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FOCUS ON: FOUNDERS

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HELPING FOUNDERS SUCCEED

BY SUSAN KENNY STEVENS

Entrepreneurship is a concept that receives favorable attention in the nonprofit press. Whether referring to mission-related income ventures, non-traditional partnerships, or a redefinition of organizational culture, the word "entrepreneur" has an undeniably positive, even buoyant, connotation in today's nonprofit parlance.

But switch "entrepreneur" to "founder" and the term's irrepressible energy begins to dissolve. Our gaze shifts from wide-eyed to rolled-eyed as we think about the nonprofit founders we've known whose artistic brilliance, charisma and chutzpah have been the success and sometime curse of their respective organizations.

Yet these founders are all entrepreneurs. Their motivations, imperatives and irrepressible characteristics are identical to the entrepreneurial spirit our society admires and encourages. Where then is the disconnect?

This article is written from a position of respect for the spirit, talent and drive that personify the arts founder. What makes them tick? What is their impetus? How are they best nurtured, managed and governed? How can we, their board members, funders and friends, help them succeed?

I owe the ability to research and write about this topic to The Ford Foundation, which, through the Working Capital Fund, has commissioned a series of articles and case studies on this and other topics that form critical and predictable junctures that arts enterprises face on their path to organizational maturity.

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Introduction

My fascination with the subject of nonprofit founders actually started nearly two decades ago when, in response to Reagan-era devolution, nonprofits jumped on the entrepreneurial bandwagon. "Jumped" is probably the wrong word. It was more like a rear-end boost onto the wagon of high-hopes called "earned income."

I had started The Stevens Group in 1982 to bring business principles to the nonprofit sector. Back then, of course, this was suspect behavior and the only nonprofits that hired us were those ready and willing but unable on their own to become "entrepreneurial" organizations.

A few years later, with a number of nonprofit clients under our belt and patterns from our work beginning to emerge, we developed a seven-stage life-cycle model that describes and charts the predictable developmental challenges that nonprofits face and must master at each phase of maturation.

This is when the notion of founder first nudged to the forefront of my thinking. It seemed that whenever I wrote or lectured on the subject of organizational evolution, I inevitably launched into a sidebar on the critical role of the founder at each stage of organizational life.

My fascination with founders continued into the next decade as The Stevens Group began to develop, manage and evaluate arts programs that strengthen organizational capacity. Whether it was The Ford Foundation's Working Capital Fund, Mellon's Small Press Program, or ArtsLAB, a collaborative capacity-building initiative of the Bush, Jerome and Saint Paul Foundations, tops on the list of questions was the dynamics of the relationship between a founder and the organization founded.

But if the truth were told, my fascination and motivation to understand founders was as much personal as professional. I am a founder. And proud as I am of the fact, I am equally aware that in some circles the noun founder has become synonymous with the verb, which means to falter or fail.

The pejorative connotation seems even more pronounced in the nonprofit arts world where "founder" is frequently a code word for "anti-stabilization." Internally, too, the term has undertones. All my staff has to do is drop the word "founder" into a conversation and I immediately know I've just said something they think unreasonable, "over the top," or beyond the realm of practicality. I, of course, think it's the best idea I have ever had.

Through the years, like someone who knows she is predisposed to a certain disease, I have read everything I can get my hands on to avoid "founder-trap," "founder's syndrome," "founder's disease" — all those negatives that characterize how one person can so thoroughly and single-handedly hold an organization back.

Determined to break what seemed to be an inevitable pattern, I came upon an article by George Rubenson and Anil Gupta that draws several conclusions from a longitudinal study of "initial leadership" transitions in 54 Fortune 1000 companies. Although you might contest the comparability of Fortune 1000 companies to nonprofit arts organizations, the upshot I took away from their findings is this: As long as they put the organization's requirements ahead of their own natural inclinations, founders are not automatically doomed to derail their company's growth and development. Successful founders are those who learn to adapt to their organization's ever-changing life-cycle needs.

From that day on, Rubenson and Gupta's insight became my founder credo and has since served as the framework for our firm's work with founder-led organizations: Is this decision, no matter how personally stimulating, in the long-term interest of the company?

The Mindset of a Founder

To understand a founder is to acknowledge right off the bat his or her central role as the organization's originator. No matter how many years since conception, founders have the same fundamental motivations today that they had in the beginning. And for the nonprofit founder, that motivation is generally linked to some hole in the societal or cultural status quo that desperately needs to be filled. Yes, desperately. This is another thing to know about founders. They operate from a perceived imperative that has their name written in big bold letters.

Founders have a calling, a mission, an internal mandate fueled by classic entrepreneurial characteristics: energy, drive, intensity, self-determination and urgency. They are inextricably linked to their organizations. At first this connection is virtually synonymous with who they are. Later, as time goes on, the relationship becomes more like a parent with a child. But always there is pride of ownership. Pride and purpose reign supreme, particularly in the early years.

To understand the arts founder is to understand the entrepreneur in ways that go beyond traditional definitions. Founders, like many entrepreneurs, march to their own drummers. They need no one's approval. They defy conventional methods. They know how something must be done, even though they can't tell you how to do it. They believe in themselves even when they don't know what they are doing. Whatever they are choosing to work on at that moment is likely to be the most important thing they have ever done. They are never satisfied. There is always more to be done and never enough time or money to do it.

Like other entrepreneurs, arts founders are products of their times. The way they manage their organizations and the values they bring to it are frequently rooted in the events of their era, or are a reflection of their own generation. Consequently, organizations founded in the '60s are likely to have a different value-base and mindset than those founded in the '80s or '90s. This is particularly true of arts founders of color today, many of whom come out of the activist '60s and view art as a medium for their larger message of social change.

Founders are also products of their families and upbringing. Through the years several studies have postulated various linkages between the development of an entrepreneurial personality and families of origin. Three family-related theories seem most likely to account for the nonprofit entrepreneurial impulse: an early orientation to achieve, encouraged independence and/or an early need to control their environment.

Though most of the research focuses on these as independent variables, in our experience they are not necessarily mutually exclusive.

Achievement-oriented founders were generally raised in nurturing home environments where they were consistently encouraged and rewarded for achieving. They grow up believing nothing is beyond them.

Independence-oriented founders tend to come from homes where one or both parents were self-employed, providing the child (often the oldest) both a role model of independence as well as early family responsibilities.

Control-oriented founders may have come from families filled with poverty and/or emotional insecurity. Consequently, they needed to grow up fast and take control of their environment since no one was taking care of it for them. Control becomes their security. They grew up believing in themselves and needing to stay in control, particularly when they are threatened or their environment gets hostile.

In consulting situations, when faced with seemingly irrational founder behavior, we have discovered that one of these family of origin theories often provides the key to unlocking the founder's otherwise closed door.

Founders are also frequently leaders in their fields, although some fail to lead their own organizations. Like other entrepreneurs, founders generally find management tasks boring and only tolerable as a way to get things organized around them. In fact, founders, at least at the outset, may disdain management. Their energies are absorbed elsewhere. They are driven by the goals of mission and purpose. Their job is to create. The task of management is quite different. It is to organize, systematize and develop a stable framework for getting the work done and sustaining the organization over time.

The drive for sustainability forces founders to face the toughest of all questions: *Do I want my organization to survive me?* If so, what needs to happen to institutionalize my vision? Believe it or not, this question preoccupies founders, particularly those of a certain age. Yet too often the question never gets discussed both because a founder is often reluctant to bring it up and because board members often feel they don't have the right to raise it.

The most strategic decision a founder-led organization must make is whether or not it is bound for permanence or, instead, is limited to the founder's tenure. Coming to grips with this question sets the backdrop for every subsequent organizational decision. The very process of determining whether the organization should succeed its founder often requires facing a founder's ungoverned ownership, which studies consistently identify as one of the major roadblocks to perpetuating an organization beyond its founder.

Three Stages of Separation

If permanence is an organizational goal, founders can expect three stages of separation in the transition from being "the one" to "one-of." Each paves the way for institutional sustainability.

Delegation

The first stage is *delegation*. As the founder's fledgling organization begins to achieve artistic success, four shows (books, concerts, or murals) a year are no longer enough. The calling is much greater than this. But more shows mean more money, more staff and more attention to management and administrative systems. All of this takes the founder's focus off creativity and "down" to business.

At this point, a founder has two choices: to continue to go solo or to hire a manager to head up the business side of the operation. This decision is generally a no-brainer since the founder was born to lead, not to manage. So a business manager (a.k.a., managing director, general manager, even executive director) is hired.

The *delegation* phase of separation begins when founders decide they can't do it all themselves. They need help. Yet, even if a founder masters the art of delegation (and many don't), the founder remains the indisputable leader of the organization at this point. S/he may now have a new manager, but no matter what the title or job description may say or what the board may intend, in the founder's eyes the new hire is there for one and only one reason—to help the founder. At this stage, the founder is still in the driver's seat. Any management person (and all too often the board as well) is merely riding shotgun.

Hiring its first professional staff is one of the most difficult tasks any young organization faces, whether founder-led or not. A combination of hiring inexperience on the part of the founder and board and the need for a jack-of-all trades generalist, makes it easy to miss the mark the first or second time around. Couple that with low wages and the founder's often unrealistic expectations that the new hire "will give all" just as s/he does and you can see why it takes such a long time and so many misses for founders and boards to successfully recruit and maintain the right managing director.

Separate Identities

The next stage of separation, *individuation*, occurs (and it can be many years later or never at all) when the founder begins to think of the organization as separate from him/herself. This is a profound moment in a founder's life that results in a psychic separation of his/her personal identity and goals from his/her role as a founder. This can be and frequently is, a real identity crisis, but one that must be mastered for institutionalization beyond the founder to occur.

The impetus to separate the two identities may be personal (a milestone birthday, becoming an empty nester, or some other soul-searching event). It may occur as a result of rapid growth or a major organizational challenge, or the founder may have just grown tired of the burden of sole psychic ownership. Whatever the case, it hits like a ton of bricks: *My creation is bigger than I am*. It has a life of its own. The organization that once depended on the founder for every creative idea and decision and upon whom the founder depended for personal identity, is becoming separate and other.

This is among the most critical junctures in any permanent organization's growth and development. It also sets the stage for how successfully and positively founders can continue to be involved in their creations. At this point founders realize that the success of their creation requires partners, people who are their equals or better. These partners aren't helpmates as in the delegation stage. They are *real* managing directors and *real* boards of directors.

In life-cycle theory we refer to this as transference of sole organizational ownership from the founder to both the board of directors and to its management counterpart. This transference implies shared ownership and interdependence. The organization no longer belongs just to the founder. The founder's gift has gone public. The organization is now co-owned by the community, represented by the board and staff.

In theory, of course, it was always supposed to be this way. But with founders still active in the organization, transference and interdependence aren't generally possible until the founder has the ton-of-bricks awakening mentioned above. If the founder comes to this understanding on his/her own, the partnership is much more likely to "take" (albeit painfully) than it would as an ultimatum from others. In our experience, when frustrated boards hire managing directors or institute governance ultimatums against the wishes or without the buy-in of the founder, the efforts generally fail. Right idea, wrong set-up.

In the second stage of separation, the founder now has two roles: the position stated in his or her job description and his or her position as originator. The founder position, of course, can never be taken away. It deserves respect and continued acknowledgment. But the other role, the one on the job description — be it artistic director, board chair, CEO — is another story. That role requires performance that moves the organization forward. Here founders can't rest on their laurels. Whatever their role may be, they must provide the leadership, management, or governance required by that role. There can be no hiding behind their other role as founder.

Institutionalization

As painful as identity separation is, the third stage of founder separation, *institutionalization*, requires another psychic leap on the part of the founder. This is an especially tricky separation since building an institution is not only antithetical to a founder's entrepreneurial instincts, but can also be his or her encounter with personal or professional mortality.

In this phase the founder, who may now be approaching mid-life, begins to count his or her remaining work years on one or two hands. No matter how youthful and still full of great ideas, the founder knows his or her days are numbered. Now the task is how to make the most of them.

When managed properly, third-stage institutional separation can be a very powerful transition, even a gift, for those who have mastered individuation. It is a chance for founders to step back and, with some distance, define a new role for themselves while ensuring that every function previously performed is now shifted to worthy successors, others who care about the organization.

In the commercial world, this process is called exit or succession planning. But these words have little ring to nonprofit founders who are more intent on transferring their values than on planning their physical succession — and rightly so. For it is a nonprofit founder's values and aspirations that form his or her greatest legacy. Identifying these values and seeding them throughout the organization is a meaningful and worthy use of the founder's time and energy at this institutional stage.

Too often though, founders, by default, end up single handedly orchestrating their own succession. As much as a founder may want a role in conceptualizing or even choosing his or her successor, this final transition should not be left to the founder alone. The process of facilitating the founder's positive and honorable succession belongs to the board.

Furthermore, in today's rapidly changing world, simply replacing a founder is not always the best method of sustaining an important community institution. Over the next decade we will see more examples of founder-led organizations and their boards bringing the same creativity to the institutionalization of their organizations that was directed to the initial creation. Rather than opting for the traditional single-person successor, some organizations will place themselves under the umbrella of a larger institution — a university or performing arts center. Others will band together with mission-compatible cohorts creating a new synergy and renewed impetus. Such nontraditional options may present the best avenues for sustaining an organization whose founder has either left or successfully moved into a staff role.

Helping Founders Succeed

Six months ago I spent a weekend retreat with four successful arts founders, all of whom would be considered founding influences in their respective fields as well. This retreat, one of the highlights of my own professional career, inspired me to write this article from a founder's perspective and to help others see, through their eyes, what it is like to give birth and then wings to their maturing organizations.

While I freely credit these remarkable founders for this article's insight into the mindset of a founder, I will not saddle them with its conclusions. Rather, the following ten suggestions come from my own professional experience as a management consultant facilitating (and negotiating my own) various stages of founder transition.

I have intentionally framed these suggestions from the perspective of a board of directors. As important as the founder's impetus is to an organization's development, it is the board that, by taking responsibility for sustainability, ultimately ensures both the organization's and the founder's success.

A Board Member's Guide to Founder Success

1. As early in your organization's life as practical, begin open discussions about whether you have a "limited life" corporation or one whose value to society supersedes the person of the founder. Then function accordingly.
2. Understand your founder's underlying motivation, both in terms of his or her art and his or her psyche. Let the achievement-oriented founder achieve. Structure the independent founder's role with enough autonomy and elbowroom that s/he doesn't feel trapped or fenced in. Build security into the control-oriented founder's job. The more secure s/he is, the less s/he will feel the need to control.

3. Surround your founder with competent professional staff and board members, the best you can afford. Founders find it hard enough to give up control. The challenge is even more difficult when the organization can afford only underskilled managers. Lack of competent, experienced staff and board members can play a significant role in a founder's failure.
4. Recruit arts-motivated, retired CEOs to your board, as well as entrepreneurs who have sold their businesses or made transitions into new roles within their companies. Their experience provides a number of benefits to a founder-led organization, not the least of which is their personal experience with separation and succession.
5. Understand that successfully moving beyond a founder will be a two-steps-forward, one-step-back process. Support the positive efforts, coach through the backsliding and remind your founder of the shared goal of permanence.
6. Hold your founder accountable for his or her management position. The founder may be an artistic giant and a founder genius, but if s/he holds a staff position within the organization, s/he is responsible for performing in a way that strengthens the organization. Offer the founder an emeritus position if s/he can't or chooses not to pull the full weight of his or her staff position.
7. Likewise, pull your own weight. Show up, prepared. You are not just a volunteer stakeholder; you hold the ultimate responsibility for governing the organization through its quest for sustainability.
8. Encourage the founder's reinvention as "artist." Love of the art is still at the core of your founder's motivation.
9. Encourage your founder to have a personal board of advisors, people who offer unconditional respect and support and who will give good solid advice. This is especially important to founders as they maneuver through second and third stage separation. Too many conflicts of interest occur when the organization's board is also the founder's advisors. The board of directors, while respecting the founder's role, needs to make decisions in the best interest of the organization.
10. Encourage a systematic process for your founder to transfer his or her vision to others. Whether through staff development, shadowing, or board meeting discussions, making sure the organization's "essence" is well-rooted is undoubtedly the most important task a founder has to accomplish and is always the first step in assuring a founder's succession and success.

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