

HANDING OVER THE REINS

The Founder-Board Dilemma: Why It's So Hard And What To Do About It

By Carl Robinson, Ph. D.



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EVERYBODY KNOWS that it is inevitable for almost all founders to pass on the management of their company to a later-stage professional manager. So, why is it so hard to do? Why do founders drag their feet and why do Boards make the situation worse?.

From interviews with over 50 Founders, CEOs (who replaced founders) & Board members, I see one big reason with two subsets that play off of each other in a potentially destructive dance:

- 1: Founder idealism and inflation.
- 2: Board members' poor proactive relationship prep work, impatience and inflation.

No one is innocent here. You'll notice that inflation affects both sides. It takes a strong personality to take risks and sometimes those personalities get a wee bit full of themselves to put it mildly. Nah...not me.

The Founder side:

It is a popular belief that startup executives are different from mainstream executives. Board members and entrepreneurs believe this on a gut level and the latest research validates that notion (Robinson, & Bigby/Havis, 2001). To most founders, their company is their "baby." Every time I've used this analogy with founders they agree. The creation of a business from nothing is an amazing feat that goes beyond executing a rational business plan. It is simply hard to trust one's baby (family for some, i.e., employees) to another person. It may make logical sense to pass on the care of a company (baby) to another more experienced manager (caregiver) but giving up a baby is not simply a logical decision – it's emotionally laden. Many founders sincerely believe they are the best person to lead their company through its full growth cycle from infancy to adulthood. That's sometimes true,

more often not. It is also fairly idealistic and implies a somewhat inflated view of one's self (not a sin in this game). Regardless, the emotional side of things must be dealt with in a respectful way or there will be major problems. It's not simply handled by saying or implying to the founder "let go!"

The Investor side:

Board members usually have a more dispassionate view of the company but not of their investments. They want the company to succeed in making money for their investors and themselves – the company is a means to an end. To quote a VC who was on the MIT Enterprise forum panel with me, "...we have a different agenda than the founders." They may well have a desire to create and grow companies but when push comes to shove – it better give the return they promised their investors or heads will roll. I know a couple of founders who became VCs through this route.

“Parents are the bows by which their children as living arrows are sent off into the world.” Kahil Gibran



What to do:

It is important for board members to talk “respectfully” with founders before diving into the stages of growth and the real possibility of a change in leadership as the company grows. I highlight “respectfully” because so often the funding process is such a sales job on both sides that this important attitude “respect” - that will help sooth egos and prepare (inoculate) the founder - is frequently overlooked. Why? One reason is that investors are too busy and don't want to spend “valuable” time on the “soft” stuff during and even less after the deal is closed. However, if this issue is respectfully discussed, then the process of handing over the reins can be done without unnecessary shame. Preventing the feelings of shame associated with handing over the reins (implying that the founder failed) and the protection of one's ego is often the primary reason for founders resisting

giving up control of their companies. I cannot stress how important this is.

Remember:

Board members, (1) if you wrestle the baby away from the founder he/she will resist in one way or another like any good parent would. You might gain control but the fallout will be great. So, respect them and talk about this process earlier which will give you more time (the patience thing is required here) to help them prepare for the transition. We're talking acting proactively. Don't hesitate to start now if you've already funded the company. (2) If you embarrass them by telling them they are failing rather than it's time to hand over the reins as you discussed early on with them - the shame they will experience will make them resist, fight back or, worse still, unconsciously sabotage the company to protect their egos. Remember that they did the job well enough to get it to this

stage. Tell them that! As one investor helpfully told a first time CEO/Founder executive coaching client of mine: “You're becoming a seasoned executive.”

Founders, the poet, Kahil Gibran said (pardon the extended metaphor): “Parents are the bows by which their children as living arrows are sent off into the world.” You will be remembered by how well your business succeeds not by your title. Many founders/entrepreneurs have told me that they know they would “die” working in a later-stage organization. So, staying the course may not only be bad for the company but also for the entrepreneur's well being and future as a business person. Or, as a successful serial entrepreneur told me, “creating is natural to us but we must remember this is a game; play well, enjoy it, and do it again.” Talk about the inevitable transition early - be proactive with your destiny. //