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The Founder Syndrome — Part II

Avoiding the Deadly Trap

Part I of the discussion on the Founder Syndrome introduced the entrepreneurial heroes who conceive and give birth to organizational life. It described the complexities and contradictions of these larger than life individuals as well as their challenges in the face of changing organizational landscapes and investors intent on minimizing risk.

Part II looks more closely at the early life-stages of entrepreneurial organizations and the painful transitions associated with the founder syndrome. It argues that by understanding the nature of these transitions, and learning to anticipate, prepare and adapt to them, founders can exert far greater control over their fates while also benefiting the firms they so cherish.

Anatomy of the Founder Syndrome

The founder syndrome is often described as a 'trap' in which entrepreneurs get caught in a pattern of behaviors unbeneficial to their businesses. The term *syndrome* implies a behavioral malady, or a combination of unhealthy attributes such as poor judgment, inflexibility, or rampant ego. But how is it that such savvy, creative, alert individuals become irrational, imperceptive, and inflexible? Is there a flaw in the entrepreneurial psyche or does something happen to them in the course of building their businesses? As we hope to show, the reality is that the founder syndrome occurs very naturally as a consequence of organizational shifts and contradictions which the founder cannot quickly reconcile. Consider the following illustration.

Incubation

The incubating stage of early organizational life focuses on building commitment to a compelling vision. It is a time of possibilities, audacious dreams of a better tomorrow, new niches, of what markets should want rather than what they say they want. Such entrepreneurial ambitions are expensive impulses however which require an enormous investment of emotional capital. Passion and commitment are thus key leadership traits at this stage, both of which can be measured by the price the entrepreneur is willing to pay to pursue his dreams. Obstacles, including armies of doubters can be expected to lurk around every corner.

At some point the dreams must give way to action as the entrepreneur nudges his fledgling enterprise out into the world. For the visionary tinkerer this shift alone can be challenging as the pragmatism of making things happen interferes with the pursuit of technological perfection. But validation is necessary. It is time to evangelize, secure beta sites, negotiate market trials… locate customers! While this can be a monumental feat for the unknown, unproven, undercapitalized start-up, without some evidence that the entrepreneurial blueprints can be operationalized, there will be no company going forward.

Stepping Out

So the founder becomes a sales person. He knows his new product or service best, and is by far its most passionate advocate. Many doors are knocked upon, many late-night candles burned, many promises and proposals made. In the scramble for legitimacy the company becomes acutely opportunity driven, desperately rummaging for the scent of customer receptivity, doing whatever it must to stay alive. Cash becomes an obsession and the founder becomes laser-focused on generating it from customers and/or pursuing the activities demanded by potential investors in order to receive it in the more expensive form of equity.

Single-minded and determined, the founder delegates little to subordinates. This is no time for coddling team members, or learning at the company's expense. The firm simply cannot afford mistakes. In order to do things *right*, the founder acts as a benign dictator of sorts, and makes all of the decisions. The support players pitch in as required or instructed. The firm has to survive before the founder can even contemplate wearing a nurturing leader hat.

Acceleration

Organizations which emerge from this challenging testing stage are rewarded with a taste of success. With a few reference accounts in hand, additional orders come a little easier and the organization starts to grow. It completes its transition to a sales orientation and fervently chases the more plentiful opportunities which are now presented. The pace accelerates and each day presents new situations and new crises. The firm bounds enthusiastically from one to the other.

As the company grows its centre of gravity remains the founder who is increasingly buoyed by the market vindication of his vision. Creative juices overflow, new businesses are conceived, adjacent markets pursued. In some instances, the dangerous scent of hubris fills the air. As confidence levels rise, resources and focus are spread out, some might say diluted. Decisions still need to be made quickly so the founder, whose instincts have yet to fail him, happily makes them. Though supporting cast members are added, there is only one lead actor in this improvisational play and everyone knows who it is. Job descriptions, performance appraisals, rules and processes, if they exist at all, are at best suggestions. Fiercely proud of their entrepreneurial, free-wheeling culture, there is a general wariness of being bogged down by bureaucratic rules and thus plans and measurable goals are kept loose and vague.

Growing Pains

Inevitably the successful business begins to experience the growing pains of adolescence. Lacking processes, systems or discipline, the firm is inconsistent in its overall performance. Sales growth does not result in profit growth, and in some instances it has the opposite effect. Project performance varies, product releases lag, forecasts are unpredictable and in each case it is unclear why. The founder, expecting success to just keep occurring, gets frustrated when it does not.

The ensuing transitions set the tone for the fate of both the founder and firm. The organizational rumbling gets louder around the need to get organized. The company introduces more rules, processes and systems meant to increase predictability and reduce variability. The founder, who wants change, but does not necessarily want to change himself, is often the first to break the rules. Such lapses send a loud message to other team members who make their living following their leader's example. Ideas overflow from the founder on how to improve matters, details don't, and few within the company know which ones to implement.

For many firms only a real crisis triggers change and the more successful the firm, the more acute the crisis required. When one does hit, heads roll and answers are demanded. In some instances the founder leaves, sometimes unwillingly, at other times on his own volition, lamenting that the company has ceased to be fun.

Founder Syndrome — Groundhog Day

For those founders remaining with their firms, an outside savior is recruited with a mandate to do things differently, professionalize, and clean-up the messes. Yet the new manager immediately creates anxiety precisely because he is himself different. He doesn't adhere to the 7/24 work schedule of the founding team members, he designs and talks about systems, sits in his office, holds meetings, and puts restrictions on people. He is not flexible like everyone else. The founder frets over the individual and more importantly, the potential loss of control which he represents. At the same time, long time employees feel threatened by the reduction in informality, the loss of their relationship-based power, and by the new demands for accountability which accompanies the professional manager. They quietly complain to the founder that the new person doesn't fit in, and that he will run the company into the ground. Old guard versus new guard tensions escalate with the founder serving as a biased arbitrator.

Possessing what was thought to be a clear mandate to act, the professional manager finds himself smothered by the founder's need to understand those acts and to be involved in decisions, however small and seemingly inconsequential. To the founder this is not interfering, but rather a benign desire to understand and be helpful. Out of sight is anything but out of mind to the founder. While each of the manager's plans to professionalize and stabilize the business may be sound, it becomes clear that the only plan that really matters is the one to manage the founder, for if threatened, founders reflexively revert to the comfort of the way things were done before. For those professional managers inexperienced or ill-equipped for these founder dynamics, questions about the attractiveness of the original mandate begin to multiply. Many resign or are asked to resign. The founder, oblivious to his role in the emerging debacle, questions the competence of the departing manager and promises to be more careful in selecting his successor.

The founder becomes the unwitting protagonist in his own version of Groundhog Day where every day is a re-enactment of the day before and there is no obvious way to change the script. He is caught in the trap.

Avoiding the Trap

There are a number of steps a founder can take to avoid this trap. These include:

- ***Buy into Lifecycles.*** As our founder tale illustrates, there are common developmental patterns which cut across most emerging businesses. These are lifecycle themes of birth, adolescence, maturity, and even decline. There is a significant body of literature on the subject of organizational lifecycles, along with the characteristics of businesses as they move from one to the other. To recommend but one, Ichak Adizes' *Managing Corporate Lifecycles* describes with superb insight and at times uncanny accuracy how entrepreneurial firms adapt, or fail to, as they move from stage to stage.

  If organizations change predictably as they follow certain developmental paths, it is reasonable to expect that the demands of leading them changes as well. In other words, management can be viewed as somewhat contingent on the characteristics of the business and to the extent there is alignment the business continues to move forward. When misaligned, as in our illustration, the business runs the risk of getting stuck or falling backwards. Buying into lifecycles is a good starting point to avoiding the founder syndrome as it provides the means by which to anticipate leadership and organizational shifts, prepare for them and to make changes before they are forced.

- ***Get Real.*** Developing oneself requires a realistic assessment of current strengths and weaknesses. This is not as simple as it sounds however as most of us tend to be oblivious to how we affect the world around us. We also don't necessarily like to hear less than complimentary things about ourselves. But without a baseline from which to build, any plan lacks a solid foundation. Thus, like it or not, one must somehow be brutally honest with oneself while soliciting candid feedback from others. Given that employees have a tendency to say nice things about the person who signs their pay cheques, this may require exercises such as a confidential 360° feedback assessment as well as turning to friends, trusted sources and board members. Listen to what they have to say!

- ***Map the Gap.*** Feedback and self-appraisal provides a sense of a person's current portfolio of skills as a leader, the *as is* if you will. The guiding frameworks we have discussed point to the *to be* of skills needed as their businesses grow. One then needs to map the gap between the two. Many of the leadership, business management and interpersonal skills can be learned from a wide range of readily available sources.

  A second category of developmental needs is more difficult to address. These are the personal attributes that tend to make the entrepreneur special, but which will eventually contribute to their failing or getting stuck if they don't address them. Referred to as *derailers* they include attributes such as volatility, arrogance, micromanagement, imperceptiveness, quirkiness and avoidance. Changing some of these is like breaking an extreme habit and thus may be very challenging. In some instances seriously addressing these may require outside assistance.

- ***Develop and Hire.*** It is almost axiomatic that we should invest our development time and effort into our weakest areas. The outward facing, market-oriented founder for example, should spend his time developing his operational portfolio of skills. The operator should develop his visioning skills. This is not necessarily true. While one must continually develop a deeper understanding of all facets of one's business, few ever become a mile wide and a mile deep or equally proficient in all. Furthermore, one will always be optimally energized and most productive doing what one enjoys the most. Thus, it can be argued, as Starbucks founder Howard Schultz once stated, that 'the best advice I ever got was to figure out what I am good at, and enjoy, and then hire complementary professionals to do the rest'. For a coherent argument on developing your strengths and hiring for your weaknesses, read Marcus Buckingham's *The One Thing You Need to Know*.

- ***Get a Mentor.*** While deciding to hire complementary skills is an important step, it is a dangerous one if accompanied by an ignorance of what to hire or how to manage those resources. Consider the well-intentioned entrepreneur who decides to hire someone to manage the sales function for his growing business.

He has big plans so proceeds to hire a big blue chip executive from Nortel or Sun or IBM only to find that the new hire is ill-equipped to thrive in a small business with only big plans. This scenario plays out with frightening frequency in almost every functional area of entrepreneurial firms.

Instead, the smart founder might consult a trusted advisor before making such a move, someone who has lived his present and future, grown a business like his, and who he can talk to, and learn from. While this sounds simple it is not as it requires the humility to acknowledge that you can learn from others. It also requires the time and effort to find and engage someone who fits the entrepreneur. It is worth the effort however. High performers find mentors to help them navigate and avoid the minefields of building their leadership skills and their businesses. It happens across small businesses and large and for young managers as well as the most seasoned. For example, in a recent interview Howard Stringer, the Australian executive tapped to undertake the massive turnaround of Sony Corporation, readily admitted that one of his first initiatives on winning the assignment was to ask former IBM head Lou Gerstner to serve as his mentor. As Mr. Stringer stated, "Why wouldn't I? He's done this before and magnificently". Incidentally, wisdom such as this need not be financially burdensome. In the case of Tundra CEO Jim Roche who sought out a mentor early in his career, he offered as compensation to *pay it forward* by mentoring a young person in the future.

- ***Be Disciplined.*** There are always competing interests to the proactive pursuit of learning, and never enough time to pursue them all. Thus, learning must be made a life-long priority and adhered to. Talk to other entrepreneurs about resources they have found useful in developing themselves. Look into Young President's Organizations (YPOs) which are regularly noted as outstanding forums for young executives to discuss and share issues with other like-minded executives. Join ACETECH or similar industry bodies. Take courses, read books, attend seminars. Learning does not cost time it gives time.

A Final Word — The Role of Investors and Boards

It has been said that it takes a village to raise a child. In much the same way it takes a community to nurture outstanding entrepreneurs. In the venture capital-backed start-up sector this means that investors and boards must play a more active role. Investing in early-stage organizations brings with it the opportunity to attach conditions to that investment which can include insisting that founders and their management teams embrace simple disciplines around personal development. Investors and boards can sanction, fund, and insist upon mentors for their executive team members. They can create databases of such mentors and educate entrepreneurs on how to identify, engage and work with them. They can incorporate learning milestones and initiatives into their measures of performance. They can fund initiatives such as 360° feedback assessments for their executive teams and monitor their learning plans. They can show the founders that their personal development is a matter of great importance with profound implications for the long term health of the sector as a whole.

About the Author

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