

Rediagnosing “Founder’s Syndrome”: Moving beyond Stereotypes to Improve Nonprofit Performance

by Elizabeth Schmidt

Founders are the very soul of this sector. They are people who envision a change vividly enough to place much at risk on a personal level. They gather people of common cause, attract financing, and risk being laughed out of whatever rooms they are in. But be careful: all of that leadership will likely later be diagnosed as “founder’s syndrome.”

Editors’ note: This article was originally published on NPQ’s website in July 2013.

FRANCINE FOUNDER IS A VISIONARY WITH A CONCRETE and unique approach to solving a problem in her community. She hopes to start a new 501(c)(3) organization to implement her ideas. What can we tell her about the journey upon which she is about to embark?

Like all entrepreneurs, she faces an uphill battle. She will risk time, money, relationships, and reputation to get this idea off the ground. Unlike most entrepreneurs, though, she has no financial upside to balance the risks she will

take—a lesson she will learn quite quickly from anyone working in the nonprofit sector. What Francine is less likely to learn, however, is that once she gets the organization off the ground, she will likely be considered the root of all present, past, and future problems in the organization.

This is because it has become fashionable in governance literature to assume that a disease called “founder’s syndrome” can explain every challenge that nonprofits face once their founders have done the heavy lifting. This literature diagnoses founder’s syndrome in four different situations, which I have dubbed the “four symptoms” of founder’s syndrome. This article will begin by examining these so-called symptoms and explaining why they lead to a harmful misdiagnosis. It will then suggest that, instead of pointing fingers, a board should address each of these symptoms, if they exist, from a mission-centric point of view. This approach will lead to a better result for all involved.

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The Symptoms

The literature uses the term “founder’s syndrome” inconsistently, but a common thread is that this is a psychological illness, and the blame for this illness falls squarely on the shoulders of the founder. The label seems to be applied if one or more of the following symptoms are present: The first is a sense of *grandiosity*—that the organization is the founder’s, and it exists to serve his or her ego (or pocket-book); the second is an *inability to delegate*—poor management on the part of the founder; the third is an *inability to make a smooth transition* from the founder to new leadership; and the fourth is an *unwavering dedication to the original vision* for the organization.

Each of these four symptoms can, of course, be harmful to an organization, but they are hardly confined to founder-led organizations, nor are they universal. Most accounts of the Smithsonian crisis in the mid-2000s paint Lawrence Small, secretary of the institution at that time, as exhibiting the first two symptoms of founder’s syndrome: grandiosity and an inability to delegate. He was neither the founder nor such a long-term manager that he could be considered “founder-like,” however. In fact, the accounts of this crisis indicate that the imperious style showed up as soon as he took the helm. A nonprofit with a founder at the helm who exhibits these two symptoms is in the same situation as the Smithsonian was, and this pejorative label does not help it address its personnel or governance issues.

The third symptom, a failure to make a graceful exit when others think the founder should leave, also obscures the real problem, which is an organizational failure to create and implement a transition plan. Transition difficulties are hardly restricted to organizations with founders as managers or board chairs, however. Bank of America was caught flat-footed in 2009 when its president announced his retirement, and a 2010 survey by Stanford University found slightly more than half of all companies would be unable to name a successor if they needed to do so immediately.¹ Transitions from a founder to a successor may present unique challenges, but it is inappropriate to label these problems as “founder’s syndrome” when they are prevalent throughout the business world.

The final symptom, a founder who clings to the original vision of the organization when others are ready to move on, also hides the real issue and fails to recognize that non-founder-led organizations also face internal discord about the future direction of the organization. This symptom is particularly disturbing, however, because it has the potential to squelch necessary dialogue among the stakeholders of the organization. To say, as soon as a disagreement arises, that the party who conceived of the initial mission suffers from founder’s syndrome, severely handicaps that party’s standing in the discussion.

The literature about these four symptoms also implies that all founders have psychological problems. Admittedly, it usually gives lip service to the idea that some founders escape this problem, but the rest of the work tends to undermine this message. My favorite quote is from a booklet on the subject, with a title that includes the term “founder’s syndrome.” The authors promise to avoid the term because it suggests a clinical disorder, a mere two sentences after the following statement:

The world of executives is filled with founding chief executives whose domination, petulance, stubbornness, shortsightedness, and other flaws are routinely overlooked because, well, most of the time they’re right. That doesn’t make their exasperating style or puzzling choices defensible.²

Among the many ironies in this type of thinking is the widespread belief that denial is a major part of founder’s syndrome, much as it is with alcoholism. This belief makes it almost impossible to defend oneself without simultaneously exhibiting a symptom of the disease. As Henry Lewis wrote in an article for *CharityChannel Press* in 2002: “I would be remiss not to say . . . that there can be exceptions, but the exceptions are so rare that anyone assuming that their situation is different is most likely wrong.”³

Such hyperbole would be less offensive if empirical evidence backed it up, but I have found only one study that has sought empirical evidence of founder’s syndrome in the nonprofit sector.⁴ The authors of that study asked Colorado nonprofits about their organizations’ governance practices

and attitudes, and then compared the results between the founder-led and non-founder-led organizations. I believe their results were inconclusive. The survey discovered the following:

- Founder-led organizations tended to have smaller budgets.
- Term limits for board members existed in 31 percent of founder-led organizations and 49 percent of non-founder-led organizations.
- Eighty percent of founder-led organizations held at least quarterly meetings, compared with 87 percent of non-founder-led organizations.
- Three-fourths of the respondents in both groups thought either the executive director or the board chair was the most influential person during a board meeting, but founder-led organizations were more likely to say the executive director was the most influential.
- On the other hand, founder-led organizations were more likely to have reviewed the mission in the past year than were organizations led by non-founders; they were more likely to attract full board participation at meetings; and they were more likely to set and mail the board agenda ahead of time.

Plenty of conclusions could be drawn from these survey results, but one conclusion I find unsupported by these data is the authors' contention that they found "considerable truth to some of the rumors and stories about founder's syndrome."

One does not always need empirical evidence to draw conclusions, of course, and the founder's syndrome literature draws from common-sense notions and anecdotes. At the beginning of an organization, the founder and the organization are, by necessity, so closely aligned that some founders may be psychologically unable to see that they are separable from the organization. Common sense also tells us that the early boards, which are chosen by the founder, could have a tendency to defer too much to the founder, and that the first leader may not be the person who is able to lead when circumstances change. As with all stereotypes, some founder situations will fit the diagnosis. Even in those situations, however, the organization will have multiple stakeholders who have played and will

play a part in the organization's successes and failures. Once again, the founder's syndrome diagnosis is so overly broad as to reach the level of stereotype.

The simplification, exaggeration, and blame that result from thinking in stereotypes can be harmful to the individuals and institutions involved. The founder's reputation is sullied, even if he or she has none of the symptoms. If any of those symptoms is present, none of the other stakeholders is asked to share in the blame. And virtually no one questions whether one or more of these symptoms could actually be strengths. The institutions suffer as well, because stereotypes allow them to avoid addressing real problems by placing blame on the founders. And this distrust discourages—and sometimes prevents—founders from implementing ideas that could solve society's most intractable problems.

Nonprofit Governance as the Issue

The common element in each of the symptoms described above is a breakdown in governance. The authors of the founder's syndrome literature recognize this breakdown at some level, but their focus on blame prevents a more nuanced view of governance. In my opinion, their thinking reflects two worrisome trends in modern nonprofit governance: a "one-size-fits-all" mentality, and blindness to the importance of the mission in nonprofit governance. An emphasis on the mission instead of on blame could cure the symptoms we are discussing without adding the harm of a founder's syndrome diagnosis.

Nonprofit governance has received much emphasis in the last few years. Recent surveys of nonprofit practices show that boards are increasingly implementing and making changes to a variety of governance policies, including investment, records retention, conflicts of interest, whistleblowing, gift acceptance, and Form 990 review.⁵ Unfortunately, revised policies do not necessarily lead to better governance, as some boards spend so much time on administrative reforms that they forget they must also actually govern the organizations.

Compounding this trend is the emphasis on "best practices," which often translates to a

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“one-size-fits-all” assumption. That assumption underlies the founder’s syndrome literature, and it can paralyze an organization when the facts do not fit the assumption. It can be especially damaging if these “best practices” translate to the “ordinarily prudent person standard.” In other words, a board that does not look at its founder with suspicion may well be violating a standard of care.

Focus on the Mission

The governance emphasis, in my opinion, should instead be on the mission. The primacy of the mission should, at the least, be a large part of the board’s fiduciary duties of care and loyalty. I would also recognize the board’s fiduciary duty of obedience to the organization’s mission.

With this approach in mind, let’s reexamine the four symptoms described in the founder’s syndrome literature. First, some founders do place their personal agendas ahead of the mission. The most appalling recent example of this is Jerry Sandusky, who started the charity The Second Mile in order to “protect” at-risk youth, and is now serving a thirty-to-sixty-year sentence for child molestation. The sooner the board or the authorities recognize such a situation and remove the founder—or anyone else who is taking advantage of the organization—the better.

Most founders are dedicated to the mission and vision of the organization, however. After all, they conceived of the idea and found a way to implement it in an ongoing venture. A board that focuses on this mission will realize that one way to further it is to determine how best to use the founder’s visionary skills.

If the founder does not, for example, have strong managerial skills (the second symptom we discussed earlier), a mission-centric board will hire people to fill gaps in the founders’ skills. It will also institute financial and other controls to protect the organization, because the leader may be concentrating more on the mission than the details. This is counter to the founder’s syndrome approach, which would automatically remove the founder, and it leaves open the possibility that the organization can retain the inspiration and vision that energizes the organization.

By all accounts, Greg Mortenson of *Three Cups of Tea* fame made a huge contribution to educating girls in Pakistan and Afghanistan through the organization he founded, Central Asia Institute (CAI). In 2011, however, allegations of financial irregularity at CAI surfaced. Although Mortenson was required to repay one million dollars to CAI, the evidence suggested that he was a poor manager, not a criminal. If that is the case, the board did a disservice to both him and the organization by not determining how best to complement his skills before the scandal erupted. Instead, both Mortenson and CAI suffered nearly irreparable damage—a tragic outcome for a worthwhile cause.

Mission-centered governance will also make a difference if the transition from one leader to another is difficult, as in the third symptom described above. Transitions are never easy, but if all parties recognize that they have the mission in common, the emphasis switches from blaming individuals to reaching a common goal, and thus increases the chances of reaching the goal.

A mission-centered approach will also lead to a better conclusion when controversy arises over the direction of the organization and the mission itself. This final symptom is the most dangerous, in my opinion. Although organizations do need to react to changing realities, and missions should not be static, the founder’s opinions will not be heard if the founder’s syndrome label is automatically attached when controversy arises.

Silencing the person with the original vision is counterproductive, even if that person’s vision is no longer that of the other stakeholders. Nonprofits are not immune to mission creep. In fact, the Smithsonian’s unraveling began when the board hired Lawrence Small to make the institution more businesslike. If Mr. Smithson were still alive, my guess is he would have pointed out this divergence from the mission. In today’s world, he would probably have been accused of founder’s syndrome.

This hostility to founders is not without ironies. Much of my current research concerns social enterprises, those entities with a social or environmental mission as well as a profit motive. Legal scholars are searching for ways to preserve the mission when the profit motive is

also in play. Ironically, they tend to assume the founder will protect the mission and worry about what happens when new ownership takes over. Why for-profit social enterprises trust founders to protect the mission but nonprofit social enterprises distrust them is beyond my understanding. It is also ironic that donor intent has been accorded so much legal protection over the last few years, but founder intent is ignored.

The biggest danger of this type of thinking is that the founder's influence will disappear too early, before his or her vision is ingrained in the organization. Although founder's syndrome literature implies that founders usually outstay their effectiveness for the organization, I suspect the opposite may well be true.

Can you imagine what the world would look like if Steve Jobs, who fit every stereotype of founder's syndrome and was in fact fired in 1985 for these qualities, had never returned to Apple? As *Time* magazine noted after he died:

Jobs was so obviously fundamental to Apple's success that many feared the company's amazing run would end the moment he was no longer calling every shot. Instead, Apple prospered during his illnesses and absences. By 2011, the vast majority of its revenues came from products that hadn't existed when Jobs took his first medical leave. He had accomplished one of his most astounding feats: teaching an entire company to think like Steve Jobs.⁶

We need this in the nonprofit sector, too. We need to keep founders with a true and workable vision in place until they have taught the entire organization to think like they do. In my opinion, we have allowed the pendulum to swing so far in the direction of preventing founders and others from taking advantage of an organization's nonprofit status that we have lost sight of the equally strong need to encourage people to take the risks necessary to solve seemingly intractable problems. We need to stop paying lip service to innovation in the nonprofit sector and start thinking of ways to encourage it.

In the words of Steve Jobs, "Don't be trapped by dogma."⁷ Let's allow Francine Founder to risk

her time, money, relationships, and reputation on her new venture. But let's also give her the possible upside of receiving credit for her success, instead of the blame for everything that goes wrong. Tossing out the concept of founder's syndrome and focusing instead on the mission should give her that opportunity.

NOTES

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3. Henry Lewis, "Founder's Syndrome: An Affliction for Which There Is Rarely Immunity," *Charity Channel Press*, June 26, 2002.
4. Stephen R. Block and Steven Rosenberg, "Toward an Understanding of Founder's Syndrome: An Assessment of Power and Privilege among Founders of Nonprofit Organizations," *Nonprofit Management and Leadership* 12, no. 4 (summer 2002): 353–68.
5. *BoardSource Nonprofit Governance Index 2010* (Washington, DC: BoardSource, 2010) and *BoardSource Nonprofit Governance Index 2012* (Washington, DC: BoardSource, 2012), www.boardsource.org. See also *2009 National Board Governance Survey for Not-for-Profit Organizations* (Chicago: Grant Thornton, 2009) and *2008 National Board Governance Survey for Not-for-Profit Organizations* (Chicago: Grant Thornton, 2008), www.grantthornton.com.
6. Harry McCracken, "Steve Jobs, 1955–2011: Mourning Technology's Great Reinventor," *Time*, October 5, 2011, content.time.com/time/business/article/0,8599,2096251-1,00.html.
7. "'You've Got to Find What You Love,' Jobs Says," *Stanford Report*, June 14, 2005 (Steve Jobs, commencement address, Stanford University, California, June 12, 2005), news.stanford.edu/news/2005/june15/jobs-061505.html.

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