



what works centre for
local economic growth

Toolkit Business Advice Mentors

What are they and what do they aim to do?

Business mentors (or coaches) are experienced business professionals who provide advice to SMEs. Business mentor programmes typically serve as coordinating hubs that place SMEs in contact with mentors. The programme may assess both SMEs and potential mentors to determine their suitability to work together. The programme may also provide financing (or partial financing) as well as training for mentors. The role of the public sector, therefore, is not to provide advice directly but to play a financing and 'matchmaking' role.

How effective are they?

The limited evidence available suggests that mentor programmes can improve firm performance in terms of sales, value added and productivity. There is also some evidence for increased asset value and financing. However, the only study that examines innovation (patents) finds no effect.

There is no evidence on employment outcomes at the firm level. One study (from outside the OECD) finds that a programme targeted at individual entrepreneurs does increase the probability of self-employment, but at the same time decreases wage employment by approximately the same amount.

How secure is the evidence?

Generally, the evidence base on business mentors is quite weak, meaning that conclusions on effectiveness are based on a limited number of studies. More rigorous studies are required. We found no systematic reviews of the effectiveness and no meta-analysis.

We found four studies that examined the effectiveness of business mentors as a form of business support. One of these was from outside the OECD, included only because of the overall lack of evidence.¹ The non-OECD study is a randomised controlled trial, and the remaining three OECD studies are based on cross sectional comparisons of firms who received support with firms who didn't (controlling for observed characteristics of firms).

None of the studies comes from the UK.

For a full list of references and summaries of their findings see the Annex.

Are they cost-effective?

Only limited conclusions on cost effectiveness can be drawn given that just one evaluation (229) provides cost information. This evaluation suggests the business mentoring programme is cost effective. The total program cost per hour of advice was £43.60 in 2008.² This means for all firms with initial sales of £640 or more, the benefits of a 6.8% boost in sales (the estimated programme effect) exceeds the cost of one hour of advice. However, while this may be cost-effective from the firm's point of view, if these additional sales come at the expense of other local firms, this may not be cost-effective from an area point of view.

We found no evidence that tells us whether business mentoring programmes are cost-effective in terms of generating employment or improving productivity.

Things to consider

- How much contact should business mentors have with SMEs? For some other forms of business advice (e.g. public advisors) there is some evidence of diminishing returns to the number of hours spent helping a particular business.
- What type of firms should be enrolled on the business mentoring programme? One study suggests that, for example, service firms may benefit more from coaching than manufacturing firms.
- What is the objective of the business support programme? We currently have no evidence on whether business mentoring is a cost-effective means of increasing employment or productivity.
- Are additional sales likely to come at the expense of other local firms? If so, this will reduce the net-benefits of the programme. This is more likely to be a problem for firms that tend to serve local markets (see our evidence review on other Area Based Initiatives).

¹ Studies from outside the OECD would usually be excluded based on relevance.

² Using the 2008 USD-GBP exchange rate of 0.544573

Annex: Evidence on business mentors for Business Advice

Business support is information, structured advice or longer term mentoring provided to firms by government funded programmes. Such interventions typically aim to increase rates of firm creation, to improve business survival, and to promote business productivity and employment growth. These interventions are justified economically where there is a lack of information available to firms (e.g. where the firm is unaware of what advice is available to them) or where there are wider economic impacts of giving advice to a single firm (e.g. where innovative behaviour is subject to ‘spillovers’). In our toolkit we focus on five forms of business support outlined in Box 1 below.

Box 1: Five types of business support

Public advisory services are programmes where the counselling or advice comes directly from a publicly employed official or institution such as a local business centre.

Business mentors describes programmes where the public sector does not provide advice directly but acts in a financing or ‘matchmaking’ role – putting SMEs in touch with mentors from the private sector.

Subsidised consultancy describes programmes where the firm is given a voucher or grant to cover all or part of the costs of private sector consultation. In some models, the public sector may help the firm find the appropriate consultancy service, however, the primary role is financing rather than matchmaking (in contrast to business mentors).

Training covers programmes where individuals from firms receive training in business or entrepreneurship. In the case of entrepreneurs this may be training focussed on how to start up a firm.

Tailored support may involve any of the four types of support above (or other types), but where advice is tailored to the specific firm or entrepreneur’s requirements. This often involves a greater intensity of support and possibly a combination of several types of support.

The evidence in this document is for business mentors (or coaches)– where the public sector acts in a financing or ‘matchmaking’ role to put firms in touch with mentors from the private sector.

We looked for evidence that evaluated the impact of business mentors on firm outcomes. We focused on evidence from the OECD, in English. We considered any study that provided before and after evidence on the effect on participants; or cross-sectional studies that compared effectiveness for firms receiving different kinds of support. We also included more robust studies that compared changes to participants with a control group.³

Using these criteria, we found three studies that looked at the effectiveness of business mentors in business support. Given the low number of studies we also allowed non-OECD evidence to be included giving us a single additional study (on Tunisia). The next section examines the evidence on the effectiveness of such support.

³ For more information on how we rank the robustness of evaluations, take a look at our introduction to the Scientific Maryland Scale: <http://www.whatworksgrowth.org/resources/the-scientific-maryland-scale/>

The evidence

Study 229 (which scores two out of a possible five on the Scientific Maryland Scale, or SMS) examines the impact of business coaching services on the outcomes of innovative firms in Canada over 2008-2009. Through the programme, senior managers of participating firms gain access to advice from experienced consultants and business professionals. Using firm level data they find the number of hours of advice given to firms is positively related to sales. A 1% increase in hours of advice is associated with a 1.39% increase in sales. There is no effect on patents or alliances with other firms (after controlling for selection bias based on observable firm characteristics).

Study 232 (SMS 2) evaluates the effect of a government supported networking programme (PLATO) on the labour productivity of firms in Belgium over 1996-2008. The PLATO programme differs from the other programmes considered here, since it puts SME managers in contact with *one another* to exchange knowledge in structured meetings. They exchange knowledge under the supervision of 'coaches', who are highly qualified executives from large companies. This use of coaches means that we treat PLATO as a business mentor programme even though it has a different format to other programmes. Using firm level data the authors find that participation in the network is associated with 2.5% higher labour productivity.

Study 234 (SMS 2) evaluates the effect PLATO – the same programme discussed in study 232 – on the net asset and added value growth of firms in Belgium over 1992-2009. The authors find that firms who participate in the network have 5 percentage points more assets and 7.4 percentage points higher value added growth. The positive relationship is higher for service than for manufacturing firms.

Study 40 (SMS 5) examines the impact of an entrepreneurship course aimed at business students in a randomised controlled trial in Tunisia in 2009. The course consisted of (i) business training organized by the public employment office; (ii) external private sector coaches, mainly entrepreneurs or professionals in an industry relevant to the student's business idea; and (iii) supervision from university professors in development and finalization of the business plan. While the program led to a small increase in self-employment (ranging from 1 to 4 percentage points in the probability of being self-employed), the evaluation finds no evidence that the program significantly affected overall employment. In fact, it finds that the programme changed the composition of employment by inducing a partial substitution from wage employment to self-employment for participants in the entrepreneurship track.

Cost effectiveness

There is a lack of information on cost effectiveness in the area of business mentors. Of the four studies considered here, only one (study 229) provides any cost figures. For this business mentoring programme, advice plus allocation of programme costs per hour cost the public £43.57 in 2008.⁴ In terms of benefits, a 1% increase in hours is associated with a 1.39% increase in sales. The firm data reported in the study don't allow for a computation of the absolute increase in sales and an equivalent cost effectiveness figure. However, given the small cost and the large sales boost per hour of advice, a firm would need to have initial sales of only £640 per year (i.e. most firms) or more for a 6.8% boost in sales to exceed the cost of advice.

4 Using the 2008 USD-GBP exchange rate of 0.544573

Evidence Reviewed

Ref. No	Reference
040	Premand, P., Brodmann, S., Almeida, R., Grun, R., and Barouni, M. (2016) Entrepreneurship Education and Entry into Self-Employment Among University Graduates. <i>World Development</i> , 77, 311–327.
229	Cumming, D.J., and Fischer, E. (2012) Publicly Funded Business Advisory Services and Entrepreneurial Outcomes. <i>Research Policy</i> 41, 467–481.
232	Van Cauwenberge, P., Vander Bauwhede, H., and Schoonjans, B. (2013) An evaluation of public spending: the effectiveness of a government-supported networking program in Flanders. <i>Environment and Planning C</i> , 31, 24–38.
234	Schoonjans, B., Cauwenberge, P.V., and Bauwhede, H.V. (2013) Knowledge networking and growth in service firms. <i>The Service Industries Journal</i> , 33 (11), 1051-1067.

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