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The Prime Minister - Leading Sibling Teams

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Last year I wrote several articles on the Successful Habits of Successors. (Click here for a CD presentation on those Habits). The focus of those articles was on the *individual* characteristics of these successors. Based on my long term involvement with sibling and cousin teams in multigenerational family businesses, I have been intrigued by how these individual characteristics translate into the successful habits of *teams* -- one of the most important of which is building *confidence in leadership*.

Certainly selection of the next President is one of the major challenges facing families-in-business as they move from one generation to the next. But when that new leader will lead a sibling team or cousin consortium who share voting control of the corporation, families should consider a Prime Minister, rather than a President. Let me explain.

While in the U.S. government, the President has specific powers (though balanced by the legislative and judicial branches) and is elected for a 4 year term, in Parliamentary forms of government modern Prime Ministers have very few statutory powers, but may only assert power and remain in office, if they can command the support of their parliamentary party. Similarly, the "prime" leader of a sibling team or cousin consortium must gain the support and "vote of confidence" of his or her shareholders in order to remain in power and fulfill his or her fiduciary responsibilities to all shareholders.

Ideally, the Prime Minister of a family business with multiple shareholders -- either siblings or cousins -- should be elected by the Board of Directors, and be evaluated by the Board on a regular basis. But beyond interaction with the Board, the "Prime Minister" of the family business must communicate effectively with and gain the support, trust and confidence of the broader shareholder group. For example, one sibling team recently declared, "We are moving from a Kingdom to a Village!"

Yet too often Presidents in family-owned companies make the mistake of thinking they have been chosen to wield power without accountability and regular communication with their primary constituents....the other shareholders.

For example, in one family the President who represented 25% of the voting shares was doing an excellent job in strategically growing the company. The family business even had a Board of Directors made up of non-family (non-shareholder) members who served that President well. These Board members had a depth of business expertise and experience. However, when the outside shareholders (sisters representing 75% of the voting shares) raised questions about the future of the business, both the President and the Board failed to take the shareholders seriously. In fact, the outside shareholders were quickly dismissed as "the girls".

By failing to communicate effectively with the shareholder group, and failing to build a relationship of trust and confidence with the outside shareholders, the President and his Board created a situation of "a vote of no confidence." Recognizing their position, the shareholder group asserted their own power to call a special election of the Board of Directors which finally got the attention of both the Board members and the President. Fortunately, with our involvement, this family was able to find a positive resolution, and created much more explicit guidelines for the governance of the corporation which recognized the importance of building positive support with the shareholder group.

As an alternative to this common failure in family business leadership, a multi-generation family business with four distinct family lines created a Family Council which is made up of representatives from each branch of the family. Their Family Council meets regularly at locations around the U.S. to address issues of concern to the broader family. They interact with the Board of Directors, and also lead an annual Family Assembly meeting. The President actively supports and interacts with the Family Council to stay in tune with the needs of the family shareholders. To create a stronger role as the Prime Minister and build confidence among family shareholders, sibling and cousin team leaders should make a commitment to implementing some of the following solutions that have been very effective for our clients::

1. Hold regular formal Family Council Meetings.
2. Implement an education program for shareholders both about the company, and their responsibilities as shareholders.
3. Create a Family web-site for the easy sharing of information.
4. Develop a regular family newsletter.
5. Visit one-one with shareholders to review key issues and understand their needs.
6. Rotate locations of meetings to interact with family members in their own region of the country.
7. Use the family foundation as a vehicle to promote family values and communication.
8. Have the Family Council interact with the Board of Directors on a regular basis, so the Board understands the objectives of the family.