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EXECUTIVE COACHING SERIES

CEO/Owner/Founder Vulnerability: The Founder's Traps

White Paper

10-24-11

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As an organization matures, the role of CEO/Founder/Owner (these terms will be used interchangeably throughout the paper as the intent is to convey the sense of "personalized ownership") changes. Each stage of organizational growth presents new leadership challenges. Awareness of potential leadership traps prepares the CEO/Founder/Owner to manage his or her own behavior and lead the organization through anticipated transitions. One of the more vulnerable transitions in organizations is from the Go-Go phase to the Adolescent phase of organizational life cycles. In this phase, the organization has been making money; there are few policies and procedures internally in accounting, human resources, and other administrative areas; and the founder(s) are vulnerable to making decisions on the fly and to becoming overly self-confident regarding their business acumen. This white paper reviews the founder's "traps" in order to provide a framework for planning as an organization moves from one phase to the next.

When moving from Go-Go to Adolescence to Prime in an organization's life span, leadership is vulnerable to regress to familiar behavior, which leads to taking on multiple roles, relying on sweat equity, fears about loss of control, continuing to herd sacred cows, fostering "old guard versus new guard" splits, being displeased because the new leaders are not doing it the way they would, and the problems of habit patterns recurring without intentional awareness and buy-in to changes within the organization.

There are many traps when moving from a Go-Go phase (sales are king, down with structure) to adolescence (controls are needed, administration is put in, procedures are implemented).

Adizes (1999) noted that during a transition from Go-Go to Adolescence, it is understandable that under stress, people revert to long established patterns of thinking, behaving, and feeling.

Traps

The CEO/Owners/Founders are “simultaneously their company’s biggest asset and biggest risk.” They can regress and fall into the following traps:

1. The owner is usually the first one to disrupt the development of administrative rules and regulations needed for the next level of organizational structure and is the one least likely to adhere to them.
2. The owners may feel threatened when employees’ judgments, values, needs, and preferences don’t reflect their own judgments, values, needs, and preferences. This can then result in regressive behavior on the part of the owner (e.g., micromanaging due to perceived loss of control).
3. Go-Go phase owners want to escape day-to-day management, but they don’t want to yield control. What happens when owners who have been distanced return? They engage in the “Seagull Syndrome” (Adizes, 1999). Sailors hate seagulls when they flock over the boat and “crap” all over it, making a mess of everything. Owners in Go-Go may often be viewed as seagulls by their employees. Things may have changed while the owners were distancing. When the owners return, they change back anything they do not like. Founders/owners feel betrayed and unfulfilled. They want to leave and sulk, but they can’t take time off. There is no one to replace them, and if there is a capable replacement, the founder/owner fears that this new leader will hijack the company and steal their dream.
4. With no formal, well-oiled system of controls, Go-Go leaders rely on rumors and other ad hoc information. Someone is always in the dog house with the leader. The leader rejects him or her and privately accuses them of being responsible for the company’s difficulties. Rather than fire him/her, the leader just makes his/her life miserable.
5. Ownership has to be separated from management at this phase. Professional management needs to be put in place. The owners are vulnerable to making decisions by intuition or by the seat of their pants rather than a professional management process.

6. Go-Go companies may be characterized by arrogance, uncontrollably fast growth, and centralized decision-making, as well as a lack of systems, budgets, policies, and structure.

In order to jump start your awareness of these founders traps, read the following and circle any you have noticed your company's leadership (CEO/Owners/Founder/Board of Directors) demonstrating.

PROBLEMS OF GO-GO

Normal	***Abnormal***
Self-confidence	Arrogance
Eagerness	Lack of focus
High energy	Energy too thinly spread
Sales orientation	Sales and premature profit orientation
Seeking what else to do	No boundaries on what to do
Sales beyond the capability to deliver	Selling despite inability to deliver quality
Insufficient cost controls	No cost controls
Insufficiently disciplined staff meetings	No staff meetings
No consistent salary administration	Overpaid employees
Surrounded by claqueurs	Leader surrounded by (traitors in hiding)
Increasingly remote leadership	Seagull syndrome
Leadership's inflated expectations	Leadership's paranoia
Unclear communication	No communication
Hope for miracles	Reliance on miracles

Unclear responsibilities	Lack of accountability
Company subject to criticism	Company object of legal action
Internal disintegration	Diminishing mutual trust and respect
Cracking infrastructure	Collapsing infrastructure
Workable people-centric organizational structure	Unworkable people-centric organizational structure
Everything is a priority?	Everything IS a priority!!!
Founder indispensable	Founder still indispensable, but beyond remedy

PROBLEMS OF ADOLESCENCE

Normal	***Abnormal***
Conflicts between partners or decision-makers	Return to Go-Go and the founder's trap
Temporary loss of vision	Inconsistent goals
Founder's acceptance of organizational sovereignty	Founder's removal
Incentive systems rewarding wrong behavior	Bonuses for individual achievement while organization is losing money
Yo-yo delegation of authority	Organizational paralysis during endless power shifts
Policies made but not adhered to	Rapid decline in mutual trust and respect
Board of directors' attempt to exert controls	Board's dismissal of the entrepreneurial leader
Love-hate relationship between the organization and its entrepreneurial leadership	Excessive internal politics
Difficulty changing leadership style	Unchanging, dysfunctional leadership style
Entrepreneurial role monopolized and personalized	Entrepreneur's refusal to delegate to a depersonalized role

Integration role monopolized	Divide-and-rule management
Lack of controls	Imposition of excessive and expensive controls
Lack of accountability	Profit responsibility delegated without capability to manage it
Low morale	Excessive salaries to retain employees
Lack of profit-sharing scheme	Premature introduction of a profit sharing scheme
Rising profits, flat sales	Rising profits, falling sales

What roles and patterns do you see among each of the following: CEO/Owners/Founders/Board of Directors?

Which roles and patterns are helpful?

Which have outlived their usefulness?

In conclusion, the traps can create distraction on the part of management, a waste of resources, morale issues, potential loss of strategic direction, and in a number of cases, the death of the organization. As in any change process, awareness is the first step to developing an effective plan to manage the change successfully.

Reference

Adizes, Ichak. (1999). *Managing Corporate Lifecycles*. Englewood Cliffs, New Jersey: Prentice Hall Press.