1994; Baker and Phillips 1999), as it fosters the introduction of innovative accounting practices (Naranjo-Gil et al. 2009) and helps avoid accounting errors (Aier et al. 2005) • Longer CFO tenure and external CFO recruits help introduce innovative accounting practices (Naranjo-Gil et al. 2009) and improve accounting quality (Aier et al. 2005; Geiger and North 2006)

Table 2. Descriptive information on case firms and interviewees

	Firm						Interviewee					
Case	Employees	Annual revenue (Euro millions)	Year of foundation	Current main owner's number of generation	Family members are part of the management team	Family/ non-family firm	Position	Family member	Age (years)	Education level	Working experience in family firms (years)	Working experience in non-family firms (years)
A	250-500	50-100	1900-1950	4	Yes	Family firm	CFO	No	40-55	Master	15-30	none
							CEO	Yes	>55	PhD	15-30	<15
B	250-500	50-100	before 1900	5	Yes	Family firm	Chairperson of the supervisory board	Yes	40-55	PhD	15-30	none
							CEO	No	>55	PhD	15-30	<15
C	>1,000	>300	1900-1950	3	Yes	Family firm	CFO	No	40-55	Master	<15	<15
							Chairperson of the supervisory board	Yes	40-55	Master	15-30	<15
D	501-1,000	101-300	after 1950	2	Yes	Family firm	CFO	No	<40	Master	<15	<15
E	250-500	50-100	1900-1950	3	Yes	Family firm	CFO	No	40-55	PhD	15-30	none
F	501-1,000	101-300	before 1900	7	Yes	Family firm	CFO	No	>55	Master	15-30	<15
							CEO	Yes	40-55	Master	<15	<15
G	>1,000	101-300	before 1900	4	Yes	Family firm	CFO	No	<40	Master	<15	<15
H	501-1,000	50-100	after 1950	3	No	Family firm	CFO	No	40-55	Master	15-30	15-30
I	>1,000	101-300	1900-1950	3	No	Family firm	CFO	No	40-55	Master	15-30	none
J	250-500	50-100	1900-1950	3	No	Family firm	CFO	No	40-55	Master	<15	<15
K	501-1,000	101-300	1900-1950	n.a. (non-family firm)	n.a. (non-family firm)	Non-family firm	CEO	No	40-55	Master	<15	<15
L	>1,000	>300	1900-1950	n.a. (non-family firm)	n.a. (non-family firm)	Non-family firm	CFO	No	40-55	Master	none	<15
M	250-500	50-100	after 1950	n.a. (non-family firm)	n.a. (non-family firm)	Non-family firm	CFO	No	>55	no degree	<15	>30
							Chairperson of the advisory board	No	>55	PhD	>30	<15
N	>1,000	>300	before 1900	2*	No	Family firm	CFO	No	40-55	Master	15-30	none
O	>1,000	>300	1900-1950	n.a. (non-family firm)	n.a. (non-family firm)	Non-family firm	CFO	No	40-55	Master	15-30	<15

* The family currently owning the majority of firm N has acquired the firm in the 1980s. This is why the current main owner's number of generation is only 2 despite the firm having been founded before 1900.

Table 3. Further quotes from interviews

Dimension of CFO qualifications	Sample quotes	
Education	Chairman M (non-family firm)	*"For the highest positions in finance and accounting, candidates should have a university education. For instance, two years ago, we hired a new chief accountant. We explicitly requested that candidates have an academic education. […] So I, personally, and also our firm place great emphasis on the formal qualification of our employees."*
	CFO C (family firm)	*"In comparison to voestalpine [a large listed firm in Austria], the percentage of university graduates among our employees is definitely lower. However, this is due to our firm's history, as it has grown over time. We have employees who have been with the firm for 25 to 30 years and make great executives. However, once they retire, they will be replaced with university graduates. This process will start in five to ten years from now."*
	CFO E (family firm)	*"We also observe some kind of academization in our family firm. Back in 1993, when I joined the firm, I was only the fourth or fifth graduate to be employed in the entire firm. Today, there are many more. […] Nowadays, having a university degree is crucial to being promoted into leadership positions."*
Professional know-how	CFO E (family firm)	*"A peculiarity in family firms regarding the requirements for a CFO's professional know-how is that ownership and management are heavily intertwined. This can result in firm projects also having a sort of private character. An example of this are our owner's real estate renting and management businesses, where the spheres overlap quite often because real estate management is also part of my CFO role."*
	CFO A (family firm)	*"Our CEO's sister is a member of our supervisory board. In board meetings, she asks me the occasional question, and I think she trusts my feedback. And if there is something for me to check, she approaches me directly, also with matters that do not concern the firm, such as private matters."*
Career path	CEO F (family firm)	*"Contemplating a successor for our current CFO, I think it would probably be more valuable to hire a CFO who has worked for a listed firm for some time. Although 'thinking in quarterly figures' – as done in listed firms – is often too short-sighted, discipline in reaching earnings growth has some appeal because family firms often think in generations and forget that they must first survive the next three years. […] So if I had the choice between a CFO with family firm experience and a CFO*

		with experience in a listed firm, I would definitely prefer the latter. […] A CFO with experience in the private equity sector might even be more interesting; such a CFO would have experienced the same kind of discipline, external pressure and focus on results as a CFO in a listed firm, but would not have the problem of all the knowledge gathered about stock markets being irrelevant to us as a private firm. This would be the ideal profile: someone who has gone through the private equity school of hard knocks. We could profit, for instance, by learning how to handle short-term assets."
	CFO G (family firm)	*"Having prior experience with family firms through my former employer has surely been helpful, simply in so far that I am not surprised by family firm owners' expectations and their way of thinking. This has certainly helped me."*
Social/ interpersonal skills	Chairman C (family firm)	*"Family firms operate completely differently from listed firms. For instance, short-term optimization is completely irrelevant. Instead, long-term qualitative goals are important. In our firm, the perspective is generally also long-term where the CFO is concerned, as we aim for a long-term relationship and therefore hire only persons of trust; because the CFO is an important link between the business and the family. This is why the CFO has a much stronger relationship with family members than other non-family executives. Family members need to feel this long-term orientation of the CFO. Someone who focuses on optimizing quarterly results will therefore get into deep troubles in our firm."*
	CFO O (non-family firm) reporting on his family firm experience	*"As CFO, you are the counterbalance. First, you clearly are the supplier of objective information. That must be beyond question. Then you have to support the CEO, and if there are conflicts, which is often the case in family firms, you have to reconcile them. This means that you have to have a good relationship with the family stockholders and their representatives, and you have to cultivate these relationships. […] Otherwise, conflicts between family stockholders – and I have witnessed quite a few of these – can affect the business negatively unless you manage to keep them away from the business or get them back on track in due time."*

Table 4. Propositions

Dimension of non-family CFO qualifications	Propositions	
Education	P1a	Ceteris paribus, to reach a CFO position, a non-family CFO's university education is a less important requirement in family firms compared with in non-family firms.
	P1b	The relationship proposed in P1a is moderated by firm size in the sense that with a growing firm size, family firms increasingly require CFO candidates to hold a university degree.
Professional know-how	P2a	P2a: Compared to family firms with lower family influence, in family firms with higher family influence the controlling family's private asset management is more often organized within the firm and falls within the CFO's area of responsibility.
	P2b	In family firms with higher family influence, the non-family CFO is more likely to have additional knowledge of tax, law and wealth management than in family firms with lower family influence.
	P3	Unlike non-family firms and family firms with less family influence, family firms with greater family influence consider a non-family CFO candidate's professional know-how not only from a business perspective, but also incorporate into their hiring decision the candidate's ability to assist the controlling family with private matters such as financial, tax or legal issues.
Career path	P4a	Unlike non-family firms, when assessing non-family CFO candidates, family firms value previous non-family firm experience over previous family firm experience because they expect a strengthening of the family firm's resource base by adding non-family firm experience in the form of non-family CFOs.
	P4b	Family firms value a non-family CFO's same-industry experience more highly than non-family firms as they expect the non-family CFO to integrate into the family firm more quickly when having same-industry experience.
	P4c	Non-family CFOs who already have family firm and/or same-industry experience are able to cope with family firm peculiarities and integrate into the family firm more quickly when they are newly hired by a family firm than non-family CFOs without such prior experience.
Social/interpersonal skills	P5a	Besides the general social/interpersonal requirements for CFOs, compared to non-family firms, family firms lay greater emphasis on non-family CFOs' cultural fit with firm owners.

P5b	Among other social/interpersonal requirements for CFOs, family firms place higher value than non-family firms on a CFO's intrinsic long-term orientation and their ability to moderate conflicts between owners.
P5c	The assessment of the CFO's social/interpersonal skills as proposed in P5a and P5b is moderated by the presence of family members in the family firm's management team, which leads to the CFO's social/interpersonal skills being of even greater importance.