

Manfred Kets de Vries

The Raoul de Vitry d'Avaucourt Chaired
Clinical Professor of Leadership Development

Professor Manfred Kets de Vries explains how the entrepreneurial personality affects the organization and the business.

The entrepreneur on the couch

In business mythology, the entrepreneur is generally characterized as larger than life. These are the cowboys (or cowgirls) who buck the ho-hum traditional business models and in the process construct empires and amass fortunes. In all of the hyperbole surrounding entrepreneurs, there is often a grain of truth: Virgin founder Sir Richard Branson attempted to circumnavigate the globe in a hot air balloon on numerous occasions, while Oracle's Larry Ellison flies fighter jets in his spare time. Are they thrill seekers with cash to burn who simply happen to be entrepreneurs, or are these behaviors expressions of other qualities that make these kinds of people suited for entrepreneurial success?

Surprisingly, in psychoanalytic theory, studies of work behavior have been relatively scarce, says Manfred Kets de Vries, the Raoul de Vitry d'Avaucourt Chaired Clinical Professor of Leadership Development and a trained psychoanalyst. For years, he studied the literature. Like Freud, he found the best way to understand behavior is to complement this form of research by clinical observations. He has dealt with a few entrepreneurs "on the couch."

The way a business is managed is very much influenced by the inner make up of the key power holders. In the case of companies founded and led by entrepreneurs, Kets de Vries found that organizational pathology often reflects individual pathology. He conducted extensive interviews and



observed countless entrepreneurs to find out. Thus, in dramatic organizations, the kind founded by entrepreneurs, everything seems to revolve around the leader, whose decision-making style is often centralized (distrust of others, need for control), lacking in conscious planning (aversion to authority), and impulsive (desire for applause).

Need for control

Control is a major theme in the life and personality of many entrepreneurs. "Some entrepreneurs are strikingly ambivalent when an issue of control surfaces," explains Kets de Vries. "They are filled with fantasies of grandiosity, influence, power and authority, which are frequently a reaction to a sense of helplessness." This is often reflected in an extreme distaste for authority, which

serves to suffocate an entrepreneur. "Many of the entrepreneurs I have been studying are preoccupied with the threat of subjection to some external control or infringement on their will," he says. In organizations, this desire for control can lead to extreme behavior, such as micromanaging. While excessive concern for detail at the start-up phase may be appropriate, it can eventually slow an organization, stifling information flows, hampering decision making, and reducing the company's ability to attract and retain capable managers.

Sense of distrust

Closely related to the need for control is a proclivity toward suspicion of others. "Entrepreneurs often live in fear of being victimized; they want to be ready should disaster strike.

Paradoxically, quite a few I have worked with feel best when their fortunes are at their lowest,” he explains. Perhaps the fear of “tempting the gods” is what leads many to respond by saying “so-so” or “not too bad” when asked how things are going in the business. But if their fortunes turn and they come close to disaster, they feel (and that is not necessarily a conscious process) that they have done their penance for having been successful. The relief that comes from dodging a bullet gives them the energy to start afresh. This behavior pattern does have its advantages, says Kets de Vries; it makes the entrepreneur alert to potential moves of their competitors, suppliers and customers. “But such vigilance can also lead them to lose any sense of proportion, focusing on certain trouble spots while ignoring others,” he says.

Desire for applause

In seeming contrast to feeling unworthy of success, entrepreneurs often exhibit a great need for admiration and applause, an overriding concern to be heard and recognized. Perhaps one way of looking at the need for applause, says Kets de Vries, is to see it as a reaction against feeling insignificant, being nothing. “Some entrepreneurs I have known hear an inner voice that tells them they will never amount to anything,” he says. “But regardless of who put this idea into their minds, these people are not retiring types who take such rebuke passively; they are the defiant ones who deal with it creatively through action. They will ride to the top in spite of all the dangers; they will get the applause; they will find a way to master their fears.”

Surviving the entrepreneur

The key for entrepreneurial firms, says Kets de Vries, is to capitalize on the behaviors that promote growth, while balancing some of the destructive patterns. He suggests that “outsiders,” such as consultants or members of an advisory board, often have enough distance to see things in perspective and to discount the drama and tension common in entrepreneurial firms. “Such a person, if trusted by the entrepreneur, can play the role of confidant and use the entrepreneur’s ambition to effect constructive change,” he says. But even this balancing factor can sometimes fail. “Remember the Chinese proverb ‘He who rides a tiger cannot dismount,’” cautions Kets de Vries. “That is what the entrepreneur is all about.”

Two high-profile success stories, Britain’s mega-brand Virgin and software giant Oracle, illustrate just how inextricably linked the founder is to the development of the company.

In a 1995 interview with Kets de Vries, Virgin’s founder and CEO

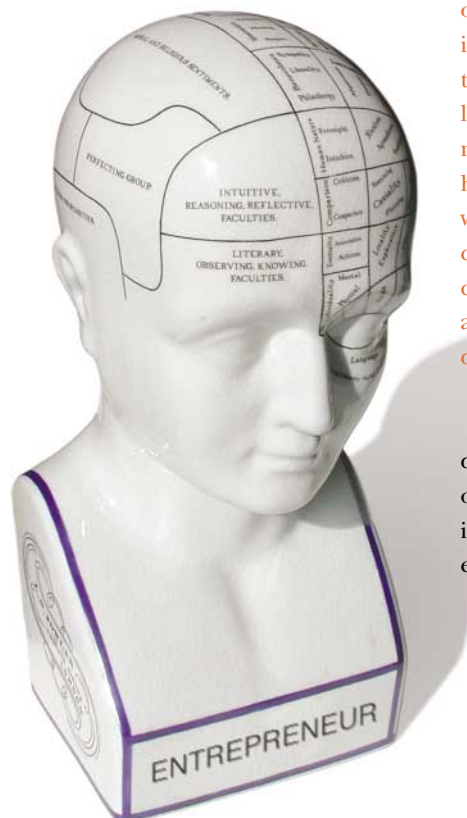
Sir Richard Branson explained some of the inter workings of his company, revealing an architecture that maximizes the positives and minimizes the negatives of his personality. The company has avoided the typical “control model” because of Branson’s firm belief that “small is beautiful.” This is the only way to maintain a creative, entrepreneurial atmosphere, says Branson. He explained his small-teams strategy, as he applied it to Virgin Records, this way:

“We actually set up about 25, 30 small record companies. Cumulatively, they became the biggest independent record company in the world. And they never lost any major artists. Major artists stayed with them because they would identify with the small teams.”

“And how do you find out if something is going wrong in your very diverse organization?” asked Kets de Vries.

“We have a Head Office with a financial director for the group, who receives the accounts and keeps an eye on cash flow. But to a large extent the individual companies get on and run their units by themselves. Really, I don’t look regularly at the information. In ninety-nine percent of the companies, I have appointed managing directors who are really running those companies. They have a stake in those companies. I have to find out very little, and expect what those managing directors tell me on occasions.”

As for the impulsiveness that weighs down so many entrepreneurial organizations, Virgin has turned this into a positive by encouraging employees to think like entrepreneurs.



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“Obviously speed is something that we are better at than most other companies. I mean we don’t have formal board meetings, committees, etc. If someone has an idea, they can pick up the phone and talk to me. Or better still, they can just go ahead and do it. They know they are not going to get a mouthful from me if they make a mistake. Analyzing things to death is not our kind of thing. We very rarely sit back and analyze what we do.”

Even Branson’s proclivity for placing himself and the company in the line of fire, just to be able to dodge the bullets, has proven a successful strategy. As a result, the company has entered markets few other companies would dare.

“When we started retail we were the first people who discounted records against the big retailers who were selling records at full price. When we launched our Mates condom company, Durex had a ninety-eight percent monopoly. With the airline it was the same thing. We started with one plane, taking on British Airways, which was obviously extremely well established. Throughout my whole life, in every business I have been in, the word survival has been the critical word. I am very naughty. At times when I could live happily ever after, I will then throw my life and my family and my business partners into turmoil by getting into another survival battle.”



Sir Richard Branson
Chairman of Virgin Group companies

The theme of risk has been consistent throughout the life of Oracle founder and CEO Larry Ellison as well. In an interview with the Smithsonian Institution in 1995, he too addressed the subject, revealing its crucial role in the dramatic organization.

“There is really nothing riskier than not taking risks. I often say that when you think you have this really great idea and everyone else thinks you’re nuts, there’s one or two possibilities. You have a really great idea; the other possibility is you’re nuts. So, you know, we were told we were nuts when we tried to build a commercial version of a relational database. We were told we were nuts when we tried to move our software to massively parallel computers. Fortunately, we have not tried too many things that are radical; you don’t need too many things that are radical to get ahead.”

As with Virgin, speed and ability to react quickly paved the way for Oracle’s early success. Having read in 1976 the landmark paper published by IBM Research titled “The System R Project,” Ellison saw something no one else did: an opportunity to capitalize on a technology its own developers were too slow to convert.

“In November of ’76, I saw the paper, and thought that, on the basis of this research, we could build a commercial system. And, in fact, if we were clever, we could take IBM’s research, build the commercial system, and beat IBM to the marketplace with this technology. Because we thought we could move faster than they could.”

If speed and risk taking were the early drivers for Oracle, Ellison’s complete refusal to be anything less than number one was its main driver throughout its growth phase.

“You have to have substantial market share in order to be profitable in most businesses. The Japanese recognize this very, very clearly. And not just the Japanese. The great business leaders in the United States are the same, whether it is the old guard – and Jack Welch, forgive me for calling you the old guard – or the young guard like Bill Gates. And we certainly believe that that is absolutely correct, that we have to pursue market share. Today we have more share than all of our competitors combined. And our primary goal is to improve our share, our market share.” **IQ**



Larry Ellison
CEO and Chairman of Oracle

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Excerpts from an Oral History Interview with Lawrence Ellison, the Smithsonian Institution, 24 October 1995. americanhistory.si.edu/csr/comphist/le1.html