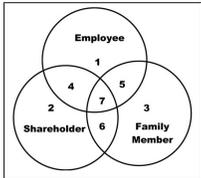




Accountability and Autonomy

A client recently shared something he'd been reading. The thoughts/topics included in the reading come up regularly in conversations with family business participants. Rather than write my own version of these, I will let others speak for themselves... to you... in ways that both challenge and inspire you... at least that is my hope...

To set the stage, most of you are familiar with the three-circle model in family business, introduced by Tagiuri and Davis in 1980:



Given the three-circle model, you will see in the reading that the shareholders hold the capital when it comes to the CEO. The shareholders extend the “decision space” to the CEO. Then, the CEO holds the capital in relation to his/her Executive Team, and then extends the decision space to his/her Executive Team, and so on down the Org Chart of the business.

From the client's reading (backdrop – the author is using, by way of illustration, military special forces units, as well as Warren Buffet/Berkshire Hathaway, the Bill and Melinda Gates Foundation, and the oversight of an investment portfolio to make his points regarding ACCOUNTABILITY and AUTONOMY):

*General Stan McChrystal, who together with his chief of staff, Chris Fussell, led the U.S. military's Joint Special Operations Command, observed that their job in running all of the special forces units in Afghanistan was to assess the various team captains' credibility and then give them the appropriate amount of “decision space” based on that assessment. To allocate decision space they used a basic formula: **credibility = proven competence plus relationships plus integrity**. I see the task of managing a pool of one family's or foundation's capital as essentially that same exercise—assess people's credibility on a given activity, and then give them the appropriate amount of decision space based on that assessment.*

*What you need to do is assess your own credibility and that of potential partners, and then decide how to divide up the decision space over your capital. It's important to take your own ego out of it and assess your own comparative advantage with clear eyes. **Warren Buffett gave his entire savings to the Bill and Melinda Gates Foundation to manage his charitable giving; he had a quiet ego and saw that they could do it better than he could ever realistically do himself. Bill Gates owns a ton of Berkshire Hathaway because he knows that Buffett is much more credible on making investments than Gates will ever be himself.***

*Yet even as you divide up the decision space, you need to remember that no piece of it should ever be shared—**one person owns each discrete decision space**. Chris Fussell stresses that, in order for this structure to work, leaders and, in the special forces, “operators” must have a shared understanding of **accountability and autonomy**. In the special operations community, the most effective leader sends an implicit but clear message to the forces operating under him:*

I understand the complexity of the environment. I understand that you must move faster than our structures allow for and that you understand your problems better than I ever could. I will create spaces for you to organically communicate and share information. I will empower you to make decisions and execute. I can help guide us on the path, but only you can win the war. I trust you to do that.

*The no-man's land, which we see people fall into all the time, is where **the capital owner wants to have one foot on the playing field and one foot off**, suggesting ideas to the manager of the capital without having to execute them. That puts the manager in a uniquely bad position: if they pursue the investment and it doesn't work, they get the blame; if it does work, the owner gets the credit. Several prominent family offices have gone through way too many CIOs to count because of this dynamic; now no one credible will ever again take the job because they correctly realize that it's a “tails you win, heads I lose” proposition. (And it's already hard enough to get the best investors to work for you, since they know that they can usually make more on their own or as a partner in another firm than they will working for another principal.)*

In Fussell's description, the operator offers an implicit response back to the leader (or principal):

We understand that you're building us the space to thrive but that it is ultimately our journey to take. We see you humbling yourself to the reality of the complex fight. We trust you to protect our ability to move with speed and adaptability. We will rise to the challenge and hold ourselves accountable to the outcome.

This message is remarkably similar to what the best performing investment managers communicate to their sources of capital and what we hope our clients hear from us. The bottom line is that giving your team captains both autonomy and accountability is critical.

Hoping your summer is off to a good start!

PRIMARY SOURCE: Graham Duncan blogpost: <https://grahamduncan.blog/letter-to-a-friend-who-just-made-a-lot-of-money/>