

Keeping Titles in Their Proper Perspective

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SOME of the fiercest succession battles are fought over titles and what they connote to different people. Titles are important mostly for what they represent to the outside world. But they also confer prestige within the company and the family, and can incite jealousies not only among siblings and cousins and their spouses but between family branches. Whether the company opts for one leader or more of an egalitarian team in the next generation, the question of titles is one that must be resolved before the baton is passed.

Like other businesses, family companies when conferring titles seek some degree of symmetry with other organizations, particularly with well-known public corporations. They choose titles that they believe will establish the function and authority of their officers in the eyes of the various stakeholders. But the meaning of titles is mostly in the eyes of the beholders, and, in fact, what any given title implies varies tremendously from company to company and from country to country. In some family businesses, for example, the title of chairman is held by a retiring or retired patriarch or matriarch who no longer has much power in running the company. The chairman's role may actually include few, if any, responsibilities—especially in a family company lacking a board of directors. Sometimes the chairman may even be a relative who has never had a significant role in the company but has been given an important title, and perhaps even a salary, to enhance the person's self-esteem and keep him or her out of the hair of the managers.

As in many large public corporations, however, the chairman of a family company often remains the dominant figure in the organization, by virtue of status and by the fact that he or she may still own a majority of the voting shares. As the patriarch or matriarch, the chairman, moreover, is also the leader of the family. When two siblings are to become equal partners the question of who is to be called chairman and who is CEO or president is fraught with meaning and sensitivity. Many people in family businesses tend to think of the president or CEO as reporting to the chairman. In a sibling team structure, this can be a problem for the younger siblings who are reluctant to be seen as taking orders from or having less prestige than an older brother or sister, as well as for status-conscious spouses who do not wish to take second place publicly to the chairman's spouse. It can be an even greater problem when a younger sibling holds the top title on a management team that includes older brothers and sisters.

I always try to disabuse these families of the notion that the chairman is "the boss," pointing out that in companies with boards the president and the CEO do not, in fact, report to the chairman, but to the board as a whole. This relieves at least some of the anxiety of equal partners over having to treat the chairman as the boss.

The chairman looks upward toward a critical constituency—the shareholders—and leads the board in shaping the organization's policies and strategic direction. While the board is

responsible for overseeing management of the company, however, the CEO or president looks both outward toward the business environment and downward into the organization; he or she is responsible for implementing the mandate of the board and managing the business day to day. In some family companies, the president and chief executive officer are one and the same person, but in others there is both a CEO and a president, with the latter usually subordinate.

In large companies, public and private, titles offer clues to future succession. When one individual is dominant, the person may hold all three titles of chairman, CEO, and president. When an anointed successor is almost ready to shoulder greater responsibilities, he or she may be given the title of CEO, with the senior leader retaining the other two titles. In time, the successor may then become both CEO and president, until finally the leadership transfer occurs and he or she assumes all three titles. (Thus, in any transition, true power at a given time may lie in the hands of the person who holds two titles, one of which is president.)

Many people see an inherent conflict of interest in having the same individual serve as chairman and CEO, since one, as the leader of the board, is responsible to the shareholders for overseeing the activities of the other. Indeed, in Germany and the Scandinavian countries, tough corporate governance laws prohibit the chairman of the board from also serving as CEO. In the United Kingdom, the managing director, who is akin to the CEO, usually serves on the company's board, but the board has a separate chairman. Boards in both the U.K. and Spain tend to act less like boards in the United States than like executive committees which meet frequently and actively participate in management decisions. In Spain, the chief operating executive is not the president but the *consejero delegado*, a director delegated by the board to manage the company. Titles in many countries, however, are often geared to what is most familiar to suppliers and customers. For example, a Spanish company that does much of its business in the United States uses the titles of chairman and CEO for its two top officers

because they are most easily understood by American customers.

Family companies moving toward a leadership team sometimes rotate the title of president between partners, appoint co-presidents, or establish a chief executive office with multiple leaders. These approaches to titles, usually the result of a compromise, have mixed effects. The notion of, say, two partners serving alternate terms as president maintains the appearance of the well-understood hierarchical management structure: Only one person is serving as president at any given time. In fact, anyone close to the organization—and the partners themselves—recognizes that the president's powers are circumscribed by the nature of the system. Each partner knows that during his or her tenure, decisions cannot be made unilaterally. The views and preferences of the each partner must be honored; otherwise, one partner will simply reverse the other's policies when his or her turn comes around as president.

Outside the company, the idea of having two or more co-presidents or a chief executive team may still be perceived as "odd," and perhaps even as an indication of a lack of internal cohesion and direction in policy. It also may be an invitation, to those inside the company and out, to try to exploit differences between the co-leaders and divide them. When a company adopts such a structure at the top, it must invest energy in educating people in how it will work, emphasizing the solid unity of the team and their determination to avoid exploitation of perceived differences.

Communicating an uncommon leadership arrangement, such as co-presidencies, requires unusual symbolic steps. For example, I often advise clients moving toward a sibling partnership to remodel their offices to symbolize the equality on which their collaboration rests. When two siblings became co-presidents of a European company that had long been dominated by a single parent-owner, they decided to leave the former president's office unoccupied. Instead, on the floor below, they built adjoining offices of approximately equal size, connected by a boardroom furnished with a round board table—so that during meetings

no single individual would seem to have a superior position at the head. Afterward, when I visited the company, the brothers proudly took me on a tour of the remodeled offices, explaining that the new design had had a more profound effect in conveying the nature of their partnership than any of the speeches they had made.

Far too much emotion is invested in issues surrounding titles in family businesses. Titles are important to help outsiders understand the company's organizational structure. And in companies with several owners, titles confer on key people the prestige and authority they need to do their jobs. They can also serve as "consolation prizes" for those who may enjoy little de facto authority. But too many owners think of titles as set in concrete, when they really can be quite plastic and vary with circumstances.

Titles do matter, in my view, though less so than many people in family businesses believe. In my experience, most people associated with a business understand who the ultimate authorities are, regardless of titles. They are the people who know how to get things done, who have authority because they have earned it, and who are usually natural leaders secure in the knowledge of their competence. Still, titles in family companies often convey subtle hierarchies and shades of meaning in both the business and the family. To ensure harmony among multiple leaders, they must be attended to. ■

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