



ALIGNED DECISION-MAKING:

PREPARING ENTREPRENEURIAL COMPANIES
FOR AI SUCCESS

By Michael DeVenney



Entrepreneurship is an exhilarating yet demanding journey, especially in Canada where micro, small, and medium-sized enterprises (MSMEs) are the backbone of the economy. Approximately 63.8% of Canada's workforce is employed by entrepreneur-owned companies, with workplaces are dynamic, innovative, and energetic.

Despite their crucial role, these businesses face significant productivity challenges, compounded by high turnover rates and shorter employee tenure creating a lack of readiness for capturing the greatest opportunity of our time – integrating AI into businesses.

AI and advanced technologies hold the potential for Canadian businesses to close the productivity gap and capture the opportunity of operational efficiencies, enhanced customer experience, and open new revenue streams.

KEY QUESTION

The answer lies in understanding how entrepreneurs can transform their work habits and team dynamics to foster a more resilient, high-performing business environment.



There are problems to resolve for entrepreneurs to place their attention on the seemingly steep upward road ahead.

For most entrepreneurs in Canada, their companies struggle to achieve 42% of their financial and operational performance potential. The average annual growth rate for entrepreneurial companies being 3.2%, with only 10% achieving more than ten percent in annual growth over three years. The result is that only 2% of small businesses grow to become large businesses, about a tenth of the performance experienced in other advanced economies.

And they know it – with 72% of business owners questioning if they are getting what they want from their companies, into which they invest so much time, energy, and money.

What is holding Canadian entrepreneurs back from achieving the potential they want?

Where to start?

First, there is the productivity issue. Canada's MSMEs are experiencing a widening productivity gap, nearly \$16,000 less per person annually compared to their counterparts in other countries. Over the past five years, annual productivity per worker has declined by \$6,000 – companies continue to lose ground.

This gap strains competitiveness and profitability, making it harder to attract and retain talent. And this leads to a second onerous problem for entrepreneurial companies. With a turnover rate of 25% (almost double the national average for all employers) and an average employee tenure of just two years, (less than half that of other organizations), MSMEs face instability that hampers long-term growth and operational efficiency.

Entrepreneurs work long hours and commit incredible passion and purpose into their businesses – yet, the return on their investment is not higher.

Integrating the advantages of AI solutions and other advanced technologies, such as robotics, offers the opportunity to amplify productivity by a five-times multiple. This would make Canadian entrepreneurial companies excel on the world stage. And Canada has many of the leading innovators in AI in the country – the capability is here.

But Canadian MSMEs do not innovate at the rate of companies in other advanced economies nor do they invest in training and development for their staff at the same levels. Therein lies the challenge with productivity and turnover.

A third challenge steps into focus – the lack of strategic alignment for entrepreneurial companies to achieve the payoff from long-term initiatives. Entrepreneurs' attention is focused on the short term.

Entrepreneurs emphasize tactical actions to build on strengths with a past-based orientation to preserving success. This attention is on the present and execution. Although executing on plans is essential for growth, the excessive emphasis on the short-term loses sight of testing new opportunities through innovation and a strategic perspective to scaling businesses.

The short-term attention creates a significant challenge for entrepreneurial companies with preparing and being ready for applying AI solutions. Only 8% of companies have a strategy for integrating AI into their businesses, and 56% of business owners doubt their success in this endeavor. Additionally, there is a pressing need for reskilling and upskilling, with 56% of the workforce requiring training to implement AI solutions. However, only 6% of companies are investing in the necessary training and development.

This misalignment extends to the workforce, where there is a widespread lack of confidence in leadership decisions. As a result, 45% of employees are not engaging with the direction being set, creating a strong resistance to change. This overall lack of strategic alignment hampers productivity, innovation, and readiness for future opportunities like AI integration.

Despite the energy and effort invested by leaders, the three critical challenges facing MSMEs result in only 20% of companies being able to outperform, even in the best of times. When we experience times of turbulence and uncertainty, that number drops to just 12%.

And the pressures of these challenges shape the entrepreneurial mindset, a further factor in supporting business growth and accessing new technologies.

The Three Truths of Entrepreneurs

Working as an entrepreneur offers a unique and challenging experience that requires understanding the deep personal connection owners have with their businesses.

Here are three truths that shape the entrepreneurial work experience and their response to decision-making.

1. Personal Investment: Entrepreneurs often see their business as an extension of themselves, intertwining their personal identity with the company's success and failures. More than 90% of business owners tie their sense of worth to the business's performance. This personal investment means that every triumph and setback is felt deeply, influencing their mood, decisions, and interactions with their teams and workforces.

2. Constant Change: A significant majority of entrepreneurs, around 72%, do not feel they are achieving their desired outcomes from their businesses. This dissatisfaction drives a relentless pursuit of improvement and innovation, leading to constant shifts in priorities and strategies.

3. High Stress Levels: Entrepreneurs operate under immense pressure, which persists even when the business is performing well. About 63% of entrepreneurs experience mental health challenges during their business ownership, affecting their decision-making and overall well-being.

These three truths—personal investment, constant change, and high stress levels—profoundly impact how entrepreneurs approach decisions to position and grow their businesses.





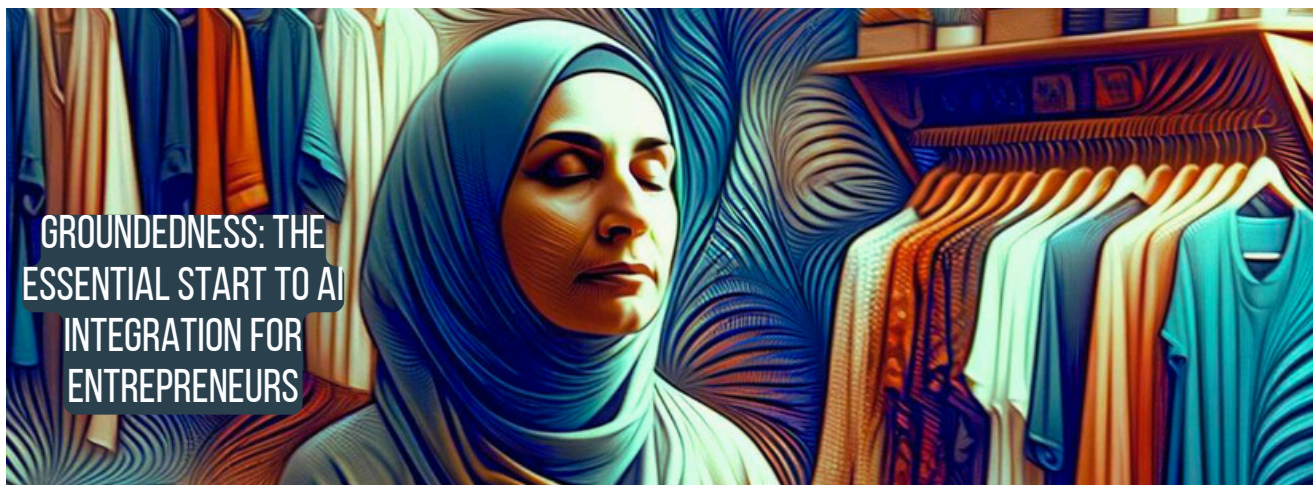
The intense personal connection can lead entrepreneurs to make decisions driven by emotional factors rather than purely rational analysis. They are likely to take calculated risks and strive for excellence, as their self-worth is closely linked to their business's success. However, this can also result in overly cautious behavior when faced with potential failures, potentially stalling innovation and growth.

With entrepreneurs often in a state of perpetual adaptation, continually looking for new opportunities and ways to optimize their operations, the seemingly constant change requires a high degree of flexibility and willingness to pivot quickly. While this can lead to breakthrough innovations and keeping the business agile and competitive, it can also create instability within the organization. Employees may struggle to keep up with the frequent changes, leading to decreased morale and productivity if not managed carefully.

The high-stress environment can lead to burnout and poor decision-making, as constant pressure takes a toll on mental clarity and emotional stability. Stress can cause entrepreneurs to become reactive rather than proactive, making decisions based on immediate crises rather than long-term strategic planning. This can hinder the business's ability to grow sustainably and may lead to a toxic work culture that further exacerbates employee turnover and dissatisfaction.

These three truths—personal investment, constant change, and high stress levels—profoundly impact how entrepreneurs approach decisions to position and grow their businesses. Recognizing and addressing these factors is crucial for entrepreneurs to make more balanced, strategic decisions that foster sustainable growth and a healthy work environment. By understanding the emotional and psychological influences on their decision-making, entrepreneurs can better navigate the complexities of business ownership, leading to more effective and resilient organizations.

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Why Groundedness is Essential

Before entrepreneurs can embark on the complex journey of AI integration, it is crucial to first manage their stress and become more grounded. Groundedness provides the mental clarity, emotional stability, and resilience needed to make sound strategic decisions. Without this foundation, the pressures and uncertainties of implementing new technologies can lead to reactive, short-sighted decisions that undermine long-term success.

The Concept of Groundedness

Groundedness, as defined by Brad Stulberg in "The Practice of Groundedness," is the practice of cultivating mental and emotional stability through presence, patience, vulnerability, community, acceptance, and a focus on long-term values. It involves prioritizing being fully engaged in the moment, embracing the nonlinear nature of progress, building deep connections, and maintaining a balanced approach to ambition and fulfillment. Groundedness helps individuals navigate life's challenges with resilience and clarity, fostering enduring success and well-being.

Stulberg outlines six key principles that form the foundation of a grounded life:

- 1. Presence:** Prioritize being fully engaged in the current moment rather than fixating on productivity.
- 2. Patience:** Recognize that progress is nonlinear and cultivate the patience to navigate this journey.
- 3. Vulnerability:** Embrace vulnerability as a pathway to genuine strength and confidence.
- 4. Community:** Build deep connections with people, places, and causes to foster a sense of belonging.

5. Acceptance: Use the lens of a wise observer to clearly see and accept your current state, which helps in effectively reaching future goals.

6. Long-Term Values: Focus on long-term values and fulfillment over short-term gains.

For entrepreneurs, groundedness is essential to managing the high stress levels and constant changes inherent in running a business. By cultivating presence, entrepreneurs can make more thoughtful and deliberate decisions. Patience helps them accept the nonlinear nature of progress, reducing frustration and fostering resilience. Embracing vulnerability can enhance leadership by building trust and openness within teams. Deep community connections provide support and reduce isolation, while acceptance of their current state allows entrepreneurs to make more realistic and strategic plans. Prioritizing long-term values ensures that their efforts are sustainable and aligned with their core mission, ultimately leading to more fulfilling and enduring success.

By integrating these principles, entrepreneurs can create a stable foundation from which to navigate the complexities of AI integration and other business challenges, enhancing both personal well-being and business outcomes. This approach not only prepares them for technological advancements but also promotes a healthier, more balanced path to sustainable growth.

Essential First Step for Grounded Decision-Making

Practice Daily Mindfulness

To move toward a more grounded mental position for decision-making, entrepreneurs should start by incorporating daily mindfulness practices. This practical step involves setting aside a few minutes each day to engage in mindfulness or meditation exercises. Mindfulness helps entrepreneurs stay present, reduces stress, and enhances mental clarity, enabling them to approach decisions with a calm, focused, and balanced mindset. By grounding themselves in the present moment, they can better manage the complexities of their business environment and make more thoughtful, strategic decisions.

Exercise can be a form of mindfulness as well and combining the two may increase the impact.



The primary reason employees of entrepreneur-owned companies leave so quickly is the perceived lack of career growth and development opportunities. Despite the passion and energy of these businesses, employees often find that the dynamic and fast-paced environment lacks structured paths for advancement, leading them to seek more stable and clearly defined career trajectories elsewhere. This absence of clear progression and development plans can outweigh the initial excitement and drive them to move on to other opportunities.

Employee experience is more than engagement, it is the overall perception an employee has of the company, encompassing every interaction, from recruitment and onboarding to daily work and career development. It reflects how employees feel about their work environment, leadership, growth opportunities, and organizational culture.

Why It Matters:

1. Customer Experience: Employee experience directly influences customer experience, with 69% of the customer journey being shaped by the interactions and services provided by employees. Engaged and satisfied employees are more likely to deliver exceptional service, enhancing customer satisfaction and loyalty.

2. Bottom-Line Results: Positive employee experience leads to increased productivity, reduced turnover, and higher morale. This translates into better operational efficiency and ultimately boosts the company's profitability and growth.

3. Frontline Knowledge: Employees possess invaluable insights from their day-to-day interactions with customers and business processes. Leveraging this frontline knowledge can drive innovation and continuous improvement, supporting the company's long-term strategic goals.

The more positive the employee experience the more people will stay with a company increasing the capabilities and capacity of the business to grow.

First Step to Improve Employee Experience: Measure It

To improve employee experience, entrepreneurs must first understand it. By using objective analytics to measure employee perspectives and involvement, businesses can gain valuable insights into what their employees value and where improvements are needed.

By starting with a clear measurement of employee experience, entrepreneurs can make informed decisions that foster a positive work environment, enhance employee satisfaction, and drive overall business success.

Foster Strategic Alignment for AI Integration

Strategic misalignment is a significant barrier to growth and innovation, especially with only 58.1% alignment in many entrepreneurial businesses. Effective AI integration requires cohesive long-term initiatives.

Alignment for an entrepreneurial business is the coordination of the company's vision, strategy, and operations with its goals and values. It ensures that all team members understand and are committed to the business's priorities, creating a cohesive environment to maximize performance, productivity, and engagement.

First Step to Achieving Alignment: Define the Problem Clearly

AI is often perceived as a solution in search of a problem. Smart entrepreneurs focus on identifying the problem first to ensure that AI and other advanced technologies are applied effectively.

There first needs to be clarity of the problem to be solved, to look at the operational efficiencies, enhanced customer experience, and new revenue streams accessed through investment in AI solutions for a business.

- **Identify Core Challenges:** Conduct a thorough analysis to pinpoint the most pressing issues facing your business. This could involve productivity bottlenecks, customer service inefficiencies, or market expansion hurdles.
- **Engage Stakeholders:** Involve key team members in discussions to gain diverse perspectives on the problems at hand. This ensures a comprehensive understanding of the challenges and fosters a sense of ownership.
- **Align AI Solutions:** Once the problem is clearly defined, determine how AI and advanced technologies can address these specific issues. This targeted approach maximizes the effectiveness of AI integration and ensures that technological investments directly contribute to solving core business problems.

By starting with a clear definition of the problem, entrepreneurs can align their strategy and resources more effectively, setting the stage for successful AI integration and sustainable growth.



Achieving the AI Advantage for Entrepreneurs

How can entrepreneurs make the decisions that will lead to prepare their businesses for successful AI integration to drive sustainable growth?

Groundedness as the Foundation

Entrepreneurs face immense pressures that can cloud decision-making. Groundedness—embracing presence, patience, and community—provides the stability needed to navigate the complexities of AI integration. By reducing stress and fostering mental clarity, groundedness addresses the core issue of mental health pressures, allowing entrepreneurs to approach AI strategically rather than reactively.

Improving Employee Experience to Boost Retention and Productivity

High turnover and low productivity are often the results of a poor employee experience. Entrepreneurs can tackle this by actively measuring and improving how employees perceive their roles and growth opportunities.

Engaged employees are more productive and less likely to leave, ensuring a stable, skilled workforce ready for AI training and implementation. This not only reduces turnover but also enhances overall operational efficiency, directly addressing two significant pain points.

Strategic Alignment for Effective AI Integration

For AI to truly benefit a business, it must be aligned with clear, well-defined business goals. Entrepreneurs need to start by identifying their most pressing challenges and involving their teams in developing AI solutions that address these issues. This alignment ensures that AI is not just a trendy addition but a strategic tool that enhances productivity and supports long-term growth.

The Interconnected Approach

By grounding themselves, improving the employee experience, and fostering strategic alignment, entrepreneurs can create a resilient foundation for AI integration. This holistic approach not only mitigates turnover and enhances productivity but also reduces the mental health pressures that come with running a dynamic business. Ultimately, these steps position entrepreneurial companies to harness AI's full potential, driving sustainable growth and innovation.

KEY TAKEAWAY

Despite the passion and energy within micro, small, and medium-sized enterprises (MSMEs), a significant productivity gap persists, compounded by high turnover rates and short employee tenure. Strategic misalignment is a core issue, with only 8% of companies having a strategy for AI integration and a mere 6% investing in necessary training and development. This lack of alignment hampers productivity, innovation, and readiness for future opportunities.

Strategic Alignment: Entrepreneurs must focus on aligning their company's vision, strategy, and operations with long-term goals to effectively harness AI's potential. This involves:

- 1. Defining the Problem Clearly:** Identify core challenges such as productivity bottlenecks or customer service inefficiencies.

- 2. Engaging Stakeholders:** Involve key team members in strategic discussions to foster ownership and comprehensive understanding.

3. Aligning AI Solutions: Ensure AI investments directly address identified business problems for maximum effectiveness.

By achieving strategic alignment, entrepreneurs can create a cohesive environment that enhances performance, reduces turnover, and positions their business to leverage AI for substantial growth and innovation.

This focus on alignment directly addresses the primary hurdles of productivity and employee retention while reducing the mental health pressures on entrepreneurs, enabling them to make more strategic, long-term decisions.

Remember This:

Only 8% of companies have a strategy for integrating AI into their businesses, and 56% of business owners doubt their success in this endeavor.

Why This Matters

This statistic highlights a critical gap in strategic planning and confidence among entrepreneurs regarding AI integration. It underscores the urgent need for businesses to develop clear, actionable strategies for adopting AI technologies. Without such strategies, companies risk falling behind in productivity, innovation, and competitive advantage. Addressing this gap is essential for leveraging AI to drive sustainable growth and operational efficiencies.

By remembering this statistic, entrepreneurs can prioritize creating robust AI strategies to better position their businesses for future success and overcome the significant productivity challenges they face.

