

Nesta...

**MENTORING IN
THE CREATIVE
SECTOR:**
Industry Insights

February 2014

Nesta...

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MENTORING IN THE CREATIVE SECTOR: Industry Insights

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SUMMARY REPORT

The creative economy accounts for almost a tenth of the UK economy and employs 2.5 million people. This creative workforce grew four times faster than the workforce as a whole in the six years to 2010, and proved more resilient when the wider labour market dipped violently in 2009 (source: www.nesta.org.uk/blog/manifesto-creative-economy).

The creative industries are a key driver for economic growth and Nesta recognises the need to continue supporting these organisations. Nesta's Creative Business Mentor Network (CBMN) was designed to target founders of high-growth SMEs in creative industries. Such participants require help to further realise the growth potential of their business, but can often lack access to trusted, credible sources of advice tailored to their sector.

The CBMN was set up in 2008 and to date has mentored almost 70 businesses from the film, advertising, digital media, TV and games industries. Previous research on the programme in 2010 (see page 10) indicated that participating companies have improved business planning, vision and confidence, overhauled company structures, explored growth opportunities and in many cases profits increased as a result.

In October 2012, Nesta commissioned BOP Consulting to measure the impact the mentoring has had on the CBMN mentee businesses and a first impact report is planned for Spring 2014. BOP Consulting also carried out a wider survey of creative companies to understand how creative businesses view mentoring. They also undertook a literature review to frame both the survey and the forthcoming impact report. This publication shares some insights from the business survey and literature review in advance of the publication of the impact report.

KEY FINDINGS ON MENTORING IN THE CREATIVE SECTOR

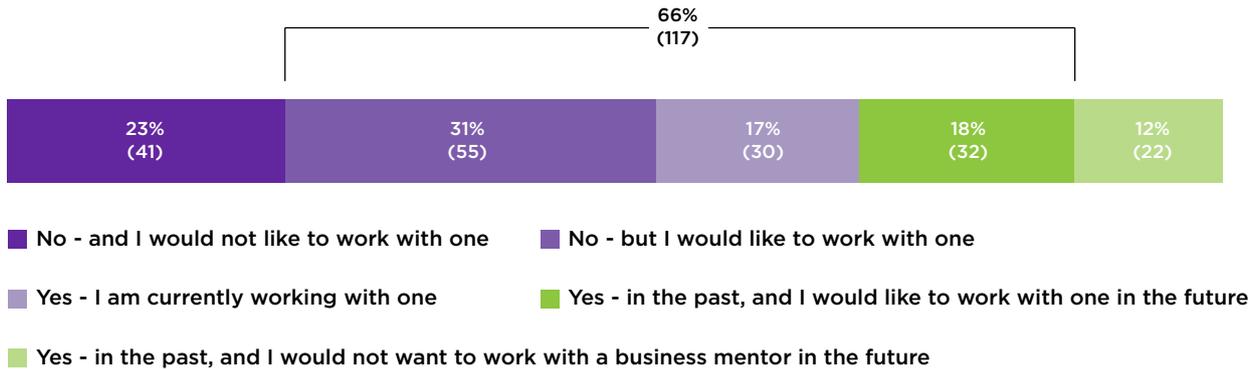
A total of 180 creative businesses were surveyed for their views on mentoring and these were drawn from business databases to match the same sub-sectors as the CBMN mentees – digital media and advertising agencies; animation, post production and computer games development and publishing; and film and TV production companies. The businesses ranged from less than two years old to more than ten years old with an average age of 8.5 years. The average turnover was just under £1.4 million and the businesses turn 26 per cent of their turnover into profit.

Key findings from the survey showed that:

DEMAND FOR BUSINESS MENTORING

There is significant demand for mentoring among creative businesses – 66 per cent of the 180 businesses surveyed were either working with a mentor or wanted to work with one in the future.

Figure 1: Have you ever worked with a business mentor?



Evidence from the literature review notes that because of their position at the head of companies, owner-managers are less able to learn from their colleagues and face heavy time pressures. Thus they need a mechanism, such as mentoring, that allows them to be able to step back and reflect.

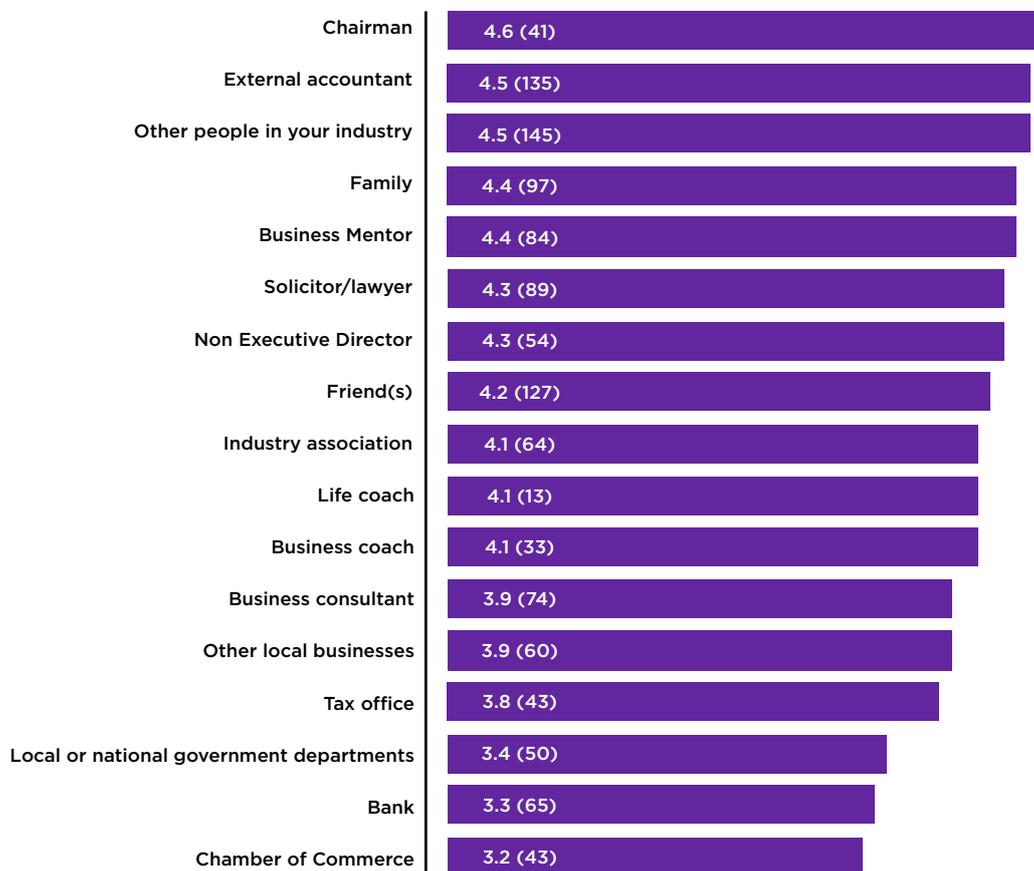
While the demand for mentoring is widespread, it is interesting to note that quite a significant proportion of businesses do not know how they would go about finding a mentor. When asked how you would go about finding a mentor, the most common response was “*recommendations from other colleagues in your industry*” at 32 per cent and the second most common response was “*I don’t know*” at 22 per cent. This is more than a fifth of the businesses surveyed who were not sure where to find a mentor.

VALUE OF ADVICE FROM A BUSINESS MENTOR

Aside from business mentors, the vast majority of businesses (96 per cent) reported drawing on other sources for advice, knowledge and guidance. Of all the sources that were drawn upon, sector specific advice came out on top, with 81 per cent of the businesses surveyed seeking advice on their business from people in their own industry. That was more than sought advice from their accountant which came next, with 71 per cent seeking advice here.

When asked how helpful these sources of advice were, it is notable that there is a high value placed on advice from a business mentor. Those surveyed ranked this advice above advice from non-executive directors and lawyers and equal to advice given from business owners' families.

Figure 2: For each of the sources that you have drawn on, how helpful was the advice that they provided? (1-Very Unhelpful, 6-Very Helpful)



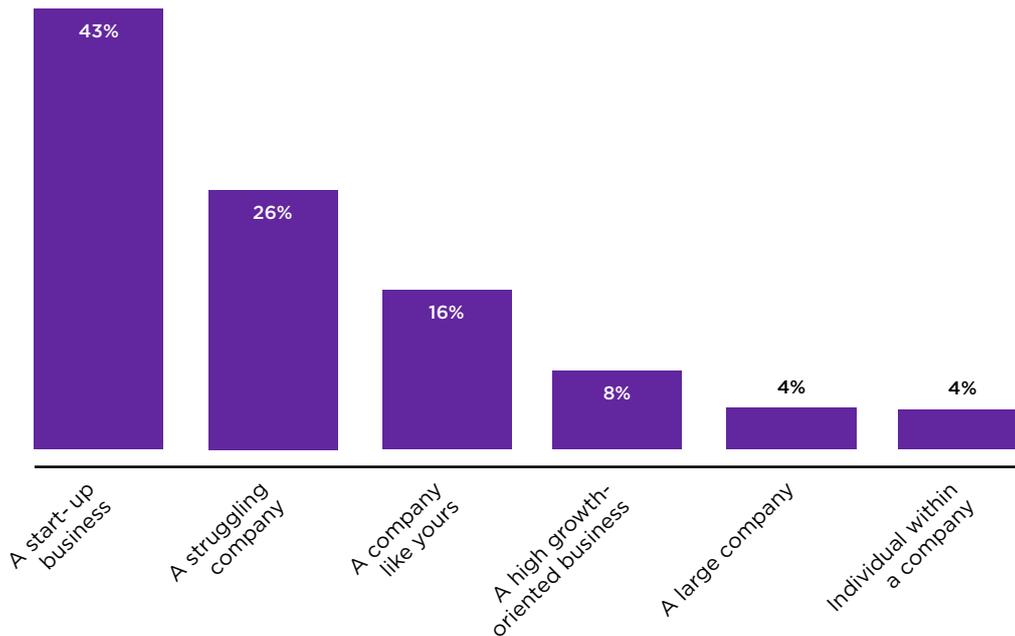
This also supports the literature review which notes that entrepreneurs have greatly differing needs and there is some evidence that careful mentoring can be more successful than generalised business support or training as it allows for the combination of experience and self learning.

Interestingly, a majority (59 per cent) of business owners indicate they would not be prepared to pay for the services of a business mentor indicating that voluntary mentoring might be the best way to encourage the take-up of mentoring across the creative sector.

TYPES OF BUSINESS WHO WOULD BENEFIT FROM MENTORING

While many see the value of mentoring, there is a perception that it is of most value to a startup. When asked who do you think a business mentor would benefit the most, 43 per cent of businesses suggested that a mentor would benefit a startup the most.

Figure 3: Who do you think a business mentor would benefit the most?

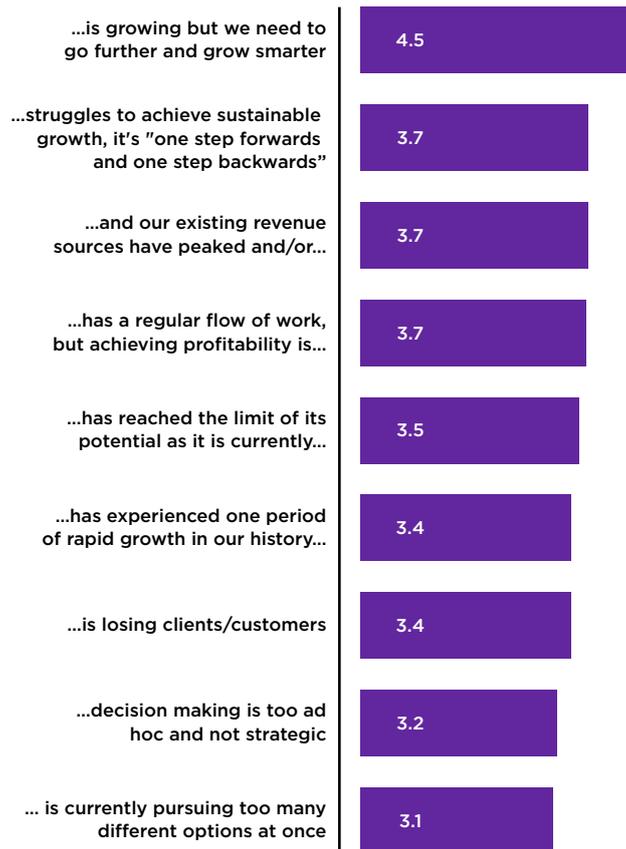


While the perception is that mentoring is of most value to startups, it is clear from research on previous participants of Nesta's mentoring programme that mentoring can also have a significant impact on companies post startup stage and can be equally valuable for established businesses who want to take their business to the next level. A challenge for the creative sector supporting these businesses is to continue to reinforce the value of mentoring for higher-growth companies beyond startup stage.

CURRENT BUSINESS CHALLENGES

The survey also explored company development issues the businesses were currently facing. Of the issues presented to them, businesses most commonly identified with ‘our business is growing but we need to go further and grow smarter’.

Figure 4: Does your business face the following issues? (1-Totally False, 6-Totally True)

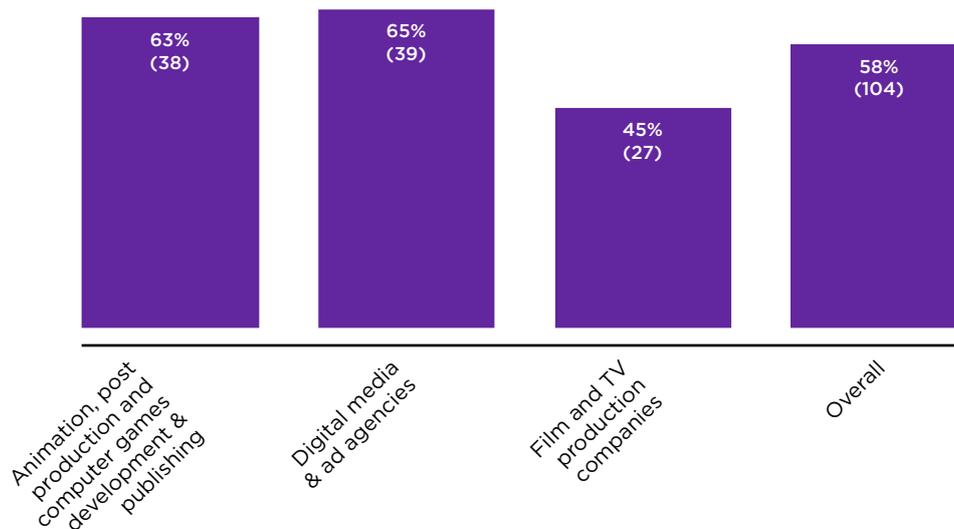


When asked to what extent they felt that mentoring could help with these issues, this most common business issue was also the one for which a mentor was considered most beneficial.

BECOMING A MENTOR

The survey also asked respondents if they would be interested in becoming a mentor. A small majority of respondents (58 per cent) said that they would consider becoming business mentors themselves. Across the sub-sectors this was at it's highest for digital media and ad agencies (65 per cent).

Figure 5: Would you ever consider becoming a business mentor?



These figures indicate a feeling that creative entrepreneurs want to put something back where they can. Those who were not interested in becoming a mentor were asked why not and predictably perhaps, the most frequently cited reason was lack of time.

WHAT NEXT ?

The views expressed by these creative businesses show that there is an appetite for mentoring across the sector and specifically mentoring and advice that is sector specific. The advice given by a business mentor is rated highly, yet some businesses were still not sure where to find a mentor. The creative industries are a key driver for economic growth and to keep it this way, the sector needs to continue supporting creative SMEs financially but also by making sure more mentors are available to provide ongoing support and to pass on valuable, sector-specific knowledge. It is vital that business skills and expertise are shared by those working in the industry.

The next stage of this study will look at the impact of mentoring on the latest group of 35 mentoring pairs participating in the Creative Business Mentor Network programme with in-depth interviews conducted at various stages of the mentoring process. This first impact report is planned for spring 2014 and will provide a robust exploration of the impact of mentoring on creative businesses.

An overview of the literature review is in Appendix 1 and full details of the survey responses in this publication are in Appendix 2.

Previous research

SQW Consulting (2010) 'Evaluation of Mentoring Pilots; A Final Evaluation Report for NESTA.' Cambridge: SQW.

NESTA and SQW Consulting (2009) 'A review of mentoring literature and best practice: Creative business mentor pilot.' London: NESTA.

APPENDICES

APPENDIX 1: MENTORING - LITERATURE REVIEW

This short literature review takes as its starting point the work undertaken by SQW, in their literature review that was conducted as part of the evaluation of the first two cohorts of businesses that participated in Nesta's creative business mentoring pilots.¹ The first three sections therefore summarise and recap key definitions and findings from the SQW report, before drawing on additional literature to further explore the following questions, in particular:

- What are the most likely benefits of mentoring?
- Beyond objective characteristics (e.g. business size, age) what makes some entrepreneurs more disposed to mentoring than others and, relatedly, what makes the mentoring relationship differentially successful with some people rather than others?
- How does mentoring fit with the lifecycle of businesses – is there an optimum time to be mentored?

Answers to these questions have been explored in the literature review as they have informed the development of the empirical methods used in the rest of the project, specifically the development of questionnaires (for both the baseline survey of the CBMN scheme and the survey of the wider cohort of 180 creative businesses). For each of the research questions that the literature raises, we outline what the resulting implications are for the programme.

2.1 What is mentoring?

The SQW research used the following definition of mentoring from The Chartered Institute of Professional Development (CIPD):

“The long-term passing on of support, guidance and advice. Also a form of apprenticeship whereby an inexperienced learner learns the tricks of the trade from an experienced colleague.”

As can be seen from this definition, mentoring is usually specific to a particular industry context, and advice and guidance is at the heart of the value that a mentor brings. These two factors separate mentoring from coaching, which is rarely industry-specific and is founded on the principle of helping the person being coached to find answers within themselves. Other dimensions of mentoring that the literature reviewed by SQW emphasised are that it:

- Is less formal and goal oriented than coaching.
- Is a close, learning relationship.
- Has both a personal and emotional dimension, as well as an organisational dimension.
- Seems to have an ideal timeframe of between six months and two years.

As the definition above implies, mentoring is a much broader approach to professional development than simply the development of entrepreneurs and businesses. In fact, the literature that focuses specifically on the mentoring of businesses (via owner-managers/entrepreneurs) constitutes a small minority of the overall mentoring literature, which is much more focused on employees and the development of individual careers.

2.2 Why business mentoring?

The question therefore arises as to why mentoring might be a useful approach for developing and supporting businesses? The evidence reviewed by SQW can be summarised as follows.

1. Need for reflection – because of their position at the head of companies, owner-managers are less able to learn from their colleagues (it's 'lonely at the top'), and face heavy (and constant) time pressures. Thus they need a mechanism that allows them to be able to step back and reflect, in order to 'see the wood for the trees', in particular to:
2. Learn from mistakes and 'critical incidents' – this has been identified as important to entrepreneurial success and, in turn, mentoring can help to facilitate the feedback loop that is required to make this happen.
3. Enable personalisation of support – entrepreneurs have greatly differing needs and there is some evidence that 'careful mentoring can be more successful than generalised business support or training as it allows for the combination of experience and self learning.' (SQW, 2009: 19).
4. Cost effectiveness – mentoring is usually, but not always, provided without charge by the mentors, though there may be a fee paid for brokering the relationship (as with the Nesta CBMN). The cost of mentoring in terms of time, however, may be more significant for the business in the short term than some more formal means of professional development, such as training.
5. Fits with entrepreneurs' 'learning styles'. Some studies support a thesis that entrepreneurs' typical learning styles fit well with the mode of learning embedded in mentoring (reflective but also learning by doing). But equally, this suggests that entrepreneurs that do not conform to the 'typical' entrepreneurial learning style may find it less useful. And in all cases, studies agree that matching the learning preferences of the mentee and the mentor is important to the success of the relationship.

Finally, SQW note that – for all of the above reasons – business mentoring approaches had latterly become more characteristic of the practice of enterprise agencies such as Scottish Enterprise and the English RDAs by the end of the 2000s, marking a move away from a 'one size fits all' approach to business support.

2.3 Why mentoring for creative businesses?

Despite the evidence of the benefits of mentoring and the increasing adoption of mentoring-type approaches by enterprise agencies, in their review of both the academic and grey literature, SQW conclude that the application of business mentoring in the creative industries is ‘not well researched’ (SQW, 2009: 19). Given the scarcity of studies, SQW instead assert that business mentoring might be particularly beneficial in the creative industries. This is based on two hypotheses:

- That the learning styles of creative entrepreneurs are especially well suited to a mentoring approach – based on research in the creative industries (Raffo et al., 2000) that outlines that creative practitioners have a preference for experiential learning, often in discursive, informal environments.
- That creative businesses do not, in general, access regular business support and generic business networks – due to creative enterprises viewing themselves as a group apart from other business sectors, with different motivations, cultures and business models.

SQW sought to test exactly how beneficial mentoring had been for the businesses in the Nesta pilot programme through the remainder of the evaluation. This is discussed in the next section, in the context of a wider analysis of the benefits of business mentoring.

2.4 What factors might business mentoring positively change?

In order to understand the potential impact of mentoring, it is important to firstly understand what factors influence business growth, before then assessing the degree to which business mentoring might positively affect these factors.

The research and evidence base on the drivers and barriers to growth within firms, particularly SMEs, is voluminous. This section therefore draws strongly on a comprehensive review of this literature that was undertaken by DTZ and Kingston University’s Business School (KU) in 2006, and updates this where relevant to reflect recent advances in the field.

The DTZ/KU study found that the field of research into the factors influencing firm growth is populated by accounts that concentrate only on a specific factor, such as the personality traits of entrepreneurs or the lifecycle of the business, rather than trying to develop an integrative model that combines all of the influencing factors. Through the literature review, DTZ/KU therefore attempt to build just such a framework (Figure 6). At its most basic, two sets of factors can be identified:

- Exogenous – factors that apply either at the industry or all economy level, such as the state of competition within an industry, the regulatory and competition regime in an industry, or overall aggregate demand and key macro economic variables such as exchange rates and interest rates, and so on.
- Endogenous – the factors that are specific to individual businesses, such as investment, skills, leadership and management, and so on.

Figure 6: Classification of business growth factors

| Endogenous/Internal Factors | Exogenous/External Factors |
|--|---|
| <ul style="list-style-type: none"> • Leadership & Management Issues (entrepreneurship, strategic direction, innovative drive, occupational background, personal objectives, family influence, concentration/dispersion of ownership, education/training, personal values/attitudes) • Innovation (related to leadership – also depends on spend on R&D and product development) • Skill Base (presence or absence of highly qualified staff, the managerial capability of the workforce, its flexibility and skills) • Physical Assets (quality and age) • Financial Situation (liquidity/capital) • System (control system, HR, finance, QA etc.) | <ul style="list-style-type: none"> • Market Demand (in the economy and the relevant industry sector) • Competitor Activity • Economic Conditions (includes complexities and uncertainties in domestic and foreign markets) • Social Trends • Environmental Issues |

Source: DTZ/KU (2006)

Clearly, having an influence on exogenous factors is outside the reach of individual SMEs, so improving the growth potential lies with the endogenous factors that are much more within the control of individual businesses and their owner-managers.

The DTZ/KU study then fleshes out the distinction between exogenous and endogenous factors, drawing on Perren's 1999 research that attempts to develop a framework with which to explain the growth of micro enterprises. In the latter study, Perren – building on previous research – brings together a set of four different types of 'independent factors', two of which are endogenous:

- Personality attributes of the owner-manager – such as attitudes to risk and success, ability to spot opportunities.
- Transferable skills and experiences of the owner-manager – including prior experience and personal contacts.

Two of which are exogenous:

- 'Stakeholder patronage' – stakeholders here referring to a wide range of actors, such as business advisors, investors, family and partners.
- External influences – a catch-all grouping that includes societal factors, state of the economy and competitive dynamics of the industry.

Perren elaborates that these groupings of independent factors interact with each other to influence what he identifies as the four ‘interim growth drivers’ of businesses:

1. Owner’s growth motivation.
2. Expertise in managing growth.
3. Resource access.
4. Demand for products or services.

The interim growth drivers are what, ultimately, determines the financial bottom line of a business, in terms of its productivity, sales and profit performance. These inter-related interim growth drivers map onto the four sets of independent factors, such that:

- The owner’s growth motivation is an outcome of their personality attributes.
- The owner-manager’s transferable skills and experiences determines their expertise in managing growth.
- Their stakeholder patronage determines their access to resources.
- External influences shape the demand for products and services.

2.4.1 Personality attributes

The DTZ/KU study then critically assesses the factors described in Perren’s model. Their starting point is that ‘the importance of the Owner in the literature is undisputed’ (DTZ/KU, 2006: 12). However, they cite a number of studies that urge caution in trying to pin the importance of the owner down to a common set of specific personality attributes (e.g. desire to succeed, attitude to risk taking) as Perren does. In particular, they cite a study (Ray, 1993) that suggests that there is no ‘ideal type’ of personality attributes – at least not at this detailed level.

What has, however, emerged consistently in more recent studies that marks out entrepreneurs’ personalities as different from employees’ personalities is a less specific personality trait – higher levels of optimism (Cassar, 2010; De Meza, 2002). Importantly this finding is not related to the actual performance of the business owners – this is a trait shared across all entrepreneurs and owners. Indeed, it has been demonstrated that entrepreneurs and the self-employed are ‘drawn from the ranks of the super-optimists’ (De Meza, 2002: 25). As to why this might be, David Storey (Storey, 2011: 310) suggests that this is because:

“Optimistic individuals are attracted into business ownership or self-employment in part because they believe that they have the necessary qualities to become highly successful. Some may achieve their aspirations – but most do not.”

Further, citing Hamilton (2000) Storey argues that given their superior levels of human capital, business owner-managers could actually earn much more as employees: ‘Persistent optimism could explain their apparent willingness to forgo higher income as an employee, if they believe that only by being a business owner can there be an opportunity for a ‘big win’. It is this that persuades these individuals to continue as a business owner’ (Storey, 2011: 310).

In this, perhaps unexpected way, optimism becomes an important resource as it appears to be what keeps entrepreneurs ‘at the table’ (in Storey’s gambling metaphor); i.e. it keeps them pursuing their goals despite the difficulties that they encounter and the likely greater personal rewards that they could achieve as an employee. In this way, optimism contributes to the ‘resilience’ of the business owner–manager.

Other critiques of certain attributes of Perren’s model show that prior education is not consistently identified as a growth influence, and that opportunity recognition is also an unreliable guide to firm growth (Storey, 2011).

2.4.2 Leadership and management capacity

What DTZ/KU focus on instead, which is rather downplayed – or at least implicit – in Perren’s model, is leadership ability. Indeed, having assessed the evidence across all the competing and interacting factors that affect business growth, they conclude that:

“Leadership is the foundation of a successful growth business – indeed [it is] the most important endogenous factor – it may not be sufficient, but it is certainly necessary for the long-term development and growth of a business.”
(DTZ/KU, 2006: 16)

DTZ/KU go on to state that two of the most important benefits of leadership are that (i) it can help firms to weather external operating conditions through making appropriate and timely business strategy decisions, and (ii) that good leadership can address endogenous weaknesses within a company, such as skills and business process. Indeed, the authors conclude that, ‘it is the most powerful catalyst for change in a business’ (DTZ/KU, 2006: 16).

Important operational dimensions of leadership that are reported by DTZ/U relate to business management and strategic planning. Additionally, DTZ/KU cite studies that highlight two further management areas that are vital to business growth: ‘money management’ and marketing.

2.4.3 Networks and relationships

Although somewhat missing from DTZ/KU’s literature review, the nature and quality of the network in which individuals and firms are located has long been identified within innovation studies as important to innovation – and therefore, potentially, also to growth. This means that a key way for an organisation to improve its innovation and growth potential is to change the network system in which it is placed (Antonelli, 2008). This is also apparent in Perren’s model, though it is expressed differently in terms of an owner–manager’s ‘stakeholder patronage’ – access to stakeholders outside the business is important in the model as they provide access to resources (financial, human) and to know-how.

In particular, innovation studies research demonstrates that networks based on ‘loose ties’ (ties with people and organisations outside firms’ daily operations) enhance companies’ search routines and increase the flow of new information into the business (Granovetter, 1973). Relatedly, people from outside the organisation – whether they are brought in as consultants, employees, board members (or mentors) – bring a fresh perspective and are often therefore better able to change established perceptions and behaviours because they are not rooted in the existing organisational culture and way of doing things (Gilbert, 2005). Finally, psychological entrepreneurship research also suggests that networks, by helping the flow of information, may also have a positive impact on the ability of entrepreneurs to spot business opportunities (Ardichvili et al., 2003).

2.4.4 Financial and organisational performance

As SQW note in their review, most literature and research on mentoring is based on personal, not business, mentoring. This means that the evidence on the quantifiable benefits to business is limited. SQW therefore based their evaluation research on studies such as Garvey and Garrett Harris' 2008 review of over 100 papers and mentoring projects, which looked both at employee and business mentoring. The studies identify a range of personal benefits that mentees derive – all of which are familiar from the discussion above of factors that contribute to 'interim growth drivers': improved skills and knowledge, greater confidence, increased job satisfaction and motivation, and the development of leadership capability.

However, the studies that they reviewed do also report further benefits to the organisations to which mentees belonged. Some of these are secondary effects of the benefits to mentored staff, in particular, reduced staff turnover through greater job satisfaction and more loyalty to employers. But others, such as job creation and 'improved business performance', represent genuine 'bottom line' economic outcomes. SQW do note, however, that the studies do not attempt to quantify these outcomes – far fewer assess how genuinely additional they are² – they simply record that they were reported by either businesses or mentors (depending on the study) as outcomes of the mentoring process.

In SQW's own assessment of the outcomes of the pilot Nesta creative business mentoring programmes (SQW, 2010), the mentored businesses reported what SQW termed 'immediate qualitative benefits', which included increases in confidence; better skills for business; improved management capacity; and increased ambition and drive to grow their businesses. Again, the research evidence demonstrates that these are important factors to have positively influenced as they contribute to interim growth drivers.

A. Implications for the research

- As business mentoring works with owner-managers, it is explicitly addressing what most research suggests is the most important endogenous factor in promoting SME growth: the leadership and management ability of owner-managers and entrepreneurs.
- A key way of improving this in many business sectors is to undertake post graduate training, particularly MBAs. However, this type of formal leadership and management qualification does not appear to be valued across the creative sector, particularly not in SMEs.
- Therefore business mentoring potentially offers a method of improving the vital area of leadership and management skills, while working 'with the grain' of the sector.
- *Research question 1:* how does business mentoring affect:
 - leadership and management capacity in particular, but also the other factors that make up the endogenous 'interim growth drivers' more generally; as well as
 - organisational and financial business performance?
- Relatedly, looking specifically at personality traits, research suggests that it is optimism, above all else, that is key to keeping entrepreneurs going. Much psychological research tends to view optimism as a relatively stable disposition, but other approaches and sub-disciplines (e.g. life coaching, Cognitive Behavioural Therapy) suggest that optimism may be a 'non-cognitive skill' that can be worked on and improved, in much the same way as self-esteem and self-confidence.

- *Research question 2:* does business mentoring make any positive (or negative) difference to the optimism level of entrepreneurs?
- One of the recurring positive benefits of mentoring within the literature is the access to relationships and contacts that can be facilitated by the mentor to the more junior mentee.
- *Research question 3:* how does business mentoring affect mentees' networks and what benefits does this bring (if any), in terms of innovation, opportunity recognition or access to resources?

2.5 Are some entrepreneurs more open to mentoring than others?

As noted above, there is a large body of literature on mentoring, but this progressively narrows as one looks for work that is particularly relevant to Nesta's CBMN programme: there is less literature on business mentoring and less still when looking for business mentoring in the creative sector. However, some hypotheses (such as SQW's) are made in the little literature that does exist as to why business mentoring might be particularly suited to entrepreneurs in the creative industries.

These hypotheses tend to focus less on basic demographics and objective characteristics of the businesses and suggest instead that it may be to do with the specific 'learning styles' of owner-managers in the creative sector. As noted above, this is a 'sub-class' of the literature that considers mentoring's appropriateness for entrepreneurs. And learning styles are important as mentoring is fundamentally a 'learning relationship'.

However, there is little more detail in the various literature beyond the initial hypothesis – that is, in terms of elucidating exactly what kinds of learning styles might be best suited to mentoring. For this reason, we have looked at some of the most well known theories on learning styles and the related and overlapping literature on 'goal orientation'. Psychological and organisational research has developed a range of models and theories for measuring learning styles and goal orientation (e.g. Kolb, 1984; Honey and Mumford, 2000; Button and Mathieu, 1996; VandeWalle, 1997).

2.5.1 Learning styles

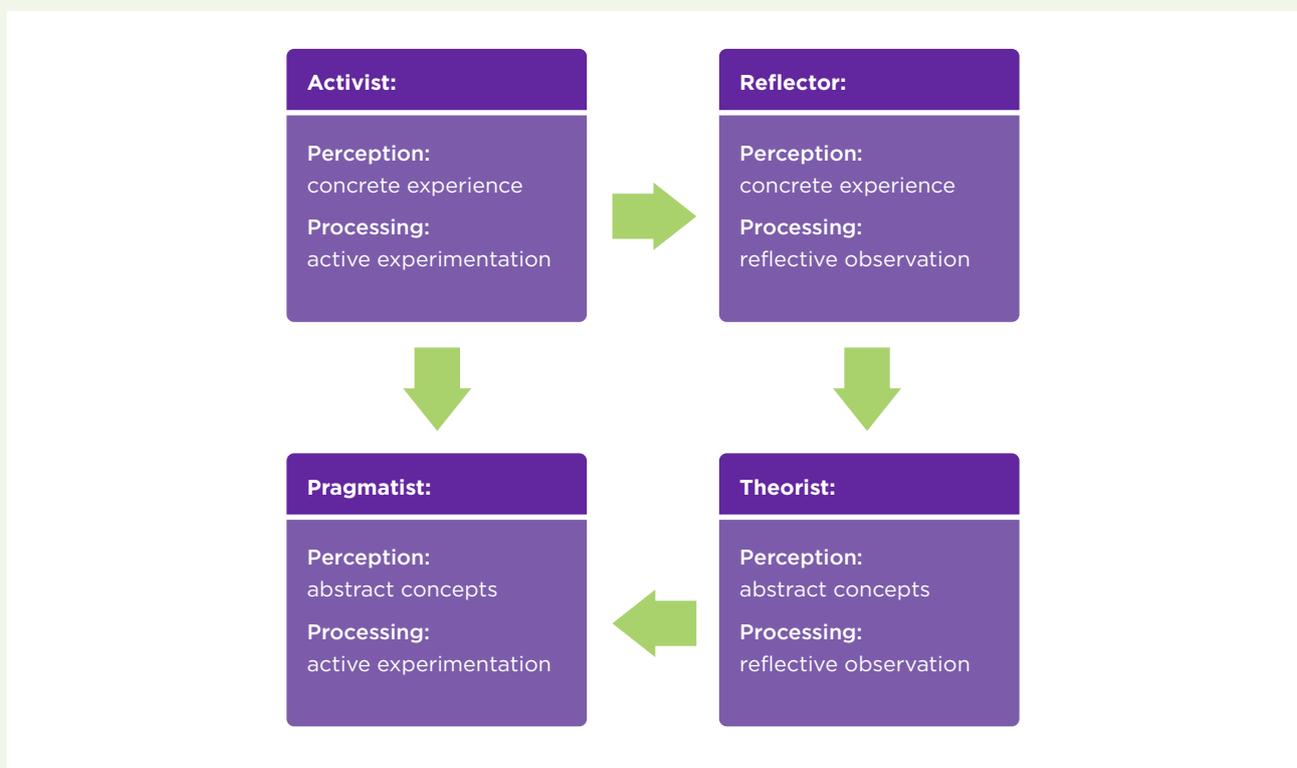
While there is an acceptance of the concept of 'learning styles' there is still disagreement on how to best to measure them (Coffield et al., 2004). One of the most well-used scales for assessing learning styles is Honey and Mumford's (2000). This builds on the pioneering work of David Kolb (1984) while refining and streamlining the concepts and measurement he devised. Honey and Mumford start with Kolb's insight that learning takes place in a cycle, but that most people are more comfortable in one part of the cycle than the others. They identify four distinct parts of the cycle – or four learning 'styles': Activist, Pragmatist, Reflector, Theorist.

Individuals with strong preferences for one or other learning style will have correspondingly different preferences for the way that they learn. For instance:

- Activists are drawn to immediate tasks but may not think about the long term. They tend to learn best by practical experimentation and experience.
- Reflectors like to observe and gather information before acting. They tend to behave cautiously but can keep the strategic vision in mind. They often prefer to learn through individual research.

- Theorists like to adapt and integrate observations into complex and logically sound theories and learn best in situations which are structured and with a clear purpose (e.g. formal training). They do less well in situations that have the opposite characteristics, and where they have to participate in situations which emphasise emotion and feelings.
- Pragmatists, on the other hand, are eager to try things out and experiment. They like concepts that can be applied to their job and they learn best where there is a link between the topic and job and where they are shown a model they can copy. They learn less well when there is no practice or guidelines on how to do it and where there is no apparent benefit to the learning.

Figure 7: Honey and Mumford's learning styles



Source: Honey and Mumford (2000)

Already from this analysis it is clear that mentoring, as a specific, experiential form of learning is likely to suit some learning styles more than others. In particular, the advice and practical guidance embodied in mentoring would seem to have an affinity with individuals whose learning style tends towards the Pragmatist, and the space it provides for reflection would also suggest that it would appeal to Reflectors. On the contrary, the informality and emotional, relationship nature of mentoring would suggest that it is least compatible with Theorists.

2.5.2 Goal orientation

The psychology literature also identifies other dispositions that may be relevant to examining how well mentoring 'fits' with different types of people. In particular, psychologists have proposed that 'the goals pursued by individuals create the framework for their interpretation and reaction to events and outcomes' (Button et al., 1996). Across the literature, two differing goal orientations have been identified:

- A *learning goal* orientation – whereby 'individuals strive to understand something new or to increase their level of competence in a given activity'; and
- A *performance goal* orientation – for which there are two types: individuals who try to demonstrate – and thereby gain positive judgements of – their competency related to a particular task; and individuals who seek to avoid negative judgements of themselves in relation to particular tasks.

As others (e.g. Godschalk et al., 2003) and Button et al., go on to state, the research suggests that these two types of goal orientation create different response patterns. Performance goal orientation tends to result in an avoidance of challenges and deterioration in performance in the face of obstacles. Those with a learning goal orientation perform oppositely. It promotes a 'mastery response' which involves seeking challenging tasks and maintaining performance under difficult circumstances, while 'when these individuals are faced with failure, they behave as though they have received useful feedback.'

Once again, it seems a reasonable hypothesis that individuals who have more of a learning goal orientation will have a greater affinity for mentoring – given that it can often include learning from past mistakes – than those with a performance goal orientation.

B. Implications for the research

- *Research question 1:* do the opinions of the wider cohort of creative businesses towards mentoring correlate with their learning style (and if so, how)? And similarly:
- *Research question 2:* as mentoring entails learning new things and facing up to sometimes difficult challenges, does the goal orientation of owner-managers affect how open they are to business mentoring?
- *Research question 3:* do the learning styles and goal orientations of the mentees appear to have an influence on how successful the mentoring process is?

2.6 How does business mentoring relate to company growth?

Moving away from the psychological research on individual entrepreneurs and owner-managers, how might a business' interest in mentoring be affected by the stage of development of the company? Are there particular identifiable points or phases of development that businesses go through that are more or less associated with an interest in mentoring?

In researching this question, it is important to start with a general understanding of the growth process within small businesses. It is worth reiterating the by now well understood concept that failure is common among SMEs and that approximately half of all new businesses close within four years of startup. However, small firm growth is actually even more difficult (and rare) than this implies when looked at in greater detail.

This is the subject of David Storey's 2011 paper, *Optimism and chance: The elephants in the entrepreneurship room*. What Storey lays out, looking back over his 30 years or more of work on small business growth, is how limited state-of-the-art research remains at explaining business growth in small firms. As he states, not only are attrition rates high for new businesses:

“Many small firms never grow in size – instead, contraction is much more typical [authors italics]. Liedholm (2002) finds that only 26 per cent of new firms ever increase their employment, so their initial size is their maximum size.”
(Storey, 2011: 303)

Put another way: almost three-quarters of surviving companies will never grow. Even when they do grow, the much sought after ‘fast growing’ SME is statistically very rare: ‘about 4 to 10 per cent of the population of firms, depending on the definitions used.’ (Storey, 2011: 303).

Further, even where growth does occur, Storey shows in research drawn from both Cambridge (Garnsey and Heffernan, 2005) and Sweden (Delmar et al., 2003), that small firm growth is discontinuous. For instance, for SMEs that do grow, the most likely pattern is a one-off growth spurt, related to a particular product or market context which is not repeated thereafter (Delmar et al., 2003). Other growing firms experience periods of consolidation and retrenchment amidst growth spells. These growth patterns become more volatile still when looked at in finer grain. From the analysis of individual six-month periods:

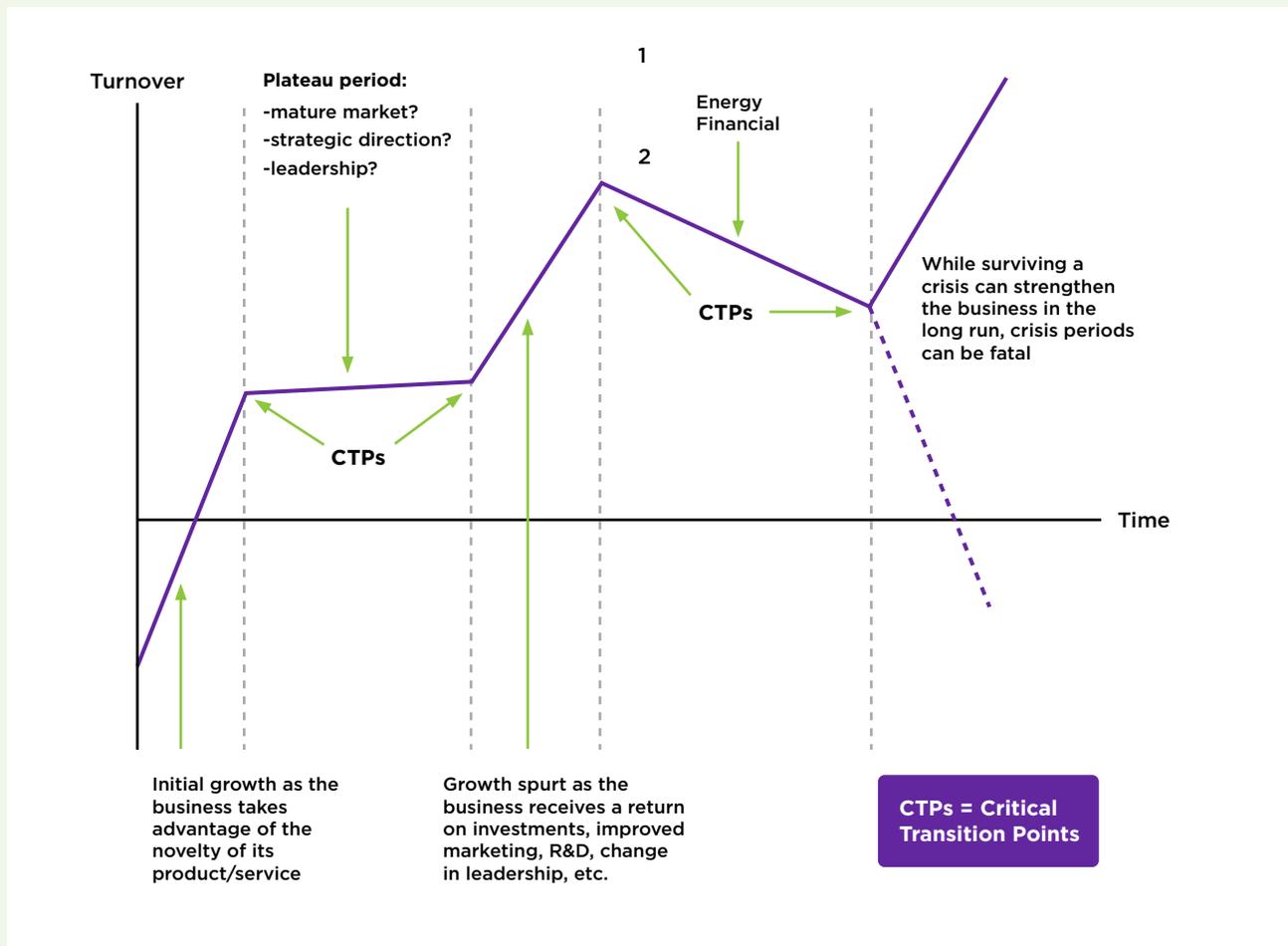
“A surviving new business has a 53 per cent chance of growing and a 47 per cent chance of declining. Furthermore, growth in one six month period has almost no influence on increases or decreases in the next six months.”
(Frankish et al., 2010, quoted in Storey, 2011: 303)

Storey's 2011 paper regarding the dangers and discontinuities of small firm growth builds on his and others' earlier work. In 2006, DTZ/KU drew on this previous work to come to very similar conclusions about small firm growth, stating that it is ‘often characterised by sporadic, short-lived growth spurts, which are separated by relatively long periods of sluggish performance or even decline’ (DTZ/KU, 2006: 31). They use the term ‘critical transition points’ to describe the moments where discontinuous growth is manifest and where business fortunes change for the better or worse (see Figure 8).

Key to successfully navigating these transition points is again the ability of owner-managers (and the wider business) to:

- Constantly scan the horizon to try and spot sudden/unexpected changes in the market.
- Manoeuvre and adjust the business accordingly – Storey likens this flexibility and responsiveness to that of a surfer, with the ability of change being particularly important ‘given the inability of managers to create accurate market forecasts’ (DTZ/KU, 2006: 32, paraphrasing Storey, 1998).

Figure 8: The non-linearity of business growth



Source: DTZ/KU (2006)

Finally, David Storey's most recent 2011 work contains a challenge to the rest of the relevant research community. This challenge is two-fold:

- Any theory of small business growth must start from the empirical evidence that growth is both rare and discontinuous – this suggests that contingency and chance plays a greater role in the outcome of individual firms than has previously been thought.
- Relatedly, research needs to be more humble and realistic as to the 'science' of their explanations for small firm growth: for even the best quantitative models, 'their explanatory power is frequently very low and not specified (Barringer et al., 2005). Where they are specified, analyses by Coad (2009) indicate that they rarely exceed 15 per cent.' (Storey, 2011: 309–10). Further, as Storey points out, this is 'the wrong test' – in that the models work on backcast data rather than having any predictive, forecasting power.

C. Implications for the research

- *Research question 1:* are attitudes to mentoring correlated to growth spurts, to 'flatlining' and consolidation, or to declining revenues and markets and/or the perception of various kinds of threat?
- *Research question 2:* can mentoring help businesses to become better at 'surfing' – to become better at scanning the external operating environment and being more flexible and responsive?
- *Research question 3:* if businesses find themselves at a 'critical transition point', how does mentoring help them through it in ways that improve upon how they would have otherwise handled it?

APPENDIX 2: SAMPLE SURVEY AND RESPONSES

Figure 9: When was your company established?

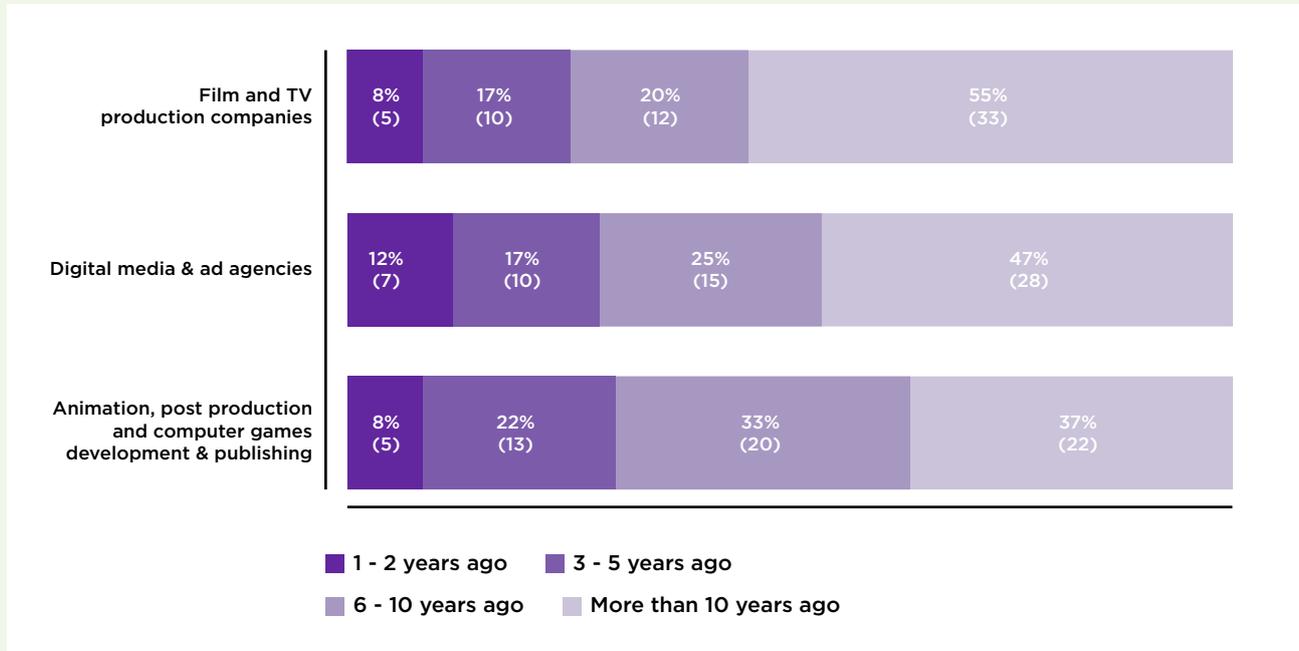


Figure 10: How many people manage or run the business?

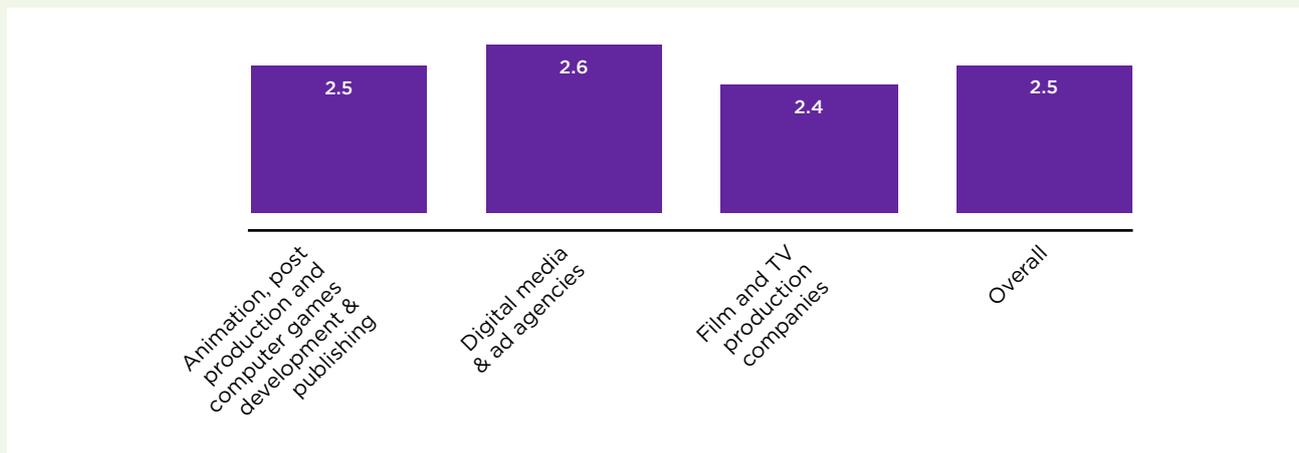


Figure 11: Do you undertake regular business planning (YES)?

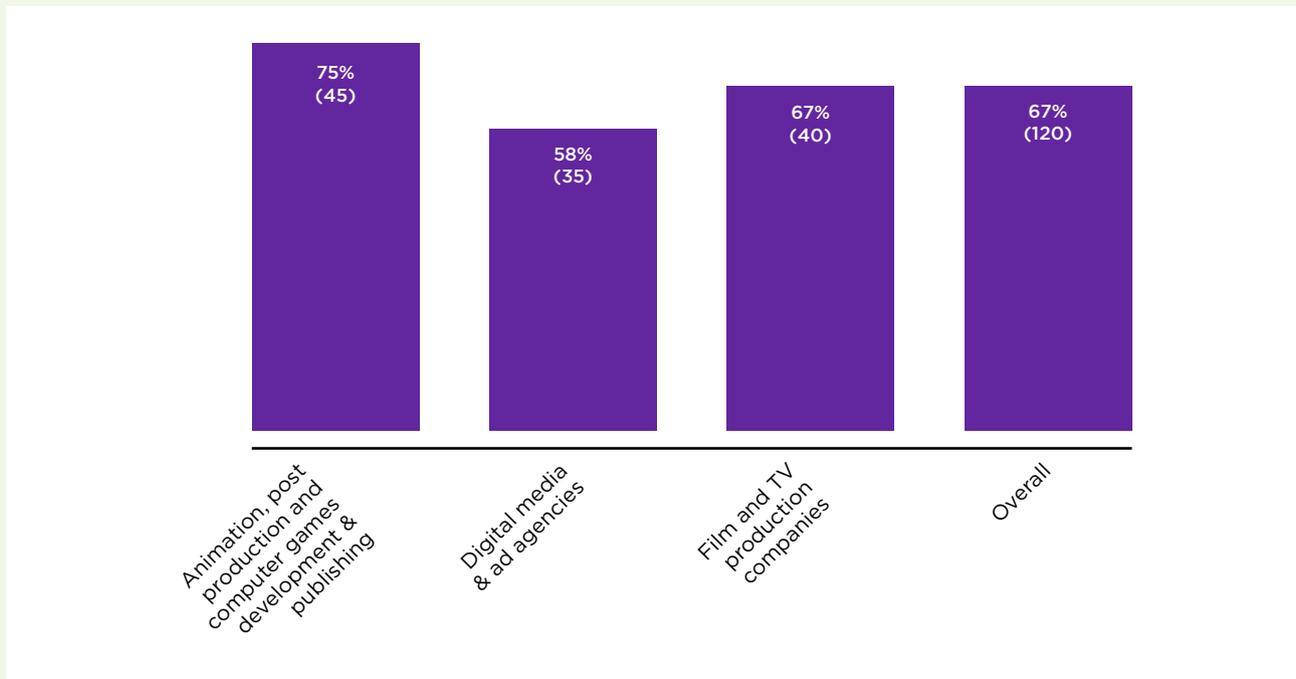


Figure 12: Number of times that business planning takes place per year

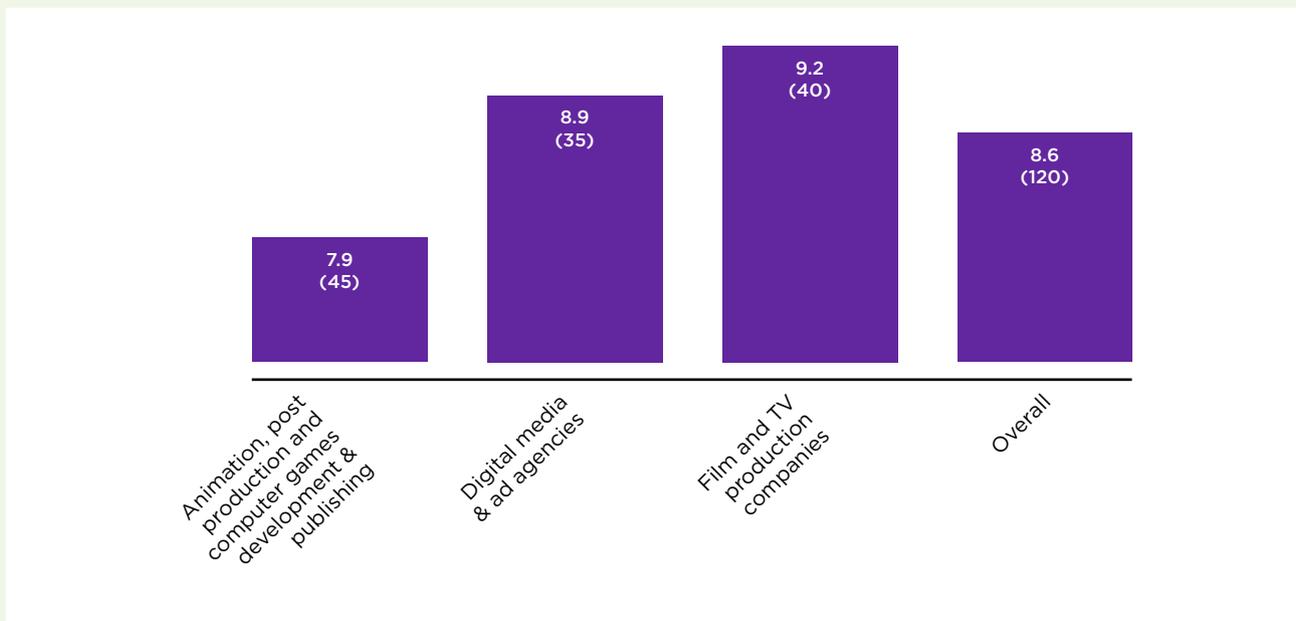


Figure 13: About your main goal orientation

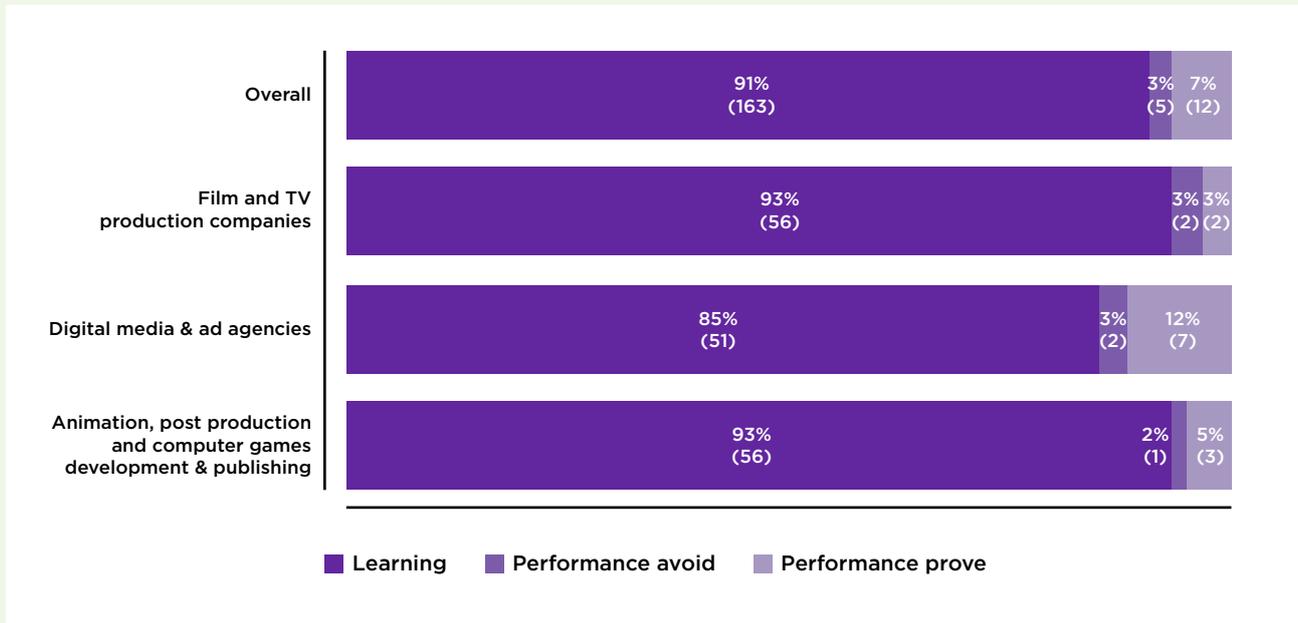


Figure 14: Main learning style

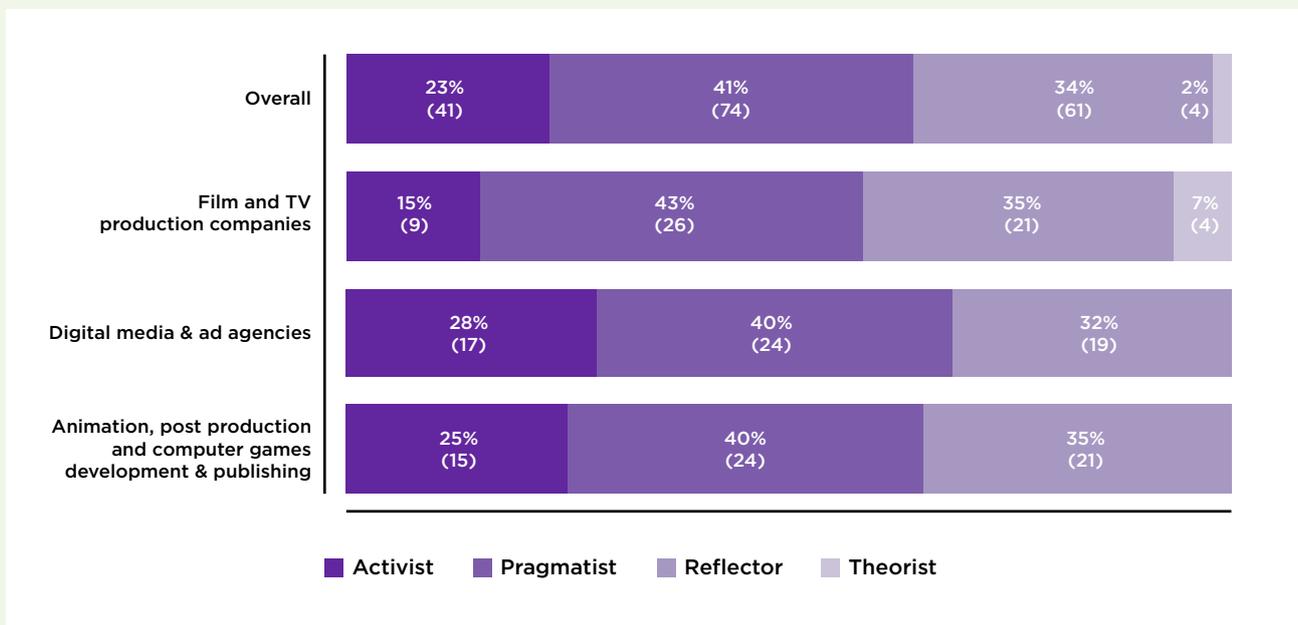


Figure 15: Have you ever worked with a business mentor?

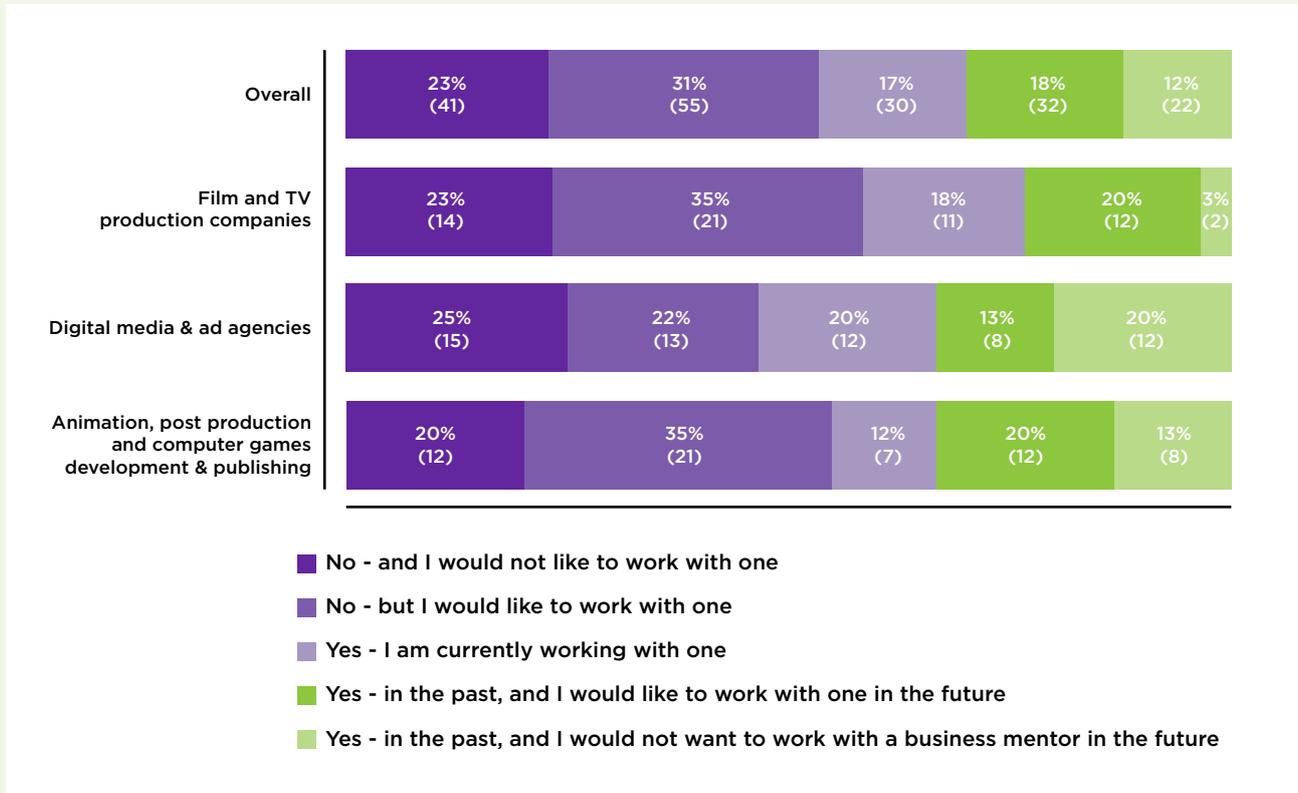


Figure 16: Who do you think a business mentor would benefit the most?

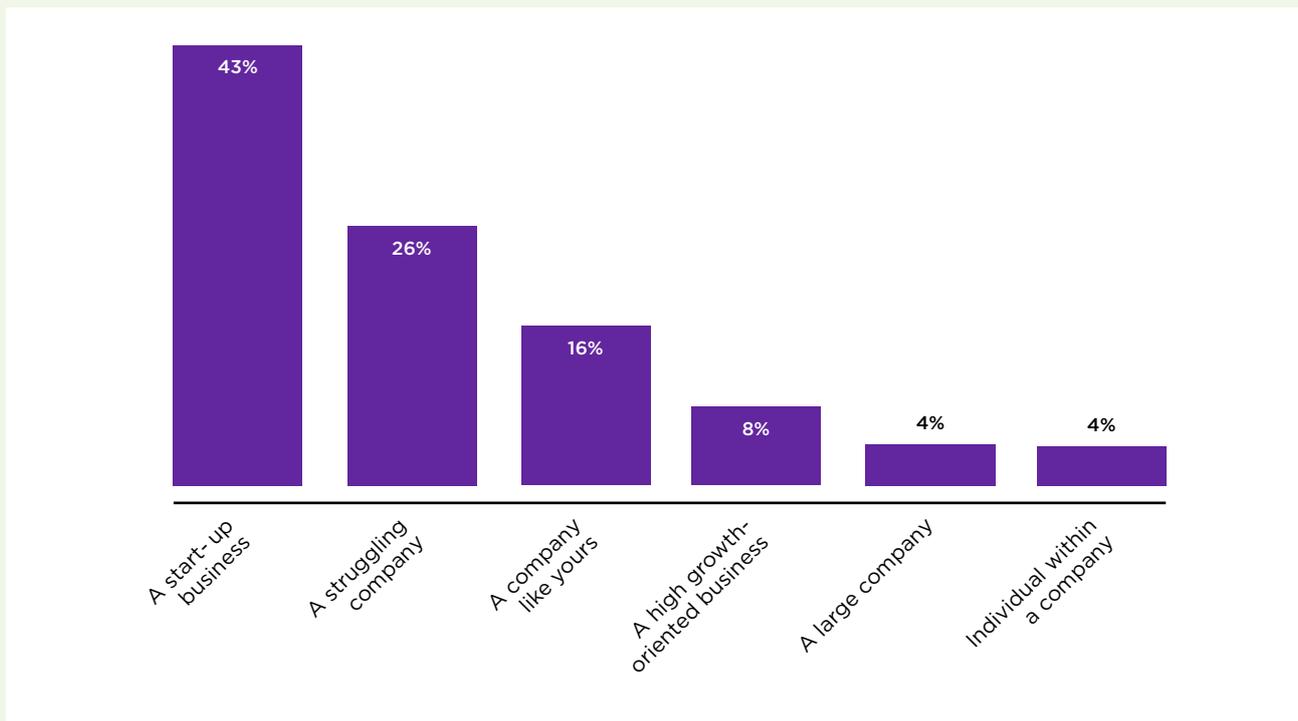


Figure 17: If you were trying to find a business mentor, how would you go about it? (I don't know)

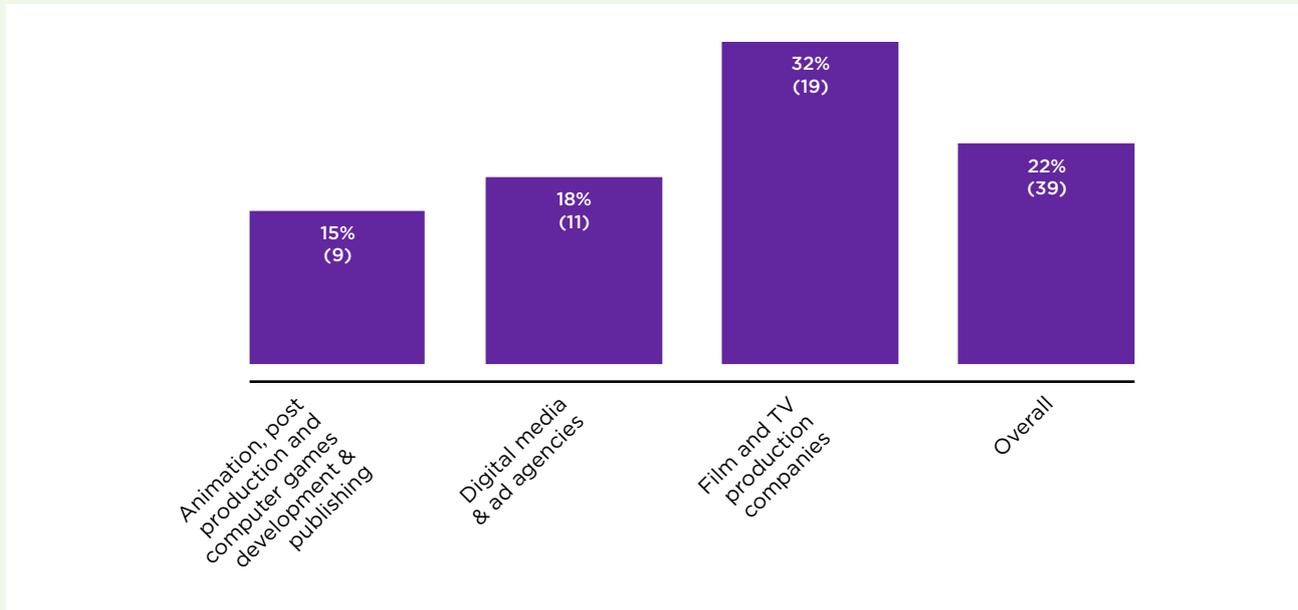


Figure 18: Have you ever drawn on any of the following other sources for advice about your business?

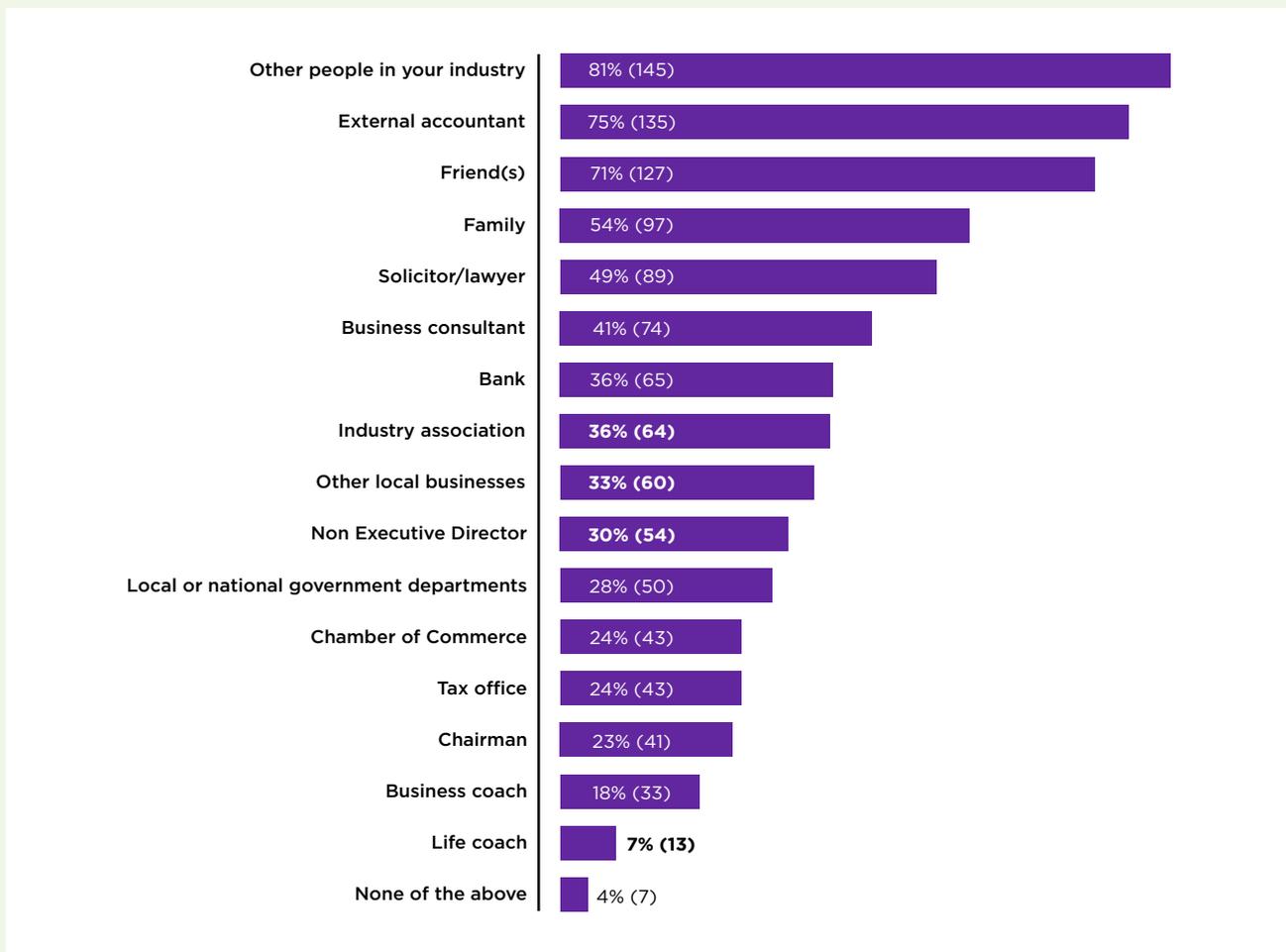


Figure 19: For each of the sources that you have drawn on, how helpful was the advice that they provided? (1-Very Unhelpful, 6-Very Helpful)

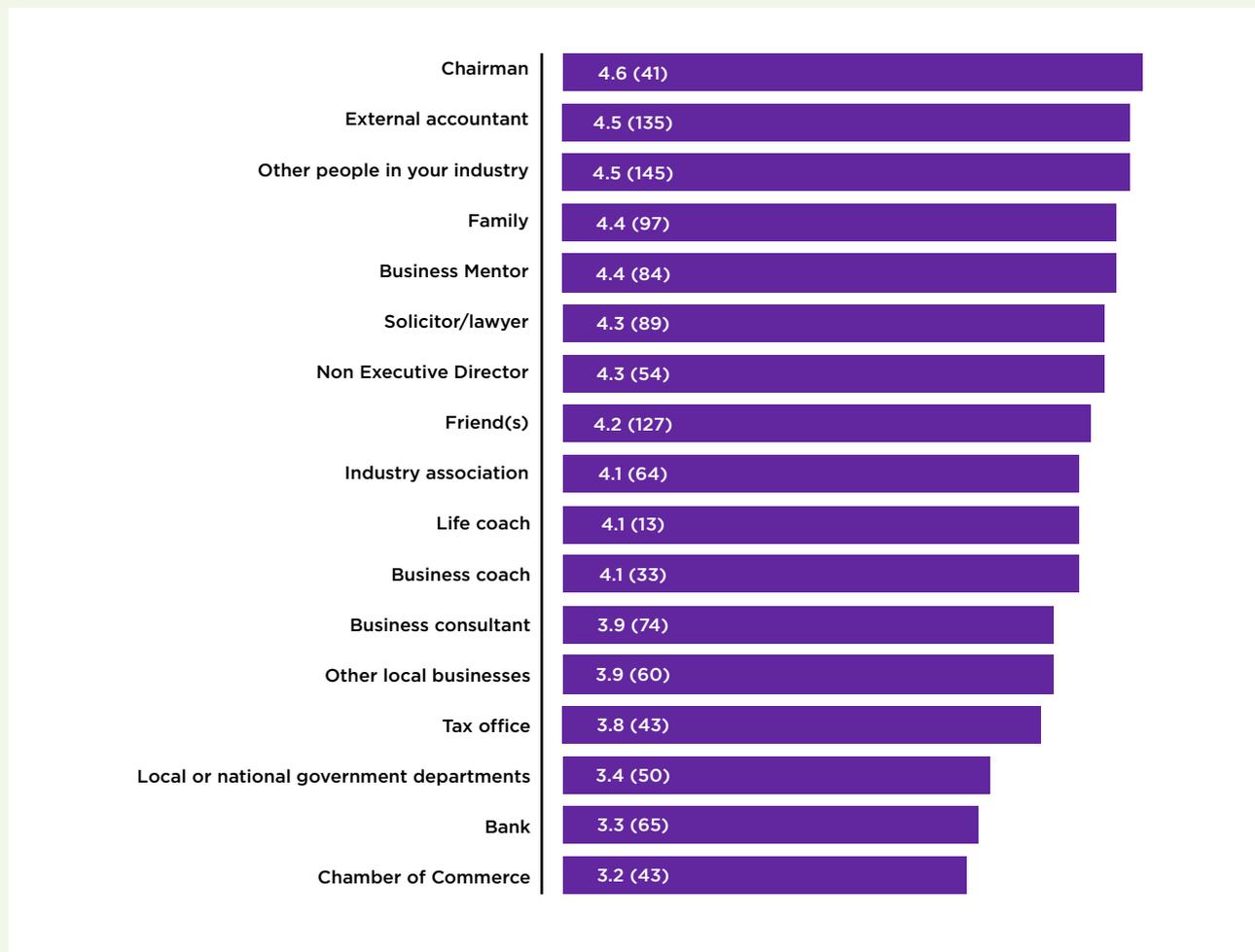


Figure 20: How true or false are the following statements? Our business...(1-Totally False, 6-Totally True)

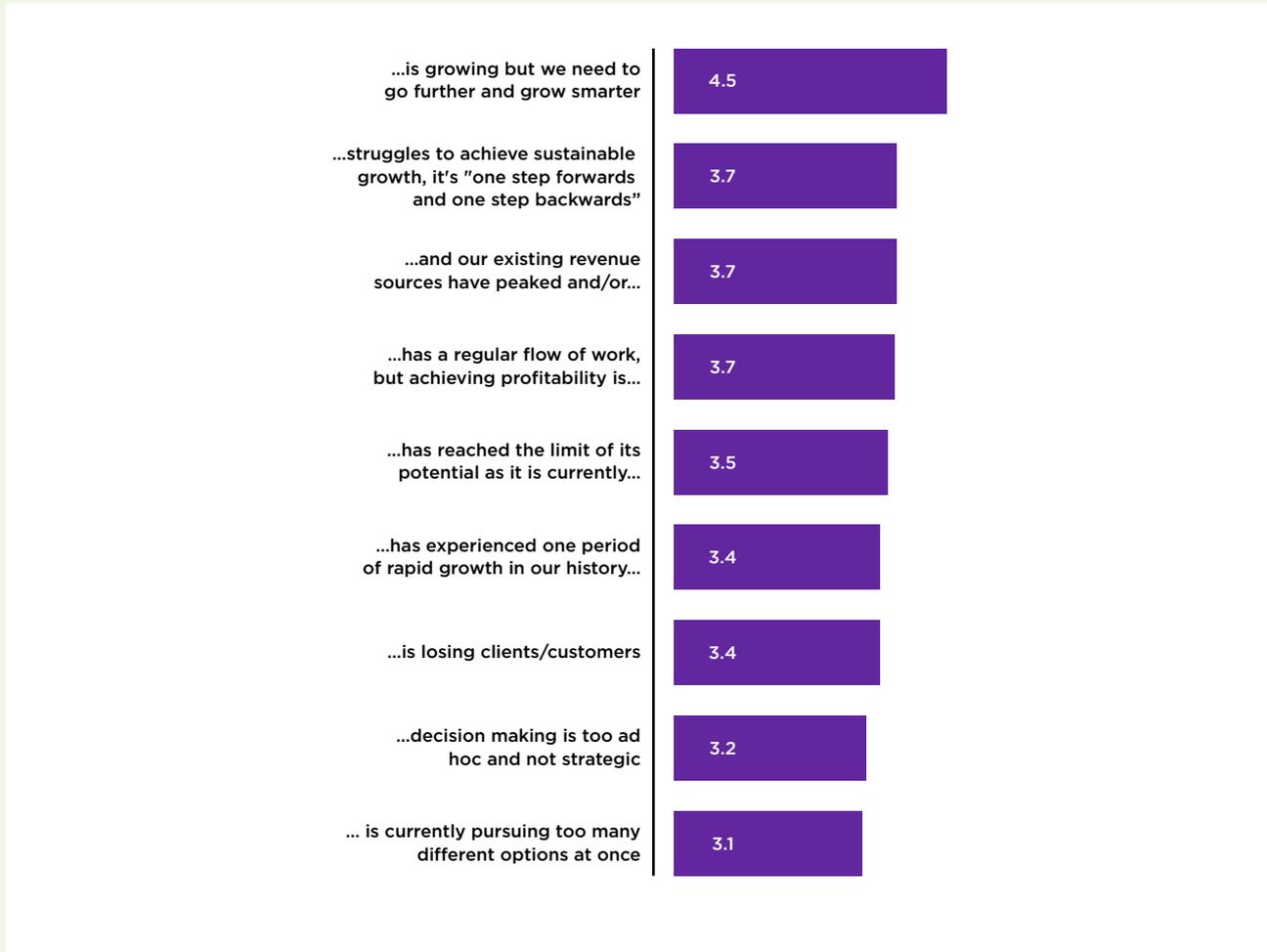


Figure 21: For each of the previous statements that you feel are true (to some extent) regarding your business, would you see business mentoring as a key way of addressing these issues? (1-Very definitely not, 6-Very Definitely Yes)



Figure 22: Would you be prepared to pay for the services of a business mentor? (over and above expenses-YES)

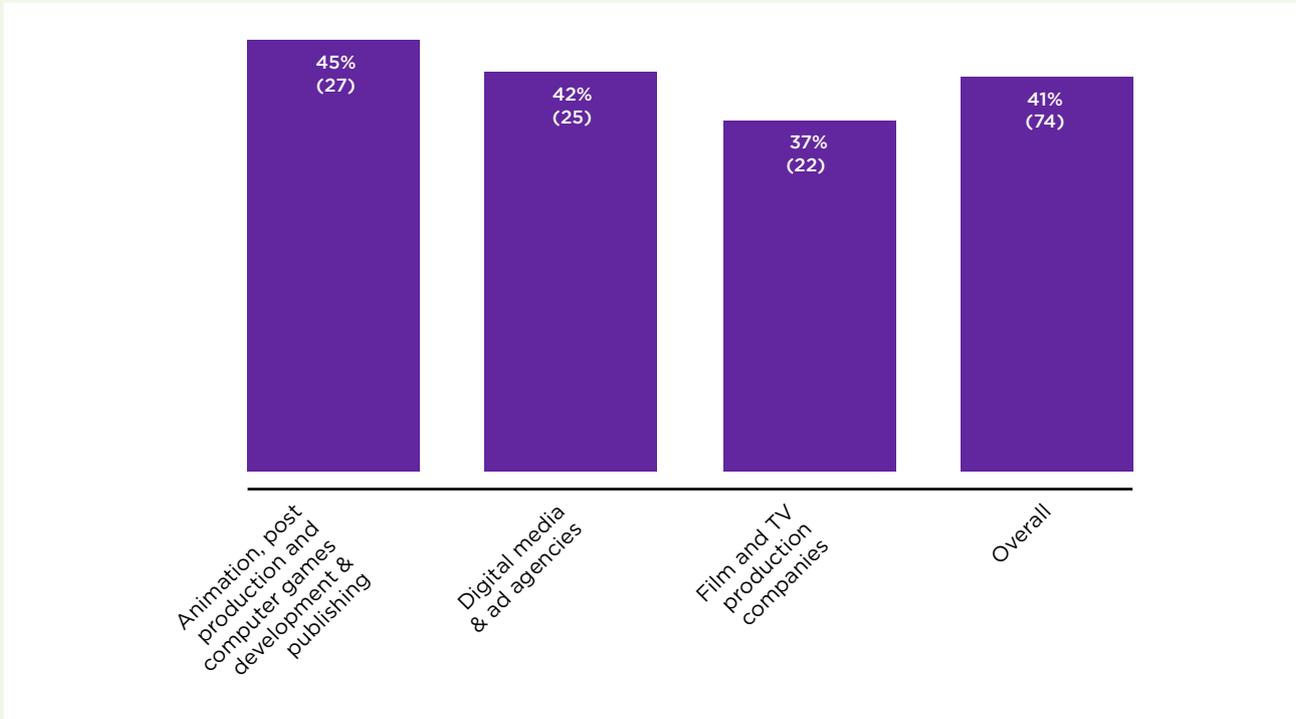


Figure 23: Would you be prepared to pay a third party (e.g. a trade body or professional association) to 'match make' and find you an appropriate business mentor?

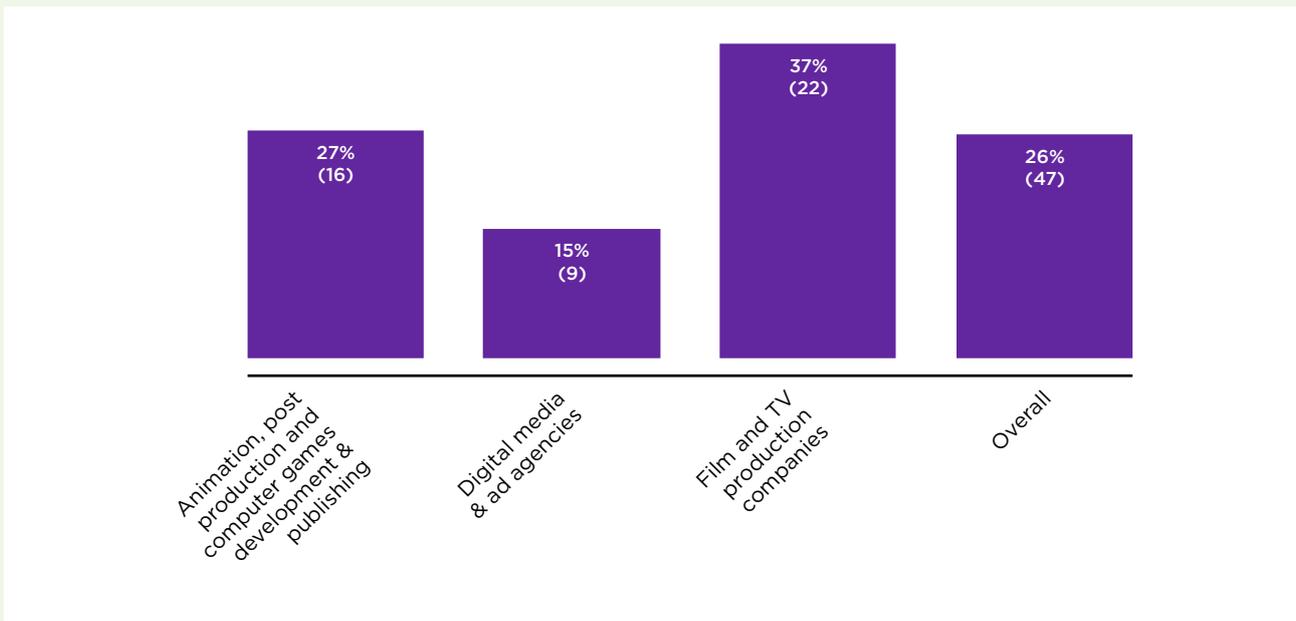


Figure 24: Can you tell us more about why you would not pay for a match making service?

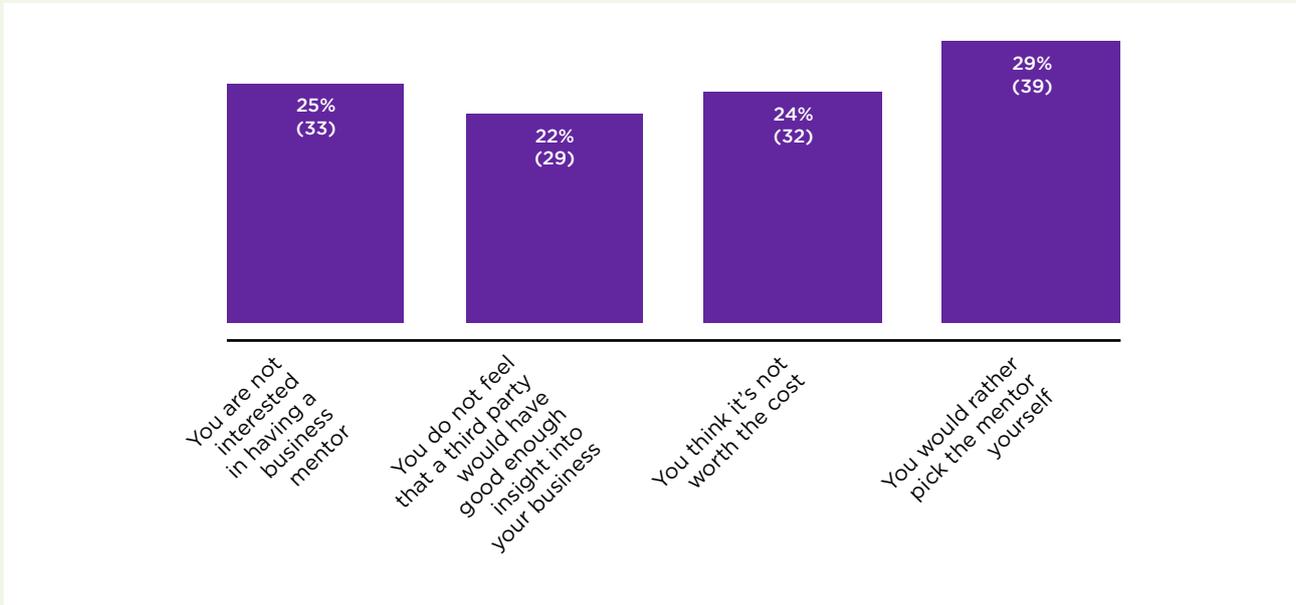


Figure 25: Would you ever consider becoming a business mentor?

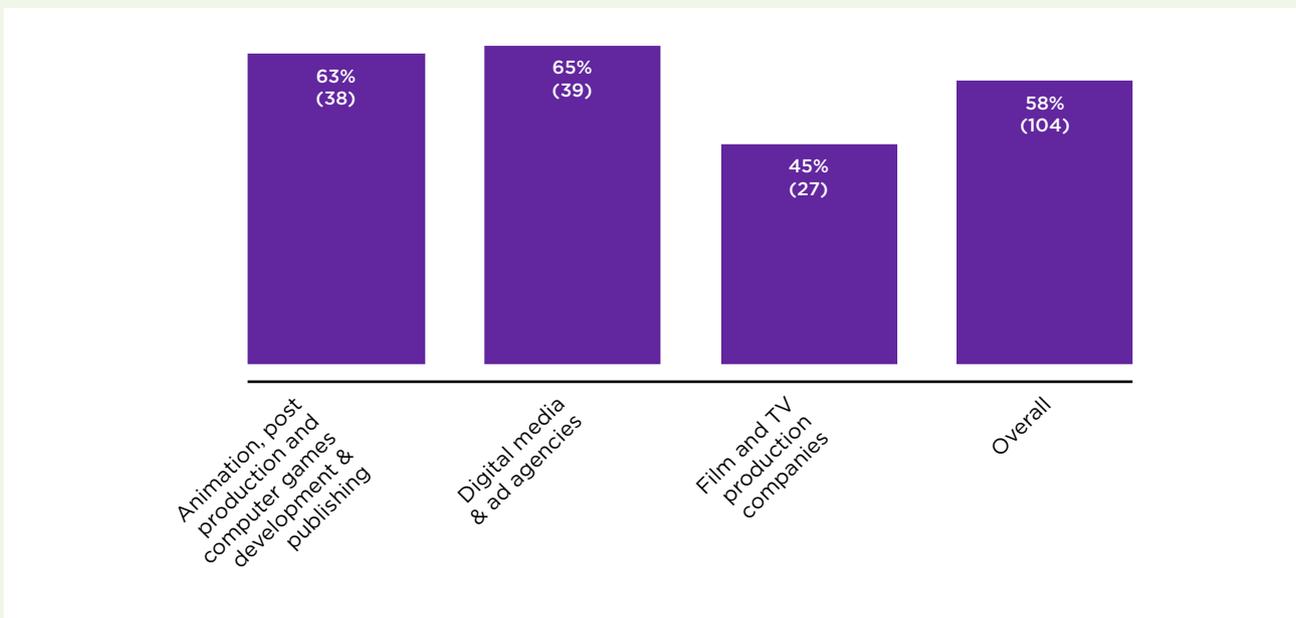


Figure 26: What was the turnover of your business in the last financial year (2011/12)?

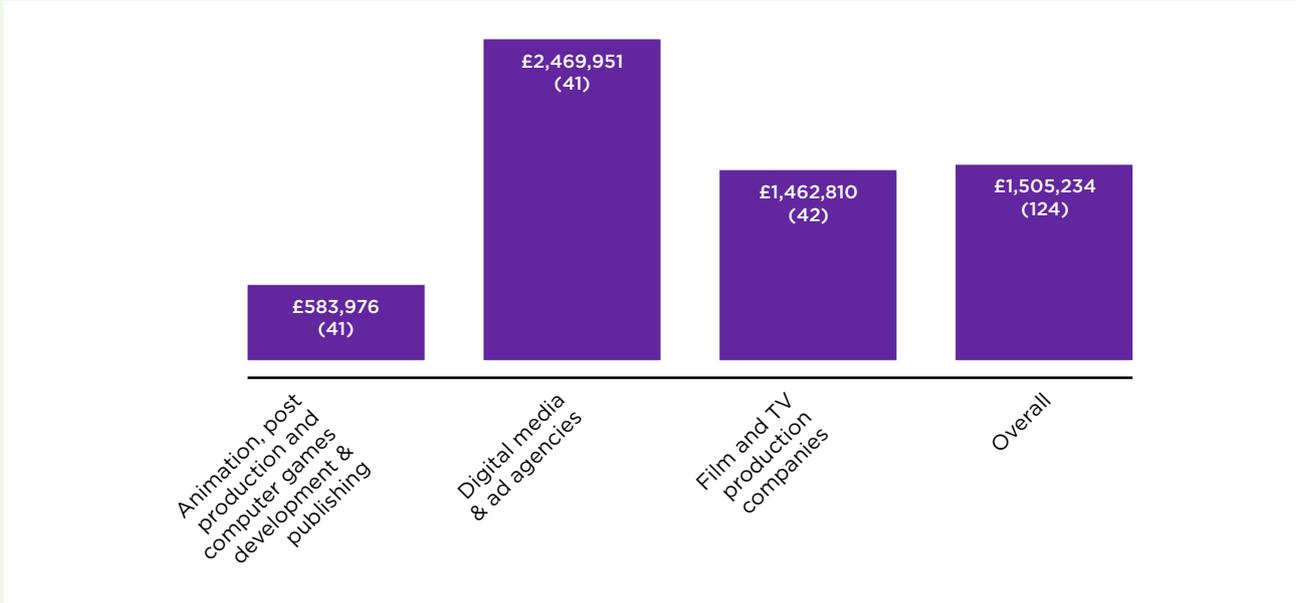


Figure 27: How did your business' turnover change from the financial year 2010/11 to 2011/12?

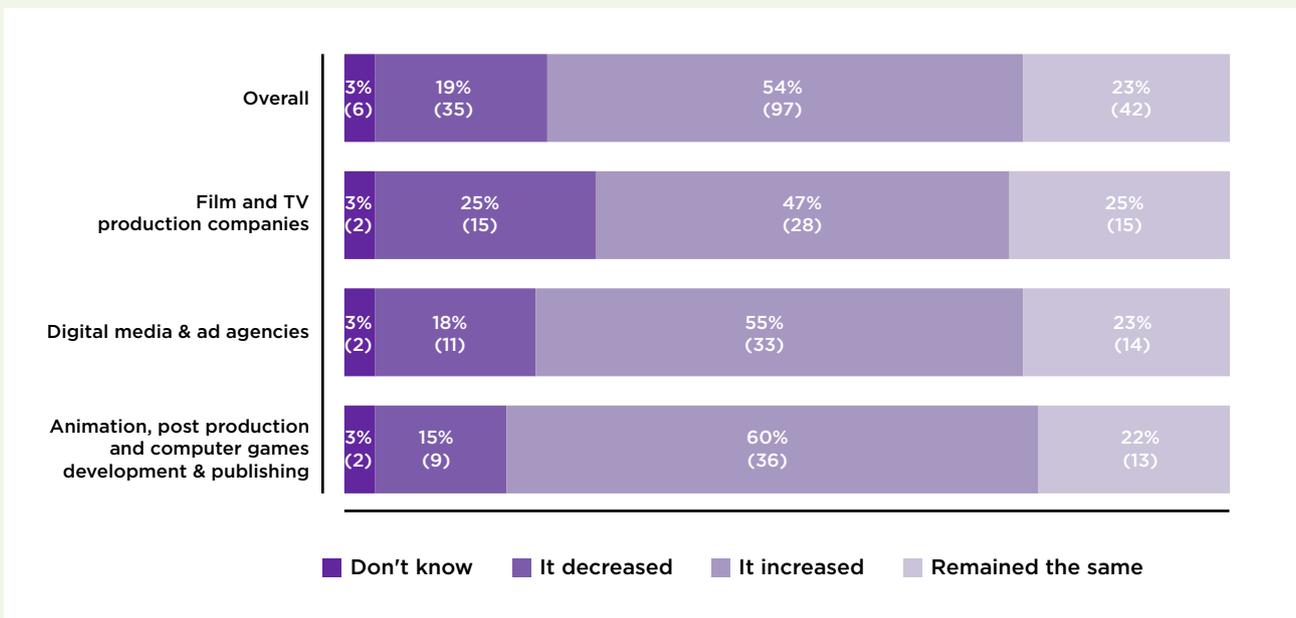
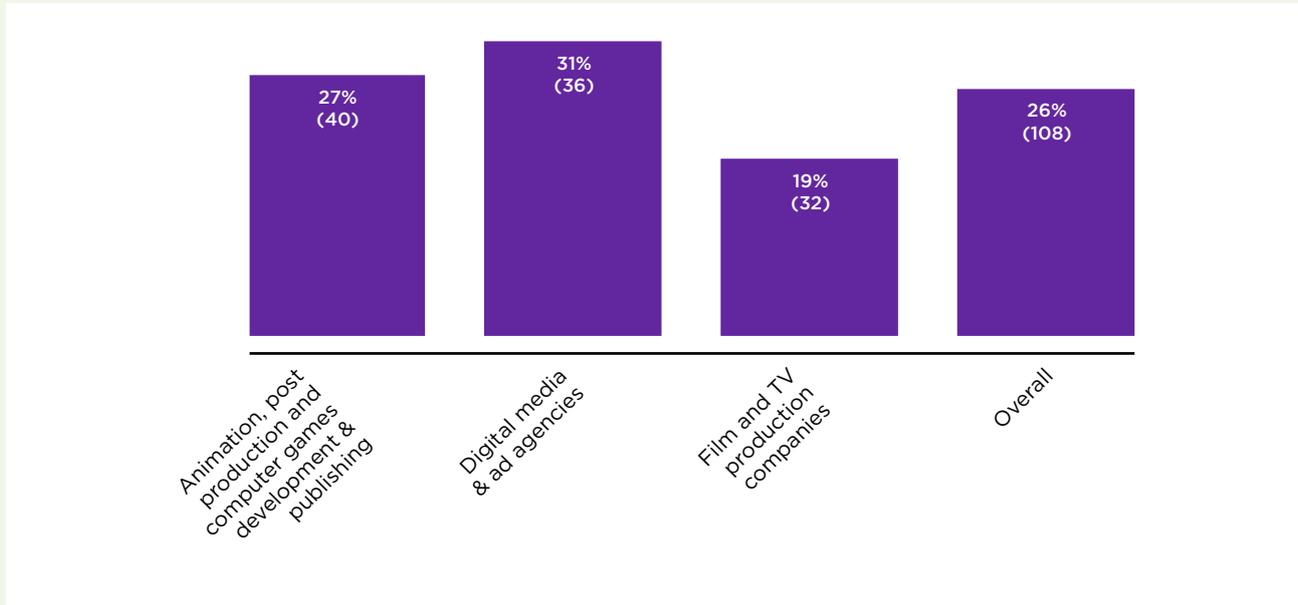


Figure 28: What was the company's profit margin in 2011/12, expressed as a percentage of turnover?



Note: Only 60 per cent of the businesses answered this question, potentially creating some bias in the overall result.

Figure 29: How did this profit margin in 2011/12 change from the previous year (2010/11)?

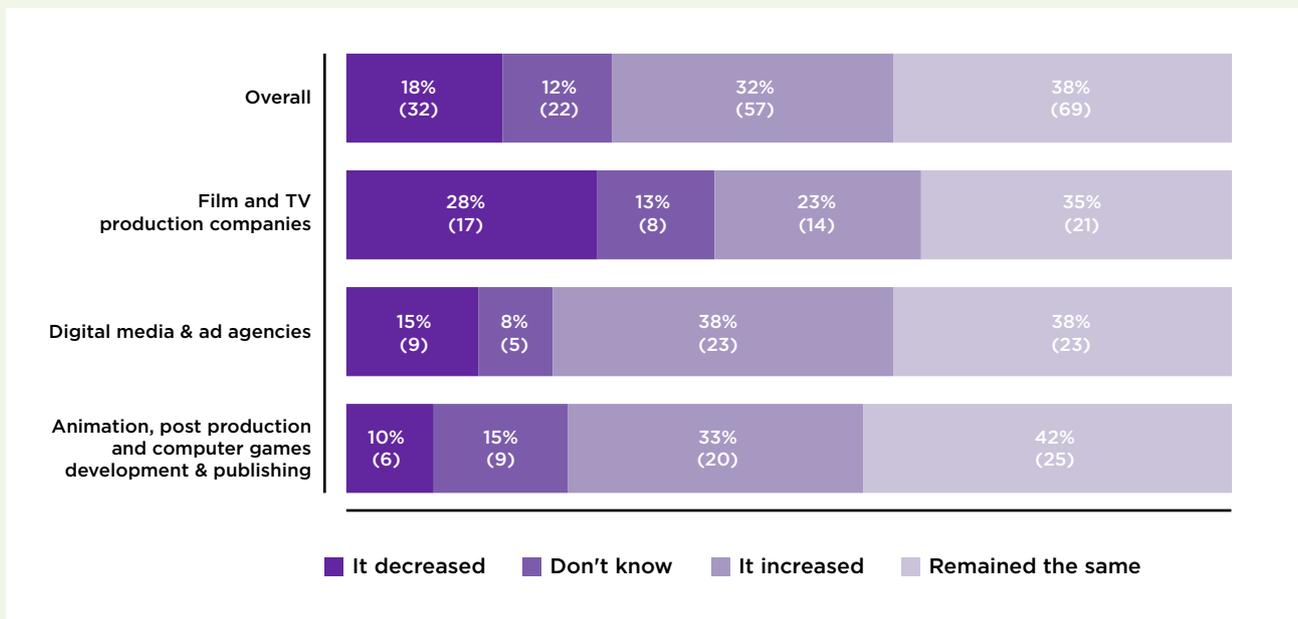


Figure 30: How reliant are you on your regular customers?

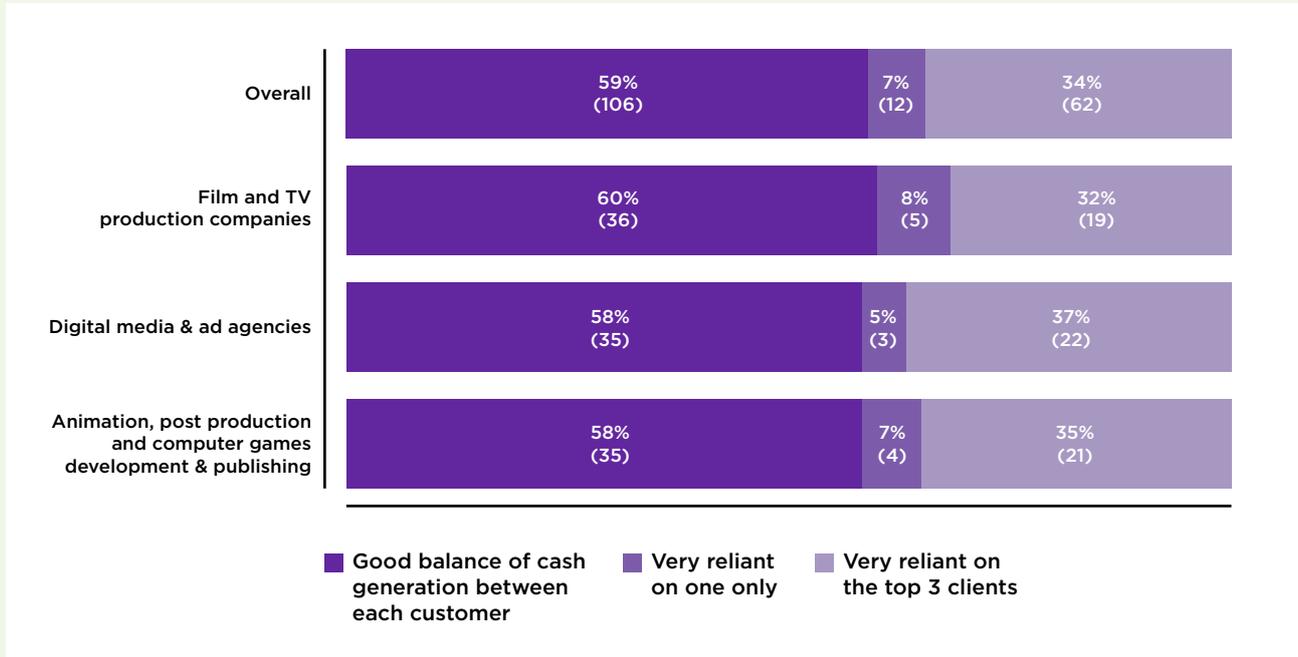


Figure 31: What is the highest level of education you have completed?

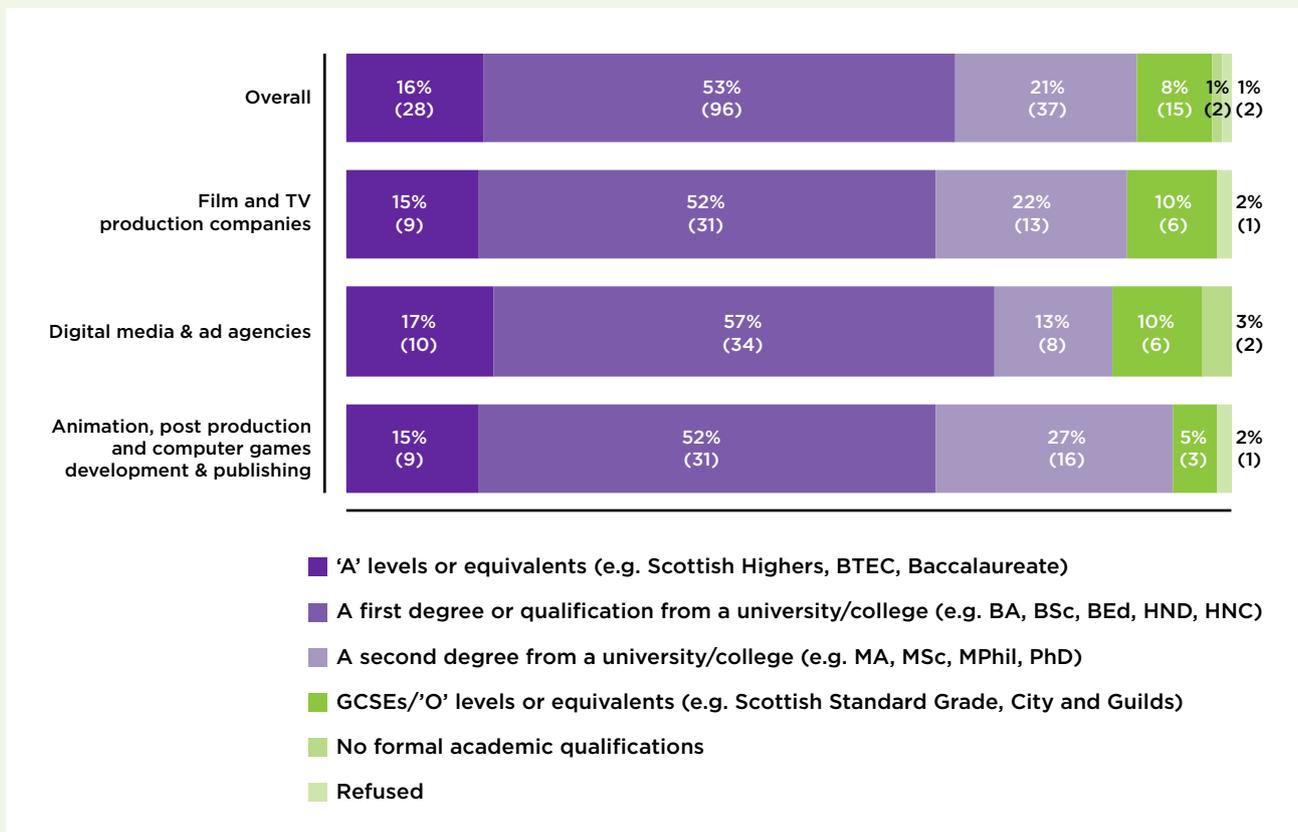
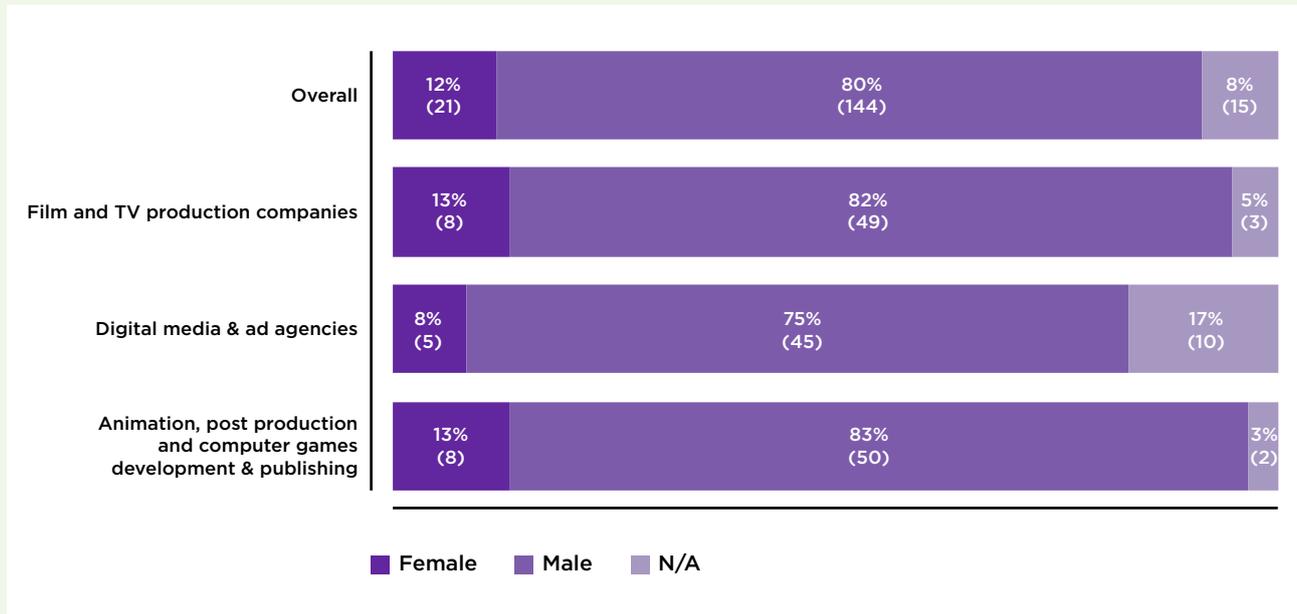


Figure 32: Gender



ENDNOTES

1. NESTA and SQW (2009) 'A Review of mentoring literature and best practice: Creative business mentor pilot.' London: NESTA.
2. This would require an assessment of the degree to which the benefits would have happened anyway (the 'deadweight'), or whether any gains in employment or profits experienced in the mentee business would have been made at the expense of non-mentored businesses (i.e. 'displacement').

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February 2014

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