

## **Theory E<sup>2</sup>: Working with Entrepreneurs in Closely-Held Enterprises**

### **II. The Consulting Challenge**

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In addition to working with entrepreneurs on the unique challenges they face as leaders in closely held enterprises, the organizational psychologist faces several challenges of her own in working with the entrepreneurial leaders of these organizations. First, the person she is serving may have very limited time and resources to engage a psychologist. Because the entrepreneur is deeply committed to his enterprise and often faces real or imagined financial constraints, it is common that the potential client decides that he has neither sufficient time nor sufficient money to bring in an organizational psychologist: “only the rich and idle can afford an organizational shrink!”

The second major challenge for the psychologist centers on the issue of privacy. Everyone in a closely held enterprise knows what everyone else is doing. They would certainly know if someone is being “shrunk”. What is likely to be the reaction? Employees are likely to worry about what is going wrong – especially if they are very dependent on the entrepreneurial leader. This person is supposed to be very wise or very brave or a charismatic visionary. Why is our leader looking for outside help? Doesn’t she know what she’s doing? Is she afraid or lost or discouraged? These unanswered questions can send waves of anxiety through a closely held enterprise.

Alternatively, the employees – who often share with the entrepreneur a profound fear about the financial viability of the enterprise – may resent the expenditure of scarce funds for something as “frivolous” as an organizational consultant (especially a psychologist): “Who

does she think she is?" "How are we going to afford this? "I know of a whole lot of other things that are more deserving of these funds!" There is, of course, a third possible reaction – which is full support for and appreciation of the benefits inherent in an entrepreneur getting some assistance from an organizational psychologist in addressing the major challenges we identified above. One would hope that this third reaction is prevalent; however, the other two reactions are very common in closely held enterprises.

A third challenge closely relates to the second. Not only is there a lack of privacy, there is also a lack of confidentiality. It is very hard to keep things "under wraps" when conducting interviews or using any assessment instruments. Everyone knows who has been interviewed or filled out a 360-degree feedback questionnaire in most closely held enterprises. An entrepreneur in a closely held enterprise will often know the source of feedback when receiving a report based on these interviews or questionnaires.

A fourth and fifth challenge have to do with the blurring of boundaries in closely held enterprises. The fourth challenge concerns the boundaries between work and family. It is hard to separate these two aspects of an entrepreneur's life. Some consultants to closely-held enterprises (especially though that are family owned) insist on working with all members of the family or at least the spouses/significant others.

The fifth challenge concerns the personal values and career aspirations of the entrepreneur. As we mentioned above, these personal motivations are inevitably central to the life of the enterprise and, as a result, to the consulting engagement. A sixth challenge is often ignored (or denied) by organization psychologists: an organizational consultant can easily exert too much influence in a closely held enterprise. We should always remember that Rasputin was consultant to the Czar and Czarina in a closely held enterprise (the Russian Empire)!

We know of a famous author who consulted with the head of a very successful management development firm for many years. She met for two hours each week with the charismatic

entrepreneur who owned this firm. At the end of each weekly session, the employees in this firm braced themselves for another set of major changes in the organization that were strongly advocated by the author. This management development firm had been very successful for many years, until the author/consultant began to command exceptional (and inappropriate) influence over the owner of this firm. While the owner was at a point in his career when he should have been considering succession planning, the author encouraged a new set of motivations for him and sent his firm in a totally inappropriate and misaligned direction. Obviously, this exceptional potential for influence is based in part on the leverage that comes with working for (and on behalf of) someone who usually controls most of the operations in a closely held enterprise.

Finally, the organizational psychologist is faced with the challenge of convincing his client that effective consulting services are often long term rather than being focused on a specific problem. It is hard to convince entrepreneurs that they need to think in terms of (and provide funding for) long-term consultation. Short-term consulting is rarely successful in closely held enterprises, for it is often hard for a psychologist to build trust in a closely held enterprise; yet, once the trust is established, the psychological engagement can be very productive – especially when it is long term.

We conclude by making use of a metaphor that we find helpful when consulting with the entrepreneurial leaders of closely held enterprises. This is the metaphor of “organizational anchors.” We often propose to our clients that they identify the anchors in their organization. Some organizational anchors resemble a bottom anchor. This is the traditional type of anchor that most of us think of when imagining someone anchoring a ship. The bottom anchor is very heavy and it sticks into the sand or mud at the bottom of the sea. A bottom anchor – often found in the formal rules, regulations, mission statement, policies and procedures of an organization--typically remains firmly in place regardless of the winds of change. We have found that successful entrepreneurs are rarely held in check by bottom anchors.

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The successful entrepreneur who is leading a closely held enterprise is more likely to be held in check by a sea anchor. This type of anchor is much smaller than the bottom anchor. It is cast overboard when a ship is at sea and the floor of the sea is many leagues below. The sea anchor moves with the tide and wind; however, this type of anchor always keeps the boat facing into the wind; furthermore, it slows down the movement of the boat resulting from either the tides or winds. Change in direction does occur with the sea anchor, but this shift occurs slowly and deliberately. The sea anchor allows for change, but doesn't allow for precipitous shifting with the wind or for the endangering of the enterprise from a strategy that does not face into the wind (that is unrealistic or not aligned with the intentions of the enterprise). When a closely held enterprise is led by a reflective entrepreneur, then this enterprise is likely to be guided by a sea anchor rather than by a bottom anchor (or by no anchor at all). A skillful organizational psychologist can be of great value in helping an entrepreneurial leader discover and invent ways in which her closely held enterprise can be maximally responsive to the complex, unpredictable and turbulent conditions of our postmodern world, while also retaining its closely held mission, values and purposes.

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