Co-CEO Structure: Are Two Heads Better than One in a Family Business?

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Leading a business under almost any circumstances is challenging. And as you likely know, leading a family business brings with it specific collateral responsibilities that can add to the complexity, stress and difficulty of that job. What we are hearing from junior generation family employees is: If the business is not run professionally (as if it were a public company) that in today’s competitive environment, extinction of the business is a real threat. That data has some interesting implications. It’s comforting in that professional management will help ensure the best person is in the top seat (be they family or non-family leaders). It’s also daunting to many potential family successors who worry that they might not bring everything that the job requires.

The skills required to run a company continue to increase, and there is less margin for error when change is the norm and competitors respond to bad decisions at lightning speed. Co-leadership models have been used by family businesses for centuries, but not frequently. Today, that frequency is increasing.

The purpose of this article is not to advocate or oppose a co-CEO model. Nor is it to provide empirical evidence for or against co-leadership; such evidence is scant and anecdotal at best. The objective is simply to describe some key variables that may contribute to effective co-CEOship. The examples and recommendations in this article are based on both a review of the literature and interviews conducted with family members who share the top spot in their business. The experiences and advice of those serving in co-leadership roles are quoted throughout this article. Professional literature references are provided at the end of the article.

There are many sources of success in co-CEO models. And “best practices” for shared leadership in family businesses cannot be clearly identified, since what might work well for one family might simply be the wrong choice for another. Despite that, there are some fundamental themes that can be identified as core sources of success where the top position is shared by two or more people. These are described below.

Shared Values and Vision

By definition, co-leadership implies sharing. And while co-CEOs don’t share the same opinion on every
matter (nor should they), there are some fundamental constructs that must be shared in order for co-CEOs to be productive, successful leaders together. Shared values underlie much of the co-CEOship success. One of our clients shared, “If we didn’t have a common set of values, the two of us would have no chance of sharing leadership in this business.”

Shared values can also enhance the ability to balance strong personalities and help leaders manage through constructive conflict, as well as foster a healthy diversity of perspectives. In addition, shared values between business leaders increase the comfort level of all shareholders who rely on this fundamental commonality between co-CEOs to serve as the rudder for their actions and decisions. When family shareholders observe disunity of values between the people who are making strategic decisions on their behalf, they lose confidence. This can lead to significant upheavals – either by demanding that leadership be changed, or pursuing liquidation of their holdings – both legitimate responses.

Shared values can also contribute to a shared vision. One co-CEO interviewed said, “We share common values, a common vision and a common sense of purpose – that by itself mitigates the risk of conflict and serves as a strong foundation for us.” Without the same desired outcome between co-leaders it is virtually impossible to run a business successfully. It is also difficult to govern the business as a board. In fact, it is the board’s responsibility to ensure that co-CEOs are indeed aligned on what they are striving to achieve. If that alignment is not possible, directors are obligated to effect leadership change on behalf of the shareholders.

Developing alignment of values and a clear vision for the business needs to be a priority for co-CEOs. If that discussion happens after leaders are in place, it is likely too late. Whenever possible, potential co-leader successors need to work together on establishing that alignment before they are sitting in the top seat. If the business has a board, the directors will be actively involved with the successors in those discussions. In addition or alternatively, potential successors can engage trusted advisors and other family members to help ensure that they are confidently aligned in advance of committing to the most important job in the business.

**Trust**

“Trust is foundational,” according to another co-CEO. The literature supports that perspective. Trust, not surprisingly, is often cited as crucial to the success of a team and plays an important role in effective co-leadership. One important outcome associated with trust between leaders is employee satisfaction and commitment. Similarly, trust and mutual respect between and within generations in the family enterprise are necessary for co-leadership to be successful, as these attributes promote more acceptance of leaders and their decisions, along with greater willingness of co-leaders to work together. The family must play its role in fostering a culture of trust that permeates throughout the family and the business, because it supports not just the leadership structure, but also cultivates support from others upon whom leaders depend.

“We have unconditional trust for each other,” said one of three brothers who helm a South American business. “I feel that my brothers’ decisions are often wiser than I would make, and no one feels picked on or left out.” The co-leader of another company said, “My brother is very quick to make decisions and I am more analytical. But he always gives me the time I need – we have established a process for decision making that we both trust.”

Trust directly influences the success of the working relationship and, in turn, of the enterprise. It helps co-leaders manage paradoxes within family enterprises including patience versus action and individualism versus collectivism. Trust is also critical for reducing the destructive effects of conflict, especially as related to emotion-based conflicts in team and group performance. “There must be trust,” said the co-leader of an industrial business. “I believe that trust helps you become generous and aware that your fellow leader has expertise that you don’t. Trust extends to knowing the limits of your capabilities.” One co-leader of a brother trio agreed: “I don’t feel there is a boundary around my area. My brothers encourage me to make tough decisions in my area, and I welcome their input – and they are not afraid to offer their opinion.”

**Absence of Ego**

We all have an ego and it can serve leaders well when it is managed appropriately. At the same time, ego is one
of the most destructive influences on co-CEO teams. Co-CEOs must have the capacity to subordinate ego in order to attain a common goal, a goal that will best serve the collective stakeholders. For many people, that is not an easy feat. Yet if leaders are unable to do that, they will likely fail. An absence of ego also tends to foster openness in one’s thinking, as well as tolerance for diverse opinions and inputs – typically a critical factor in the success of any business.

In much of the literature on leadership, an argument is made that to lead, one must follow. It is difficult to understand the importance of that if ego is the fundamental driver of a leader’s thoughts and actions. Gary Hamel, co-author of Competing for the Future, wrote, “From Ghandi to Mandela, from the American patriots to the Polish shipbuilders, the makers of revolutions have not come from the top.” If co-CEOs are individually able to recognize the fact that much of the success in the business is driven by well-placed employees who are given opportunities to take a swing and are listened to, then shared value will increase. It will not happen if either co-CEO cannot appropriately manage his/her ego and insists that the ideas must come from the top.

If your ego is in the driver’s seat, it will serve as an impediment to your ability to compromise and collaborate as co-CEOs. Leadership partners recognize that sharing the top seat successfully will likely require more compromising. Decision making as a single leader is faster in almost every case. Yet after collaborating on an initiative together, and compromising for a shared accomplishment, a better decision might be made together. There is significant empirical evidence that supports the claim that better decisions are made by more brains than fewer brains.

Ego makes us want to “win.” But remember that winning as an individual is not your role as a co-leader. Together you are servants of the business, stewards of the shareholders’ collective assets, ambassadors for the family and leadership partners. These facts must be foremost in your mind in order to avoid the negative consequences of ego-driven behavior.

Co-leadership and Corporate Governance
As co-leaders must be held accountable for the protection of the business and its shareholders, formal governance structures, particularly a strong corporate board, play an integral role in supporting and nurturing leadership models. In addition, co-leaders tend to rely heavily on outside directors (and other advisors) for their objectivity and independent insights. The absence of strong directors can create unease among family members both within and outside the business, as it can signal that key decisions have not been “filtered” through the perspective and guidance of independent, knowledgeable outsiders. Several co-leaders interviewees noted that they benefit significantly from having an outside board chair to prevent perceptions of inequality and other potentially negative issues. “An outside chair makes board discussions very professional – not personal,” one co-CEO said.

Much more has been and could be said about the circumstances under which co-CEOship might work. The themes discussed above represent just some of the variables that influence the success of co-leadership. The drivers of shared leadership’s longevity are multidimensional and unique to each family. Perhaps some of this information will stimulate more thinking about the discussions that need to be a part of a most important leadership decision.

References


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