Beyond Structure: Making Sibling Partnerships Work with Clarity and Communication

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In our previous article, *Succession Planning in Family Businesses: The Power of Sibling Partnerships*, we explored different ways sibling teams can structure leadership, ownership, and governance as they prepare to lead their family business together. We introduced the Johnson family* and shared their succession/continuity journey as they navigated questions about leadership models, ownership structures, and the role of a board.

Three years have passed.

Jenny Johnson (mom) has retired. After careful consideration, siblings Sam and Sally agreed upon a hierarchical leadership structure. Sally serves as CEO, while Sam leads HR and Organizational Development, but is not on the executive team. Their sister, Sarah, remains an active and supportive shareholder and is not operationally involved in the business.

The transition has gone well. The company continues to perform, key employees have remained engaged, and family relationships remain healthy and harmonious.

Was this success the result of choosing the "right" leadership structure? Not necessarily.

In our experience, a critical factor in the success of sibling partnerships is how they select, implement, manage, and navigate that choice over time. Whether siblings operate as co-leaders or within a hierarchy, there are specific tools, practices, and mindsets that can help create and sustain both family harmony and business success.

Start with a Shared Definition of Success

One of the most overlooked challenges in sibling partnerships is assuming everyone means the same thing when they use words like "harmony" or "success."

After Jenny's retirement and partial ownership transfer, the Johnson siblings undertook their first major governance exercise as decision-making shareholders: developing a shared vision for the future.

They started with these questions:

- What does family harmony look like?
- What does business success look like?

- Their answers were not identical.

While Sally and Sam had a front-row seat watching their mom lead the company, they formed differing perspectives on these questions. Sally believes family harmony is important to ensure they are getting along well enough to avoid disrupting the business. She wants the business's ongoing success and growth to be the main focus and top priority of the family. While Sam deeply values the business and sees the value of the family investing in and supporting its long-term success, he brings a more "family first" approach.

These differences came into focus in a difficult discussion regarding distributions being negatively impacted by capital reinvestment related to strategic acquisitions. Sam noted that some shareholders might not respond well if dividends were reduced for the next two years, which could lead to tensions between those leading and working in the business and those who are not.

This situation highlighted a developing tension between "caring for the family" and "strategic growth" that was felt by both Sam and Sally – and everyone else in the room. That meeting ended with Sam wondering if he should stay in the family business.

Both/And

Both perspectives are vitally important and need not be in competition or mutually exclusive. With some help identifying assumptions and values, Sally, Sam, and the rest of the team can forge a path forward that addresses multiple priorities and develops sustainable outcomes. However, without some clear conversation and planning, these differing perspectives can fuel assumptions that undermine both family harmony and business success.

Many families benefit from a simple framework that explores:

Family Harmony	What does it look like?	How will we get there?	How will we know we've achieved it?
Business Success	What does it look like?	How will we get there?	How will we know we've achieved it?

Creating shared definitions and outcomes allows families to manage expectations and become proactive instead of reactive. When expectations are visible, explicit, and understood, disagreements become opportunities for problem-solving rather than sources of conflict.

Policy Creates Clarity

Families often view policies as restrictive, but good policies create freedom because they reduce uncertainty. A well-developed policy simply makes clear what was agreed upon and what all can expect. When expectations are unclear or misunderstood, family members often fill in the blanks with assumptions, which can frequently lead to frustration. Frustration leads to conflict, and family harmony and business efficiency are reduced.

The Johnson family found that clear policies reduced tension by making decisions more predictable and transparent. When everyone has a better understanding of what is going to happen – and why – they achieve alignment and move to execution of the plan much more quickly.

Some of the policies they established included:

- Family employment policy
- Compensation philosophy
- Shareholder communication expectations
- Shareholder expectations on growth, risk, profitability, and liquidity

One particularly important policy developed by the board with shareholder input addressed distributions. As a non-operational shareholder, Sarah viewed distributions differently than her siblings who worked in the business. The process of identifying values and priorities, cultivating a both/and mindset, and collaboratively developing a distribution policy created alignment. Thus, each distribution decision was clear, understood, and avoided potentially contentious shareholder debate.

Good policies don't fully eliminate disagreements. In this case, shareholders can legitimately want different outcomes, but the process and policy provide a framework that helps create realistic expectations while providing context for discussion and resolution.

Clarify Roles, Authority, and Decision-Making

When Jenny led the business, she occupied many roles simultaneously. As is common amongst the founding generation, she was the owner, CEO, family leader, etc. However, as businesses transition into sibling partnerships, it is important to develop clarity regarding the purpose and scope of various roles, and how each participates in decision-making processes.

The Johnson family soon realized that one of their biggest risks for family harmony and business success was allowing everyone to remain involved in and influence every business-related decision, simply because that was how things had always been done.

With consultation, the family engaged in a Decision-Making exercise to clarify the various ways each manager would be involved in decisions, and how this differed from the way that shareholders would be involved.

When they were done, they all understood each other's roles in the decision-making process. Then, they were able to establish clear practices regarding what information would flow to each group, including when, how, and who was responsible for communication.

The clarity resulting from these boundaries became especially important for Sally and Sam. As the CEO, Sally was involved in most high-level strategic plans and decisions. Sam had an important role working in the business as a mid-level manager and thus was involved in the implementation of strategy. Both are shareholders but have access to different information in their operational roles. Sam had spent years observing his mother's leadership style and had grown accustomed to broad access to information and inclusion in decision-making discussions.

By defining decision-making rights and communication expectations, Sally and Sam developed new, reasonable, and pragmatic expectations and habits regarding access to information and decisions. This was an important shift from the previous practice of everyone knowing everything, which no longer worked when the siblings took leadership.

Since Sam is a shareholder but not on the executive team, there may be information that some non-family executives have access to prior to Sam, and that's okay. This process brings clarity to that reality and reduces the friction that unrealistic expectations can bring. Sally was able to draw on previous family discussions to alleviate some of the tension and pressure Sam was feeling.

It is important for a family at this stage to establish communication norms and decision-making guidelines that lay out:

- Who decides
- Who provides input
- Who should be informed

These distinctions help to reduce confusion while preserving trust and transparency, leading to a stable sense of family harmony and business success.

Red Flags in Your Sibling Partnership

- Family members are unclear about who makes which decisions.
- Information is shared inconsistently across siblings and their branches.
- Important issues aren't discussed directly and often bring in third parties.
- Business disagreements become personal conflicts.
- Compensation, distributions, or ownership issues are addressed case by case.
- Family members frequently revisit decisions that were previously made.
- Future generations aren't being prepared for ownership responsibilities.

These warning signs don't mean that failure is inevitable. But they are signals that additional structure, communication, and governance may be needed.

So What's Next? Looking ahead to the Cousin Generation

Like many sibling partnerships, the Johnson siblings could have focused solely on making their own transition successful. However, the most successful families are thinking at least one generation ahead.

The Johnson siblings decided that they were not just managing a business. They were shaping the culture and expectations that future generations would inherit. The lessons their children observed about healthy communication, building trust and accountability, and practicing good stewardship would likely become the foundation for future family governance.

Conclusion

A key premise of this article is that while finding the right structure for leadership, ownership, and governance is important work for each business-owning family, it is of equal importance to move beyond the choice and fully engage all of the implications of that choice. We have outlined some specific examples of potential tension points, as well as benefits — all of which have a direct impact on both business success and family harmony.

The best model or structures are the ones that work best for your family and business — right now. It is likely that those will evolve with time, business growth, and succession/continuity processes between generations. Each generation honors and builds on the legacy that preceded them while also adopting the "right fit" for their own needs and plans.

What matters most isn't the structure itself. What matters is whether the family develops the tools, expectations, governance systems, and communication practices necessary to make that structure work.

When families invest in clarity, communication, governance, and development, they create conditions for both family harmony and business success. And ultimately, that may be the most important legacy a sibling partnership can leave for generations to follow.

**We value confidentiality. The examples mentioned in this article are composites based on our client experiences.*

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