

Developing the Sibling Partnership

By: Craig E. Aronoff, Ph.D. Stephanie Brun de Pontet, Ph.D, Drew Mendoza and John Ward, Ph.D.
The Family Business Consulting Group

Successful transition to sibling generation leadership requires preparation and effort by all stakeholders of the family business. The complexity of the sibling stage in a family business typically requires adjustments in management, business governance, and the family's decision making. Ideally, the senior generation works with the next generation to plan for these changes. Too often, however, generations clash rather than collaborate. Founders may not realize the difference between the owners' role and management's role because they have been doing both, and they may not always understand how differently their children will have to deal with decision making. In addition, many founders resist letting go of authority and will struggle with change of any kind. As a result, sibling team building often falls to the siblings themselves.

Shared Purpose and Limited Autonomy

Establishing a well-functioning sibling team requires siblings to commit to a shared purpose, actively seeking common ground. Defining this shared purpose is work the siblings can do together, whether their parents are supportive and actively involved in the transition process or not, and this is a great way for the siblings to begin to take some initiative. It is important for siblings to clarify their shared purpose by answering the following questions:

- Why do we want to be in business together?
- What does business ownership mean to each of us?
- What are our values, our vision, and our goals related to our business and its success?

Finding the answers and sharing them allows siblings to find their voice and purpose and sets the stage for many other decisions they need to make.

The success of the sibling generation depends on the team's ability to focus on something larger than the concerns of each sibling, such as the good of the business or the family or their mission. This implies some loss of autonomy because decisions need to be made in collaboration with others, bearing in mind the priorities, preferences, and concerns of a range of stakeholders. If some or all of the siblings are hoping one day to get to "make all the decisions like Dad does," they will be disappointed.

In order to be successful, a sibling partnership must be a collaboration of partners, not a test of wills. Like any meaningful partnership (e.g., marriage), the sibling partnership can only be successful if there is some give-and-take; the siblings must be ready to give up some of their individual freedom if the partnership is to work. As one of our clients stated in the course of a discussion about his ambition related to business leadership in his family: "What role I end up playing is far less important than how successful we manage to be as a team."

We also find having a larger goal enables many a family to work through conflicts and rivalries and get beyond self-interest and ego. When a sibling team having difficulties focuses primarily on its conflicts, problems may seem intractable. Those who seek common ground take the time to understand why they're together doing what they do. First, they celebrate and appreciate

their common blessings. They focus on their shared values, vision, and goals that serve as the foundation on which they build. Buttressed by what they share, they refuse to allow conflicts to tear them apart. Only after affirming their shared commitments do they attend to their differences and say, “Let’s work on those.”

In addition to articulating a shared purpose, sibling teams grow in effectiveness as all members grow in the ability to:

- Respect others and demonstrate that respect,
- Know themselves and the boundaries between themselves and others,
- Clarify and take responsibility for their own feelings (As one member of a team said when he was disappointed with a particular decision, “It is not everybody’s job to cater to how I feel and make me feel better. It is my job to deal with my own feelings.”),
- Understand everyone’s goals and help find ways to attain them,
- Accept and tolerate each other’s differences and avoid being judgmental of each other’s lifestyle or choice of spouse,
- Empathize with, but don’t assume knowledge of others’ views, and
- Learn to listen to each other’s perspectives.

Finally, we find it helps to think in terms of being one family. “Look,” said one of three sisters struggling to develop an effective ownership team, “let’s always remember four things: we love each other; we are all doing our best; we don’t want to hurt each other; and we will be a whole lot stronger together than any of us can be separately.”

As another business owner put it, he and his sisters agree to agree. They feel that in the long run unity is more important than any particular decision. This applies to all business and family issues that will confront the siblings over the years. If the sibling generation establishes and lives the norm of one family, a strong foundation will be set for generations to come.

Values and Vision

Families typically are bound together through shared history, traditions, and values. For families with a deep

legacy of faith, these common values may be easier to identify than for families with a more secular orientation. While secular families may not be as likely as religious ones to have clear labels for their shared values, they do have beliefs of fundamental significance that guide their decision making and priorities. Taking the time to identify and reflect on these shared values helps siblings in a partnership build on their shared purpose and clarify the priorities of their partnership. This sets the context for many other decisions.

Values are the bedrock of family and business culture. They deeply influence decisions and priorities. For example, while both integrity and innovation are good values that can anchor a business, a business based on the core value of integrity might make different choices than one guided by core value of innovation. What is important is that the siblings agree on values and have a common vision for the future direction of the enterprise. The siblings must articulate how their shared values impact their vision for family collaboration in the business and in any other joint endeavors or priorities they hope to pursue.

Establishing Mission and Goals

While shared purpose, priorities, and a vision are important to answer the big fundamental questions mentioned above, siblings must also think tactically about how they hope to make their vision a reality. What are the specific goals and objectives toward which they will work together?

Initially, the siblings may only be able to set goals for their partnership, such as developing the policies they will use for decision making in the future. Another example of a goal they could establish on their own might be to organize a family retreat as a way to realize their core value of sustaining family unity. Once the sibling team is in a position of authority, the siblings may also get involved with goals for the business. For example, if the family members are oriented to growth of the enterprise, they may decide together whether that is better pursued through acquisition or through organic growth. While each family will have its own mission and goals for the business, what successful sibling partnerships have in common are processes for making such decisions. We encourage siblings to have regular meetings to discuss future roles, policies, and

goals and to work on communication skills as a team to reduce and resolve conflicts and maximize long-term effectiveness.

Managing the Insider-Outsider Dilemma

Among other important challenges sibling teams must address how they will manage the dilemma of insiders versus outsiders. In some cases, all siblings in the second generation work in the family business, but often siblings do not choose to work in the business they will one day co-own. For example, one of your siblings may be passionate about teaching or aspire to a career in the military or simply is not business minded. Ideally, the family members working in the business are passionate about their work and want to contribute all they can to the success of the family business. No one wants business partners who are working in the business primarily because they have no other choice or feel obligated to do so.

In some cases ownership is restricted to siblings working in the business. Increasingly, however, siblings who do not work in the company own shares through gifting or inheritance. An appropriate balance must be struck between owners in the business and those not in the business. The need to find this balance underscores the importance of clarifying the distinctions between ownership and management decisions. The process requires a good understanding and respect for boundaries and demands strong communication skills. Sibling owners who do not work in the business must understand that they cannot tell management how to do its job, but it is vitally important that the siblings who work in the business realize they are accountable to all owners. All owners should work together to develop a common vision, goals, and understanding of the rewards

of both employment and ownership. Specific actions sibling teams should pursue include the following:

- Communicate with and educate all owners about the business.
- Make sure all owners are involved in key ownership decisions, particularly those related to strategy, succession, and major financial issues.
- Share power; siblings leading the business should encourage others to be in charge of family meetings, philanthropy, recording the family history, or other areas of responsibility.
- Adopt an attitude of “we’re all in it together” instead of thinking of yourselves as different branches of a family. Consider yourselves a tribe.
- Promote, support, and champion siblings not working in the business just as you do those ones working in the company.
- Involve everyone in drafting policies like the ones discussed above.

As you and your siblings work through clarifying your shared purpose and expectations for the family enterprise going forward, bear in mind these discussions will effectively launch your partnership. For many siblings, this is the first time they sit around a table as equals and discuss their hopes and fears for the future. Invest the time and energy needed as you will get valuable experience in learning to listen to one another, develop processes for getting to agreement, and making important shared decisions for the future of your family and business.

Excerpt from the book: *Siblings and the Family Business: Making it Work for Business, the Family and the Future.*

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