“Innovation in organizations having founder's syndrome”

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INNOVATION IN ORGANIZATIONS HAVING FOUNDER'S SYNDROME

Abstract

The founder's syndrome is considered a management weakness and leadership disorder affecting every entrepreneur envisioning and planning a long-term journey for his/her established business. The challenge, with expanding companies, is that the bigger they become, the more re-organization they require through re-design, processes re-engineering, restructuring, reforming corporate governance structure and more innovation plans and strategies they would need to withhold the complexities and uncertainties of their external environments they are exposed to. Therefore, re-organizing growing businesses can become very difficult if the decision-making process remains caught at the upper level of hierarchy. The major risk factor in a business-growing journey is to be confronted with the founder's syndrome.

A growing company led by an entrepreneur suffering from the founder's syndrome who is afraid to let go and resist organizational re-alignment, development of strategies and introduction of advanced management systems, can never survive the complex external environmental challenges due to the excessive lack of innovation. Business innovation in complex and uncertain environments requires innovative strategy setting which, if applied, should be complemented by a re-organizational structure and design compatible with the roadmap of strategy innovation. In fact, to support and stand for innovation, the business corporate leadership culture should not be contaminated with the effect of founder's syndrome. On the contrary, the founder should have enough creativity and empowerment skills to accept the compromise of power and control with more open communication and information sharing combined with lean organizational design, to facilitate and encourage innovation for an extended long term organizational survival.

Keywords founder's syndrome, entrepreneurship innovation theory

JEL Classification L26, O31

INTRODUCTION

In today's complex and instable environment, topped with tough competition and excessively volatile consumer behavior, organizations need to encourage innovation, re-structuring, processes re-engineering and operational flexibilities to adapt to market change and save the business from maturity and, hence, decline. Above all, concurring on business innovation is a courageous decision that can never be made by managers, founders and owners who lack minimal lateral thinking, long-term vision and inspirational leadership culture and skills. Therefore, in general, a business founder with founder's syndrome would encounter extreme difficulties in kick-starting innovation for his business.

Naturally, the impact of the Founder's Syndrome on any innovation strategy varies from one business cycle to another. In general, enterprises leaders having the founder's syndrome have a different negative influence compared with innovation-oriented leaders. Every organization with time expands to reach different levels of growth. Thus, it necessitates

changing and updating its management systems and mechanisms without losing sight of the pre-condition of its environmental dimension namely the level of competition, the products status, the consumer's behavior, the market conditions, the industry economics and many other external factors that affect its business environmental dimension. Such factors and forces push the company and its management to unleash new ideas and strategies that bring the business to a new edge, avoid its rapid decline and allow the company to embark on new adventures and technologies (Safari, Gholamrezaei, & Sagafi, 2015) while further exploiting and developing old ones.

Despite the substantial need for innovation, organizations with founder's syndrome might negatively affect the buy-in of innovative ideas and strategies and head firmly towards swift decline. The founder's syndrome, and despite its diversified definitions and meanings, is obviously considered a crippling disease for any company. In the business arena, the founder's syndrome is a management/leadership disorder leading its holder to lack confidence with lust after power and control, and weak technical and functional expertise. Founders having such syndrome, unintentionally sometimes, jeopardize their business' growth and sustainability.

The founder's syndrome is proven when the business founder considers himself/herself indispensable for the business and perceives himself/herself as the most knowledgeable individual whereby he/she allows himself/herself to select fit-size key staff and board members that simply upkeep his/her business behavior, and stand for his sole ideas and decisions. Moreover, he/she tends to buy colleagues' loyalty to his/her person rather than to the business and system itself. As a result, anyone who challenges the business progression or structure shall be treated as a disruptive influence and, hence, be ignored and laid-off.

In general, it is very difficult to adopt innovative ideas and execute innovation strategy in a business having the founder's syndrome, because, in such cases, founders tend to prohibit creativity and empowerment.

With time, organizations grow and move from one stage to another until organizational innovation becomes a requirement for their sustainability and survival, especially when their operating environmental dimension becomes more complex. Problems occur when a business, and despite its need to innovate, is crippled by the founder's syndrome. In this paper, the authors try to assess the founder's syndrome ability to hold back innovation and change amidst growing businesses.

1. LITERATURE REVIEW

The authors focused on two theories: the innovation theory and the founder's syndrome theory.

1.1. Innovation theory

Schumpeter (1912) argued that economic change revolves around innovation, entrepreneurial activities, and market power. He sought to prove that innovation-originated market power can provide better results than the invisible hand and price competition. He argues that technological innovation often creates temporary monopolies, allowing abnormal profits that would soon be competed away by rivals and imitators. These temporary monopolies were necessary to provide the incentive for firms to develop new products and processes.

Today's knowledge-based economies are dependent on a dynamic technological progress. Innovation no longer depends on a one-man show, but involves many actors.

There are many authors in the field of innovation (Henderson & Clark, 1990; Abernathy & Utterback, 1978; Tushman & Anderson, 1986) and different concepts of innovation (incremental, modular, architectural, radical, product, process, market, disruptive, organizational, complementary, etc).

Henderson and Clark (1990) provide an excellent starting point for classifying and categorizing innovations. They drew on earlier work to provide a four-fold typology.

- Incremental innovation is covered by the work of Tushman and Anderson (1986), to

name a few. It introduces quality improvements in core components. The word renovation would more precisely describe this type of innovation.

- Radical innovation, on the other hand, overlaps with other aspects of innovation such as technological discontinuities (Schumpeter, 1912). It introduces a new meaning, potentially a paradigm shift.

- Architectural innovation is an innovation typology which is based on an innovation's impact on core design components and/or inter-relationships. It changes the nature of interactions between core components, while reinforcing the core design concepts.

- Modular innovation may result in the complete redesign of core components, while keeping unchanged the linkages between components.

When it comes to the product, process and service categorization of innovation, one finds that product innovation is comparatively well served compared with service and process innovations (Arya, 2016).

1.2. The founder's syndrome theory

The founder's syndrome is a disorder that may hinder progress at any business as a result of the founding members' inability to adapt to the needed change.

Change is vital to any dynamic business. In order for a business to meet the needs of those whom it serves, it must be both fluid and reactive (Wheatley, 1999). But organizational change can be a difficult process for those involved.

For some members, the process is not only difficult, it is impossible because of their emotional connection to the business. These individuals are commonly referred to as "founders".

Gottlieb (2003) describes the typical founder as an individual who provided decisive leadership at a critical point of a business' history, but has failed to cope with the evolving needs of the latter. The founder's involvement is no longer an asset, it rather hinders progress and may give rise to a business disorder called the "founder's syndrome".

McNamara (2000) explains that the founder's syndrome occurs when, "…rather than working towards its overall mission, the organization operates primarily according to the personality of a prominent person in the organization".

However, a business may have the founder's syndrome without encountering a problem. The problem arises when a conflict arises between a "new reality" and the original version as envisioned by the founder (Lewis, 2002). As long as the business is challenge-free, no conflict shall arise.

It is only when founders are directly confronted with the need to change that conflicts arise (Lewis, 2002). If a founder obstructs organizational change, change will not occur even if needed (Rubenson & Gupta, 1996).

Though founders may be present in varying degrees at any organization, nevertheless their personal strategies may differ. However, they cannot but be marked by some common observable actions, including:

- Resist planning, policies and procedures (McNamara, 2000);

- Handpick board members (McNamara, 2000);

- Make decisions alone; expect from others to "rubber-stamp" those decisions (Gottlieb, 2003);

- Encourage the layoff of those who disagree (McNamara, 2000);

- Strongly adhere to past strategies (McNamara, 2000);

- Blinded by their ego, refrain from making decisions that are in the best interest of the business (Lewis, 2002);

- Employ management strategies to maintain control (Miller & Simmons, 1992).

1.3. Comparative theories table

The theories above are paradoxically different, thus, they can never come together in favor of business growth. Innovation theories, despite how diverse, are essentially dedicated to help businesses expand, and move from decline to more creativity in products, services and processes development. This is believed to grant organizations more market power and long-term competitive sustainability.

On the other hand, the founder's syndrome theory considers the role and presence of the business founders having the syndrome as a real burden for expansion and business agility. The fear factor within such founders forbids them from release patriarchal control and power against trust and creativity. Therefore, business growth is contingent on less founder's syndrome and more innovation and creativity.

To lay the foundations for innovation, businesses require the shading of a space of trust, respect and confidence in employees' behavior. For that to happen, the founder's syndrome effect on entrepreneurs should be weak or even non-existent. Founders should have enough courage and confidence to believe in the business concepts of wide free open space of employees' transparent communication, creativity and innovation.

Below is a brief literature review and comparative table presenting on a neck to neck basis the major elements in innovation and founder's theories that help organizations grow and otherwise.

As deduced from above explanations and comparative table, innovation theories in relation to the founder's syndrome theories are contradicting and can never intersect for the same objective. Innovation pushes for more business growth whereas the founder's syndrome holds sit back.

2. DISCUSSION

2.1. Methodology and model for analysis

Our research uses a qualitative methodology in an exploratory approach (Eisenhardt, 1989). The authors have adopted the interpretive method that allows us to consider "a phenomenon in its natural setting".

In this paper, semi-directive interviews were made with business founders, entrepreneurs and managers in growing Lebanese companies. The responses to the questionnaire have been coded and analyzed accordingly.

The questionnaire and interviews mainly focus on assessing the founder's syndrome level in growing business seeking innovation.

In fact, this paper has relied on the syndrome versus innovation diagnosis process questions that are inspired and adapted from the (Leadership Guide) document. The questionnaire and the way it is designed, helps diagnose the syndrome/innovation relationship and build a quality prognosis.

Table 1. Comparative Analysis

Elements in innovation theories empowering business growth	Elements in founder's syndrome theories refraining business growth
Schumpeter (1912):	Wheatley (1999):
Economic change revolves around innovation	Change is a vital part of a dynamic business
Innovation no longer depends on individual personality, but involves different actors	For some members of an organization, the process is not only difficult, it is impossible because of the emotional connection to the business
	Gottlieb (2003): A typical founder is an individual who has provided decisive leadership at a critical point in an organization's history, but has failed to change with the evolving needs of the organization

The questionnaire list consists of 12 questions: the first 8 are dedicated to assessing the founder's syndrome and the remaining 4 focus on the level of business innovation:

1. When you leave, will you feel skeptical that things might be run differently?
2. Are you staying because it is best for the business if you stay?
3. Do you identify with the business as being part of who you are?
4. Do you fear the business will take a mission contrary to your original mission?
5. Can you separate business matters from your personal viewpoint?
6. Do you relate to the organization as belonging to you by saying (my organization)?
7. Do you feel as though you are indispensable?
8. Do you want to stay involved after you depart to avoid feeling a sense of loss?
9. Do you support innovation at your company? What type of innovation: product, service or process?
10. If yes, where do these innovation ideas come from? Do you allow employees' creativity or impose your own ideas?
11. If innovation challenges your current way of doing things, snatches from you additional control, and imposes on you radical changes would you carry it on? If yes, why?
12. Do you hire experts for innovation or you try to do things yourself with the current available resources? And why?

Under literature review, the theories of innovation and founder's syndrome have been both analyzed, and considered inter-contradicting with business growth. The methodology, questionnaire list and model above aim to study the real impact and influence of both theories combined with business growth. As such, the questions have been divided and coded in a way to respond to two independent variables (innovation & founder's syndrome) with respect to the dependent variable (business growth).

3. RESULTS AND FINDINGS

Although this research is designed and directed to achieve the requirements of a qualitative approach, the analysis has been conducted quantitatively and the sample tested included four companies that vary in scale, size, business line, number of employees, sectoral activities, corporate governance structure and management culture. Therefore, the examined portfolio contained different styles of entrepreneurs and business founders.

Figure 1. The model for analysis

Table 2. Tested sample

Company code	Sector/Activities	No. Employees
(a)	Rent a car and taxi services	48
(b)	Petroleum company	190
(c)	Distribution markets (16 branches)	72
(d)	Pharmaceutical – retail – industry – cosmetic…. (multinational company)	Around 700

Table 3. Results of comparative & correlation analysis

Q	High FS	Low FS	High INV	Low INV
(1)	a–d	b–c		
(2)	a	d–b–c		
(3)	c	a–d–b		
(4)	c	a–d–b		
(5)	a–b	d–c		
(6)	a–d	b–c		
(7)	a–b	c–d		
(8)	a–d	b–c		
(9)			d–b	a–c
(10)			b–c	a–d
(11)			b–c	a–d
(12)			a–c	d–b

4. VARIABLES CODING

For every respondent, every response per question related to the founder's syndrome and/or innovation variables has been ranked using two measurement indicators:

Founder's syndrome:

High FS = High founder's syndrome;
Low FS = Low founder's syndrome.
Innovation:
High INV = High innovation;
Low INV = Low innovation;
Q = Question.

The results have been treated comparatively and in a correlating manner to determine a proper scientific relation among the variables as defined.

5. RESULTS ANALYSIS

The founder's syndrome impact is high, and the level of innovation is low.

"Innovation ideas come from upper management. Every department can, however, prepare an improvement proposal and submit it to the board of directors, if approved by the founder, the proposal is implemented". That was the answer of one board member in company (a).

Table 4. Company (a)

Questions	High FS	Low FS	High INV	Low INV
Q(1-8)	6	2	–	–
Q(9-12)	–	–	1	3
% result	75%	25%	25%	75%

Table 5. Company (b)

Questions	High FS	Low FS	High INV	Low INV
Q (1-8)	2	6	–	
Q(9-12)	–	–	3	1
% result	25%	75%	75%	25%

Table 6. Company (c)

Questions	High FS	Low FS	High INV	Low INV
Q (1-8)	2	6	–	–
Q(9-12)	–	–	3	1
% result	25%	75%	75%	25%

Table 7. Company (d)

Questions	High FS	Low FS	High INV	Low INV
Q (1-8)	3	5	–	–
Q(9-12)	–	–	1	3
% result	37.5%	62.5%	25%	75%

The founder's syndrome is very low and the level of innovation is high.

The company founder and CEO policy and answers to the importance of innovation were: "Any employee of any level is encouraged to bring forward his/her ideas. We have taken several measures and put in place different initiatives to establish an innovation culture. We conduct frequently innovation sessions with cross-functional teams so that ideas are reflected upon from all angles. We have a formal reward and recognition program that recompenses all types of innovation. We are now developing office and plant spaces to favor brainstorming and prototyping".

The founder syndrome is very low and the level of innovation is high

According to the founder, "For minor innovations we try to do things ourselves, through research and training. But for major improvements such as international standards, and main changes in the whole process, we hire experts and consultants to guide us in the planning and implementation stages".

The impact of the founder's syndrome is moderately low, however, the level of innovation is high.

This company's CEO and founder's answer was: "We consider innovation to be, by definition, an idea that is worth investing in, because benefits outweigh costs. As adaptability and flexibility are part of our DNA, this allows us to proceed smoothly with the needed changes. As innovation is part of our culture, we rely greatly on what our members have to offer. Our suppliers and clients can also greatly contribute to our efforts. Finally, we sometimes seek the services of consultants for specific projects whenever we encounter knowhow challenges".

6. FINDINGS

There is a negative correlation between the founder's syndrome and innovation in growing businesses.

In addition, the effect of the founder's syndrome on innovation varies according to the different sizes of

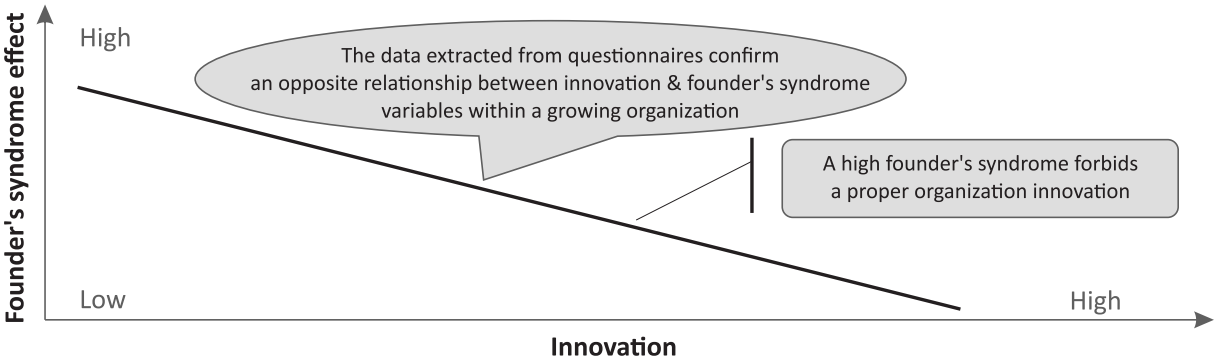

Figure 2. Negative correlation of founder's syndrome & innovation

organizations. Usually the founder's syndrome in big organizations is better absorbed compared with smaller organizations due to corporate governance structures. In addition, the results are conclusive and reject Schumpeter's theory on innovation.

Schumpeterian theory on entrepreneurship innovation says that innovation will not apply to small enterprises lead by basic entrepreneurs of developing countries, as these are driven by imitation rather than innovation. According to author's theory for innovation to happen, entrepreneurs should be large businessmen having the needed resources. On the other hand, the above results show that innovation in small firms can happen if it is founder's syndrome free. Therefore, innovation assessment could be appraised for every business growth cycle.

CONCLUSION AND FUTURE STUDY

For future research validation purposes, the impact of founder's syndrome on organization's innovation could be re-tested further by adding another crucial variable to the tested model related to the business life cycle theory. Such variable shall help researchers appraise the founder's syndrome limitations on innovation in every phase of organization growth cycle. For that, the preliminary findings shall also be re-validated by expanding the sample to other industries and companies of different sizes and growth stages.

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