

Conversations Beyond the Balance Sheet

Exploring Leadership in a Family System

Contributed by Rick Warm

With Introduction by: Barbara A. Culver, CFP®, ChFC®, CLU, AEP®

As a compliment to writing about “Conversations Beyond the Balance Sheet,” I asked Rick Warm to write about developing leadership within families. Please read the Conversations Beyond the Balance Sheet Planning for Diminished Capacity piece first. One of the many gifts from the family conversations is the emergence of family leaders. Best outcomes for all occur when older family members communicate clearly with younger family members, provide mentoring and create the space for questions and concerns to be addressed on a pre-need basis.

I hope you enjoy and find value in this piece from Rick. I look forward to receiving your feedback.

When Barb Culver asked me to write an article on leadership development in families, I readily agreed. Leadership development is, after all, my profession. Writing about leadership should be easy! But there is one inherent challenge we must meet right at the beginning — we have to have a mutual understanding of what the word *leadership* means. While I am not inclined to offer a singular “definition” of leadership, I am also very mindful of Rost’s (1991) criticism that “Without an agreed-upon definition, all kinds of activities, processes, and persons are labeled as leadership” and leadership often ends up meaning “very different things that have little to do with any considered notion of what leadership actually is” (p. 6). Almost in contrast to Rost’s claim of no common definition, Bass (1990), another leadership scholar writes, “There are almost as many different definitions of leadership as there are persons who have attempted to define the concept” (p. 11). So how are we to understand leadership without a common definition?

Those of us who study leadership understand that the subject is rich, complex and multifaceted. Trying to describe and define it in a few words may do more damage than good, but we have to start somewhere. So with the understanding that we are just skimming the surface, since we started with Rost, let’s let him continue to guide us.

“Leadership is an influence relationship among leaders and followers who intend real changes that reflect their mutual purposes.” (Rost, 1990, p. 102).

The four essential elements of Rost’s definition are:

1. The relationship is based on influence.
2. Leaders and followers are the people in this relationship.
3. Leaders and followers intend real changes.
4. Leaders and followers develop mutual purposes. (p. 104)

It is interesting to note that while most of us recognize *influence* as a key factor, Rost emphasizes both leaders and followers in his definition, speaks of mutual purposes, and focuses on the idea of (real) change. These are important milestones in our understanding of leadership. Komives, Lucas, and McMahon (2007) explain

leadership is not just something that a leader does to followers; rather, leadership is a process that meaningfully engages leaders and participants, values the contributions of participants, shares power and authority between leaders and participants, and establishes leadership as an inclusive activity among interdependent people. (2007, p. 53)

Family systems are often the most convoluted of systems in which leadership needs to take place because of the dynamics and deep rooted emotions that are typical of families. We often see behaviors in family systems that would not be acceptable in a work or organizational environment. This makes both understanding leadership as a process and developing leaders that much more difficult. Developing leadership in any organization, but particularly within a family system must be done intentionally for it to be successful. Much like the acquisition and preservation of wealth, the development of leadership may be accidental, but without concerted effort and clear intentions, it is unlikely to occur.

Interestingly, the development of leadership in a family is no different than Jay Hughes' recommendations for the preservation of wealth which he describes so clearly in *Family Wealth* (2004). One can easily substitute the word *leadership* for *wealth* below:

- A. Preservation of long-term family wealth is a question of human behavior.
- B. Wealth preservation is a dynamic process of group activity, or governance, that must be successfully re-energized in each successive generation to overcome the threat of entropy.
- C. The assets of a family are its individual members.
- D. The wealth of a family consists of the human and intellectual capital of its members. A family's financial capital is a tool to support the growth of the family's human and intellectual capital.
- E. To successfully preserve its wealth, a family must form a social compact among its members reflecting its shared values, and each successive generation must reaffirm and readopt that social compact.
- F. To successfully preserve its wealth, a family must agree to create a system of representative governance through which it actively practices its values. Each successive generation must reaffirm its participation in that system of governance.
- G. The mission of family governance must be the enhancement of the pursuit of happiness of each individual member. This will enhance the family as a whole and further the long-term preservation of the family's wealth: its human, intellectual, and financial capital.

Jay's "solution" is that wealth can be successfully preserved if the "system of representative governance" or the leadership that is developed within the family is based on shared values and mutual purposes. Leadership development also needs to understand the dynamics of influence and real change as the family system evolves and the circumstances of the world transform. Most importantly, leadership within a family system understands that meaningful engagement and participation are the hallmarks of success.

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