

After a year of study, the Mindset Project has uncovered three particular traits of the happiest, healthiest and most successful entrepreneurs. This release is part two of three, in which the Mindset Project identifies these shared traits and reveals how, if neglected, they can lead entrepreneurs to personal and professional crisis.

The Mindset Project

Building a Business: Can I do it?

Part IV: A Lack of Confidence

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Belief in one's self is an essential trait of the successful entrepreneur. This belief drives the passion, perseverance and persuasion we admire in entrepreneurs who strive to start something new and make a meaningful difference.

Amazon, Facebook, Google, Apple, and Microsoft – none of these companies would exist and be so revered today without their founders' strong sense of self-confidence.

Entrepreneurs are celebrated for their ability to combine aspiration and action – making the impossible possible. To envision a bigger future, overcome the odds, put in the hours, and take on the challenges, self-confidence is essential.

But, if you look behind the curtain, how healthy is the entrepreneur's self-confidence?

In our research through The Mindset Project, we found a fundamental contradiction between the public and personal personas of the entrepreneur. While displaying a cool public demeanor, they reported a tremendous internal crisis of confidence.

In fact, more than 72 per cent of our survey respondents questioned whether they were getting what they wanted from their business. Although, on average, entrepreneurs

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were 73 per cent confident they could manage the stress of growing and operating their companies, 69 per cent had experienced challenges to their mental health. Forty-two per cent reported their physical health had worsened, and 49 per cent had seen deterioration in their mental health since starting their business.

A survey respondent said, "I never felt I experienced stress until we opened our second location. And then I felt a tension in my chest all the time. I felt agitated and just couldn't rest. I worked longer and longer hours and then when I fell into bed I woke up at 2 am with my heart pounding in my chest. I started to believe I couldn't do it."

Our research shows that entrepreneurs feel tremendous pressure to put on a show and cover their anxiety from those around them: customers, investors, employees, friends and family – they even hide their doubt from themselves. Unfortunately, this façade just heightens their stress.

With their identity tied to the success of their company, entrepreneurs can lose confidence through the extreme ups and downs of business. To cover their creeping insecurities, they tend to double down, putting in longer hours and taking on more work to turn it around. Sadly, many

entrepreneurs following this route face burnout and, eventually, struggle with mental health illness.

Although we admire the aspirations of the passionate founder, when they set unrealistic goals for themselves and their business, they end up hurting their confidence and ability to grow their company and succeed. The interplay of three main factors damage their confidence: trying to meet unrealistic expectations, taking on too many commitments, and thinking they can do more in less time.

We wanted to understand the factors that most affect the confidence of entrepreneurs, the impact on their work and life, and how a healthy sense of self-confidence can be nurtured to support the success of the business and the entrepreneur.

In essence, how can the work of entrepreneurs be shaped to help them build confidence and achieve enduring and meaningful success?

CONFIDENCE

Confidence is a complex aspect of who we are. It is basically a personality trait, a belief in our ability to execute a task, perform at a certain level, or achieve a specific outcome. While self-esteem is an evaluation of our abilities compared to others, self-confidence is the strength

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of belief we have in our own capacity to achieve.

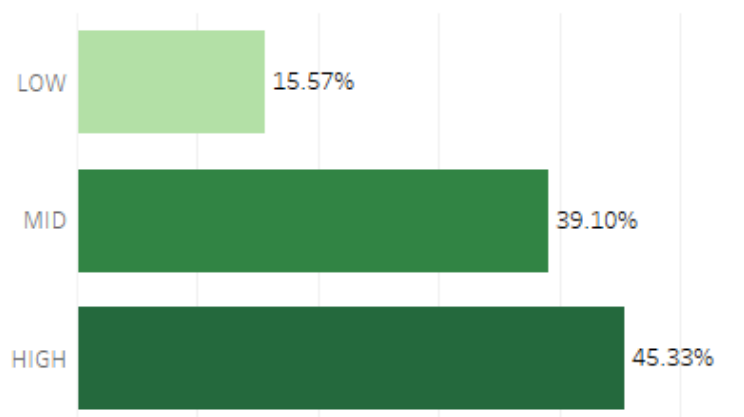
Our self-confidence is learned rather than inherited. It is a cumulative aggregate of our thoughts and feelings, hopes and fears, aspirations and dreams – our view of who we are, have been and may become, and our opinion of ourselves. Simply put, to have self-confidence is to have a positive attitude toward one's self.

Confident people have faith in their future and can accurately assess their abilities, and this faith is guided by realistic expectations. It's at this point that entrepreneurs begin to lose their direction.

One tenet of confidence theory is that we have an imperfect knowledge of our own abilities – we tend to overestimate both our capacity and control over a situation. The second component of the theory

FIGURE 1

Self-reported capacity to cope with stress.



NOTE: WE DID NOT FIND SIGNIFICANT DIFFERENCES IN CAPACITY TO COPE WITH STRESS BY GENDER, AGE OR EDUCATION.

shows that effort and ability combine to create performance – the higher the self-confidence, the greater the motivation to act.

Entrepreneurs are susceptible to this self-deception regarding their abilities. They believe they can do great things and have more control than they do – they set targets that are high or unrealistic, with no real data to back up these expectations. This is compounded by a higher than usual commitment to achieving their goals. What could possibly go wrong?

“Entrepreneurs are optimistic in the extreme and there needs to be a better understanding of the market circumstances, career circumstances, and personal circumstances”, said Noah Wasserman in his article, How an Entrepreneur’s Passion can Destroy a Startup. “Passion often blinds founders into thinking they have all the skills they need to build their business, when in fact they’re poorly prepared – and may not be able to fill all the gaps on the fly.”

Building a business takes time and involves a lot of moving parts. From starting up the company and throughout building the business it is a complex goal to be successful as an entrepreneur. And research shows that the more complicated and distant

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the goal, the less realistic our goals can be. What we expect from our business can therefore naturally be more than reasonable and add pressure to an already stressful situation.

Confidence is directly affected by a person’s psychological state. When an individual is experiencing high and recurring stress (like running a business), confidence can be negatively affected, which, in turn, influences judgment and the capacity to do the job (Figure 1).

John Pope, the CEO of Well Dog, said “There’s always that feeling of being overextended, of never being able to relax – you end up with a serious confidence problem.”

In line with their tendency to isolate and hide their stress from others, especially when milestones and targets are not met, entrepreneurs continue to portray a strong belief in their abilities, even while internally questioning

FIGURE 2

Gross revenues by self-reported capacity to cope with stress.

	LOW	MID	HIGH
Pre-Revenue Stage	11.90%	10.00%	14.88%
\$0 to \$49,999	26.19%	35.00%	19.01%
\$50,000 to \$99,999	14.29%	16.00%	14.05%
\$100,000 to \$249,999	26.19%	13.00%	19.01%
\$250,000 to \$499,999	2.38%	7.00%	8.26%
\$500,000 to \$999,999	4.76%	4.00%	3.31%
Over \$1,000,000	7.14%	9.00%	17.36%

FIGURE 3

Years in business by self-reported capacity to cope with stress.

	LOW	MID	HIGH
Less than 1 year	23.8%	22.2%	25.0%
2-5 years	31.0%	38.4%	41.7%
More than 5 years	45.2%	39.4%	33.3%

themselves. To compensate, they persist and heighten their level of effort. This creates a damaging cycle of increasing and relentless stress, and a loss of overall self-confidence (Figure 2).

The way entrepreneurs work today results in a cycle that is destructive to their confidence and sense of worth.

THE GAP

As entrepreneurs push to meet the unrealistic goals they have set – stuck in the gap between where they are and where they believe they should be – confidence erodes (Figure 3).

Not wanting to be perceived as weak, they continue a façade of being in control, while struggling to hold it all together.

The 2016 Deloitte report, *The Future Belongs to the Bold*, highlighted the lack of courage in Canadian companies. The authors noted that entrepreneurs “suffer an inaccurate self-perception, continually fail to see the

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need to take corrective action ... as a result they fail to make important investments, explore new ideas or pursue promising opportunities – and fall further behind their competitors.”

In today’s marketplace, there is a lot of emphasis on failure as good learning – a necessary part of building a business. While it seems like positive messaging, this line of thinking negates the true impact of failure on entrepreneurs who have given all of themselves to their business. Despite the outward acceptance of failure, deep down, entrepreneurs still consider it a weakness.

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Entrepreneurs need to be confident in their capability and capacity to meet the objectives set for their business. They need the healthy self-confidence necessary to set realistic goals, combined with a belief in their capability to perform at the right level to achieve the outcomes. The first step to achieving this healthy self-confidence is a data-driven approach, in which realistic goals, targets, and timelines are based on a true assessment of where they are and what is possible.

To accomplish this, the entrepreneur's working environment needs to be reshaped to close three critical gaps:

1. The perception gap
2. The commitment gap
3. The capacity gap

PERCEPTION GAP

Expectations are at the core of the perception gap for the entrepreneur.

This gap stems from the disconnect between a belief in their ability to cope with the stress of the business and the reality of the impact on their physical and mental health.

Entrepreneurs are so committed to their companies, they do not care for their own well-

Entrepreneurs are so committed to their companies, they do not care for their own well-being and face "passion fatigue"

being and face "passion fatigue" – worn down by the work but unable to make it better. They put on a good face, when, in fact, they are suffering in silence. The energy taken to keep up this duplicity eats away at their confidence (Figure 4).

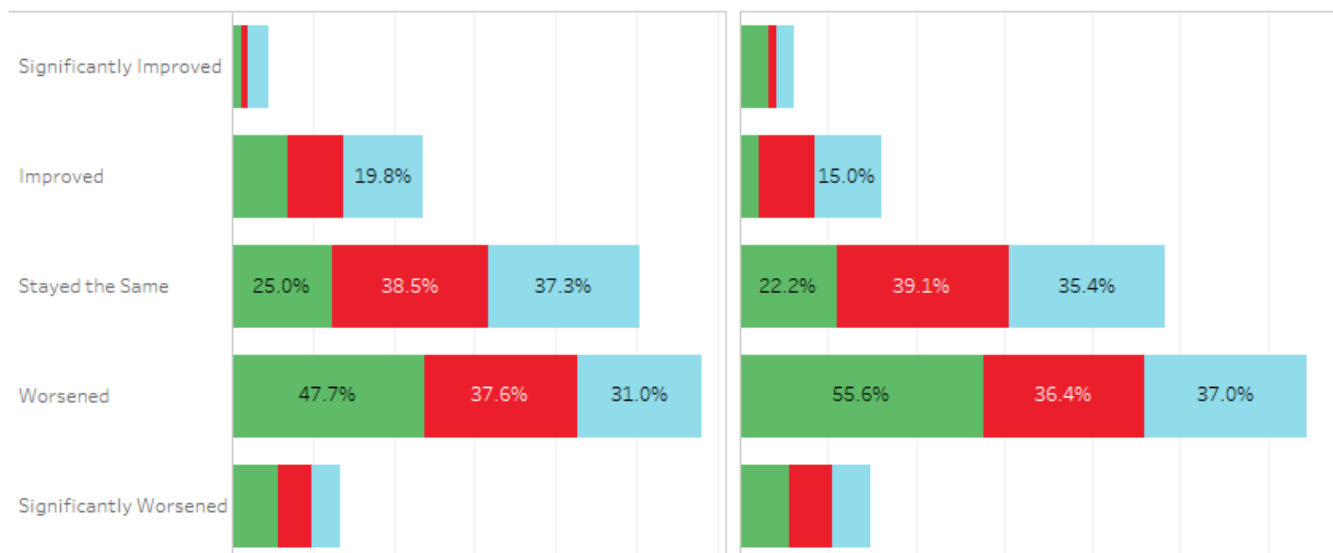
In Dr. Michael Freeman's 2015 study, *Are Entrepreneurs Touched by Fire?*, 48 per cent of entrepreneurs came from families affected by mental health issues compared to 24 per cent of the general public. The most common mental health conditions in first-degree family members were anxiety and depression.

Freeman's research also identified depression, bipolar disorder, and ADHD as being much higher in prevalence for entrepreneurs than the general public, with the

FIGURE 4

Entrepreneurs with lower stress management capabilities face greater impacts to both mental and physical health after becoming entrepreneurs.

STRESS ABILITY
■ HIGH
■ MID
■ LOW



incidence of anxiety about the same.

While there may be a greater genetic incidence of mental health issues among entrepreneurs, there is a great deal they can do to combat these stats. The Freeman study also reported that attitude is 40 per cent based on intentional activities. These findings indicate that genetics and circumstances can be overcome with considerable attention.

While we are focused on the individual, we are also interested in regional results related to confidence. Entrepreneurial companies in Atlantic Canada have actually reduced in size over the period 2001-2012, while other Canadian regions have seen growth.

Deloitte's study *The Future Belongs to the Bold*, questioned the ambition of entrepreneurs in Atlantic Canada but, at The Mindset Project, we believe the downward trend may be connected to a loss of confidence in potential impact, stemming from a perception gap between the traditional view of a successful entrepreneur and the current glamorized version.

Since October of 2006, when Dragon's Den first debuted, the perception of entrepreneurship has changed. Everything needs to be faster, bigger, and

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better. The television show sparked an avalanche of competitions and pitch contests, and the judging panels were brutal in their critique of the entrepreneurs following a brief elevator pitch. Thoughtful decisions are simply not possible under these constraints.

The stigma of the 'Dragon's Den effect' has pervaded the entrepreneurial world, with a focus on the sizzling pitch that leads to a quick sale, rather than the entrepreneur who purposely builds a great company to grow, last and make a meaningful difference.

At The Mindset Project, we'd like to change the definition of what constitutes a successful entrepreneur to boost confidence and support decisions that focus on long-term growth (Figure 5).

A perception gap is one of the toughest challenges entrepreneurs face. Investors, and even founders themselves, often see an annual growth rate of 20 per cent over three to five years as reasonable. A recent scan of private equity and venture capital investors revealed an average expectation to grow entrepreneurial businesses by 19 to 21 per cent annually over five years (as released by KfW Investment Review, 2016). True to their nature, entrepreneurs put enormous pressure on themselves to meet these goals.

In reality, the annual growth rate for entrepreneurial businesses is three per cent. Only four per cent of entrepreneurs achieve 10 per cent annually for three years, while less than one per cent attain 10 per cent growth for five years or longer. An analysis of the financial position and markets for entrepreneurs in Canada shows that a potential growth rate of just over seven per cent is reasonable – nowhere close to the expectations currently placed on founders.

The pressure to work towards goals and then not meet the targets, even though they are not grounded in reality, kills more companies – and entrepreneurs – than it inspires. Using data to set reasonable targets for growth is incredibly important to

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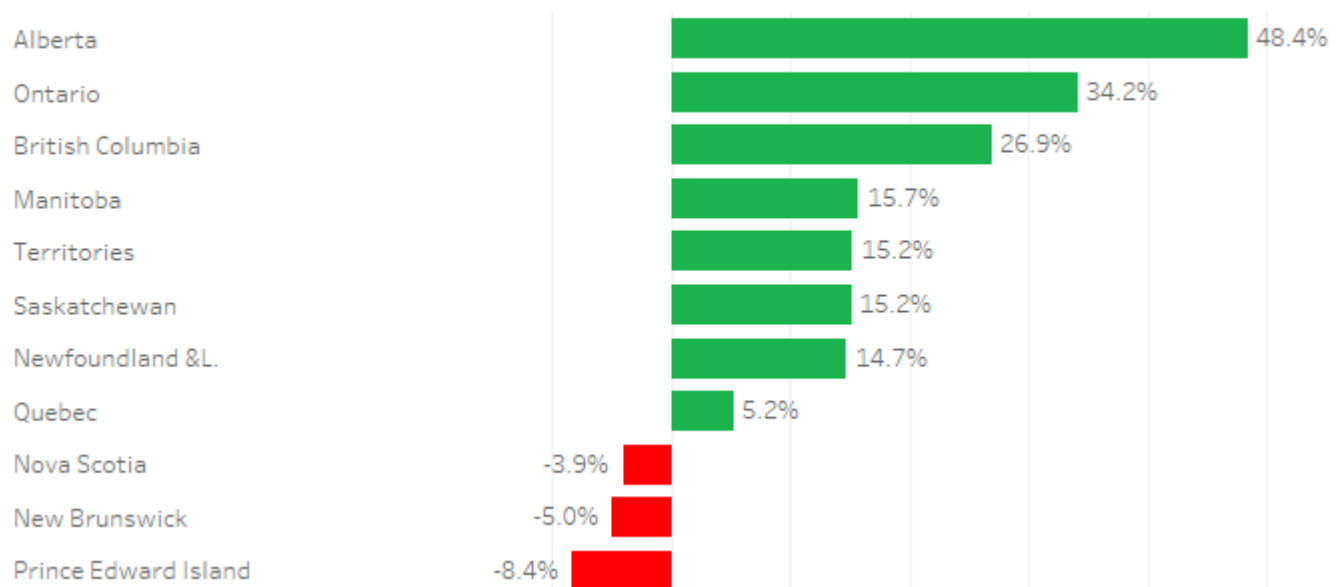
maintain the confidence of the business owner.

Bain and Company reported in the 2016 Global Private Equity Report that the premium of return on private equity to the public markets was almost four per cent (for professional private equity investors). But these returns are decreasing. Over the past 30 years, returns have reached an unusually high annual average of about eight per cent earned on the stock of public companies.

In 2016, McKinsey and Company forecast that these returns are not going to continue, as the fundamental structure of the markets has changed. Offering two scenarios for growth, the forecast pointed to expected public equity returns of four to six-and-a-half per cent annually for

FIGURE 5

Rate of change of total number of businesses from 2001 to 2014



the next 20 years. Even adding on the four per cent private equity premium, the expected returns for investors should be about seven to 10 per cent. These numbers are a far cry from the 19 and 21 per cent expectations mentioned earlier (Figure 6).

The sad reality for entrepreneurs is that, although returns are predicted to decrease going forward, investors are unlikely to alter their expectations. This will only add to the pressure for performance – for entrepreneurs to produce unachievably high returns in short periods of time.

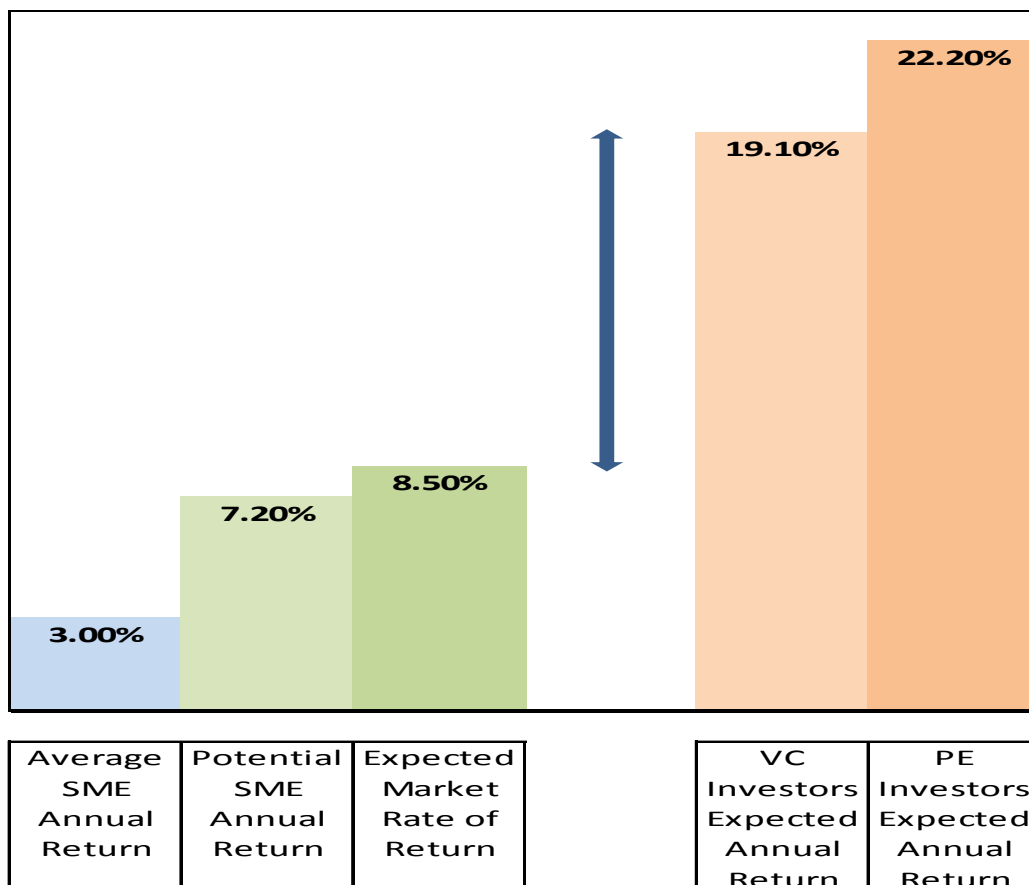
Optimistic and driven, entrepreneurs will say yes to almost anything, without a clear understanding of the time involved to meet the commitment.

CAPACITY GAP

The second element affecting the confidence of the entrepreneur is a capacity gap.

Two of the skills most lacking in business owners are time management and prioritization. Optimistic and driven, entrepreneurs will say yes to almost anything, without a clear understanding of the time involved to meet the commitment. Business owners want their companies to be successful. And, at times, every opportunity appears to be the right opportunity. The company's true capacity to capture the

FIGURE 6



opportunity is not considered, especially if the opportunity is a fit with the business. In turn, the entrepreneur becomes overwhelmed with the workload and puts in longer and longer hours, trying to keep up with the never-ending race to the finish.

Burnout is inevitable, once again dampening confidence. A realistic allocation of time and a clear set of focused priorities, based on understanding the core business drivers of the company, is essential to setting reasonable commitments within doable timelines.

In a series of articles, the Harvard Business Review outlined the skills most entrepreneurs lacked: empathy, managing themselves and their time, planning and organizing, and analytical problem solving. Central themes of these articles included the need for entrepreneurs to embrace data-driven decision making and to reduce the urgency around decision making. However, the one fundamental skill every successful entrepreneur requires is the ability to set realistic expectations.

COMMITMENT CREEP

Entrepreneurs are very susceptible to commitment

72 per cent of entrepreneurs say that their working hours take away time from their important relationships

creep. By saying yes to each small item, no single one seems like much. Together, they start to add up, making it impossible for entrepreneurs to meet all of their commitments.

Not being able to live up to these expectations is incredibly challenging to the entrepreneur's confidence. This is compounded by the fact that many of these commitments involve work that takes the entrepreneur away from their areas of strength.

Managing time is the second greatest stress factor for entrepreneurs, and the push to work longer and longer hours to meet excessive commitments plays havoc with relationships. Although many studies have shown that it is relationships (particularly with family and friends and peers) that support a healthy wellbeing, 72 per cent of entrepreneurs say that their working hours take away time from their important relationships. The sense of isolation grows and confidence is further eroded (Figure 8). The habits that support a healthy lifestyle also fall away – entrepreneurs stop eating well, lose sleep, don't exercise, and take on bad habits that amplify the detriment caused by long working hours.

The excessive working hours for entrepreneurs also hurts their independent

self-identity. For example, if 80 hours or more are dedicated to the business each week, their sense of self becomes indistinguishable from the business (Figure 7).

Alternatively, if they spend 50 hours each week working, 15 hours cycling and another 15 hours doing community work, they no longer only identify as an entrepreneur, but as a cyclist and community builder who owns a business.

The entrepreneur is able to create a separate identity from the company, with time to foster important relationships. Rather

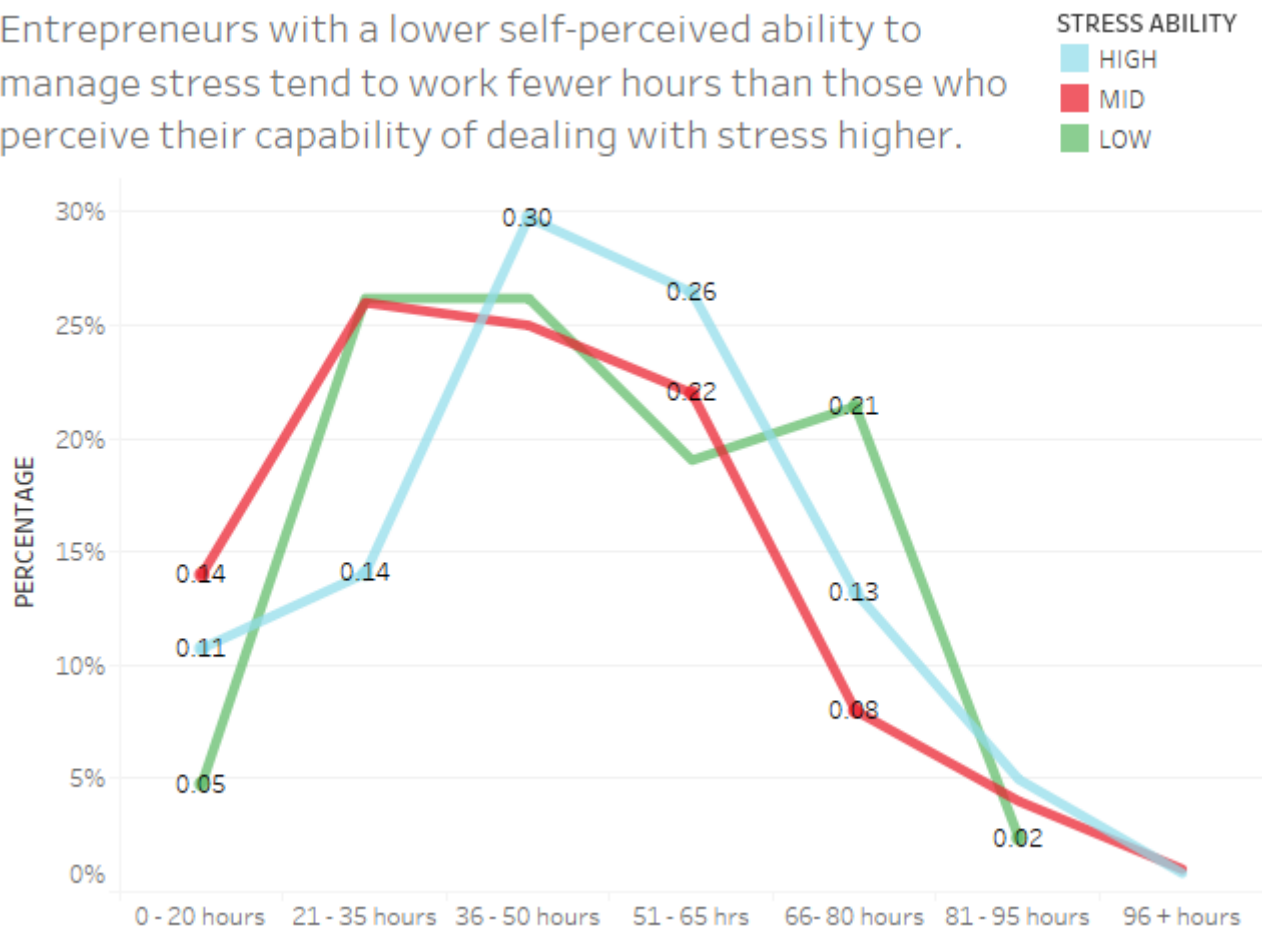
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than managing their time, entrepreneurs can better allocate their time for self-care, reducing burn out and maintaining their important relationships for healthier overall wellbeing.

At The Mindset Project, we call this the 50-20-10 rule. Of the 80 hours each week not spent in maintaining self and family, there should be a split of time between work and two other key areas of interest to maintain an independent self-identity. Studies have clearly shown that productivity caps out at 54 hours each week. Working beyond that point only produces

FIGURE 7

Entrepreneurs with a lower self-perceived ability to manage stress tend to work fewer hours than those who perceive their capability of dealing with stress higher.



declining levels of value and contributes to burnout.

Time allocation is also a critical factor in maintaining confidence. Along with drive and passion, entrepreneurs tend towards perfectionism and control. They also each have their own unique abilities that they bring to the business. These unique activities are how the entrepreneur contributes the most to the company. But if time is taken away from those activities and spent on areas of less interest and ability, the entrepreneur is no longer giving their best to the potential success of the business – their confidence suffers as they work in areas that do not give them energy.

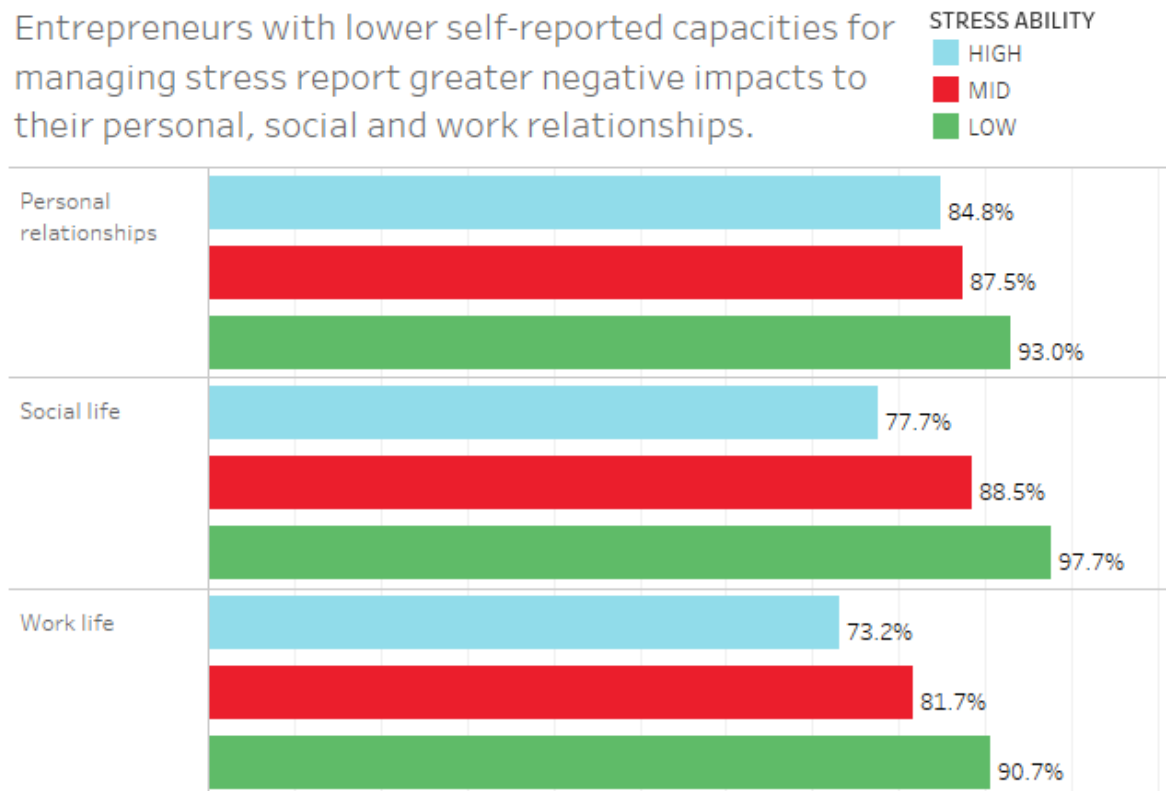
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Studies have shown that mastery, in any area, is cultivated by spending time working in the ‘unique ability’ zone – being in the flow – and, more importantly, focusing on deliberately practicing one’s highest skills to achieve greatness. Alternatively, not working in one’s area of mastery hurts one’s confidence. Allocating time to ensure the majority of work is within the entrepreneur’s ‘unique ability’ zone is essential to boost confidence and promote sound judgment for decision making.

To perform well, especially at high levels, sufficient amounts of recovery time are also a must. It

FIGURE 8

Entrepreneurs with lower self-reported capacities for managing stress report greater negative impacts to their personal, social and work relationships.



sounds like an oxymoron, but committing time to shutting down provides the energy needed to be most productive. In his work with resilience, Dr. Shawn Achor found that just stopping work doesn't necessarily mean recovering. "We believe that the longer we tough it out, the tougher we are and therefore the more successful we will be, which is scientifically inaccurate." Like an athlete, if an entrepreneur spends too much time in the performance zone, they will need more recovery time, otherwise burnout is the outcome.

In his article for Entrepreneur magazine, Working 80 Hours a Week is Not Actually what Leads to Success (2016), William Bauer reported that people are not designed to work consistently long weeks of excessive hours. He noted that attempting to work 10 hours each day is an exercise in diminishing returns. People that do so skip the thing called life. Bauer's study found that dedicating 50 hours each week to work was an optimal amount of time invested.

MINDSET

The ability to maintain a positive mindset is a key determinant for success as an entrepreneur. A mindset is simply a set of beliefs that drives thinking, feeling, and

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acting. To see the positive, people need to belong to a community, cultivate a belief in their ability (and that their effort will enhance ability), and to do meaningful work.

Confidence is integral to keeping a positive mindset. Many entrepreneurs work in isolation, suffer from an inability to meet (often unrealistic) goals, work long hours that lead to burnout, and question the meaning of their work. No wonder it is tough for them to stay positive!

Resilience also plays off of confidence to a great degree. For entrepreneurs to adapt and bounce back successfully from work and life, despite highly adverse conditions, healthy self-confidence is essential. Without a strong belief in one's self, the stress of the business can become too much.

Advances in science mean there is hope for entrepreneurs. Neuroplasticity has shown that, regardless of age, the brain can be rewired and strengthened. Deliberate and intentional practice is an important factor in building new neural connections and a shift in outlook. Habits that instill confidence can make a dramatic change for the better.

Progress in the field of positive psychology has revealed the factors that underpin confidence:

<ul style="list-style-type: none"> • Maintaining energy through sleep, exercise, and time for recovery, along with meditation • Maintaining perspective by spending time nurturing key relationships • Working more from strengths to build on the unique ability the entrepreneur brings to the business • Working from informed judgment, with data and context to support good decisions <p>How entrepreneurs approach their work is actually a choice, not a lifestyle. To a great extent, they have succumbed to the</p>	<p><i>Believing in one's self and portraying confidence are two different things.</i></p>	<p>expectations of others. That puts tremendous pressure on their overall mindset and wellbeing, as well as their ability to build a strong and enduring business.</p> <p>Believing in one's self and portraying confidence are two different things. Entrepreneurs need to shape their approach to work to build healthy lives and grow healthy businesses. When the entrepreneur at the heart of the business has a positive mindset, based on a healthy self-confidence, everyone wins.</p>
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[The Mindset Project](#) is a Halifax-based thought initiative concerned with the ongoing risk of mental health among Canadian entrepreneurs. Through a self-funded survey, the Mindset Project presents seminal findings on the motivations and stresses of Canadian entrepreneurs and the implications for business growth.

Ongoing publication of [insights and findings](#) will come available on The Mindset Project over the coming months, including a full-report over the spring of 2017. [Sign-up at The Mindset Project](#) for important updates and insights and don't forget to subscribe to [The Headspace blog](#), where mindset meets entrepreneurship.

Parts 1, 2 and 3 of The Mindset Project can be found at [The Mindset Project](#)