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UNHEALTHY ORGANISATIONS – NEUROTIC STYLES OF ORGANISATIONS

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Neurotic leaders create neurotic organisations. This mini-article identifies five neurotic styles of organisations and explains how they can be used to better understand the ‘smell of the place’.

When Jim (not his real name) approached me, he had just been fired after only having served six months as the CEO of a large consumer products company (XYZ). The owners, a New York based financial holding company (ABC), told him “he didn’t fit the culture”. As he explained to me during one of our sessions, Jim was originally asked to accelerate growth and improve relations between XYZ to ABC. Transparency in reporting and communication should be improved as well.

According to his own view, Jim had taken a “reserved position” in his first months. He had been talking to a lot of people at different levels and requested all sorts of information, but he didn’t make any major and impactful decisions or changes. During his first 100 days he learned that while the financial results were fine, employee satisfaction and HSE-results (health, safety and environmental) were poor. In fact, last year brought four safety incidents with serious health consequences due to safety policy violations and the employee survey scored ‘harassment’ as the third priority for improvement. Lack of trust ranked first.

Already in his first days Jim encountered resistance from the members of the senior management team. They were reluctant to hand over reports, wondered why the requested information was relevant and didn’t appreciate that Jim was also talking to lower level management. At home, Jim vented his concerns and doubts to his wife.

After three months Jim presented his first insights to the board of ABC in New York. Although he didn’t share some of his concerns openly, he pushed himself to appear energetic and visionary. He believed he did well; the board asked him to proceed and come-up with a ‘growth acceleration plan’ to be presented three months later. He started preliminary discussions with a strategy consultant. He involved the members of the senior management team to develop the plan. However, this presentation never happened as, in his fifth month, the chief financial officer decided to leave the company, and at the same time the chief operating officer had had sent messages to ABC’s head office informing the board that other key employees were considering doing the same. Two weeks after the resignation of the CFO, Jim was asked to step down as

CEO, as the board feared the business could get hurt by recent developments. Jim had severely underestimated the neurotic styles of XYZ and ABC.

Organisations and their pathology.

Like people, organisations can get ill too. They appear fragmented, tired, powerless, reactive, bureaucratic, afraid and/or are spinning around in the same circles again and again. It seems that they cannot escape their dysfunctional rhythm of operation, or in more accurate words, their pathology.

As organisations are human constructs, there is always a causal relationship between the characteristics of the firm's mental health condition – the way decisions are made, its leadership culture, strategy design and execution, the relationship between corporate and internal governance, the way they deal with conflict and uncertainty – and those of its dominant coalitions (the people who are de facto leading the organisation, setting its culture and thereby influencing its mental health condition). In other words, the neurotic behaviours of an organisation are rooted in the neurotic styles of its (historic) leaders.

Consider again Jim's experience. The request of the owners for 'more transparency in communication and improved inter-company relations' and 'the resistance of the members of the senior management team' were in fact – although using politically correct wording – manifestations of what later, one year after Jim had left, escalated and proved to be a paranoia driven power play between ABC and XYZ. From the start, the senior managers of XYZ didn't trust Jim, they looked at him as being 'parachuted' by ABC into XYZ, as a threat to their historic power base and freedom and they made clear they would take all necessary steps to protect it. For Jim, he was 'set-up to fail' and it would have been better had he realised this before he decided to accept this position. While he had some doubts in the first place, his ambition to accept this prestigious position and overconfidence were much stronger.

My colleague Manfred Kets de Vries and Danny Miller identified in their book *The Neurotic Organisation* (1984) five common, sometimes mutually enforcing, neurotic styles that we might encounter when we work with or in organisations.

Following Kets de Vries and Miller, I distinguish five neurotic styles and briefly characterise them. They are:

- Paranoid
- Compulsive
- Dramatic
- Depressive
- Schizoid

In a *paranoid organisation* people have difficulties to trust each other. They are constantly suspicious and preoccupied with looking to confirm these negative feelings. Data intelligence is regarded as vital 'to beat the enemy'. People perceive it as a risk to be too outspoken as there might be 'a dark and hidden force' that will take them down. People will get very creative and busy to show the right politically accepted behaviour and say the right things. They develop a strong need for having courageous conversations and discussions about the 'elephants in the room'. Still, they fail to satisfy this need over and over again, often without knowing 'why'. As a result, executives deliver slow decision making processes that are frustrating for those involved.

The *compulsive organisation* is inward oriented and usually has an excessive reliance on rules, regulations and habits (e.g. 'check, double check, triple check' or any kind of irrational bureaucracy). There is a (unconscious) preoccupation with trivial details to reduce uncertainty and anxiety, to stay in control. Leaders let traditions dominate their decisions and usually rely on micromanaging lower levels of management to such an extent that people feel powerless and constrained – all this of course in the interest and service of the compulsion(s). These organisations will encounter difficulties when there is a need to adapt to new realities. Adaptation requires leadership often stepping into the unknown and that which is uncertain. This will bring anxiety to the organisation and people cannot cope with that. As a result they will stay within the comfort zone of their compulsion(s).

You will see excessive expression of emotions within the *dramatic organisation*. Whilst normally a key task of the leadership of an organisation is to contain anxiety, instead they initiate it and create even more drama. These organisations tend to be hyperactive and lack impulse control. Decision making is based on feelings, even hunches, instead of facts. Leaders tend to be pre-occupied with themselves, love to be in the spot-light and are highly sensitive to what others think of them. They can show explosive behaviours, in particular when people do not expect it, often when it doesn't make sense to show strong emotions – the urge for drama is too strong. The main reason to act is to be noticed, to show power or to disguise a lack of self-confidence. Irrationality wins over rationality.

A sense of powerlessness, helplessness and lack of energy characterises a *depressive organisation*. People can also feel a sense of worthlessness as they genuinely believe their inability to change their current reality can be traced to themselves. This results in feelings of guilt and indecisiveness. Leaders have failed to bring purpose, a compelling direction and company pride to the organisation, making it feel like a rudderless ship. On its own the organisation is unable to retain the most ambitious people. Its lack of energy makes it weak on innovation and change.

Finally, the *schizoid organisation* is characterised by a top leader who avoids having (genuine) close relationships with other people. These leaders are self-absorbed and perceive, due to past

experiences, human relationships predominantly as a source of pain instead of a source of joy and safety. Because courageous and trust based conversations at executive levels are non-existent, a (non-transparent) political arena emerges. Reporting executives are jockeying for position vis à vis the top leader; the chosen strategy and budget lacks an holistic vision and is built on the individual interests of competing executives. They try to get close to a leadership that is (unconsciously) pushing them back. Discussions often have an 'us versus them' character and the interests of inner circles are more important than the interests of the firm-as-a-whole (which is actually non-existent).

Understanding the 'smell of the place'

Returning to Jim and his unfortunate experience at XYZ. During our sessions, Jim became aware that his own neuroses (e.g. 'blind' ambition, overconfidence) prevented him to make a correct assessment of the paranoid behaviours of ABC and XYZ. His decision to step-in and subsequent on-boarding as the new CEO was based on a wrong interpretation of the contextual dynamics.

Understanding 'the real smell of the place', following a concept coined by Professor Sumantra Ghoshal, is not only important when accepting a new job in an organisation. Also in the case of mergers, take-overs, governance challenges, as well as major change programmes, it's vital to understand the often hidden psychodynamics characterising the 'ebb and flow' of an organisation. Determining the exact fragrance will only happen when you stick your nose deep into the pathology of the firm(s) involved. Like a wine connoisseur, executives need to have a trained nose to identify the (hidden) patterns inherently belonging to the various neurotic types. Usually this expertise and experience is lacking.

There is another important aspect that adds to the complexity. If the neurotic style delivered only 'bad stuff' to the company, there would be no rationale to persist in showing these behaviours. However neuroses produce positive elements as well. Indeed, the benefit of e.g. compulsive behaviour is that the company is usually a favourite of supervisory authorities. Obsessively complying with rules and regulations usually decreases the risk of health and safety incidents. Seen through this lens, the neurotic types of organisation nearly always contribute (or have contributed) to the (past) success of the firm and, by doing so, reduce its painful effects. This might set executives on the wrong path to change.

As most executives lack the awareness, expertise and experience to deal with these clinical psychodynamic phenomena effectively, only experiencing 'serious pain' will make the difference. Struggling with e.g. continuous increasing difficulties with employees, managers and other stakeholders, like supervisory authorities and/or unions, might make them aware and motivate them to change.



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Members of supervisory bodies and/or other professionals that are trusted by the firm's leadership have an important role to play in this realm. By having a more distant and independent view, it's possible that they are more sensitive, aware and open to reflect on the symptoms and consequences of the neurotic styles of the organisation. In that case they should address the issue courageously and, perhaps, suggest some form of help, for example coaching, mentoring or consulting.

Organisations are human constructs. As human beings we all have neuroses – on a collective level, organisations therefore do as well. They hinder us in a range from very mild to extremely severe. As Carl Jung supposedly said: "Neurosis is always a substitute for legitimate suffering". Although suffering is indeed part of life, its value can be found in the fact that it might also be an important source of motivation for change and growth.

LITERATURE

Kets de Vries, M.F., Miller, D. (1984). *The Neurotic Organisation*. Jossey-Bass, San Francisco.