

*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 three 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**

### **Part V: A Crisis of Control**

**The Mindset Project © Bluteau DeVenney and Company, May 2017**



<p>Is the current role of the entrepreneur structured for high performance?</p> <p>The primary reasons entrepreneurs give for starting their own business are the freedom to work their own way and the ability to do something that is personally meaningful. Their drive to achieve is leveraged by impressive degrees of passion, perseverance and self-motivation.</p> <p>High performance might seem to be a natural result of these goals and traits. In fact, our research through The Mindset Project indicates that entrepreneurs are not achieving their potential in terms of financial results or overall sense of wellbeing.</p> <p>Listed below are five key insights, drawn from our survey, which outline the challenge to the performance of entrepreneurs.</p> <p>The way entrepreneurs work actually results in a paradox: the more they want to achieve something meaningful, the more they work in ways that prevent them from achieving that very goal.</p>	<p><b>The working environment is one of relentless stress that creates pressures, tensions, and strains on the entrepreneur</b></p>	<p>This paradox is compounded by the entrepreneur's reluctance to question whether their way of working is realistic. There is intense pressure, from both internal and external sources, to perform.</p> <p>We know that performance under continued high stress does not lead to the best results.</p> <p>When the entrepreneur associates his or her personal worth with the success of the business, unrealistic expectations for growth, timelines, and meeting commitments further erodes his or her confidence. This untenable situation puts the entrepreneur under such strain, that they are left wondering: Can I do it?</p> <p>Bottom line: entrepreneurs work under high stress, which leads them to question their sense of identity and worth, which damages their confidence to achieve desired results. And no one talks about it.</p> <p>Our survey revealed a further challenge to entrepreneurs' ability to achieve high performance in</p>
<ol style="list-style-type: none"> <li><b>1. The entrepreneur's working environment is one of relentless stress</b></li> <li><b>2. Seventy-two per cent of entrepreneurs question if they are getting what they want from their business</b></li> <li><b>3. Seventy-three per cent of entrepreneurs report a high ability to cope with stress, yet 68% face mental health challenges which they attribute to running their business.</b></li> <li><b>4. Seventy per cent of business owners indicate that stress affects their ability to run their company. Seventy-five per cent say stress hurts their social and personal relationships.</b></li> <li><b>5. Thirty-two percent of entrepreneurs draw their self-worth from the success of their business, completely. Sixty per cent admit to this only "somewhat".</b></li> </ol>		

their companies. We're calling it a crisis of control.

Developed by Julian B. Rotter in 1954, 'locus of control' is a psychological theory that looks at the degree an individual feels they can control the events that affect them. Those with an internal locus of control believe the events of their life occur as a direct result of their own behaviors and actions. Alternatively, someone with an external locus of control believes the events of their life are the result of outside circumstances.

Ket de Vries, a professor with INSEAD, has researched entrepreneurs and found that entrepreneurs habitually possess a strong internal locus of control.

"There is a 'just do it' aspect to the entrepreneur's personality – the sense that one way or the other they are going to turn their idea into reality."

Jeffrey Carr, ED of NYU Stern School's Berkeley Centre for Entrepreneurship and Innovation

Yet, as our survey insights show, the way the role of the entrepreneur is currently structured challenges their belief that their actions actually lead to results. This imbalance affects the entrepreneur's dominant trait of high internal locus of control and shuts down their resilience and coping mechanisms. The combination of these pressures leads to a more shallow business strategy and actually limits growth (businesses don't scale or innovate).

The result of these factors creates a misalignment of focus – a

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fixation on results rather than causes – leading entrepreneurs to lose perspective. Self-doubt begins to creep in.

The entrepreneur begins to pay attention to the wrong areas of focus and the business feels like an emergency ward – an environment of short-termism, isolation, multi-tasking and insecurity, in which time is the enemy.

Interestingly, the Mindset Project survey results reveal both the challenge to the entrepreneur's natural internal locus of control and the solution. The key to working effectively as an entrepreneur, to be resilient in the face of adversity, lies in where entrepreneurs place their focus.

In this report, we explore the structure of the role of entrepreneur and the impact on locus of control and overall resiliency; the key areas of business stress; and the route to deliberate and focused attention that leads to success.

### **Designing the Entrepreneur's Role for High Performance**

You have a compelling product, an exciting vision, and a clear strategy for your new business ... you've launched a marketing campaign, targeting high-value customers ... but implementation goes badly...

This is a familiar story. In most of these situations, discussion tends to focus on the external issues that impact the ability to reach the market and execute the plan.

But for entrepreneurs to perform and follow through on their growth strategies, we believe how they work plays a much greater role in potential success.

Is the role of the entrepreneur designed for high performance?

Research through Harvard Business School, led by Robert Simons, identified four aspects of role design that determine the potential for high performance:

For high performance to occur, there must be a balance among the four spans. For example, if a role has a very narrow span of control (few things are under the person's direct control) but a broad span of accountability (they have full responsibility for the results), it will lead to considerable frustration and poor execution. In this case, you are held responsible for things you don't control.

When we consider the role structure of an entrepreneur, it is really one of contradictions. Although the entrepreneur may appear to have a broad span of control, with decision rights in almost all aspects, entrepreneurs actually spend much of their time meeting others' expectations. Depending on so many others to

## **Is the role of the entrepreneur even designed for high performance?**

actually move resources leads to a narrow span of control. At the same time, the entrepreneur is completely accountable for all aspects of the business. The imbalance of complete responsibility, coupled with a narrow degree of control, results in a pressure cooker for the entrepreneur.

The entrepreneur's span of influence is quite wide, as he or she needs to engage many people outside of the business to ensure the work is moved forward, and commitments and timelines are met. Yet, there is often a narrow span of support, as entrepreneurs do not have a large number of employees (particularly in the initial years of starting and growing the business).

With a narrow span of control, paired with a broad span of accountability, and a broad span of influence, with just a narrow span of support, our research concludes that the entrepreneur's role is not structured to encourage high performance. This perilous balancing act impedes the entrepreneur's naturally high internal locus of control and leads to a loss of perspective and good judgment.

- 1. Span of control looks at what resources are controlled to achieve results and the extent of decision rights**
- 2. Span of accountability considers what will be the responsibilities for outcomes and measures for success**
- 3. Span of influence assesses how broad the interactions with others will need to be**
- 4. Span of support refers to the amount of help available for generating those results**

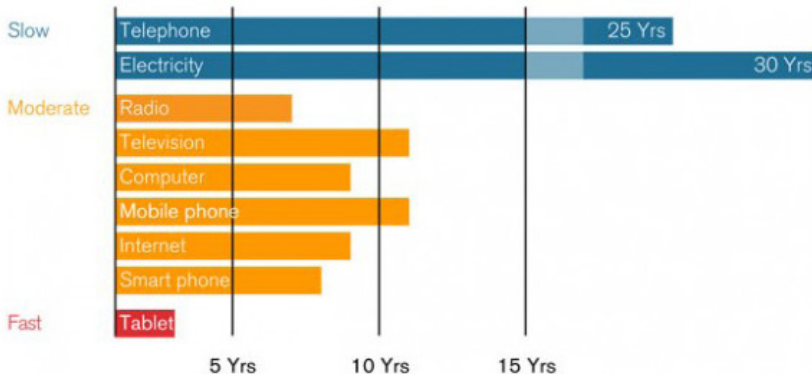


**FIGURE 1**

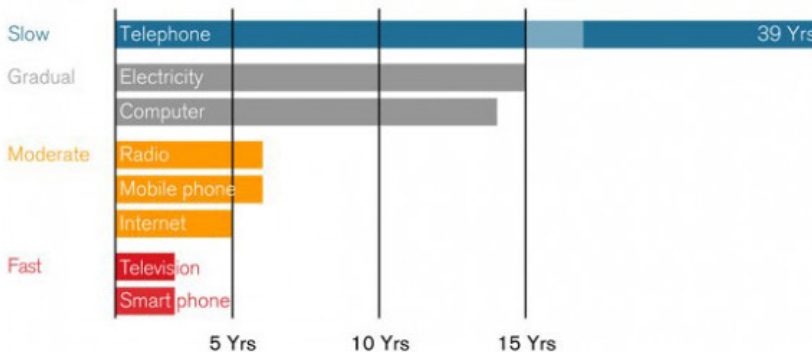
## U.S. Technology Adoption Rates

U.S. market penetration for nine technologies shows the speed at which they gained traction, reached maturity, and achieved saturation. Data through 2010.

**Traction:** Time from consumer availability to 10% penetration

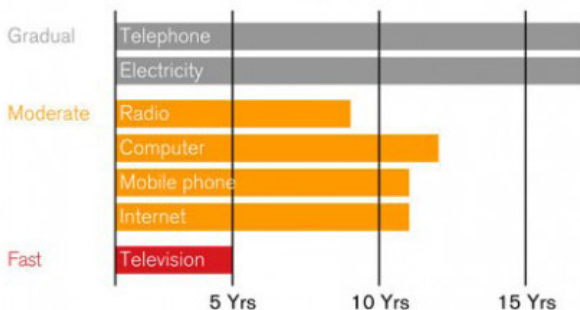


**Maturity:** Time from 10% to 40% penetration



Tablets are omitted, having achieved the 10% traction threshold in 2011.

**Saturation:** Time from 40% to 75% penetration



Smart phones are omitted, having achieved the 40% maturity threshold in 2011.

Sources: ITU, New York Times, Pew, Wall Street Journal, U.S. Census Bureau

\*Market penetration is percent of U.S. households (telephone, electricity, radio, TV, Internet) or percent of U.S. consumers (smart phone, tablet).

**SOURCE: CREATED BY MICHAEL DeGUSTA, ORIGINALLY**

**PUBLISHED ON MAY 9, 2012 FOR MIT TECHNOLOGY REVIEW.**

## LOCUS OF CONTROL

While we admire the image of the driven visionary, who changes the world in a meaningful way, the reality is usually quite different.

Locus of control involves the perception of having personal impact on results and not being at the mercy of external circumstances or fate. High internal locus of control leads to greater persistence. The higher a person's internal locus of control, the greater likelihood they will have emotional resilience, risk-tolerance, and endurance in the case of financial insecurity.

As mentioned, entrepreneurs begin with a naturally high sense of internal locus of control – they feel in charge of their own futures. This aspect of their personality may be what actually draws them to the world of entrepreneurship.

But entrepreneurs face a real crisis of control. They believe that they can personally take action to influence the outcome of their work, yet the high unpredictability of the business environment and relentless climate of stress actually leads entrepreneurs to question what is truly under their control.

This conflict of personal psychology and situational environment compounds the pressure on entrepreneurs, creating an uncertainty on where to focus attention for results. We believe this conflict leads entrepreneurs to focus on short-term actions, rather than achieving their vision, in order to try and gain control of results. Although some studies have questioned the courage of entrepreneurs, we see the true

<p>challenge to achieving potential returns to be the result of an internal personality conflict – the way entrepreneurs work actually fuels self-doubt.</p> <p>In complex, disruptive and highly changeable situations, those with a high internal locus of control tend to narrow in their view, experience greater stress, and take less risk.</p> <p>Figure 1 illustrates the speed at which new technologies are adopted in the US today, as a percent of the population.</p> <p>While entrepreneurs are seen as passionate and enthusiastic about their businesses, they are also highly exposed to the negative impact of stress, which leads to anxiety, doubt and discomfort. In turn, this high-stressed mindset impacts judgment, including opportunity recognition, decision making and creativity.</p>		<p>This resilience is negatively impacted when those with a high internal locus of control work significantly more hours and expend more effort, the strain of which can ultimately lead to stress-based physical effects.</p> <p>In a study for the University of Massachusetts, Ben Bulmash found that the effect of entrepreneurial adversity on entrepreneurial resilience is moderated by a high internal locus of control.</p> <p>“Does your business success or failure depend on what you do? Or what the world does to you?” Ethan Hale, Fast Company, 2012</p> <p>Bulmash found that entrepreneurs are usually motivated by a sense that they can make things happen on their own, and yet are faced with complex, uncertain and highly changeable environments.</p>
<p><b>“Does your business success or failure depend on what you do? Or what the world does to you?”</b></p> <p><b>- Ethan Hale, Fast Company, 2012</b></p>		
<p>Resilience is a characteristic of individuals who overcome setbacks related to their life and work. Entrepreneurial resilience means facing an uncertain future with a positive attitude, rather than feelings of helplessness, fear, apathy and desperation. Sustained wellbeing in the face of adversity can be seen as an indication of entrepreneurial resilience.</p>		<p>The view is that entrepreneurs with a strong internal locus of control will respond to this tough environment with innovative strategies. However, the dynamic nature of the markets today encourages a mismatch of strategy and locus of control.</p> <p>Dynamic business environments are prone to major and rapid changes in consumer preferences</p>

## Success for entrepreneurs should be centered not just on the idea but on the person at the heart of the venture

and product offerings, whereas stable markets lead to more gradual changes. Future consumer preferences become less predictable as the level of disruption increases.

Julian B. Rotter's belief, outlined in his original theory of locus of control, is that an individual's expectancy that certain actions will lead to successful outcomes depends on the predictability of the task environment.

The level of predictability is a major differentiator between dynamic and stable markets.

Entrepreneurs with a high internal locus of control may see that their ability to create planned outcomes is undependable in a dynamic market situation, as outcomes are more difficult to control and predict. They start believing that their actions have less impact, and that leads to self-doubt.

The self-doubt incurred from highly uncertain markets and stressful working environments leads to a hesitancy to take risk and innovate boldly. The result: entrepreneurs don't innovate and grow to their potential and suffer a lower overall sense of wellbeing. This conflicted sense of internal locus of control hampers overall entrepreneurial resilience. We believe this to be a major determinant in today's high rates of business failure.

More and more, our research leads us to believe that

improved business success for entrepreneurs will come from focusing on the person at the heart of the venture. We need a more person-centered approach to entrepreneurship that reduces the impact of stress and enhances natural belief in being able to influence outcomes through personal actions, both of which increase overall resiliency.

### THE KEY ASPECTS OF BUSINESS STRESS

Entrepreneurs are involved in all aspects of their business, like it or not. But we have found that the key areas of business stress are misaligned. In other words, entrepreneurs are focused on achieving outcomes but not putting time and energy into the fundamentals that drive those outcomes. There is a resulting mismatch of strengths and capabilities, with attention on effects rather than causes.

Much emphasis is put on the structural issues of the business venture – the product or the service – rather than the personal and professional development of the entrepreneur leading the growth of the company. Alignment with competencies is needed for business success. By not working from strengths – on the actual causes of growth – high degrees of self-doubt, indecision, and poor judgment reign. The entrepreneur works in an environment of stress, strain

and tension that overwhelms the thoughtful, informed and unbiased perspective needed for strategic decision making.

To answer yes to the question, Will it work? entrepreneurs must focus on the journey and not the destination. The ability to be paid, lack of time, and cash flow are the three highest work/life balance stressors. If that is the case, there is a fundamental misalignment that needs to be shifted. We see a need to shape the entrepreneur's working environment to provide for the following:

## **CASH FLOW**

In our survey, the highest stress factor in building a successful business was identified as managing the cash flow of the company. Yet studies show that only 7% of entrepreneurs actually read their monthly financial statements. This does not require becoming an accountant or preparing financial statements, but simply to read them and understand the movement of cash through the business – to be clear on the critical difference of capital and cash flow.

Entrepreneurs become so enamored of their product idea that they fail to invest enough time creating a business model to successfully monetize their innovative concept. Steve Jobs had an amazing product with the iPhone but, most importantly, it was delivered through a brilliant business model. Attention needs to be placed – up front and throughout the life of the

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business – on how value is created for the customer and how it is delivered in a way that is profitable.

Despite the stress created by cash flow, little or no attention is placed on product pricing, setting the right metrics for business execution and performance, and how and when to access capital. How much money is moving through the business? How long does it take to turn prospects into profits? and How much will growth cost? are questions not adequately answered by most entrepreneurs. Cash flow becomes a huge stress because the fundamentals that lead to cash flow are not addressed. Cash flow is the lifeblood of the business and it needs to be an ongoing focus for every entrepreneur.

## **CUSTOMERS**

Peter Drucker, one of the greatest management minds in our history, once famously said that a business only exists to serve a customer. In our survey, attracting customers was reported as the second highest stressor for business success. Without customers, a business is unable to create the cash flow needed for sustainable existence. Customers are essential for creating value and making a difference.

It's true. Customers are a big deal, and attracting them should be a primary focus for entrepreneurs. But, at the same time, attention needs to be placed on understanding the customer.



Without knowledge of how and why customers do what they do, attracting them is going to be next to impossible.

Our results show that entrepreneurs tend to focus on the outcome – attracting customers – rather than the inputs needed to win them. It is clear that spending more time and energy on the customer journey – clarity on the market, the needs of the customer and the company’s value proposition – would make winning customers a much more straight forward proposition.

## **GROWTH**

Once a business is launched, the focus tends to turn to scaling up. How to grow the business is the third highest business stress for entrepreneurs. There is an incredible emphasis on achieving growth and it tends to be focused on a number – the company needs to grow by 25% or 50% in the next year.

But how? And why? Again, the fundamentals that underpin the growth of the business – the outcome – are missed. Little focus is placed on the processes of the business (creating sustainable growth), the delegation of responsibilities (a team that is accountable and empowered to grow), and the potential to export (in a limited market, growth happens through expanding the geography).

By focusing on the number – that elusive 20% or 25% - entrepreneurs actually limit the ability of the business to grow.

There is a formula for growth, based on the market and the cash flow of the business, that points to setting reasonable growth rates and how to support the expansion with the right resources. Expectations need to be matched with capacity. Rather than getting stressed by how to grow the business, entrepreneurs should be energized about what to do to achieve the growth. By understanding the core of their business, the profitable products uniquely valued by the target customer, entrepreneurs can then wisely grow from that core with the right moves.

## **BUILDING A BIGGER FUTURE**

The current picture for the entrepreneur, in terms of role structure and the stresses of their working environment, appears bleak. But we can paint a brighter future.

Through our survey, we identified approximately 10% of total respondents (“outliers”), who placed their focus in three critical areas, resulting in significant improvement in business success and mental wellness.

We found that the outlier entrepreneurs put high emphasis on three areas:

**A business only exists to serve a customer.**

1. Staying true to achieving their vision for their business
2. Setting reasonable goals and managing their expectations
3. Setting priorities for their business based on their vision and goals

Happily, these are also key aspects of the business that every entrepreneur can actually control. With a high internal locus of control, paying attention to these factors and taking action generates real results, which reinforces confidence and resilience.

Almost every entrepreneur has a vision, but they are often distracted by the daily grind of running the business. Goals are easily influenced by unrealistic expectations, creating stress and more distraction from the vision.

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year**

From there, multi-tasking and outrageous commitments and timelines blow the true priorities off course and are replaced by short-term tactics.

Being blown off course is a natural part of life – we are all human – but with focused and deliberate attention, entrepreneurs can significantly improve their business and personal wellbeing.

## THE UPSIDE

One of the most significant findings from our survey is the benefits of focused attention on health outcomes.

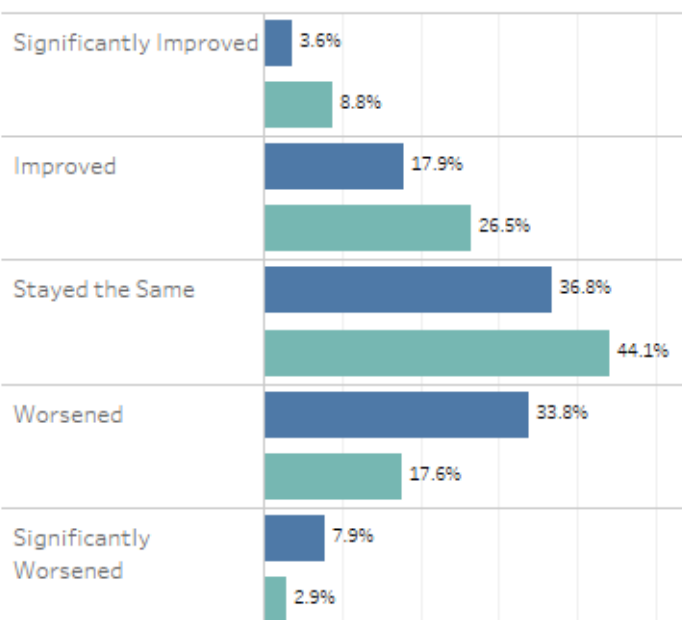
More than 80% of our outliers believed they had high coping skills related to stress, compared to 72% of other

**FIGURE 2**

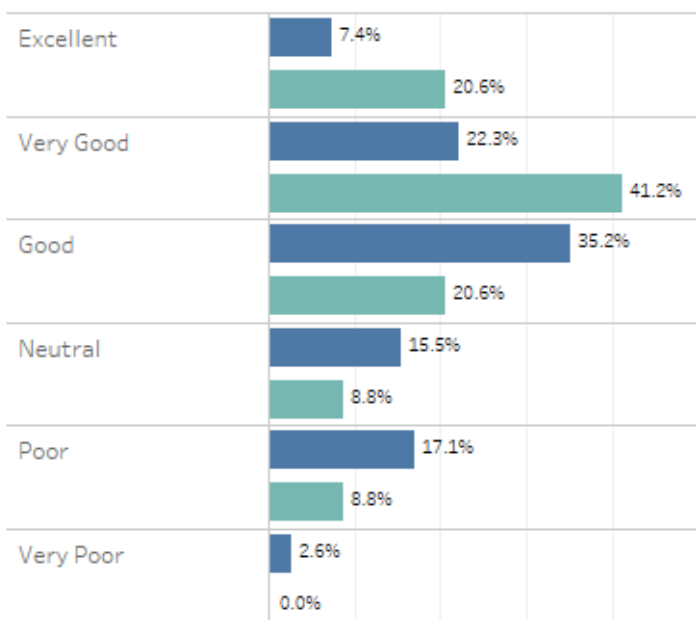
Entrepreneurs report changes in their mental health since launching their business and report their mental health state, overall.

■ AVERAGE RESPONDENT  
■ POSITIVE MINDSET

### Since becoming an entrepreneur



### Current mental health state



respondents. But where 68% of other respondents reported mental health challenges, just 49% of our outliers faced those same challenges (this stat is lower than that of the general population). An interesting note is that 31% of our outlier respondents had taken stress management training, compared to 16% of all respondents – the investment that paid off!

Figures 2 and 3 outline the significant improvements to general and mental health for the outlier respondents.

A further key differentiator also related to mental health challenges. While 36% of all respondents reported undiagnosed mental health challenges, only 11% of outlier respondents reported the same issue.

## The outlier entrepreneurs put high emphasis on these three aspects

Outliers did not find their businesses as highly stressful as the other respondents, with no business factor attaining more than a rating of 4 (on a scale of 1 to 10) for stress (where stress levels averaged 6 points and higher).

Outlier respondents also reported more sustainable and enduring businesses, with 53% in operation for more than five years (compared to 32% for all respondents). Reported revenues were higher among outliers, (and significantly more outliers generated in excess of \$1,000,000 in sales), their businesses were larger, with more employees, and outliers were more likely to take longer periods of vacation and require fewer days to recover from stress.

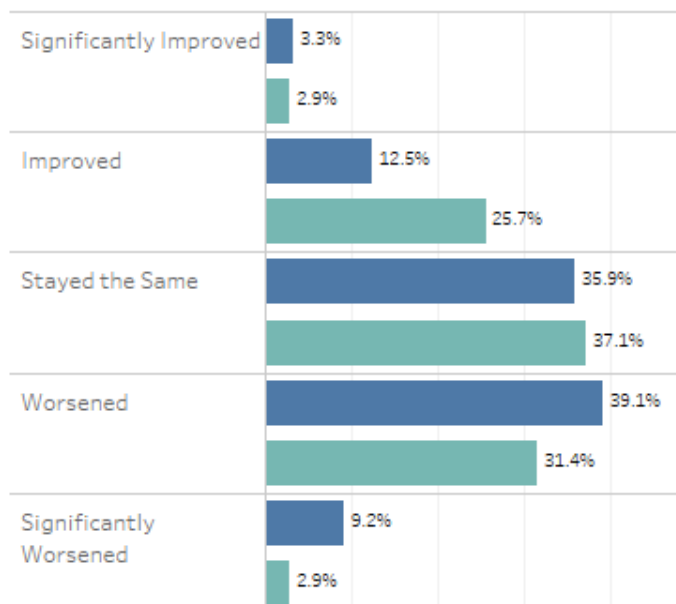
The outliers' relationships also

**FIGURE 3**

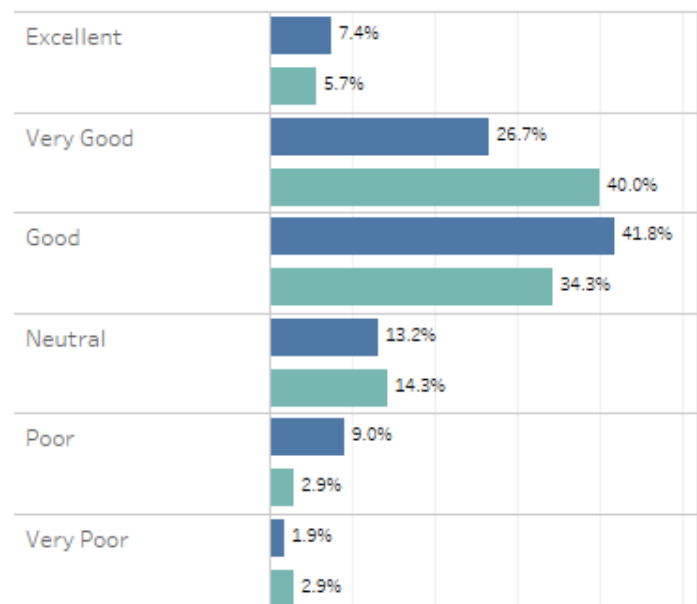
Entrepreneurs report changes in their overall health since becoming entrepreneurs and report their state of health, overall.

■ AVERAGE RESPONDENT  
■ POSITIVE MINDSET

### Since becoming an entrepreneur



### Current state of overall health

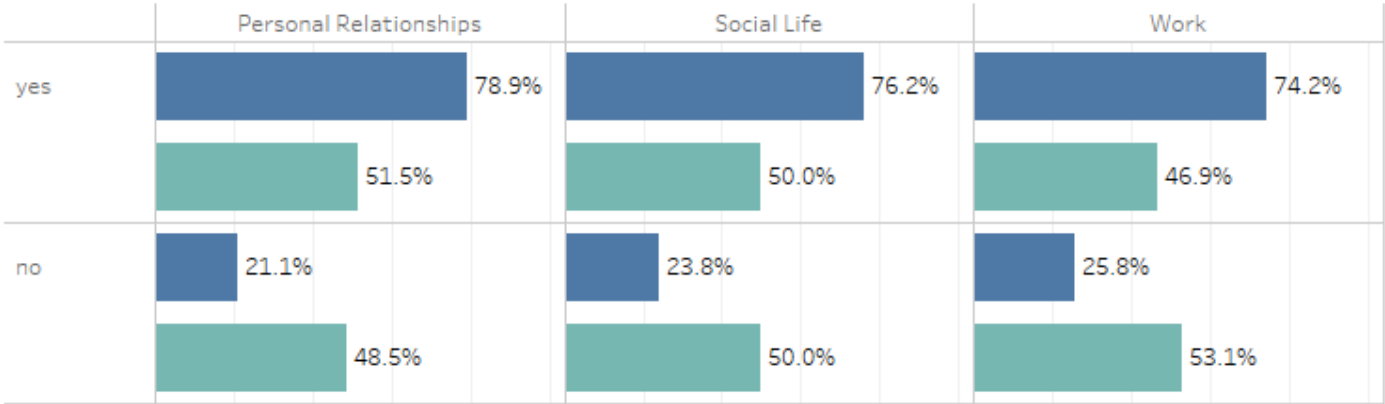


<p>seemed to be more positive. figure 4 outlines the increased likelihood of outliers to talk to the people in their lives, while figure 5 indicates the dramatic reduction of the impact of stress and anxiety from their business on their lives.</p>		<p>respondents. Almost 93% of outliers mostly or completely merged their identity with their business, as compared to almost 89% of all respondents</p> <ul style="list-style-type: none"> <li>Outliers tended to work longer hours than other entrepreneurs</li> </ul> <p>Based on the positive results of their companies, outliers may believe that their passion and perseverance pay off and, therefore, they commit more to their business. With a more profitable and sustainable business, their personal sense of value and worth may also be strengthened, along with their identification with the business.</p>
<ol style="list-style-type: none"> <li><b>1. They stayed true to achieving their vision for their business</b></li> <li><b>2. They set reasonable goals and managed their expectations</b></li> <li><b>3. They set priorities for their business based on their vision and goals</b></li> </ol>		
<p><b>THE CATCH</b></p> <p>Although the outlier respondents enjoyed a much healthier approach and more positive business outcomes, there were a few troubling aspects of their nature:</p> <ul style="list-style-type: none"> <li>Outliers identified their self-worth with that of their companies, more so than other</li> </ul>		<p>Areas of improvement for the outliers include developing a stronger sense of independent self-identity beyond the business and allocating more of their time to other activities. Since their businesses are strong from their healthy attention on the right aspects of their work, outliers might comfortably pull back on their commitment and connection to their company.</p>

**FIGURE 4**

Have there been any negative consequences for any of your personal, social or work related relationships since becoming an entrepreneur?

AVERAGE RESPONDENT  
 POSITIVE MINDSET





## COMMON SENSE

As we have mentioned, one of the most positive personality attributes of entrepreneurs is their high sense of internal locus of control. They are motivated to take action and feel they can make a change in the world. Herein lie the seeds of innovation, meaning, wellbeing, and economic prosperity.

Sadly, the way entrepreneurs work stifles their natural sense of control and limits their capacity for a bigger and better future. By following the traditional pathway – working long hours, setting unrealistic expectations, and appeasing others, entrepreneurs lose their inherent ability to make a lasting difference that matters.

The outlier respondents in our survey reveal that the solution

**Outlier  
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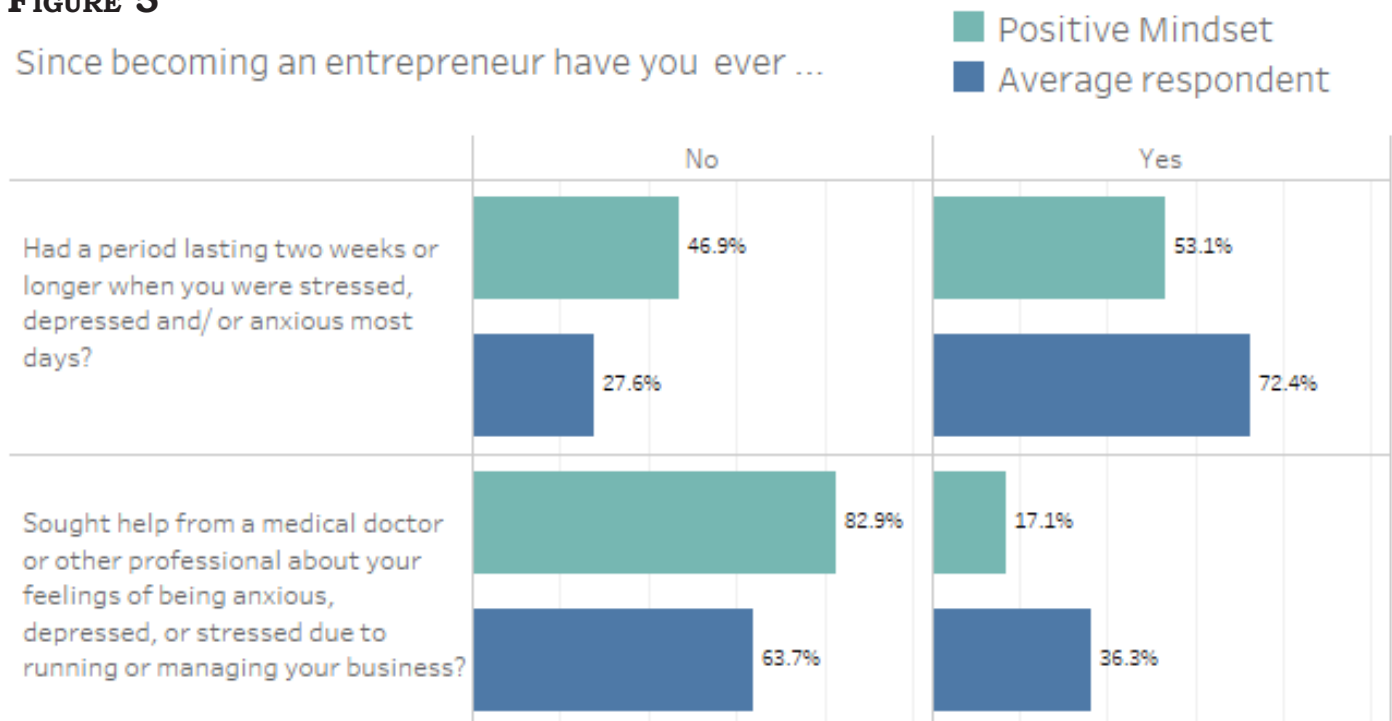
to harnessing self-motivation and action-orientation lies in working more on the business than working in the business. By staying true to their vision for the business, settling informed and realistic goals to achieve that vision, and then creating priorities that progress toward those goals, entrepreneurs can take back their power in their business and life. There will always be stress, but the increased focus on aspects of their work that they can control enhances their resilience and ability to handle adversities in healthier ways.

## THE UNIQUE ADVANTAGE

Entrepreneurs have a unique ability to see opportunities where others may see problems, to innovate and

**FIGURE 5**

Since becoming an entrepreneur have you ever ...



create new value rather than accept the status quo, and to learn and grow as opposed to getting stuck. They lead disruption to create bigger futures.

Yet that natural tendency to disrupt may actually constrain entrepreneurs from reaching their potential to make a difference and enjoy a healthy sense of wellbeing.

With disruption comes a high degree of unpredictability and change. Things that entrepreneurs may have

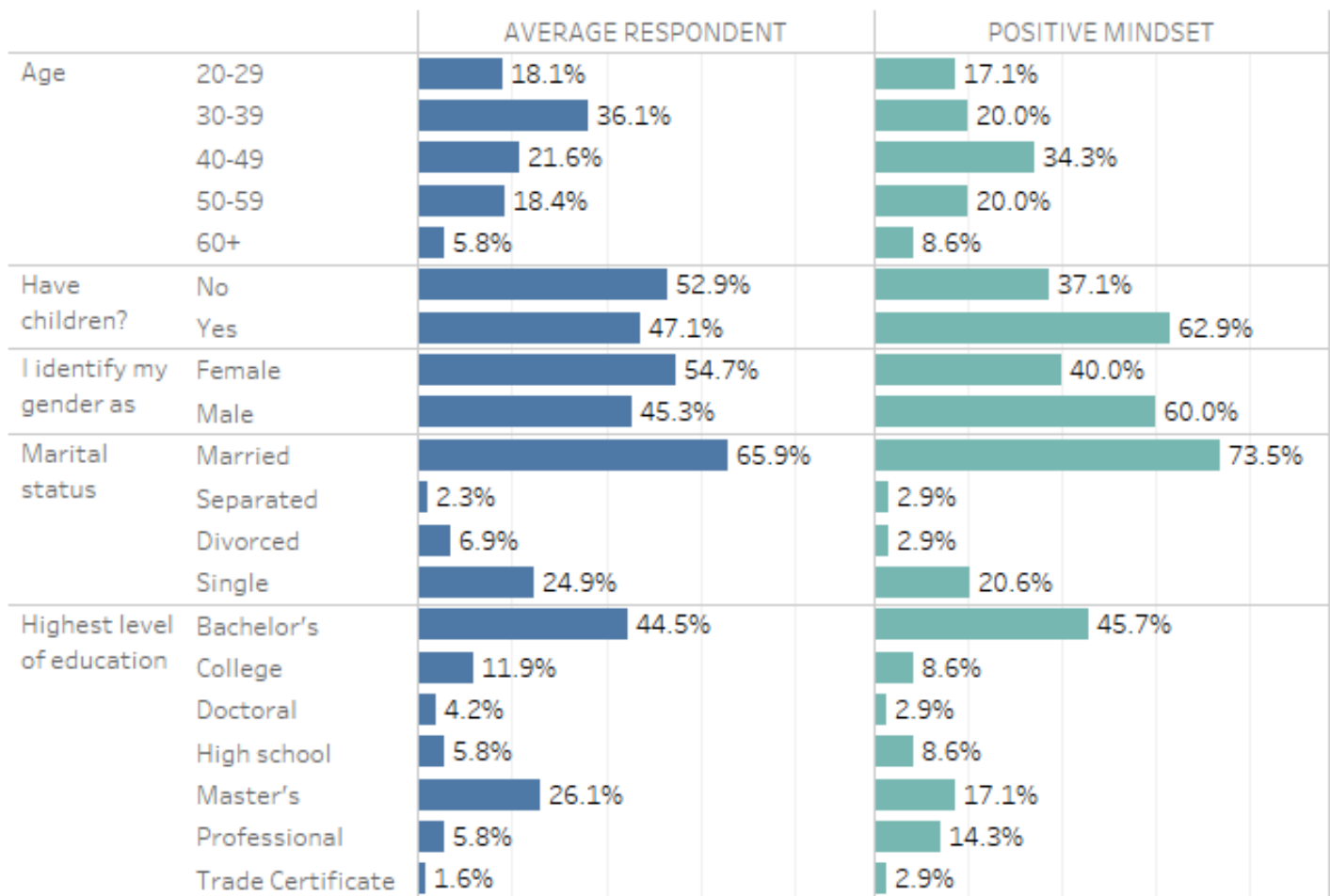
**With disruption comes a high degree of unpredictability and change.**

believed were within their control don't follow the plan. While working under high stress to achieve their goals, entrepreneurs lose confidence and doubt their own abilities.

The solution to these limitations lies within the paradox of being an entrepreneur. Although the main impetus for becoming an entrepreneur is freedom, business owners follow the traditional approach to work put upon them and try to meet the expectations of others. They trade their flexibility

**FIGURE 6**

Select demographic profiles of entrepreneurs with a positive mindset v. average respondent



<p>and give up their natural motivation to take action. They fall prey to negative responses to stress and their stores of resilience are depleted.</p> <p>Entrepreneurs just need to turn the equation around.</p> <p>Using their natural personality attribute – a strong internal locus of control – they can focus attention on the most important aspects of the business, those for which they have control and responsibility. If entrepreneurs focus on what matters most to their business and life, they can achieve their potential for the business:</p>	<div> <div>1</div> <p><b>They stay true to achieving their vision for their business</b></p> </div> <div> <div>2</div> <p><b>They set reasonable goals and managed their expectations</b></p> </div> <div> <div>3</div> <p><b>They set priorities for their business based on their vision and goals</b></p> </div>	<p>If they are able to stay focused on the meaning behind the business and remain true to who they are, they can maintain a healthy sense of independent self-identity and confidence in their own abilities. In plain terms, they can allocate a few less hours to their business and more to the people and activities in their life that bring them energy.</p> <p>The crisis of control we see playing out for entrepreneurs is one of misdirected focus. Putting attention on the right aspects of the business and keeping it there will give entrepreneurs back their natural advantage.</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, 3 and 4 of The Mindset Project can be found at [The Mindset Project](#)*