

## Shared Leadership Offers Growth Opportunities for the Family and Enterprise

By: Michael Fassler and Joshua Nacht, Ph.D

Sharing leadership within a family enterprise isn't easy. It requires leaders to share power, influence, and complimentary skill sets, while also "playing well" together to navigate the boundaries among roles as family members, owners, board members, and executives. If done right, it can be a competitive advantage for your family's enterprise as it spreads leadership across the shoulders of multiple family members and thereby reduces dependence on any one leader.

In our experience working with a wide range of family enterprises, we have seen several situations in which shared leadership has been impressively successful. We'll look at two examples of how families evolved and leveraged shared leadership roles and then explore the key attributes, leadership opportunities and advantages that this collaborative effort provides.

### Case Example 1: Coordinated Corporate and Family Governance

CEO and third-generation family member Mike Gordon has successfully led the business in significant growth and expanded into new market areas. As the business grew over the years, so did the family ownership group and its expectations. It now included 23 people across the second, third, and very young fourth-generation members.

On top of his concerns about this large and diverse ownership group, Mike also learned of some rumbling among one branch about wanting increased dividends or perhaps an ownership exit. Recognizing the importance of meeting or exceeding owners' expectations, Mike realized that he couldn't manage the business and lead

all the discussions amongst family. He began to make a push for increased organization and leadership focused on the family-owners to address their concerns and align their goals. In turn, the Gordon family learned that their complexity and unique needs required shared leadership to address all their challenges and take advantage of the opportunities of being a family enterprise.

Fast-forward five years later: the Gordon family has a high-functioning family council with an excellent leader, Julia (who has never worked in the business itself). Mike and Julia communicate on a regular basis to share information regarding how the business is performing and to provide updates on the various projects of the family council. Shared leadership in this family consists of business leadership and family governance leadership working closely together to coordinate their efforts on behalf of the business and owners.

### Case Example 2: Shared Leadership Agreement

The Hart family wholesale distribution company is owned by five siblings with three working in the business: Tom as Chair and CEO with expertise in marketing and product line expansion; Rita as VP of Operations skilled in operational efficiency; and Mary as CFO who is excellent with finances and protecting the family's assets.

As the market environment shifted, economics evolved such that operational efficiency became more important than product line expansion. The family realized that they did not need to expand so much as re-tool their operations for maximum efficiency and profit. Through a series of conversations, it was determined that the best thing for the business and the family was for

Tom to step down from the CEO position and become the full-time board chair. Rita stepped up from VP of Operations into the CEO role.

To make this shift effective, the three siblings created a shared-leadership agreement that outlined their new roles, responsibilities, and boundaries of their positions. They adopted a philosophy that the success of the company was their primary goal, and each of them put their egos and individual titles secondary to what is best for the business and profitability. The agreement enabled them to have ground rules to manage their new roles and business relationships. The transition was hard and Tom sometimes struggled to stay in his lane. However, the clear guidelines gave all of them a way to remain accountable to one another and help smooth the path to greater business performance.

### How Families Make Shared Leadership Work

Families like the Gordons and Harts who create success in these scenarios often have a combination of the right attributes and documented agreements to gain the advantages and forestall the challenges involved with shared leadership. Below are several hallmarks that support this collaborative structure:

- Communication: Leaders need to be able to speak with one another in a manner that is clear, honest,

and invites a healthy interchange of ideas which can be diverse.

- Trust: Trust needs to exist within the system, and trust is an outcome of good communication and accountability. Trust is the glue that can hold everything together.
- Transparency: Information needs to flow between interested parties, and secrets or omissions must be avoided.
- Process: Families need an agreed upon fair process for selecting leaders and evaluating their performance, as well as for how decisions are made.
- Written role descriptions: Shared leadership works best when the family has created and abides by guidelines of how shared leadership should function, and what the boundaries are for each leader. These serve as “guardrails” and help foster accountability.
- Servant leadership mindset: Shared leadership usually requires some level of personal subordination for the benefit of the group. Servant leadership means serving on behalf of the entire family and business, which can often mean letting go of an individual ego-orientation and embracing a mindset of what is best for the collective.

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### Leadership Opportunities

There are different areas and roles within the family business system where family members can team up and lead together. The following table identifies the variety of leadership opportunities available within a family enterprise. (Adapted from *Effective Leadership in the Family Business*, Aronoff & Baskin, 2011)

	Business	Family	Ownership
<b>Leadership role:</b>	To develop strategy and move the business forward	To meet the family’s needs as a family and to move it forward as a cohesive unit that supports the business.	To bring the needs of all three groups together and to guide the business
<b>Leadership opportunities:</b>	CEO President COO CFO CIO Executive VP Senior VP Division head	Family Council Chair or other officer Committee chair Taskforce chair Family office Chair Family foundation Chair	Board Chair or other officer Lead director Executive committee member Committee chair Taskforce chair Director

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## Value Added by Shared Leadership

When the attributes and agreements are in place and thoughtfully implemented, they serve as parameters to help achieve the advantages and manage the challenges involved with shared leadership. They also serve as guardrails so that leaders can coordinate with one another and stay in their lanes to optimize overall functioning.

The results of shared leadership can be significant and positive for the entire family enterprise system — meaning that family, owners, and the business(es) can all benefit. Tangible advantages include:

- Institutionalized trust within the family enterprise system
- Enhancement of relationship capital throughout the family enterprise system
- More choices for family member participation from the expanded opportunities for family members to serve in various roles
- Increased alignment amongst shareholders towards common goals and paths to achieve those goals
- Deeper commitment by family shareholders to a long-term perspective resulting in more “patient capital”

- Reduction in leadership centricity can lead to increased enterprise value since there is less dependency on one or a few people in the system
- Increase in the likelihood of multi-generational continuity
- Increased resiliency to meet challenges

## Summary

Shared leadership in family enterprises can serve as an excellent opportunity to take advantage of the broad resources of the family to ensure effective leadership across the enterprise system. Shared leadership starts to come into play typically during the sibling phase and beyond of a family business as the increasing size and complexity of the system requires increased leadership throughout. As your family and your business evolve, embracing the benefits and implementation of shared leadership can be one of the keys to achieving multi-generational continuity while further enhancing family relationships and continuing to build the wealth of the family-owners.

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Michael Fassler and Joshua Nacht, Ph.D. are consultants with The Family Business Consulting Group.

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