Whose Enterprise is it Anyway?

A special individual is needed to set-up a social enterprise. But, once the organisation is up and running, can the founder become a hindrance rather than helpful? Consultant Jon Huggett talks about "Founder Syndrome" and how to overcome it.

"Founder syndrome" cripples many social enterprises. The founder, wonderful at the start, becomes dysfunctional as the enterprise grows. New leaders, brought in to 'scale', quarrel with the founder. Sound familiar?

Most entrepreneurs and enterprises need transitions, but no time is easy for this. A chief executive strives to grow a social enterprise, yet is hampered by a well-intentioned founder, still on the board. A social entrepreneur struggles to scale, "running on the spot" through opportunities and people.

"Founder syndrome" is well recognised in business. "Starters" are often different leaders to "growers", who scale businesses. Entrepreneurs often sell their stake, or the board asks them to move on and pays them out. With a chunk of change they start again as a "serial entrepreneur". The social sector has less to help this transition.

It takes a special kind of leader to grow a third sector organisation – often with skills and energy different from the founder. Boards can guide this transition and transform their own role from "supporting the entrepreneur" to "backing the enterprise": offering leadership on strategic direction, nurturing the team and fundraising.

The Signs

Four signs of founder syndrome that I have come across are:

1. The founder controls relationships with sources of capital. Scaling social enterprises can require considerable capital. A heroic founder who raises most of the capital will struggle to scale the organisation. A wise founder builds a team to grow the legacy.

2. The founder retains power over key decisions, only delegating "day-to-day" responsibility for the consequences. A founder may 'step back' to focus on 'strategic direction' and 'creating a culture'. But 'strategic direction' means deciding where the organisation should go, and 'culture' means 'how we do what we do'. A new leader with little power may quit. Sharing power may build the team, and be better for the enterprise too.

3. The founder churns initiatives within a broad mission, but without clear results. Broad missions give scope for start-ups, but scaling needs sharp focus and relief from the frenetic whirl of "innovations". A growing organisation needs sharp views of what works, and what does not; otherwise all decisions have to be centralized. Scaling requires an empowered team, which can stop failed initiatives, or it will spin on the spot.

4. The founder prefers personal loyalty to passion for the cause. While few admit this, many show it in what they do, suspecting those with "their own agenda". Scaling social enterprises need teams bound by shared passion for the cause. Teams meet for an agenda, not the founder. Scaling the enterprise transcends the entrepreneur.

If you are a founder - ask yourself the hard questions: can you share relationships and power with the new leader?

If you are a founder - ask yourself the hard questions: can you share relationships and power with the new leader? If not, one of you has to go free. And can your board step up from supporting you to backing the enterprise that you hatched?

If you are a chief executive or COO trying to work with a dominant founder - find out if your board can back the enterprise, and will back you over the founder. If not, polish your resume.

If you are on a board juggling a charismatic founder and a promising new leader, help the team step up: build relationships with funders, and be clear on who makes which decisions. Don't stand back and ask the founder and new leader to just 'get along'. And if they still quarrel, decide. Let the new leader walk if they cannot fill the shoes of the founder. Otherwise, if the founder is a friend, be direct with them. If your friends can't tell you, who can?

Contact Jon Huggett via jon.huggett@gmail.com