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Can Your Company Outlive the Entrepreneur?

ESCAPE THE FOUNDER'S TRAP

If you are a successful entrepreneur, at some point you will be concerned about being caught in the *founder's trap*. In *Corporate Lifecycles* (Prentice Hall, 1988), UCLA's Ichak Adizes uses that term to describe your inability to make the transition to an organization with strong administrative systems, and to supplement your personal drive and magnetism with professional management. The founder's trap is a limit to your growth, and could spell the demise of your company.

"The Boss entrepreneur is protective, sticks up for self and friends, combative, takes charge, likes a fight, and has to be in control."

There are several varieties of entrepreneur, but a common one is the "boss" personality. The Boss entrepreneur is protective, sticks up for self and friends, combative, takes charge, likes a fight, and has to be in control. If you agree with the following statements, the "boss" is your style, and the founder's trap could be your nemesis:

- I'm an aggressive, self-assertive person; and I can handle anger directed at me. I'm not afraid to confront other people, and I've done it.
- I'm good at standing up and fighting for what I want. I find it easy to express my dissatisfaction with things.
- Most people don't know it, but they create their own problems.
- I enjoy the exercise of power. My worst fear is to be controlled by incompetents.
- If someone is holding out, I'll push them so we get to the truth of the matter.

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Inside:

FUTURE NEW MANAGEMENT INSIGHTS

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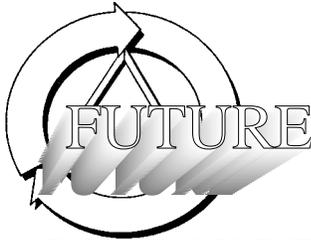
ICARUS PARADOX

It is an old cliché that a leader's strength is also his weakness. In *The Icarus Paradox* (HarperBusiness, 1990), McGill's Danny Miller uses the term "Builders" to describe the Boss-style entrepreneur in larger scale enterprises:

"Builders ... do not so much manage their organizations as actively build them, mostly into powerful, diversified corporations. All Builders progress sequentially through two distinct phases: foundation building and diversification. In the first phase, they create a strong basis for growth by establishing a viable organization; in the second, they boldly expand and diversify, often by acquiring other firms."

Citing Harold Geneen at ITT, Jack Gallagher at Dome, Jack Bludhorn at Gulf and Western and Bernie Cornfeld at IOS, Miller articulates how the psychology of personal excess turns triumph into tragedy:

"First, ambition and spectacular success encourage entrepreneurial strategists to become still bolder and more venturesome. Expansion speeds up, while rationalization and consolidation are neglected. Second, cautious and selective diversification becomes an unbridled, impulsive expansion into business managers know little about. Third, emphasis on global "grand" strategies becomes a neglect of substantive operating issues. And fourth, intelligent risk taking becomes recklessness as more debt is taken on and more resources are squandered."



NEW MANAGEMENT INSIGHTS

Future issues will feature:

THE PERFORMANCE CORPORATE PERSONALITY

What to do with the company that believes in its own image? Attention is so focused on performance that there is no room for failure, only incomplete successes. That's ok when the going is good, but watch out for disintegration in the clutch.

WORKING WITH CORPORATE CULTURE

Keys to understanding those unconscious assumptions which make up your corporate culture, and working to make your company more adaptable.

GESTALT PROTOCOLS FOR IMPROVED GROUP DYNAMICS

Ideas about how to harness the power of Gestalt Practice to improve decision-making, overcome resistance, and get things completed.

HOW DOES YOUR CORPORATE PERSONALITY PAY ATTENTION TO INCENTIVES?

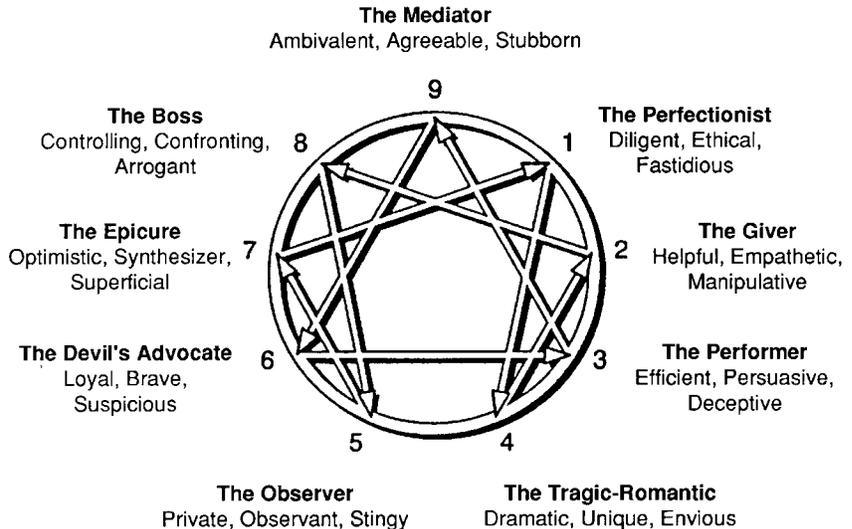
Does your incentive pay plan take account of what your employees pay attention to? If you don't know the answer to that, chances are the plan doesn't get the results you expected.

MICHAEL PORTER ON TAPE

A new training series to put your people into the competitive strategy picture.

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The Enneagram Personality Map



“This is an entrepreneurial success formula, capable of taking a business idea and bringing it to fruition.”

Ask your senior managers, anonymously, if they too concur with these statements. If you find they agree, it means that you have a strong but very individuated culture in your company.

There are some tremendous strengths in this culture. Your organization demonstrates commitment in a go-ahead position. There is capacity for continuous pressure and follow through on projects. There is protection for your people, and the leaders make the way safe for allies. The company will take on aggressive competitors, and will have excellent defense against outside threats. Internally, the atmosphere will be combative, confrontational and in interactions managers will debunk each other. There is strict supervisory control of all aspects of an operation.

Values are clear and direct. Strength and independence are important. Ideas and people are challenged. Cooperation is valued

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when the organization is challenged by an outside threat, and there is powerful backup and support for moving against. Justice is valued, as is protection for allies.

The culture is self-assured, sociable, assertive, extraverted and strongly individualistic.

Business strategies favor niches, and are set by hunch or intuition. Strategies tend to be reactive not proactive, which favors flexibility. Simple product innovations are made, and research and development are downplayed. Risk is ok.

Organization structure is simple and informal. Leaders are capable of delegation and decentralization when confident of the strength in the organization.

This is an entrepreneurial success formula, capable of taking a business idea and bringing it to fruition. It makes for a powerful and focused company, capable of carving out a defensible segment of the market, and defending it with great vigor.

How do we know all this? The insight comes from a personality system known as the enneagram, or nine pointed diagram. Articulated by Berkeley's Helen Palmer, *The Enneagram: Understanding Yourself and the Others in Your Life* (HarperSanFrancisco, 1991) identifies the nine basic habits of attention which determine dominant personality patterns. These fixations are mental and emotional ruts that each of us, to a greater or lesser degree, are stuck in.

“When success breeds a mismatch, as it sooner or later will, the boss personality reveals its darker side, gripping the organization in the founder’s trap.”

A common entrepreneurial personality profile is at point 8 on the enneagram diagram: the Boss. And where the leader has a boss personality, that pattern tends to be adopted as a cultural style by the organization as a whole. Bosses hire in their own image, putting other enneagram 8's in key roles. Managers who are not comfortable with toe to toe combat pack up and leave. Younger leaders and aspiring leaders mimic what they see, and articulate the values and styles exhibited by the bosses. In small, entrepreneurial organizations in particular, the boss pattern takes hold and becomes deep rooted.

This is an effective business formula as long as the directness and simplicity of the strategy and structure fit with growth and a changing competitive environment. When success breeds a mismatch, as it sooner or later will, the boss personality reveals its darker side, gripping the organization in the founder's trap.

The good news is that the enneagram helps identify how problems will develop. We know, for example, that the Boss personality “falls with the arrow” under stress and picks up the underside of the

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Observer personality at point 5.

When things go wrong or slow down, the Boss leaders find someone to punish and blame, often with public retaliation. And as crisis deepens, Boss leaders avoid putting time and energy at the disposal of other people. They withdraw from the action and over-emphasize control. Leaders assume a mental stance, and avoid emotional content. They become detached and follow a policy of non-involvement. Tunnel vision closes in, and there is only one way to proceed. Leaders interfere with other people's weaknesses for their own good.

Thus the founder's trap turns cultural assets into liabilities.

The founder's trap marks the difficulty in absorbing more structure, more system and more administration in the company. It is tempting, therefore, to forge ahead and implement systems, procedures and disciplines to contain and control the situation. This turns out to be the path to bureaucracy for those companies which survive the transition.

In a world of competitive fluidity, however, the path to bureaucracy may be the path to oblivion. What is required is the preservation of those characteristics which made the entrepreneurial organization succeed, while coping effectively with the needs of growth, scale, diversity and international competition. For the founder's trap, the important insight is that the right first step lies in developing the competence and functioning of the management *group*. Team

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building, integration, and enhancement of lateral relationships are things required to make the transition successful. And these are difficult to achieve in an organization which has valued individuality and where individuals have been encouraged to compete with one another and to stand alone.

“Leadership actions with leverage include a commitment to people and their better qualities.”

The enneagram provides these important clues about how to extricate the boss organization from the founder’s trap. The trick is to move against the arrow to the Bosses “heart point”, the Giver, at point 2. That this runs counter to the stress response is obvious, yet almost impossible for leaders inside to see. Indeed, third party assistance is usually required to create a process and climate which emphasizes approval of individuals, and their indispensability to the situation, and develops a supportive orientation to people.

Leadership actions with leverage include a commitment to people and their better qualities. Focusing goals and strategies so that people can be successful. Valuing human contact and interpersonal skill building. Including everyone in. Recognizing employees with personal regard by significant people. Recognizing employees with material rewards. Ensuring status and protection on projects. Encouraging mutual exchange and merger between divisive factions.

It is possible to humanize a culture that pays attention only to control. Where rationality reigns supreme, it is essential to unleash the energy of emotional commitment — the stuff *In Search of Excellence* was talking about.

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- Forum Moderator Training
- Executive retreats
- Strengthening management through training in the human side of enterprise



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