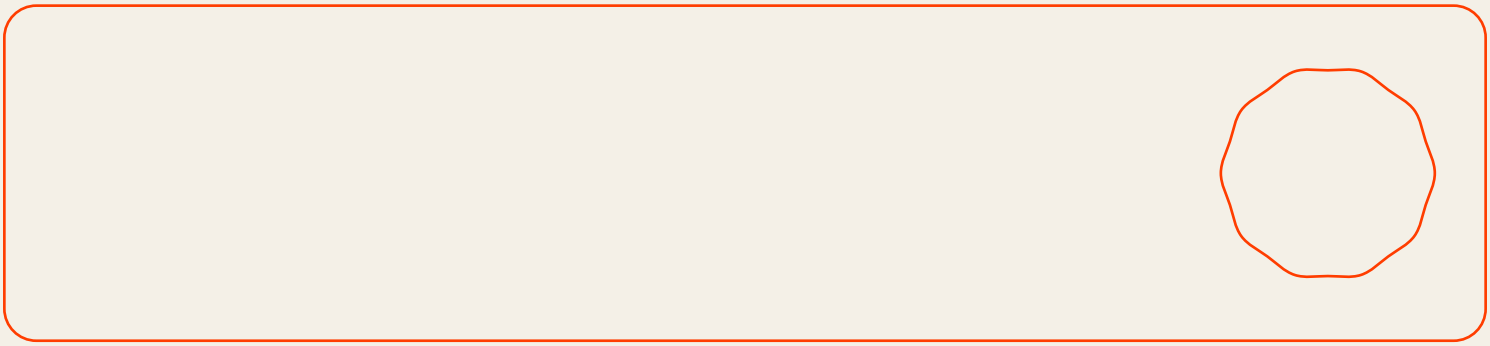
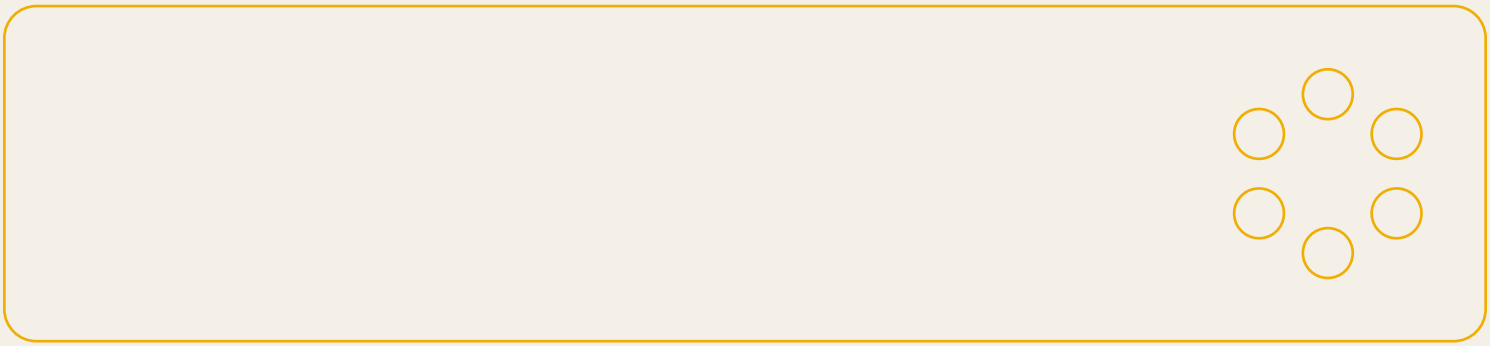
Optimising Founder Wellbeing and Performance

Research Report





We believe the best way to change the world is to build a business.

But starting and scaling a company from the ground up is not easy. Achieving success as a founder is only possible with intense focus and dedication, sustained over a long period of time.

Maintaining this level of performance takes more than working ever-longer hours. Not only is this concept of "just working harder" an overly simplistic approach, it can also be counterproductive - limiting creativity, leading to bad decision making, and preventing founders from working at their best. However, this continues to be the expectation of many entrepreneurs and investors.

Moving beyond this mentality raises some key questions. How can founders juggle the inevitable pressures of the job without burning out? What can a founder actually do to optimise their performance and maintain that level over the long term? What other factors, beyond hours worked, impact results and output? And is the ecosystem currently set up in a way that allows founders to take a broader, more holistic approach to performance?

Entrepreneurs are, by nature, highly competitive and ambitious. When they start and build companies, there is a huge drive towards success. We conducted this research to understand how to help those founders optimise their personal performance in order to achieve that success. That means understanding founders' current experiences, and the range of factors that contribute to them working at their best.

The findings are important, not just for us at Balderton, but for the entire ecosystem.

Performance is much more than the product of hours worked - factors such as physical health, sleep, nutrition, mental health, coaching and peer support are hugely important. Founders know this, yet it is not reflected in their reality, where working longer is prioritised above all else.

We believe taking a holistic view of what impacts performance is in everyone's interests - from founders to investors, to the wider startup ecosystem in Europe. And that is why we are making this a priority at Balderton, creating a program to offer broad support to our founders, and continuing to talk about this important topic within the industry. We have been committed to supporting founders since the firm began more than 20 years ago, but believe there are more concrete things we can do in the future. This research is the start and we will continue to develop our Founder Wellbeing Platform over time.

In this report we will talk about the culture of extreme pressure, what founders think helps them perform at their best, and what can be done to make this common practice across the industry.

KEY FINDINGS

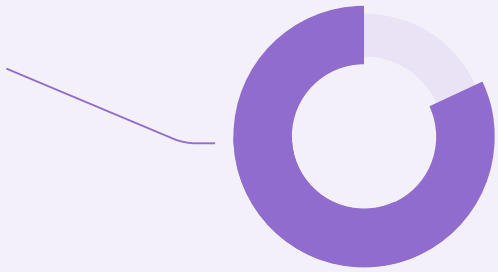
The intensity of the pressure in the start-up ecosystem drives founders to prioritise putting in longer hours above all else.

90%

90% of founders agree that the pressure that entrepreneurs put themselves under drives them to constantly work very long hours.

However, founders know there are diminishing returns from just "working harder." They see other factors such as sleep, support networks, coaching and nutrition as essential to achieving peak performance.

83%



An overwhelming majority (83%) of founders feel that, past a point, there are diminishing returns from simply putting in more hours.

Too often, they still prioritise putting in more hours above all else, and this risks burnout and poor performance.

57%

More than half (57%) report regularly prioritising work over looking after themselves.

64%

of founders say constant high pressure in entrepreneur-led companies can have a negative impact on business performance.

A more holistic view of the factors that can positively impact performance would increase the chance of founder success. VCs can play an essential role in making this happen.

81%

The current culture and a lack of support prevents founders from investing in factors that they know will improve their performance. Overwhelmingly - 81% - founders feel VCs can help to create a culture where entrepreneurs can look after their wellbeing, which directly impacts performance and increases success.

No one is under any illusion about how challenging it is to start a business: the start-up ecosystem is one of high pressure, long hours, and intense commitment and dedication. Founders know this, with 82% saying that working long hours is an inevitable part of being an entrepreneur.

The high pressure culture in a nutshell:

89%

of founders surveyed felt that the startup ecosystem was a naturally competitive and high pressure environment.

84%

feel there is an expectation that entrepreneurs must always work long hours in order to be successful.

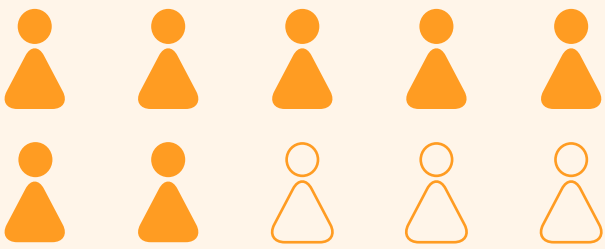
71%

saying that entrepreneurs are expected to constantly prioritise working over investing time in their own wellbeing.

However, this high pressure culture comes at a cost, driving founders to constantly prioritise work above all else.

Much of this pressure comes from founders themselves - almost all surveyed (90%) agreed that the pressure entrepreneurs put on themselves often drives them to work very long hours - but investors play a significant role too. More than half (51%) of founders say that investors and board members put pressure on entrepreneurs to always be available.

The extreme pressure founders face is only being exacerbated by the current economic climate - 70% said that this had increased their stress levels.



70% of founders have increased stress levels due to economic climate.

"Constant high pressure, working longer leading to becoming over-whelmed, underperforming on tasks, creating a vicious cycle making it hard to do what is needed."

The diminishing returns of longer hours

While some pressure is inevitable - this research clearly shows that the existing high pressure culture is counterproductive.

Founders understand that after a certain point, simply putting in more time, under constantly stressful conditions, does not produce the best outcomes. Performance and productivity can actually be increased by investing time in other areas, such as health.

83%

of founders believe that, past a point, there are diminishing returns from simply putting in more hours.

"Founders, like elite athletes, are expected to manage stress and anxiety under pressure, sustain motivation, optimise concentration and communication skills, and contribute to a culture of accountability, while mitigating the risk of burnout, exhaustion and failure. Professional athletes do this by training their brain and central nervous systems to manage stress more effectively, by embracing uncertainty and discomfort, and prioritising self-care, especially when work-life balance feels impossible."

Dr Simon Marshall
Former Professor of performance psychology and resilience at the University of California San Diego

In spite of recognising these diminishing returns - there is a consistent disconnect with the reality: the research finds founders underinvesting in areas they know will improve their performance.

For example, 80% of founders agreed that maintaining a personal life outside of work had a positive impact on their ability to perform well at work. Yet 68% regularly have difficulty switching off outside of work and less than a third of founders (30%) regularly do things for personal enjoyment outside of work.

Similarly - less than a quarter (24%) say they regularly connect with peers for support - even as 69% say having a strong peer group to rely on for support has a positive impact on their ability to perform well at work. This was a trend we saw replicated across a range of other areas - including sleep and exercise.

In spite of recognising the benefits of a more balanced approach, we see 57% of founders regularly report prioritising work over looking after themselves.

Poor performance and burnout: the imperative of a more balanced approach

Founders were clear that excessive stress and relentless pressure have a negative impact on their overall performance. They overwhelmingly agreed that it can negatively impact key areas such as decision making, creativity, and getting the best out of your team. 64% said it can negatively impact business performance.

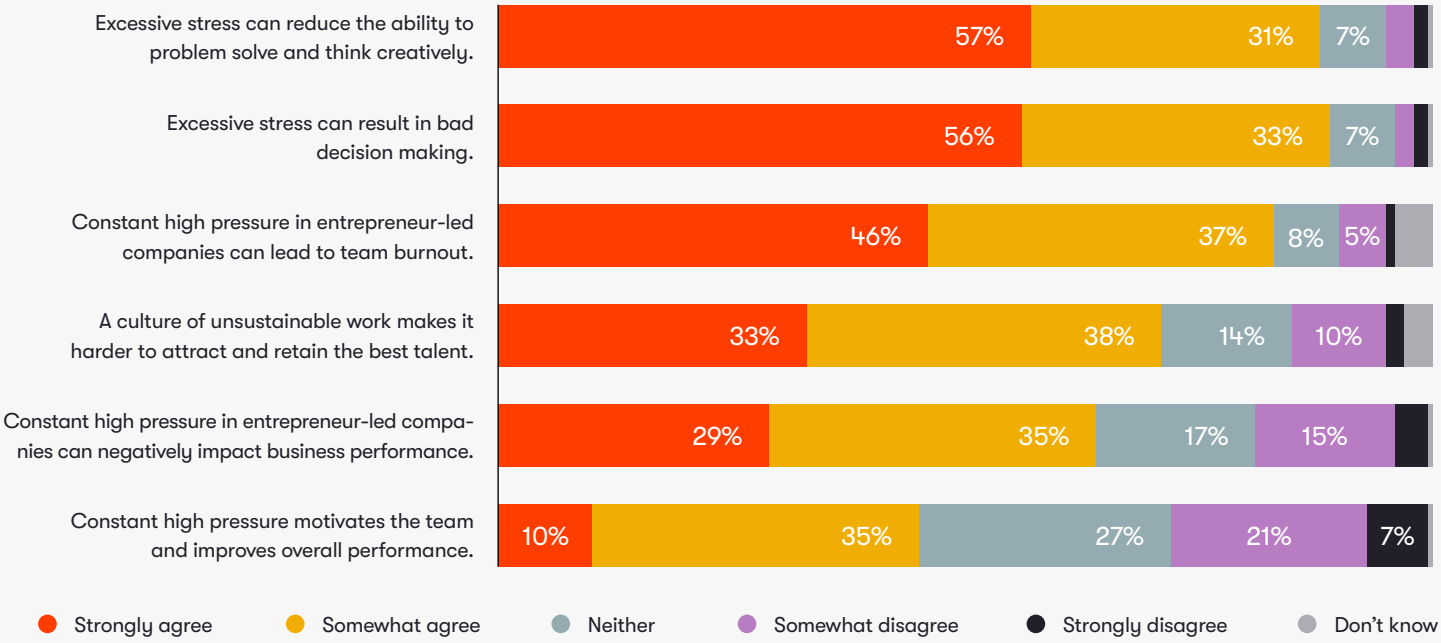
The issues go deeper than day to day performance. A majority (62%) also felt that entrepreneurs burning out due to stress is a significant problem in the startup ecosystem.

This is backed up by anecdotal reports of burnout showing founders are often pushing themselves to the brink. Many discussed how stress, a lack of sleep and poor support networks forced them to take time off for extended periods and left them suffering with health issues and the inability to perform at their best.

> "I was in the burnout zone most of last year (2022). Mixture of challenging markets and endless investor meetings with bad sleep, bad diet and low exercise. Putting more and more hours in as the solution... It was lose-lose-lose for everyone. It impacted strategic decision-making, team dynamics, morale and performance."

> "When stress levels are especially high, I can feel that I become a less effective communicator and less effective leader."

To what extent do you agree or disagree with the following statements?



230 Founders, VC backed companies.

The research has uncovered a disconnect between what founders know will let them work at their best, and what they are doing in practice. In order to help founders perform at their peak, it is important to understand why - and what VCs can do to help.

A clear role for VCs

The significant influence that venture capital investors have in the startup ecosystem comes with real responsibility. This is a belief shared by founders: an overwhelming majority believe that VC investors have a responsibility to think about the wellbeing of the founders in whom they invest.

Precipitating a cultural change

A key reason appears to be that founders find it hard to prioritise the time to invest in other areas that would help them optimise their performance - 72% say it is difficult to find time to invest in wellbeing.

VCs can shift the culture and provide practical support - 81% of founders agree that venture capital investors can create a culture where entrepreneurs feel like they have permission to prioritise their own wellbeing.

In practice, this means VCs need to explicitly encourage entrepreneurs to invest time in themselves - 69% of founders said they would find this very or extremely helpful.

This could take many forms, including guiding founders with practical support from experts such as nutritionists and sleep experts, or providing executive coaching. Or simply checking in with founders to make sure they are spending time on these important factors.

73%

agree Venture Capital investors have a responsibility to think about the wellbeing of the entrepreneurs they invest in.

77%

of founders said that they would find executive leadership coaching helpful as part of a program.

What, if anything, has stood in the way of you seeking support with your wellbeing?

- *The stigma (including from myself) that I'm not working hard enough.*
- *Guilt! (I should be working, or solving a problem).*
- *Being afraid of what investors and business partners would think (including my co-founder).*

"Founders have taken on the challenge of founding companies because of their incredible drive. Inevitably, they put themselves under enormous pressure to succeed and to deliver - it is a part of what makes them successful.

A key part of my role is to work with founders to make sure that this pressure is productive. Where this pressure is getting in the way of them delivering their best, as a leader, it is about revisiting existing habits and prioritisation, and finding an approach that is genuinely sustainable for them.

Good leadership needs to be about delivering in the long term, not driving yourself to burnout."

Alexandra Durnford
Founder of executive coaching at Byron and Wilf

Building resilient support networks

More than half of founders (53%) have experienced loneliness or isolation since starting their company, it can be an isolating experience. In fact, 61% say it is hard to find support from those who understand the unique challenges they face.

Given their networks - VCs are in a great position to bring people together and foster a sense of community where founders can find support from those with genuinely comparable experiences.

> "The mental wellbeing of entrepreneurs is a critical but widely overlooked foundation of their success. High mental wellbeing means more productive, creative, and persistent entrepreneurs and more ambitious and resilient businesses. Entrepreneurs whose mental wellbeing suffers make poorer decisions and find it difficult to cope with challenges and crises, leading to unnecessary business churn."
>
> Ute Stephan
> Professor of Entrepreneurship, King's College London

Where the industry needs to go

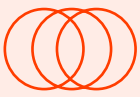
This research has shown that it is in the best interests of VCs and founders to work towards a culture where we think about performance much more holistically. Balderton have always strived to work in partnership with the founders that we invest in - this is the next evolution of that commitment.

The change required cannot be driven by a single firm or startup, but will require an industry-wide shift in how we think about delivering peak performance, increasing the chance of success for the entire ecosystem.

83%

of founders would find it helpful if VCs established networks of entrepreneurs to enable peer support and a sense of community.

88%



of founders would find mentorship helpful from their VC.

We surveyed **230*** founders, all of whom were either founders or co-founders of Venture Capital backed companies, between May 10-24 2023. The survey was conducted online.

Responses were collected in two main ways:

- Through direct email outreach to Balderton portfolio companies and contacts who qualified for the survey.

- Dissemination of the survey via LinkedIn (all respondents were asked to provide their LinkedIn profile, which was used to ensure they qualified for the survey).

Data was collected and processed by a third party, with no personally identifiable information shared with Balderton.

*100 UK Founders, 100 founders from elsewhere in Europe, 30 other/prefer not to say.