While the use of co-CEOs is a leadership model familiar to family businesses, it has often been viewed as a necessary evil — a suboptimal model that may be required to maintain family harmony. As Kate Newell, a co-president with her brother said of the early days of their sharing the top seat, “We knew how others would look at it; they would see it as an inferior way to lead the company.”

In fact, outsiders evaluating a co-CEO model would often assume, “Oh, the parents copped out and didn’t choose one.” Yet those who have experience with this leadership model understand that the entire family is in on it, and the parents did as all wished and what was necessary to keep peace in the family.

Looking outside of family firms for a moment, there is more and more evidence of successful co-leadership of businesses. It is a common model for two unrelated business partners who have grown a business together to adopt the “Mr. Inside and Mr. Outside” leadership model. One partner handles sales, and industry relationships, and other external roles. While the other handles production and probably administration too.

Research reported by O’Toole, Galbraith, J., Lawler, E. in the California Management Review identified success factors associated with two leaders at the top, in many circumstances a CEO and Chief Operating Officer acting much more as equal partners than as boss and subordinate:

- Co-leaders make sense when the organization is too complex for one leader.
- Co-leaders subscribe to a set of guiding principles and have the ability to set aside egos and “what’s in it for me” thinking.
- Co-leaders possess different but complimentary skills sets and leadership styles, and present a united front to others.
- Co-leaders are more successful when an existing CEO selects them as his/her successors, or when one co-leader chooses the other(s).
- Co-leaders are chosen to work together not so much for the skills they offer, but for the chemistry between them.
- There must be clarity about what skills are represented by each individual, what each individual’s role will be, and a fit between the skills and the role.
- Co-leaders must develop a model to coordinate actions and decision making, whatever method is used, it is essential and it must be effective.
- Co-leaders must agree on how and when to involve others, such as subordinates of each. This cannot be left to others to figure out on their own.
Siblings Kate Newell and Mike Anderson are co-CEOs of a commercial construction company. Kate, an engineering graduate from Stanford, runs the project management group, while the more gregarious and personable Mike runs estimating, marketing and sales. The two have been at it successfully for ten years.

In our experience among family firms, sibling teams are the most common variation of the co-leadership model, followed by a combination of siblings and cousins sometimes found in generations three and later. We are also running across more situations like Kate and Mike’s where the leadership structure has been an advantage to the business. Efficiencies are possible from a flatter organization where two siblings have a broad span of direct control that is not possible with one leader.

The structure can preserve entrepreneurship into a second generation, reducing bureaucracy, and providing space for two creative minds. Siblings can be good for business growth when they look at opportunities by asking the question, “why not” rather than “why?” With respect to making a partnership work, siblings are naturals when it comes to consensus decision making or negotiation. They have been practicing it for years.

As Mike Anderson says of his sister, “She is the one who always brings up the problems between us and confronts me. If it were up to me our issues would go a little longer before they were put on the table. We have had some real challenges between us, but when one is so convinced of a thing it shows and the other will usually give in. We don’t keep score, but we are rather even in winning out over the other’s initial indifference or resistance.”

Sibling Co-Leader Best Practices

We have observed some consistencies in sibling teams. It has been our practice to ask in our interviews with family firms that we work with what it was that led to the success of the sibling co-presidents. Below are emerging best practices recommendations, which we will continue to refine as we compare them to each new situation:

United Front

It is not enough to have the partners work well with one another, their direct reports and all others in the organization need to work well with co-leaders. The partners must agree to maintain a united front; to not let employees, parents, spouses, advisors or children interfere with their unity. Others will not always quickly or consistently adjust, so it must be reinforced by the sibling co-leaders.

Office Proximity

Trust needs verification, and when co-leaders can see and hear what the other is doing, it helps. We see a lot of successful co-leaders who have glass between their offices, share a common administrative assistant, or in one case we know, share a common bathroom. They also keep their office doors mostly open allowing each to hear the phone conversations of the other.

Clear Roles

It is vital that co-leaders agree to and follow guidelines for what each can do independently and what we must be brought to the other for a joint decision.

Equalization

Even if it did not start out as such, there is a need to equalize on some topics. Differences in number of voting shares, birth order and associated time in the business can be easily exploited to erode the potential power of a co-led business. We have seen many siblings accept what has be thrust upon them, and then adjust to what works for them; often opting for a more egalitarian arrangement than title, voting shares or birth order might suggest. Even if one’s title or voting rights supercedes another, they may choose to act as equals.

Appropriate for the Business

While this might be at the top of some lists, particularly public company lists; it is at the bottom of ours for a reason. We have seen so many different family solutions to leadership that are completely without a theoretical basis of support, that we are always cautious about a blunt statement like, “Since the business is changing so much, we need an outside non-family CEO who can quickly make adjustments, followed thereafter by a maintenance CEO.” This is standard thinking in many board rooms of public companies, but not universally applicable in family firms.

While complexity of the business and clearly different areas (i.e., a sales and operations dominated business)
lend themselves to co-leadership, we have seen no similar trends in family firms. That is, it appears that the effectiveness of a co-led business is much more a function of the siblings than it is the nature of the business. They will find a way.

References