



THE DARKER SIDE OF SMALL BUSINESS: HOW SMES CAN PROTECT THEIR EMOTIONAL WELLBEING

A summary of practical actions
recommended by SME industry
experts and supporters.

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Introduction

In July 2017 Bank of Queensland created its inaugural Business Balance Report, an in-depth look at the key emotional and psychological challenges encountered by Australia's two million small-to-medium enterprise (SME) owners.

SMEs have long been touted as the engine room of the Australian economy. While tens of thousands of small businesses successfully flourish each year, a significant number fail due to a multitude of factors. High on the list of challenges to overcome is the emotional strain of running a profitable enterprise, while still finding time to enjoy a happy and healthy personal life.

Starting any business is difficult as business owners must have the courage to navigate challenges unique to their business, sector and personal circumstances. While a number of concerns are addressed through support from the Federal Government, including the introduction of instant write off measures for eligible assets less than \$20,000, the elimination of \$5.8 billion in red tape, and the delivery of further tax cuts for businesses with less than \$10 million in annual turnover, there are many issues that are difficult to predict.

Regular setbacks include increased competition, staffing challenges and cash flow problems, as well as more personal and emotional challenges such as an ever-present fear of failure. Each setback often leads to psychological and emotional stressors that can impact on an SME owner's ability to excel professionally and enjoy a fulfilling personal life.

Recognising that banks have a trusted and privileged position in supporting their customers, particularly small business clients, BOQ made the decision to take a leading role in this discussion by identifying the common pressure points for business owners and speaking to sector experts to determine what can be done to relieve these strains.

This report seeks to support small business owners by discussing the common issues experienced in running a small business, while also identifying practical actions that can be taken to minimise these issues.

Our panel of experts

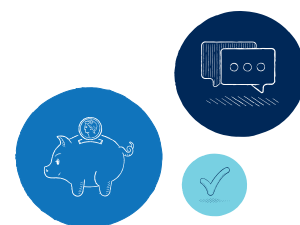
Contributing to these recommendations are SME-industry experts and supporters including:

Stephanie Thompson, Corporate Psychologist and founder of Insight Matters

Tony Simmonds, small business owner and co-founder of JetBlack Australia

Anne Scott, Principal Advisor of Small Business at the Australian Small Business and Family Enterprise Ombudsman

Greg Pink, Head of SME at Bank of Queensland



Problem Statement: How can SMEs protect their wellbeing?

Mental health in the workplace

The link between mental health and the world of work is nothing new. Over the past decade, it is a topic that has been well-documented as businesses and mental health organisations strive to improve employee wellbeing and productivity.

As far back as 2009, a study into stigma reduction in the workplace found that despite close to half (43%) of managers agreeing that depression was a topic suitable for discussion in the workplace, only a quarter had received any organizational training on mental health issues, and a third had a clear policy on mental health. There is clearly work to be done to close the gap between talking the talk and walking the walk.

While many workplaces have evolved their approach to mental health since then, there is still a long way to go. According to a 2014 research paper by Heads Up, an initiative created by Beyond Blue and the Mentally Healthy Workplace Alliance, nine out of 10 Australian employees agreed that mentally healthy workplaces are important, however only half of those surveyed said their workplace fell into that category. Moreover, as recently as this year, research by Beyond Blue found that mental health at work remains a taboo subject, with employees less likely to disclose if they are experiencing depression or anxiety for fear of jeopardising their career opportunities.

Darker side of small business

Interestingly, despite this extensive discussion on employees' mental health, there has been surprisingly little research into the emotional wellbeing of business owners who, it could be argued, are the most at risk of developing mental health problems.

Acknowledging that this issue was deserving of further investigation, Bank of Queensland developed a research framework which included quantitative and qualitative research among more than 500 SME owners in May and June, and held in-depth discussions with industry experts in July.

Key findings from the research included:

- More than one in 10 (12%) SME owners in Australia have been diagnosed with depression, stress or anxiety due to the emotional and psychological strains of running a small business.
- Despite this, almost half (41%) said they'd be unlikely to talk to someone about their business difficulties.
- Most common manifestations of these strains are sleep issues (35%), constant fatigue (21%) and feeling distanced from friends and family (15%).
- More than one in 10 regretted starting their own business due to the emotional pressure
- Of those who are prepared to reach out for help, the majority (61%) would choose to speak with a spouse or family member rather than a psychologist or counsellor (25%), while almost half (47%) would look to an accountant or banking advisor.

These findings provide valuable insight into the emotional challenges faced by SME owners and the sector as a whole.



**What actions
can SMEs take to
reduce the strain of
running their own
business?**

¹ <https://bmcpublihealth.biomedcentral.com/articles/10.1186/1471-2458-9-239>

² <https://www.headsup.org.au/docs/default-source/resources/bl1270-report---tms-the-state-of-mental-health-in-australian-workplaces-hr.pdf?sfvrsn=8>

³ <http://www.smh.com.au/lifestyle/health-and-wellbeing/when-to-take-a-mental-health-day-20170612-gwp6fm.html>

Key Issues

To better understand how SME owners can relieve the emotional pressure built up from running a small business, this paper explores two central issues that are contributing to the SME stress identified through the BOQ Business Balance report.

Top three pressure points for SMEs surveyed were listed as having to manage business cash-flow and finances, trying to manage a healthy work/life, and being in debt.

Day-to-day finance management

The BOQ Business Balance Report research shows that a number of factors are contributing to the emotional strain faced by SME owners, including lack of business acumen, cash flow pressures and dispute resolution complications.

While more than half (57%) SMEs started their business because they wanted to work for themselves, many may not have understood the day to day administration involved with running a business.

For instance, Cash-flow and the management of business finances were rated as the biggest cause for concern for SME owners suggesting that managing business issues outside their expertise can have a big impact. Only 9% of Small Business Owners said they didn't experience any form of work-related stress, further highlighting the common strain felt by SMEs when stepping outside of their comfort zone.

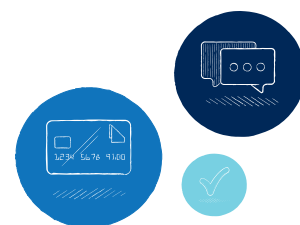
Unlike larger organisations where tasks involving HR, admin and finance can be the responsibility of separate departments, many SME owners do not have dedicated staff to service these needs.

The flow on impact of late payments

Cash flow is a significant cause for concern for SMEs with research from the Financial Ombudsman revealing three quarters of respondents have suffered serious mental trauma as a consequence of chasing late payments. This issues resonates with our experts with Stephanie Thompson saying that anxiety over paying suppliers and staff can send business owners into a state of emotional and mental paralysis, while Scott believes small business owners are more inclined to suffer in silence rather than air their cash flow woes which only exacerbates their emotional distress.

Disputes with suppliers or clients can be emotionally taxing for small business owners, not least because there is a tendency for them to attempt to deal with it alone. Anne Scott explains that often by the time small business owners have contacted the Financial Ombudsman to escalate a problem, they have actually been dealing with it for some time without support, largely because they don't know where to go or are reluctant to ask for it. As a result, small business owners in this position can be emotionally traumatised because of the pressure they are under and inability to solve the issue themselves.

Small Business banking specialist, Greg Pink explains that in changing the mentality about how to pay and when to pay can also be beneficial and proposes small business owners consider a reverse approach of paying suppliers earlier whenever circumstances allow. This distinction strengthens relationships with trusted and long term suppliers, turning these businesses into supporters who can be called on to provide flexible terms, if and when needed down the track.



Reluctant to ask for help

While many SME owners may recognise when they are under pressure, the BOQ Business Balance report found that more than a third are unlikely to discuss the emotional strains. For those small business owners who aren't asking for help, many may be unable to recognise when it is needed, or are deterred by the stigma associated with seeking help.

Stephanie Thompson understands the resistance small business owners initially feel when asking for help, noting that it is only after experiencing an emotional crash and receiving the help they need, that they are able to recognise the signs of emotional distress, and see the value in getting support. The older generations are also more commonly resistant to seeking help and there is often a lack of awareness among SMEs and their supporters which makes identifying the early signs difficult.

Comment from Stephanie Thompson, Corporate Psychologist and founder of Insight Matters

"Many people who decide to start a business are highly skilled in a particular speciality, but they underestimate the emotional impact that comes from trying to bend their character to perform so many unfamiliar yet business-critical roles. As well as a specialist, they're an administrator, accountant, sales person, strategist and lackey.

If small business owners do make it through the initial start-up phase, they start employing staff, which can feel like a mixed blessing because the focus then shifts away from their specialty and towards ensuring enough money comes in each month to pay their staff. The requirement to make payroll trumps everything else and, as a result, many owners deny themselves essentials like proper wages, rest, exercise or family time."

Recommendations

Throughout the discussion, common issues and experiences relating to small business owner challenges emerged. The following list outlines the key, actionable recommendations that in the eyes of our experts, would be of significant assistance to small business owners experiencing emotional strain.

1. Recognise your own limitations and enlist an expert to fill the gaps

Talk to a trusted business advisor about what you are most concerned about instead of trying to manage it on your own. Seek out a business advisor or banking specialist that genuinely wants to understand your business and operations so that they can be called on to help you address these concerns. Workshop solutions with your team of advisors to produce better outcomes and minimise stress.

2. Expand your business networks to include people outside your expertise

Avoid isolating yourself by joining networking groups, professional social networking tools such as Linked In, developing relationships with peers and other business owners, and seeking out mentors to provide informal guidance in areas where you may not be as proficient. Communicate, share ideas, challenges and strategies.



3. Take advantage of existing support systems

A little research can make a significant difference. Look to other organisations designed to make your life as a business owner easier. Familiarise yourself with the remit of the Financial Ombudsman and take some time to review government websites and online resources. Understanding what is available will be of huge benefit during times of strain so that you may call on them if and when the situation arises.

4. Treat your banking advisor(s) and investors as your partners

Seek advisors who have the desire and the time to understand your business. Involve them in the problem-solving process and consider them as an extended team so that you can work through issues together. Be transparent at all times instead of trying to carry the load on your own.

5. Seek support early to avoid issues becoming unmanageable

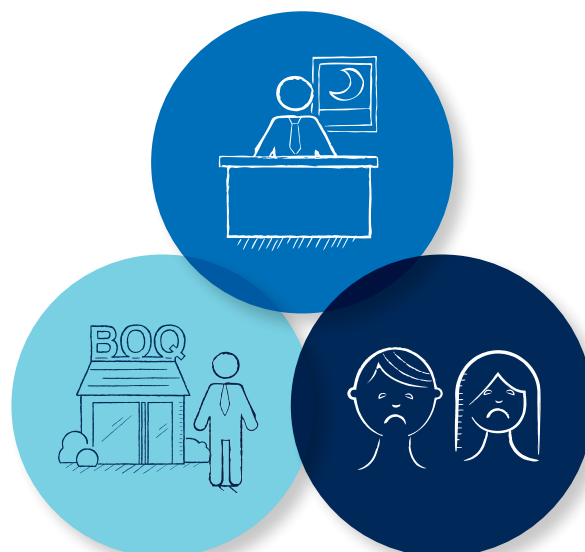
Recognise what you don't know and seek support sooner rather than later. This goes for business-specific issues such as cash-flow and disputes, as well as mental health issues. Part of running a successful business is knowing when you can do something yourself - and when it's time to ask for help.

6. Look after your physical wellbeing and personal relationships

Nurturing your personal relationships and friendships, while also investing time in cultivating your personal support network, will see you through the hard times and better equip you to cope with difficult periods at work. Put additional effort into staying fit and healthy will also support your mental health during challenging times.

Comment from Tony Simmonds, Co-Founder and Managing Director of JetBlack Australia

"Running a business brings a host of challenges, and I've certainly experienced personal lows where my wellbeing has been negatively impacted by business issues. In the early days, the pressure to make JetBlack Australia a success meant I put many hours into work and sacrificed family time which significantly affected my marriage."



Support Mechanisms

While our experts have outlined specific actions “dos” or actions that can be taken to address common emotional issues affecting small business owners, the following longer-term support mechanisms should not be overlooked. Whether government administered, industry run or a purely personal support network, it is important SMEs recognise the value these mechanisms can have longer term.

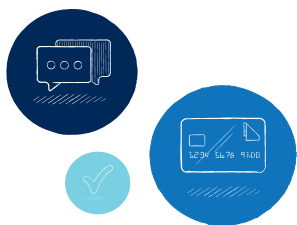
For example, a consistent effort to connect and build relationships with peers, advisors and personal contacts will reduce strain during times of stress.

- Professional business advisors.** Simmonds advocates a transparent working relationship with your business advisors, calling on their expertise to help guide you through more challenging periods. “As we’ve faced personal challenges, we’ve had financial partners that aren’t just supplying us with financial services - we see them as our business partners. That was really a great stress reliever to have someone that understands what you’re going through and who can support you on that journey.” Maintaining a team dynamic and dialogue is the key to alleviating stress according to Simmonds, who recommends talking to financial partners about “the good, bad and ugly” and seeing your venture as a partnership. In this way it’s possible to collectively strategise the best way to overcome any future obstacles.
- Government organisations and education materials.** Business owners are encouraged to reach out to organisations like the Financial Ombudsman for support on a range of issues. Scott explained: “One of the issues for small businesses is the complexity and myriad of government and private sector things that you can access, [which can be] very difficult to navigate. What we do is [get an understanding of] what your issue is and we can either handle that issue directly for you, by contacting a business you have got trouble with, or we can also talk to government departments and find out if there’s something we can do to make your situation better. We also put you in touch with other organisations who can help you deal with an issue.”
- Executive and business coaches.** Our experts advocate for the value of working with corporate psychologists who specialise in workplace coaching and are experienced in guiding individuals through emotionally taxing periods. Thompson acknowledged the reluctance among many entrepreneurs to seek help from a mental health professional, saying: “I encourage people to think of it as just like getting any other kind of professional assistance. You’re seeking out the appropriate expertise.”
- Colleagues, peers and mentors.** Scott recommends joining relevant business groups and organisations in order to build your support networks: “Joining Chambers of Commerce or industry associations gives you an opportunity to share your problems, talk to other businesses, find out what’s available and where to get advice.” It’s also a platform to share ideas and learn from peers’ failures and successes. Simmonds encourages business owners to invest in building informal support networks with other likeminded entrepreneurs: “It’s great to sit down and, within a confidential circle, talk about how the month’s been and bounce ideas, support, and encouragement.”

Thompson advises that cultivating a range of business mentors can have additional benefits.

“They can provide guidance and can understand and pick up the danger signs. They can say if you need a formal coach to provide strategic solutions, or just moral support guiding a culture aspect of the business.”

- Personal relationships.** From his experience, Simmonds recognises the importance of calling on family and friends for support during tough times and not suffering in silence.



Conclusion

It's clear that in deciding to build and manage their own business Australia's SMEs must overcome a number of common challenges, such as cash flow and administration concerns, which often lead to difficulties of a more personal and psychological nature.

We know that close to half of small business owners surveyed from BOQ's Business Balance report say they look to their accountant or banking advisor for advice, highlighting the important role banks play in supporting the sector.

With such a significant proportion looking to their financial institutions for guidance, reinforces the importance of the considered advice from specialists who have committed to establishing deep knowledge of both the small business requiring support, as well as significant sector and industry knowledge.

In discussing BOQ's Business Balance report findings, a number of practical actions were recommended by the panel to help minimise common causes of emotional strain. Ultimately, the resounding message from our SME experts is that support is available and that help should be sought early. Unfortunately, this recommendation may be particularly difficult to put into practice due to the common perception by many SME owners that asking for help is an admission of failure. This perception must be normalised and overcome by open discussion between SME owners and their supporters for the greater benefit of the SME sector.

With over 60% of its branch network owned by Owner-Managers, BOQ understands the struggles faced by Australian SMEs and is a committed supporter of the segment. Together with its panel of experts, BOQ seeks to support small business owners by building greater awareness of the common issues faced, sharing knowledge and valuable recommendations from industry experts, and working with SME supporters to overcome the stigma of asking for help.

Comment from Tony Simmonds, Co-Founder and Managing Director of JetBlack Australia

"As an entrepreneur you're always projecting an attitude of success, so for owners to put up their hand and admit they need help can be quite an obstacle."

Further Information

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