

NEW ZEALAND ECOSYSTEM REPORT

How the empirical research on the mental and emotional health of
Kiwi entrepreneurs compared to Abroad's global entrepreneur dataset



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Background

[Abroad.io](#) recently completed a 2-year study on the mental and emotional health of more than 1,300 entrepreneurs and business owners in the United States, Asia, Latin America and New Zealand, which, to the best of our knowledge, is the largest study ever conducted on the topic.

While conducting the study, we worked with the Angel Association of New Zealand (AANZ), Callaghan Innovation, New Zealand Trade & Enterprise (NZTE), and other local partners to conduct a separate ecosystem analysis for Kiwi founders in the 'Seed to Series A' stage of development ([see preliminary report here](#)).

Upon delivering the report to AANZ, the key question asked was **"How do New Zealand founders compare to our global dataset of entrepreneurs?"**

This is an important question, and we appreciate AANZ's patience while our team of psychologists, executive coaches, and data scientists spent the past year analyzing data and synthesizing our global research into an [interactive webpage](#), [executive summary](#), [70-page research report](#), and over [2-hours of audios](#) to tell the full story of entrepreneur mental and emotional health. In order to compare Kiwi founders, we needed to complete our global research, so again, thank you for your patience as our team completed this labor of love.

A Note on Comparing Datasets

There is value in comparing datasets; however, it is important to note the common trap of the comparative mind. For example, our psychometric assessment asked entrepreneurs to rate their experiences on a 1-6 scale, with 1 typically representing a score of 0%, and 6 representing a score of 100% (some questions used reverse scoring). The average score of New Zealand founders for Self Compassion -- which measures if an entrepreneur is kind to themselves when they make a mistake or fail -- was 50%. For our global dataset of entrepreneurs from the U.S., Latin America, and Asia, the average score was 44%. Is this cause for celebration?

A healthy and stable score for self compassion would be greater than 80%, so it's important to consider that in a global ecosystem where the vast majority of entrepreneurs are internally suffering (e.g. according to our global study, only 6% of entrepreneurs reported feeling fundamentally well), we must be cautious to choose inaction because Kiwi self beat up is marginally less than what entrepreneurs are experiencing in another market.

Our recommendation is to holistically look at both our global dataset, and the New Zealand ecosystem comparison data, to mine useful insights on how we might support New Zealand founders to operate with greater leadership, balance, and resilience.

Comparing the Data

Below are tables that outline how Kiwi entrepreneurs compare to our global dataset. The first table shows the mean comparison across the four major categories we measured: *Self Awareness, Company Viability, Team Cohesion, and Vision & Impact*.

The second table shows the mean comparison of all 21 subcategories within the four major categories.

Comparison of Means Between NZ Sample and Global Sample

In this section, we present the means of each category from NZ compared to the total sample.

- **Green** = much higher than total sample
- **Yellow** = relatively comparable to total sample
- **Red** = much lower than total sample

Category	NZ Mean	Global Mean	Difference (NZ-Total)
Self-Awareness	3.70	3.11	0.59
Company Viability	4.70	4.28	0.42
Vision & Impact	4.82	4.66	0.16
Team Cohesion	4.12	4.12	0

Subcategory Comparison of Means: NZ vs. Total Sample

Category	Subcategory	NZ Mean	Global Mean	Difference (NZ - Total)
Company Viability	Customer Growth	4.00	3.10	0.90
Self-Awareness	Healthy Responsibility	4.35	3.72	0.63
Self-Awareness	Self-compassion	3.70	3.11	0.59
Company Viability	Leadership Strength	4.70	4.28	0.42
Company Viability	Product/Market Fit	4.00	3.80	0.20
Vision & Impact	Compassion for Others	4.82	4.66	0.16
Organizational Efficacy	Trust	4.73	4.59	0.14
Organizational Efficacy	Communications	4.30	4.20	0.10
Vision & Impact	Superordinate Goals	4.54	4.47	0.07

Organizational Efficacy	Team Quality	4.12	4.12	0
Organizational Efficacy	Culture	4.22	4.22	0
Self-Awareness	Time Management & Mindset	3.38	3.41	-0.03
Organizational Efficacy	Emotional Intelligence	3.67	3.71	-0.04
Organizational Efficacy	Agreements	3.65	3.75	-0.10
Self-Awareness	Fear & Decision Making	3.29	3.46	-0.17
Vision & Impact	Intrinsic Motivation	4.01	4.26	-0.25
Organizational Efficacy	Collaboration	3.81	4.13	-0.32
Organizational Efficacy	Egalitarianism	3.08	3.42	-0.34
Self-Awareness	Burnout Buffer	2.91	3.43	-0.52
Self-Awareness	Psychological Adaptability	2.76	3.35	-0.59
Company Viability	Fundraising Confidence	2.00	3.36	-1.36
Company Viability	Long Term Viability	2.00	3.63	-1.63

Interpreting Results

Based on the data, it appears New Zealand founders are:

1. **Customer Growth** - More confident in their customer growth
2. **Healthy Responsibility** - Are doing a better job not taking on too much responsibility and empowering their team members
3. **Self Compassion** - Are exercising more kindness to themselves during setbacks and failures

On the flip side, they appear to be experiencing:

1. **Long-Term Viability** - Less confidence in the long-term viability of their business
2. **Fundraising Confidence** - Less confidence in their ability to raise the capital necessary to sustain their business
3. **Psychological Adaptability** - Less ability to mentally adapt to unexpected circumstances and outcomes

One could surmise that with confidence in *Customer Growth*, the long-term viability concerns may be directly correlated with significantly lower scores on *Fundraising Confidence*. These findings are consistent with the [Startup Genome report](#) that indicates there is a funding chasm between angel and growth-stage capital in New Zealand, and that Kiwis are feeling the pressure to expand their business in foreign markets.

However, note that even with increased fundraising confidence in the other markets we studied, entrepreneurs are not experiencing greater mental and emotional health. Our team has found that as entrepreneurs raise more capital, and the expectations for business success increase, that the mental and emotional pressures also increase.

Psychological Adaptability is directly correlated with lower scores on *Fear & Decision* making, as one of the hallmarks of an unhealthy relationship with fear is the tendency to try to “control uncontrollable” external circumstances. When entrepreneurs resist reality as it is, they often block themselves from the creative, innovative solutions to their most pressing business challenges.

Furthermore, fear, control, and lower scores on *Intrinsic Motivation*, combined with the low score on self compassion are all contributors to an alarming *Burnout Buffer* score for Kiwi founders, which measures an entrepreneurs resistance to burnout. When founders begin to burnout, their potential for anxiety and depression increase, which decreases their ability to sustain their organization through the normal ups and downs of business.

Exploring Solutions: Balancing Soft & Hard Skills

At a recent AANZ summit, experienced investor Randy Komisar said “the soft stuff is the hard stuff.” What he was referring to was working on our emotional intelligence, interpersonal skills, scarcity/survival programming, and overall sense of mental and emotional health is often much harder than addressing the business fundamentals of a venture.

This is consistent with findings from our global study, where we discovered that only 6% of entrepreneurs reported feeling fundamentally well, meaning only 6% of nearly 1,400 entrepreneurs who took our assessment selected ‘5’ or ‘6’ on a 6-point scale across all questions related to Self Awareness, while 37% of entrepreneurs selected ‘4’, indicating they are keeping their head just above water. Compare this to the Team Cohesion, Vision & Impact, and Company Viability categories where 80% of scores were on the positive side of the scale according to our Likert analysis.

Only 6% of entrepreneurs who filled out the assessment reported feeling fundamentally well on an individual level

While 37% of entrepreneurs are keeping their head just above water, but not swimming effortlessly.

VISION & IMPACT	4.66	1.40%	3.37%	11.19%	23.21%	33.25%	27.57%
SELF AWARENESS	3.11	8.97%	21.15%	26.67%	36.95%	5.19%	1.07%
TEAM COHESION	4.12	0.16%	4.37%	15.32%	51.89%	20.43%	7.83%
COMPANY VIABILITY	4.28	1.48%	7.98%	11.77%	36.54%	24.28%	17.94%
	Mean (SD)	1	2	3	4	5	6

Most entrepreneurs think their struggles are related to their business, but the deeper source of those struggles is often within them. This is why we suggest AANZ and the New Zealand ecosystem consider a more systemic approach to the psychological and emotional development of your future leaders, which would be consistent with your Prime Minister's objective to make wellbeing a national priority.

The key question we are posing to partners is:

What would happen if we dedicated the same creative, innovative, and entrepreneurial spirit used for disrupting major industries to disrupt the way entrepreneurs build companies, and the way investors fund them?

Our team ran a 3-month intervention to see what results we could achieve.

Mental & Emotional Health Intervention

Our team of psychologists and executive coaches designed a 3-month program to see if we could help entrepreneurs break the cycle of self-inflicted pain. The program included 11 live 90-minute online sessions to address core areas of self awareness.

Below are the results of the intervention that featured 75 high-growth leaders, including 15 Kiwi Founders. The entrepreneurs took the [Awareness Assessment](#) before and after to track changes. Across the 3-month study, participants improved in 20 out of the 22 outcomes in the expected directions.

	Outcome	Description	Pre Mean	Post Mean	Change +/-
	Psychological Adaptability	Mental flexibility in the face of unexpected or unintended situations	41.95	72.35	30.4
	Self Compassion	Ability to be kind to oneself in the face of perceived failure	43.3	67.05	23.75
	Fear & Decision Making	Relationship to fear and anxiety toward effective decision making	57.3	74.9	17.6
	Time Management	Ability to effectively use and expand time	54.15	71.4	17.25
	Burnout Resistance	Ability to buffer against the negative symptoms of occupational burnout	63.8	80.2	16.4
	Emotional Intelligence	Ability to recognize, understand, and regulate emotions	52.45	67.75	15.3
	Fundraising Confidence	Optimism toward team's ability to raise needed capital	46.2	61.2	15
	Healthy Responsibility	Ability to manage one's workload to maximize impact	51.35	65.85	14.5
	Collaboration	Extent to which team members work together	64.15	76.55	12.4
	Team Quality	Positive and effective team interactions	61.35	72.1	10.75
	Product/Market Fit	Confidence in one's product/service in the world	63.7	74.25	10.55
	Agreements	Organizational follow-through on everyday tasks	56.65	67.1	10.45
	Trust	Reliable relationships between team members	65.55	75.25	9.7
	Leadership Strength	Confidence in the managers of the organization	63.25	72.85	9.6
	Customer Growth	Organization's ability to attract new customers and retain old ones	50.85	60.4	9.55
	Compassion for Others	Ability to connect one's work with the benefit of others	71.7	80.8	9.1
	Superordinate Goals	Extent to which one's work fits into a larger framework to benefit humanity	69.9	77.25	7.35

The key findings from this intervention are as follows:

1. **Self Awareness** - Note the significant improvements in *Psychological Adaptability*, *Fear & Decision Making*, and *Burnout Buffer*, which as discussed, are areas Kiwi founders scored lower than the global dataset.
2. **Fundraising Confidence** - Also note the significant 15% improvement in *Fundraising Confidence*. Intervention participants reported that by generating a healthier relationship with their fear and anxiety, they were able to imagine new paths to capital. Neuroscience shows that when in fearful states, humans have tunnel vision and see limited possibilities. Alternatively, when the mind is relaxed, curiosity and creativity are unlocked.

The results reveal that when entrepreneurs prioritize their psychological and emotional development with the full support of their investors, improvements can be expected in self awareness, team cohesion, and overall confidence to lead their business.

Kiwi Entrepreneur Case Study

To demonstrate how **psychological and emotional breakthroughs generate business breakthroughs**, we'd like to share a story of one of the New Zealand CEOs we coached. The entrepreneur was raising a multi-million dollar venture round, and one of their key strategic partners at the last moment got an acquisition offer they could not refuse, which would terminate their relationship with the entrepreneur's company.

With this news, the entrepreneur's investors backed out, and he had one month of runway before needing to let go of 30 team members. The entrepreneur went into a state of panic, such that one day he was walking through the streets so quickly that he tripped over a chain and concussed himself.

With honest reflection, the entrepreneur acknowledged what he was most afraid of -- his reputable company failing in a relatively small New Zealand city, and him becoming the "*shame of the town*." His anxiety was making up disaster scenarios, and with further introspection, he became aware of his internal unworthiness pattern that was running the show. When he was growing up, his brother was brilliant, and he always felt like #2. His parents and community used to say to him "*you're never going to be as successful as your brother*." The failure of this company would confirm that belief.

As he felt through the pain of the past, and was willing to see how the circumstances of the present were a direct reflection of the pain that wanted to be healed within him, something amazing happened. When he stopped questioning his worthiness (no self beat up), and he

accepted that he did not have full control over the final outcome of the organization (no longer controlling the uncontrollable), his creativity unlocked and new possibilities emerged:

1. He worked with his existing investors to get a 3-month bridge loan
2. He was honest with his team, asked for their support, and they rallied to enhance their existing product to achieve better margins
3. Their existing customers enthusiastically signed up for the product enhancement, which expanded their runway another 6 months
4. This gave him enough time to close a new round, and he needed less money due to the healthier margins on the enhanced product line
5. The company is still in business today

What seemed like an impossible situation was actually a blessing. The end result was the entrepreneur began healing an innocent part of his psyche, the team developed a better product, team cohesion and trust improved, and they attracted investors who were more aligned.

NZ Investment Ecosystem: Exploring New Models

In addition to supporting an entrepreneur’s psychological and emotional development, we also recommend that New Zealand investigate different venture capital models. In our global study, we highlighted how the traditional venture capital model is contributing to the mental and emotional health challenges of entrepreneurs.

Once entrepreneurs get into the traditional cycle of:

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|--------------------------------|-------------------|-------------------|
| • Convertible/SAFE Note | • Series A | • Series D |
| | • Series B | • Etc. |
| • Seed Round | • Series C | • IPO |

They become part of a system where success milestones become closing funding rounds over meaningfully impacting the lives of customers. When entrepreneurs enter scarcity and survival mode, and they start to sacrifice the original ethos, purpose, and mission of their business to satisfy the demands of investors, this lowers their intrinsic motivation levels which then impacts their creativity and capacity to imagine the future -- the core capacity of a founder -- and

exacerbates burnout symptoms. Prior research has found that intrinsic motivation and burnout are directly correlated with one another.

For a small market like New Zealand, trying to be Silicon Valley may not be the best path forward. This does not mean that Kiwis are not capable of birthing highly scalable businesses with global market appeal, but rather, when looking at the entrepreneurial ecosystem as a whole, it may be that the majority of Kiwi businesses could benefit from alternative capital models.

For example, Luni Libes -- the founder of the social impact accelerator [Fledge](#) -- recognized the vast majority of founders in his portfolio did not want to sell their company. It dawned on him that as an investor that relies on exits, he immediately had a conflict of interest, and regardless of that conflict, the traditional venture capital model normally works for an elite group of funds (e.g. Andressen Horowitz, Sequoia, etc.) that reliably attract the big deals (e.g. Facebook, Slack, etc.).

This honest reflection led Luni to design a hybrid equity/revenue-based return model where the entrepreneurs would return a percentage of sales until their investors generated a 2-3X return, at which time half the shares would be returned to the founder's company, and the investors would maintain upside in the event of an exit. This better aligned the investor and entrepreneur to focus on generating sustainable revenues with the goal of investors achieving the benchmark VC portfolio return (2-3x) while maintaining moonshot upside.

This is just one example of a creative financing model, and there are numerous others that can be investigated when organizations like AANZ, Callaghan Innovation, NZTE and an ecosystem of investors work together.

A Hopeful Future

In summary, the psychometric data is clear -- both New Zealand and global entrepreneurs are mentally and emotionally suffering while building their businesses. There are thousands of evidenced-based studies that show how psychological and emotional suffering impacts a human's ability to make good decisions, adapt, and navigate through the inevitable ups and downs of life and work.

This brings us back to our big question:

What would happen if we dedicated the same creative, innovative, and entrepreneurial spirit used for disrupting major industries to disrupt the way entrepreneurs build companies, and the way investors fund them?

The possibilities are vast and exciting, and at the very least, these seem like worthwhile investigations, especially for a small market like New Zealand that can be an incubator for the world.

Our recommendation is that AANZ, Callaghan Innovation, NZTE and other ecosystem partners work together in collaboration to evolve the design principles of the New Zealand entrepreneurial ecosystem. Some potentials include:

1. **Guaranteed Development Budget** - Having limited partners (LP's) and/or investors set aside a guaranteed development budget for the psychological and emotional development of entrepreneurs, knowing that entrepreneurs are more likely to experience mental health challenges that can affect the success of their business.
2. **New Capital Models** - Explore new local and global capital models that serve the unique conditions of the New Zealand innovation ecosystem.
3. **Global Leadership** - By developing a strategic plan and committing to the execution of that plan, New Zealand has the opportunity to inspire the rest of the world on how to develop a thriving entrepreneurial ecosystem.

In closing, our team is utilizing our unique combination of skills to usher forward this hopeful entrepreneurial future, but we cannot do it alone. In psychology a superordinate goal refers to a goal that is worthy of completion, but requires multiple organizations to cooperate. Entrepreneur mental and emotional health is indeed a superordinate goal, and we believe this is one of the main reasons why we were recently selected for the Edmund Hillary Foundation Fellowship - to accomplish this goal in collaboration with the New Zealand ecosystem.

We look forward to taking the next step together...

With Appreciation,

The Abroad.io Research Team