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Paper Title: The First Principles Development and Use of Mentoring Frameworks
for the Growth and Sustainability of Novice Entrepreneurs

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The First Principles Development and Use of Mentoring Frameworks for the Growth and Sustainability of Novice Entrepreneurs

Abstract

Typically, many entrepreneurs are looking more broadly at support mechanisms to reduce the risk of failure. Independent personal mentoring outside of the corporate structure is potentially one of these support mechanisms, which in many cases, appears to be delivering positive results.

There is a gap between recognised protocols and what needs to be achieved in the case of the novice entrepreneur. This paper highlights how, by having a mentoring framework in place, there is a greater chance of positively increasing the success of the novice entrepreneur. The paper also considers the intent of the framework and the challenges associated with using a formalised framework within a regional start-up incubator ecosystem environment.

This paper is based on a first principles assessment and is not an exhaustive outline on how to develop a robust mentoring framework.

1.0 Introduction

Post the Global Financial Crisis there appears to be a renaissance in innovation and entrepreneurship. Popular opinion suggests that all that is required to be a successful enterprise is reliable and available finance, good marketing and grit and determination. Entrepreneurs are faced with many challenges. For example, from a positive point of view, society seems to be more embracing of entrepreneurial ideas and sympathetic to the reality that failure within one entrepreneurial endeavour is not necessarily a reflection of a failure of the entrepreneur. To reduce the risk of failure, many entrepreneurs are typically looking more broadly at support mechanisms. Independent personal mentoring outside of the corporate structure is potentially one of these support mechanisms that in many cases appears to be delivering positive results.

A significant proportion of current literature highlights the value of mentoring to enable entrepreneurs to realise their personal capabilities simultaneously with developing enhanced business competencies. It is claimed that mentors are especially valuable for entrepreneurs to help maintain focus, given the critical need for individual success and the requirement to be able to access valuable, unbiased and informed business expertise. However, there is a gap between recognised protocols and what needs to be achieved in the case of the novice entrepreneur. This paper highlights how by having a mentoring framework in place, there is a greater chance of positively increasing the success of the novice entrepreneur.

2.0 Background

In January 2012 work was initiated to produce a simple, easy to read, guide for mentors and those being mentored to use, in order to understand their respective roles, and an agreed 'ecosystem-wide' code of conduct. The objective was to develop a best practice model for a technology-enabled incubator ecosystem mentor programme. The technology-enabled ecosystem has been jointly developed by the University of Wollongong and the local Illawarra community supported by federal, state and local government funding and resources. This ecosystem was modelled on an ecosystem developed in North America with a similar construct, however, the North American model did not have in place mentoring guidelines to support its programme. The Australian ecosystem made a conscious decision to utilise a more formal and programmatic approach to minimise potential risks for any stakeholders (either direct programme participants or external supporters).

3.0 Challenges of a Novice Entrepreneur

Novice entrepreneurs are defined by St. Jean & Audet (2009, p149) as "someone who has recently started their own business and approach the development of their idea or opportunity with great enthusiasm and gusto." Kruger Wilson (1998, p7) states that: "mentoring helps entrepreneurs solve their own problems and grow to new levels of performance and maturity." Importantly mentoring helps maintain motivation and connectedness for the entrepreneur. Typically, entrepreneurs may not be sufficiently capable to complete all the tasks necessary to convert their idea or opportunity into a profitable reality and this is where the mentor should bring ultimate and tangible value to the entrepreneur. However, the entrepreneur must choose their mentor wisely, or a detrimental effect may occur.

There is a very steep learning curve when establishing a business and it is realistic to assume a novice entrepreneur is going to face challenges. This is a reality irrespective of any work experience the novice entrepreneur may have previously acquired. Some of the challenges include: effectively managing cash flow, undertaking business development activities, brand development, personal interactions within and external to the business; understanding the marketplace, interpreting and applying regulatory requirements local, regional and/or global; keeping pace with industry changes; balancing work/life priorities; stakeholder and shareholder management; personal challenges such as energy levels; belief in yourself and your product; remaining focused; and establishing an authentic reputation. Each of these aspects is difficult to manage and it is highly likely the entrepreneur could feel overwhelmed.

Novice entrepreneurs run the risk of becoming isolated. This isolation can lead to the entrepreneur becoming ostracised, which can adversely affect future success. There are a number of different perceptions of entrepreneurs, which include: entrepreneurial genius; technical genius; or just a 'fruit loop.' Some entrepreneurs are ahead of their time thus creating a high risk of being scoffed at therefore having an impact on-going motivation.

The novice status of early stage entrepreneurs may result in a lack of discipline, structure or adherence to any formalised business practices. This is often not a reflection of capability of the novice entrepreneur, but rather more about the approach and style they typically utilise. In the case of novice entrepreneurs their personal and professional development is often occurring in tandem to the development of their opportunity rather than discrete, potentially sequential activities, as would be the case in more traditional business structures. Working with a mentor provides support through inspiration, advocacy, entrepreneurial leadership,

encouragement, and in some instances, finance. Research undertaken in 2011 by Marmer et al. for the Startup Genome, highlighted that startups which are established by novice entrepreneurs, raise 7 times more money and have 3.5 times better growth if mentors are used, the novice entrepreneur is willing to learn from the more experienced entrepreneur and metrics are tracked effectively. Hansford et al. (2004, p20) state “mentoring seems to offer considerably more benefits than drawbacks.”

4.0 Research Findings

Between March - June 2012 a comprehensive review of the extant literature, and several interviews with people who run successful mentoring programmes, were conducted to determine the critical features to be included within a best practice mentoring programme. Findings from this research identified that there have been attempts to provide a structured framework for mentoring to facilitate personal and professional development. The most comprehensive of these being ‘Elements of Effective Practice for Mentoring.’ This document “provides six evidence-based standards for practice that incorporate the latest research and best-available practice wisdom” (Federal Mentoring Council, 2009). However, there is a tendency to select a limited number of the components that are perceived to be best suited to a specific organisational context without obtaining the benefit of the full framework. Typically, those who are using the framework tend towards a youth segment of entrepreneurs, but there is little focus on more mature entrepreneurs who make up a significant segment of this group. Despite the common belief set that entrepreneurs are typically young, work conducted by Birrell & Waters, (2007) indicates that the majority of entrepreneurs are over 40 years old. Although it might be said that society favours the young, and with it the myth that entrepreneurs are themselves young and lack experience, it has been found that many entrepreneurs are likely to have experience and maturity, but are still ‘novice entrepreneurs’. One of the considerations in developing the guidelines was that they were not age specific. The emphasis was on the effective management of the mentoring relationship not the demographic characteristics of the participants.

Some of the key insights gained from the research are:

- There are six evidence-based standards that need to be considered and clearly defined to provide an appropriate infrastructure for the programme which include: recruitment; screening; training; matching; monitoring; and support and framework for closure (Metlife Foundation, 2009)
- There needs to be someone designated as accountable for the running of the programme, it is not an ad hoc responsibility it needs to be a primary responsibility
- There needs to be a predefined escalation point should difficulties arise
- Effective management and governance of the programme is crucial
- There are a number of distinct stages within the partnership which are initiation; establishment; cultivation; and separation (Kram, 1983)
- Understanding respective roles and responsibilities within the partnership reduces the risk of misunderstandings later on

5.0 Mentoring Framework

5.1 Why Have a Mentoring Framework?

When establishing the technology-enabled entrepreneurial start-up environment a number of similar ecosystems were reviewed within Australia and North America where similar environments already existed. None of the existing ecosystems have chosen to develop a mentoring framework based on comprehensive guidelines for their particular environments so the programme being described is a world first seeking to establish best practice for mentors in a start-up incubator environment.

Blondell, (2012, p59) in an article on mentoring stated “Mentoring can be ineffective if it’s not properly organised and the expectations clearly established on both sides.” Establishing a framework and clear guidelines is a critical component to achieving success and reduces the risk of the programme becoming reliant on individuals to keep it running. This enables the programme to be partially self-sustaining with support provided on an ‘as needs basis’, as unnecessary interference would adversely effect the success of the mentoring relationship.

In the case of novice entrepreneurs they do not have access to the resources a larger organisation is able to provide for their staff. Through the ecosystem environment the novice entrepreneurs are able to gain access to a wider scope of resources including mentors. Having a clearly defined framework in place means the novice entrepreneur can better utilise the resources available to maximise benefit to their newly established businesses.

5.2 Benefits of Mentoring Framework

There are a number of identified pitfalls for mentoring programmes, these include time constraints, inadequate planning of the mentoring process, poor matching of mentors and mentees, ambiguity regarding the mentoring relationship (i.e. where it starts and where it stops what are the boundaries), and lack of access to suitable mentors (Long, 1997). By establishing a mentoring framework for novice entrepreneurs the impact of some of these pitfalls can be minimised and ideally eliminated.

There are a number of benefits associated with having a well defined and documented mentoring framework these include:

- Ensuring boundaries are clearly defined explaining the mentoring context
- A clear description of who can participate in the programme - mentor and mentee
- Defining the purpose and intent of the programme
- Establishing a code of conduct
- Minimising ambiguity
- Providing a ready reference for activities associated with the programme
- Describing the approach to be adopted within the programme
- Defining, describing and making clear the role of a mentor within the programme
- Defining, describing and making clear the role of a mentee within the programme
- Defining the monitoring and measurement process to be utilised
- Providing a communication tool to explain and gain support for the programme from potential ‘investors’ and participants in the programme

United States Office of Personnel Management, (2008)

5.3 How Mentoring Framework is Used

The framework being adopted within the programme is represented in Figure 1. It sees the mentoring activity broken down into three phases, which are:

- Pre-Engagement - which includes recruitment of mentors; selection of mentees, matching process; orientation, training and induction
- Engagement - which includes regular meetings between mentor and mentee; goal setting; assessment of progress; and issues and escalations
- Post Engagement - which includes partnership wrap-up; post engagement follow-up, leaving the programme and insights and learnings

All of this is based on a comprehensive framework of management and governance to ensure the effective and efficient running of the programme and providing capacity for quick responses to issues raised by participants or other relevant and interested stakeholders.

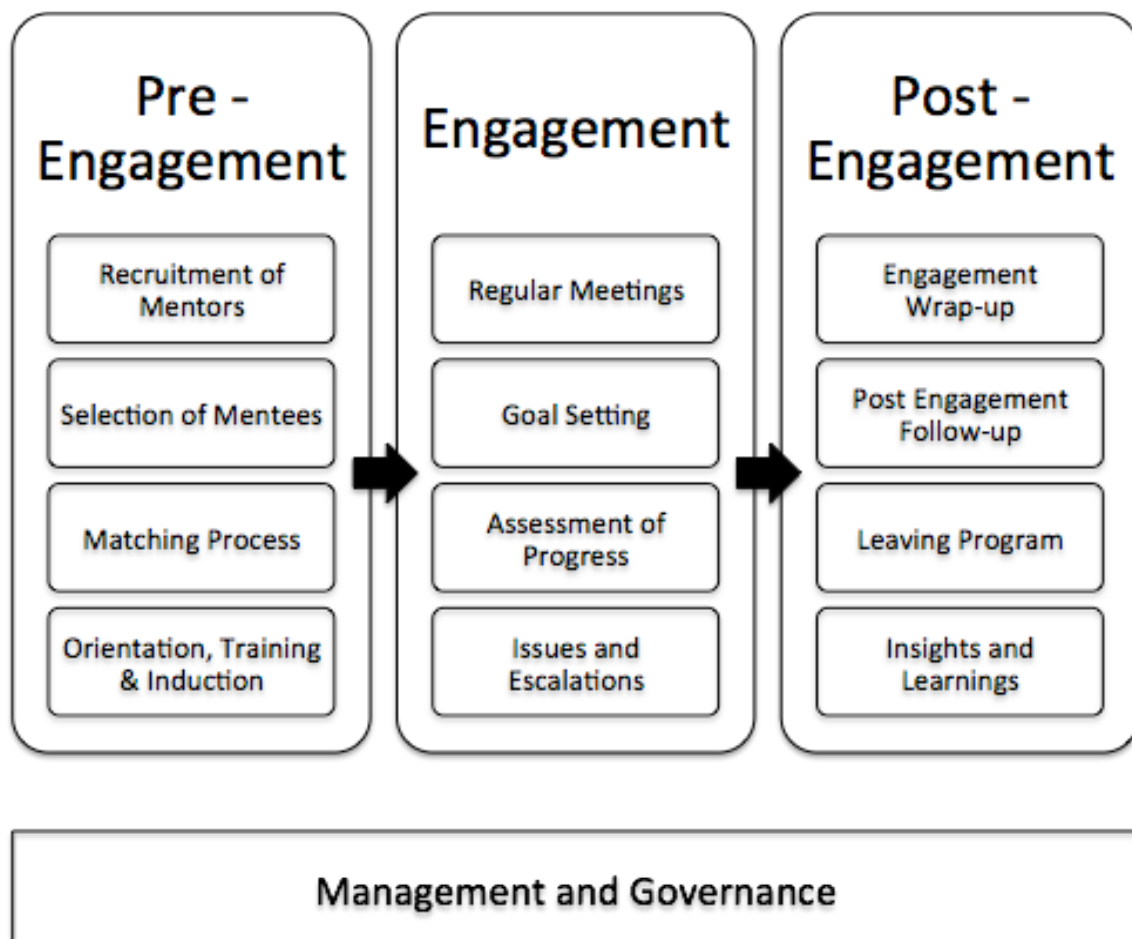


Figure 1 - Mentoring Framework Schematic

6.0 Context of Mentoring Framework

The location of the start-up incubator environment is in Wollongong, a major Australian regional centre within 80 kilometres of Sydney. The local economy is in transition from being heavily reliant on a manufacturing and natural resources base to an applied knowledge and innovation base. The incubator ecosystem has received support from federal, state and local government as well as local businesses. It is located within the local university and has a large alumni base to draw from for support.

6.1 Contextual Intent of the Framework

Kruger Wilson, (1998) comments that in a competitive world it is hard to find people to communicate with who you can trust and be assured will act with prudence and confidentiality. One of the primary objectives of the programme is to ensure this is the case. The framework was established to outline the principles and key structural elements associated with the mentoring programme to ensure this is achieved. The purpose and intent of the framework is multifaceted and includes the following aspects:

- Removal of reliance on individuals for success of the programme
- To define the rules of engagement (Commercialisation Australia, 2011) within the programme based on the requirements needed for establishing an effective ‘moral contract’ (St. Jean & Audet, 2009)
- To ensure a consistent programmatic approach to mentoring within the incubator ecosystem
- To facilitate equitable treatment for all participants both mentors and mentees
- Capacity to monitor, manage and realistically measure the effectiveness of the mentoring programme (Wikholm, 2008)
- Employing a quality approach to mentoring within the incubator ecosystem
- Clarity of expectations minimising risk of misunderstandings leading to relationship issues
- Making clear the rewards and challenges of participation in the programme - often lack of clarity in knowing what to expect from a mentoring programme can adversely affect the value provided by the programme (Metlife, 2009)
- Incorporating safety checks within the framework to minimise risk to participants and sponsoring organisations
- Defining type of support to be provided establishing clear boundaries and distinctions between mentoring and other roles e.g. coaching, contractor, consultant, paid adviser, trainer, etc.
- Seeking to define clear criteria to assist with productive matching of mentors and mentees
- Ensuring a viable ‘screening and matching’ process to assist with enhancing the success of the mentoring relationships within the programme
- Defining reasons for termination of the relationship employing a ‘no fault’ disclosure approach with the objective of removing blame if things do not go as well as anticipated and ensuring the relationship ends on a positive note
- Ensuring that issues and escalations can be raised and actioned in a timely and equitable manner minimising any impact on the mentoring relationship
- Provide economic benefit to the regional community

7.0 Establishing First Principles - The Challenges of the Framework

Wikholm et al., (2008) comments that mentoring for entrepreneurs is a hot topic with much activity at a regional level. However, there are a number of challenges which can be grouped under three headings: contextual, mentoring relationship and management and governance. Most existing mentoring models are within a youth or organisational career development environment within a corporate context where power and influence affect the operation of the programme. In the start up environment there is no organisation power that can be used to guide, influence or direct the programme.

7.1 Contextual Challenges

Given that the incubator ecosystem has been established in a regional area then the ability to access resources is limited compared to the resources available in a major urban area. This has implications for all resources including potential candidates for the programme, facilities and financial resources available to assist with growth and development of the start-up businesses. There is also the issue of how well the local community will accept and support the programme.

7.2 Mentoring Relationship Challenges

A limitation of the programme as a result of its regional location relates to the availability of candidates for the incubator environment as well as suitable mentors to support them. Given the population size of the area of 408,000 (IRIS Research, 2008). While this population size qualifies it as a large regional area (within an Australian context) it is still considerably smaller than what would exist within a major urban area.

Other relationship issues for consideration are the calibre of available mentors and mentees, ability to meet the demand for mentors, the need to ‘force match’ mentors and mentees (St. Jean & Audet, 2009), research indicates that forced pairing can be problematic (Bisk, 2002) as it is thought to be against the intent and purpose of mentoring and determining the appropriate gender mix within the programme to ensure equity of opportunity. It is important to ensure that the relationship is peer to peer, the differential being experience and expertise rather than organisational or positional power. There is a risk that some mentors will become highly sought after so it is important that the workload of mentors within the programme is monitored and managed. It would be tragic if good mentors were lost to the programme as a result of overwork.

7.3 Management and Governance Challenges

One of the main challenges is that given this programme is a world first and seeks to establish world’s best practice for mentoring entrepreneurs there is no pre-existing model in operation to learn from. Determining the appropriate training, education and induction for the programme is a critical ingredient that needs careful consideration. Determining how frequently educational support is required will be determined by the operating model developed to support the programme. Initially an intake model (regular programmed intervals) is being adopted however this may change in time when the programme has been in operation longer or demand and resources enable a consistent flow of new entrants. Having clarity on how escalations and issues will be managed is critical, this means that participants know they have a mechanism available for mediation should that become necessary.

With the best of intent it is still going to be difficult to isolate the efficacy of the mentoring programme from other factors that may impact the success of the start-up business. Using profits as a measure especially in the first year is difficult given the set up costs involved with establishing a new business. Determining a suitable measurement and monitoring framework that realistically represents the mentoring relationships contribution will need very careful consideration.

Irrespective of how robust the framework is, it is still reliant on the goodwill of the entire community, internal and external to the ecosystem to make it work. There are many external factors that could have an adverse impact and may not be obvious or visible.

8.0 Conclusions

Waters et al. in 2002 highlighted the fact that there is little in the extant literature related to mentoring in start up environments, this is still the situation in 2012. Many businesses fail in the first 12 months of their operation (Birrell and Waters, 2007; Deakins et al., 1998). The question exists whether it is better to provide support with the objective of reducing the chance of failure, a pre-emptive strike, or to offer support when the start-up has existed for a number of years and demonstrated its viability, a less risky alternative?

Evidence to date has shown that having formalised guidelines in place ensures a number of key factors are achieved, these include:

- There is a focussed attention right from the start to ensure the start up achieves success
- Expectations are clearly stated up front reducing ambiguity and the risk of conflict occurring in the mentoring relationship
- The definition of mentoring is clearly articulated and commonly understood
- All participants and interested stakeholders are made aware of their roles and responsibilities
- Ensuring all participants are selected based on a consistent set of criteria
- A comprehensive management framework is defined to ensure effective monitoring and management of the mentoring partnership

The contribution to entrepreneurship research as a result of this work is that the role of formalising mentoring partnerships with novice entrepreneurs is analysed and evaluated employing a framework based on best practice and providing a world first in this type of environment. Another important contribution from this work is highlighting the key considerations to maximise benefits to participants and interested stakeholders within an operational framework.

“The negative [or more problematic] outcomes associated with mentoring can be minimised by time and effort being directed toward the design and implementation of theoretically sound programs” (Hansford, et al., 2004, p20) .

9.0 Recommendations for Further Work

There are a number of opportunities for further work that could extend and explore the aspects identified in this paper. These include:

- Exploring the benefits and disadvantages of a formalised programme when used in a start-up environment
- Comparative analysis of mentor and mentee perceptions on the success of formalised start-up incubator mentoring programmes
- Analysis of the socio-cultural factors affecting the success of a start-up incubator mentoring programme (e.g. geographic and physical location, community support, local business support, government support, visibility of the programme in the community etc).
- The impact of formalised mentoring programmes on the development of business skills compared to psychosocial skills within a start-up incubator environment
- Affect of duration of mentoring relationship, frequency of meetings and communication channels on the success of start-up incubator programmes

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