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Traps Every Entrepreneur Must Avoid

There are three traps that must be identified and avoided; three threats that will ultimately lead to failure.

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967 words | 4 pages

While there is no shortage of books and articles on how to become a better leader and build the ideal organization, there are few that address the management approaches that can slow and ultimately destroy the growth of people and organizations. There are three traps that must be identified and avoided; three threats that will ultimately lead to failure.

Centralization of Power

When power is centralized, all decisions are made from the top down; a few “elite” people in leadership positions offer very little or no opposition to suggestions from the president/CEO. This type of leadership has been used by communist organizations and is known as “Command and Control.” It is often found in organizations where the president or CEO has created an advisory circle of friends who offer no resistance to the ideas and suggestions he or she brings to the table.

This leadership model is extremely dangerous because all decisions are made without the knowledge or vital input of the people the decision will affect. This is especially critical because those people are generally the producers within the organization.

The majority of organizations owe their continued growth to a few key leaders who have proven their success by contributing ideas, suggestions and improvements while actually performing in the day-today activity; but when power is centralized, the personal observations and experience of those key contributors are overlooked and overpowered behind closed doors.

Centralization of power without considering the people who create the majority of production and success will in a short time take the heart out of those producers, and they will seek an organization that values their ability to produce.

Redistribution of Income

Income redistribution arises out of the desire to spread more money to the masses so that more people will benefit. The idea evolves as the leader observes that there are those in the organization who are making a lot of money - too much money in his or her estimation.

The head of the organization will determine that those who are making the most money (based upon their personal production) should have their income decreased and reworked in order to spread the wealth to others, very often to others who have yet to prove their value as producers.

Those in leadership retire to the boardroom, often surrounded by non-producers, and as a group they will begin to methodically restructure and redistribute the income by taking away the existing payouts of proven producers. This can be done in a variety of ways: increasing a territory while reducing commissions, eliminating financial incentives such as profit sharing or by restructuring stock incentives.

The impact of these decisions is disastrous as it actually punishes the people who produce profits and intellectual equity. Most importantly, it violates trust; the change sends a message to those who have been loyal and who have proven their ability to

succeed that they can no longer trust those in control.

Once this trust is violated, it is virtually impossible to reestablish. Remove the “fire” from the producers, and the organization begins a descent down the slippery slope of negative growth.

Imbalance of Authority

The number one complaint voiced in leadership seminars is “How do I relate to a superior who doesn’t have a clue about what he/she is doing?” Many organizations and corporations move people into positions of power based on “‘relationships rather than résumé.” A family member or an old college friend is placed into a key position of responsibility.

The leaders who fall into this trap fail to recognize the key ability they must cultivate, the ability to create respect. They fail to understand that the best way to create respect is by doing what they ask their followers to do. People are not impressed with “text book experience,” especially in those who have been chosen to lead a veteran leadership team.

Favoritism should never be the rule for placing people in leadership positions; how one feels about a person’s potential performance should yield to what one knows about people and what they have already proven. When making appointments to new positions, the president or CEO should always ask, “How will this affect my existing team?”

Organizations unwittingly use these three tactics without understanding how they negatively impact performance. Often this is done out of ignorance, but at times there are leaders who have risen to a degree of arrogance that overrules their intelligence. Instead of seeing how their

actions have created negative reactions, they begin the process of “finger pointing,” believing those who once were key producers have just become “lazy.” Sometimes, rare as it may be, they wake up to the realization that when producers are punished, production stops.

Examine the negative impact when corporations, organizations, and even governments operate from these three positions.

Bob Goshen is a man who tells it like it is. It is obvious he is a man who has earned the right to talk the talk because he has walked the walk. He speaks with the innate authority of someone who has seen battle, and has the scar tissue to prove it. He understands leadership, at the intellectual level, at the heart level, and at the gut level. He knows what works, and what doesn’t work. And more than anything else, he understands the power of leadership and the value of common sense in a high tech world where it is believed all problems can be solved with the keystroke of a computer. Check out more about Bob at his website: http://www.bobgoshen.com/