

Nesta...

**IMPACT OF
MENTORING:
HOW CREATIVE
BUSINESSES
HAVE BENEFITED**

July 2014

Nesta...

Nesta is the UK's innovation foundation.

An independent charity, we help people and organisations bring great ideas to life. We do this by providing investments and grants and mobilising research, networks and skills.

Nesta is a registered charity in England and Wales with company number 7706036 and charity number 1144091. Registered as a charity in Scotland number SCO42833. Registered office: 1 Plough Place, London, EC4A 1DE.

www.nesta.org.uk

©Nesta 2014

IMPACT OF MENTORING: HOW CREATIVE BUSINESSES HAVE BENEFITED

CONTENTS

1. EXECUTIVE SUMMARY	4
2. INTRODUCTION	7
2.1 Nesta's Creative Business Mentor Network	7
2.2 Why business mentoring?	7
2.3 Overview of the mentees and businesses	8
2.4 The mentoring process	8
2.5 Evaluation methods	8
2.6 Structure of this report	9
3. IMPACT ON FINANCIAL PERFORMANCE AND ECONOMIC OUTCOMES	10
3.1 Turnover	10
3.2 Profit	11
3.3 Jobs	12
3.4 Economic impact	12
3.4.1 Attributing change to mentoring	12
4. IMPACT OF MENTORING ON THE OWNER-MANAGERS	14
4.1 Expertise in managing growth	14
4.1.1 Strategic business planning	14
4.1.2 Financial management	16
4.1.3 Personal leadership qualities	16
4.2 Growth motivations	16
4.2.1 Confidence	16
4.2.2 Optimism	17
4.2.3 Enthusiasm and aspirations for the business	18
4.2.4 Financial goals for the business	18
5. IMPACT ON THE MENTEE BUSINESSES	19
5.1 Business management and strategy	19
5.1.1 Company structure	19
5.1.2 Innovation: product development and diversification	19
5.1.3 Marketing, branding and sales	20
5.2 Human resources	20
6. IMPACT ON COMPANIES' ACCESS TO EXTERNAL RESOURCES	21
7. IMPACT ON COMPANIES' ABILITY TO DEAL WITH CHALLENGES	23
8. CONCLUSIONS	26
9. APPENDIX: CASE STUDIES	29
ENDNOTES	30

1. EXECUTIVE SUMMARY

Nesta's Creative Business Mentor Network (CBMN) is designed to support owner-managers of Small and Medium sized Enterprises (SMEs) in the creative industries to realise the growth potential of their businesses. It was set up in 2009 and to date has provided access to a large number of commercially-successful, volunteer business mentors for over 100 companies from the film, advertising, digital media, TV and games industries.

In October 2012, Nesta commissioned BOP Consulting to measure the impact the mentoring has had on mentee businesses. This report documents the main impacts of the mentoring programme on the third cohort of 25 businesses. The report findings are based on a detailed quantitative survey completed by all mentees at 'entry' and 'exit' to the programme, in-depth qualitative cases studies of five businesses, and a contextual literature review.¹

Impact of mentoring on financial performance and economic outcomes

Nesta's CBMN ultimately aims to increase the mentees' ability and business skills in order to create stronger businesses that perform better financially, creating jobs and wealth for the UK's economy. But it takes time to see the effects of mentoring on the balance sheet.

Nevertheless, even though the evaluation took place immediately after the mentoring was complete, there is a net additional increase in turnover across the businesses of **£1.3 million** and **four FTE jobs** created which are attributable to the mentoring. This is impressive for such a short space of time and for such a low cost intervention. We would also expect to see the net economic impact increase over the medium term as the changes set in place as a result of the mentoring feed through into the companies' financial performance.

Impact of mentoring on the owner-managers

Nesta's business mentoring programme works with the most important people within the company: owner-managers responsible for setting the overall direction, ambitions and targets for the business. Business mentoring works by "*developing the person and through that, the business*", as one mentor put it.

The research findings demonstrate that improving the overall strategic business planning ability of mentees is the most important outcome of the mentoring process. A number of different dimensions of this were explored through the research. The 'overall direction of the business' is the most commonly reported factor to have improved through the mentoring process, with 21 out of 25 businesses reporting an improvement due to mentoring. This was also seen in the case studies. Mentoring also strongly helps owner-managers with their ability to:

- Undertake detailed business planning.
- Better understand their competitive position and their potential client/customer base.
- Improve their financial management and forecasting.
- Manage growth.

How motivated owner-managers are towards achieving growth – as well as how psychologically resilient they are – is important to the overall fortunes of a business. Our research corroborates previous Nesta research that demonstrates that mentoring does indeed improve mentees' confidence in managing their businesses, with 18 out of the 25 mentees stating this through the

survey. The five case study businesses reported the same, indicating that mentoring gave them confidence that they were taking the right path or that they could achieve their goals.

Finally, 15 of the 25 businesses reported that mentoring had improved their enthusiasm and passion for the business, and others that it had raised their aspirations for what the management team should expect for the business.

Impact on the mentee businesses

Business mentoring is a relationship between the mentor and the people at the top of the business. In turn, this sets in train wider changes to the business. In particular, optimising the company structure is a strong outcome of the mentoring process with 16 out of 25 mentees reporting that mentoring had improved their company's management structure.

Enhanced innovation capacity is also a strong outcome of the Nesta CBMN mentoring process. This is an important finding as it is not one that is particularly noted within the research literature on business mentoring.

- Mentors helped businesses to increase the pace at which they innovate by shortening the lead times for both developing new products and services and introducing new ways of working or identifying cost savings.
- This has a clear link to future financial performance: more than two-thirds of businesses went on to state that mentoring had improved their ability to identify new revenue streams. Half went further than this to state that it had also improved their ability to realise new revenue streams.

Nesta mentors also helped half of the mentee businesses to improve the company's ability to sell, to improve their marketing strategy and their USP and brand.

Impact on companies' access to external resources

Improving the market knowledge, contacts and relationships that mentees have (e.g. by mentors facilitating better access to potential clients, investors, or partners) is not as strong an outcome as might have been anticipated from the research literature.

However, mentoring is tailored to the individual needs of each company and the case studies show that where external connections and market intelligence were challenges faced by mentees, the mentors were very helpful – even if this was not a widespread outcome across the cohort as a whole.

Impact on companies' ability to deal with challenges

Growth in small firms is a discontinuous process, typically characterised by short-lived growth spurts followed by sluggish periods or even decline. The evaluation looked at how mentoring might help businesses to tackle these types of challenges e.g. experiencing slowdown in revenue growth, losing clients/customers, pursuing too many different options at once. The results showed that with the benefit of an external perspective and their own improved ability to analyse their companies, businesses tended to become more aware of some of the external challenges that they face. As one mentee put it: *“be ready for criticism... you won't be doing everything right”*.

More positively, for every single business challenge that mentees identified as being characteristic of their company, the mentees' opinion on how mentoring helps to tackle these challenges increased at the end of the mentoring when compared to the beginning.

Conclusions

The research demonstrates that the Nesta mentees benefited strongly from the mentoring process. Some of these benefits have already led to improvements in the financial performance of their businesses; many more should generate a financial impact in the future. Of the many benefits which Nesta mentees report, what is striking is the degree to which business mentoring facilitates changes in business strategy. This factor is largely missing from existing accounts of the value and importance of business mentoring in the research literature.

Nesta's CBMN programme therefore embodies a more dynamic and complex process than that described in previous research and evaluation. Business mentoring is not simply about improving the stock of owner-managers' skills and contacts or leadership abilities, but about supporting them to plan and execute business change. This is why most of the financial impact of the mentoring cannot adequately be captured within a short time horizon as it does not reside in quick, easy to implement operational fixes.

Although the methods are very different, the outcomes of business mentoring within the CBMN are arguably more akin to those that would be achieved from a contracted consultancy project than those that would arise from personal mentoring or coaching. However, unlike getting a consultant in, the owner-managers within the mentoring process remain the key actors that drive the process. Developing and retaining the knowledge of how to implement business change within the company is hugely important as owner-managers will soon enough face their next major business challenge and critical transition point. The current research suggests that the experience of business mentoring will leave them much better equipped next time around.

2. INTRODUCTION

2.1 Nesta's Creative Business Mentor Network

Nesta's Creative Business Mentor Network (CBMN) is designed to support owners-managers of Small and Medium sized Enterprises (SMEs) in the creative industries. Creative businesses face a daily mix of varied challenges. Owner-managers may require help to meet some of these challenges and to realise the growth potential of their business, yet they often lack access to trusted, credible sources of advice tailored to their sector.

The Creative Business Mentor Network aims to fill this gap by giving creative companies the rare opportunity of one-to-one mentoring with some of the most successful business people in the creative sector. It was set up in 2009 and to date has mentored over 100 businesses from the film, advertising, digital media, TV and games industries.

In November 2012, Nesta commissioned BOP Consulting to undertake an evaluation of the current phase of the CBMN. This report documents the main impacts of the mentoring programme on the third cohort of 25 businesses.

2.2 Why business mentoring?

Other than research commissioned by Nesta,² there is very little literature on the role and value of business mentoring for creative businesses. Indeed, this reflects a wider gap in the evidence base concerning business mentoring more generally, as the literature on mentoring mostly relates to personal mentoring.³ However, from the little research that does exist, the need, usefulness (and appropriateness) of business mentoring for the creative industries can be summarised as follows.

Mentoring is needed as:

1. It allows 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'.
2. It allows the business owner to 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.

Mentoring is appropriate as it:

3. Enables 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'.⁴
4. Is cost effective – mentoring is usually, but not always, provided without charge by the mentors, though there may be a small fee paid for brokering the relationship (as with the Nesta CBMN).
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). This may be particularly the case with creative practitioners, who often have a preference for experiential learning, in discursive, informal environments.⁵

2.3 Overview of the mentees and businesses

The 25 mentee businesses were split across:

- Film and TV production (11 companies).
- Animation, post production and computer games (five companies).
- Digital media and advertising agencies (nine companies).

Turnover ranged from £20,000 through to £6.8 million with a median turnover of a little under £300,000. Businesses ranged from having one employee to 62 employees at the start, with a median of five employees. The mentees themselves were highly educated (22 out of 25 have a first or second degree) with a significant time in managerial positions (11 years on average) and had an average age of 39.

2.4 The mentoring process

Nesta suggests that mentors offer ten, two-hour sessions over a 12-month period. However, as mentoring is a relationship, the style, format and organisation of the mentoring varied across the different businesses. The average number of meetings that businesses held with their mentors was eight. The average length of each meeting/session was 2.2 hours.

2.5 Evaluation methods

In addition to the literature review, the evaluation used two differing methods to look at the experience of the mentees and their businesses:

- A detailed telephone survey with one of the business mentees in each of the 25 companies was completed at the beginning of the mentoring process and repeated again at the end of the mentoring period. This provides a quantitative 'pre' and 'post' assessment across the 25 businesses, looking at a range of both attitudinal and objective indicators that allow us to measure any change against the baseline.
- Case studies with five of the mentored businesses were undertaken. These were qualitative and based on in-depth interviews with both mentees and mentors. This provides a more nuanced and fine-grained understanding of the impact of the CBMN, as well as a range of concrete examples of mentor-inspired change.

Case study businesses

- **Brandwave Marketing** – an agency that has developed high-profile campaigns for the action, sport and outdoors market for the last seven years.
- **Do Tank Studios** – a six year-old specialist software company dedicated to the strategy, design and development of mobile, social and interactive applications.
- **Playniac** – a game development company formed in 2010 that produced commissioned games for broadcasters, brands, entertainment and learning companies.
- **Tern Television** – a well-established TV production company.
- **The Operators** – established in 2008 as a cross-media content production company working for global advertising agencies, leading commercial photographers, directors and brands.

2.6 Structure of this report

Nesta's CBMN ultimately aims to create stronger businesses that perform better financially, creating jobs and wealth for the UK's economy. We therefore look first at what impact the mentoring has had on the bottom line of the mentee businesses, even at this early stage. The following sections then explore in more detail what changes the mentoring has facilitated that have driven these bottom line improvements and that are likely to support further economic growth in the medium term.

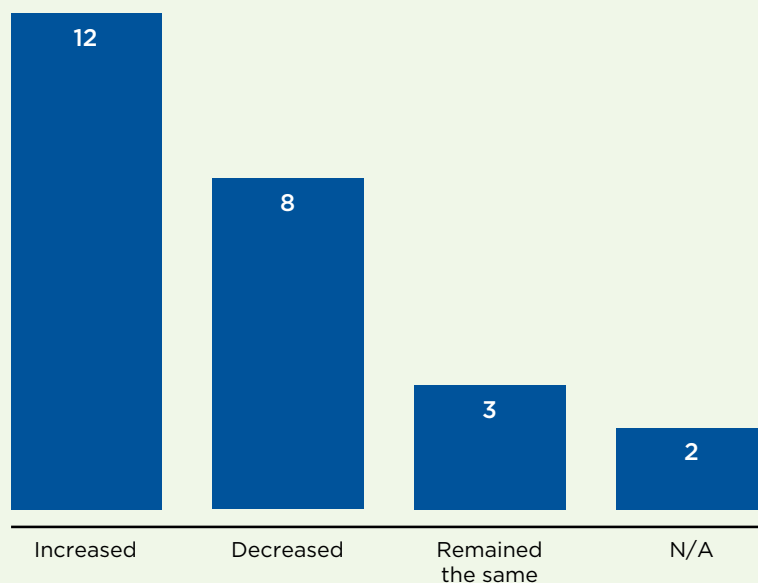
The report ends with some overall conclusions about how business mentoring works and its value to supporting small to medium (creative) businesses.

3. IMPACT ON FINANCIAL PERFORMANCE AND ECONOMIC OUTCOMES

3.1 Turnover

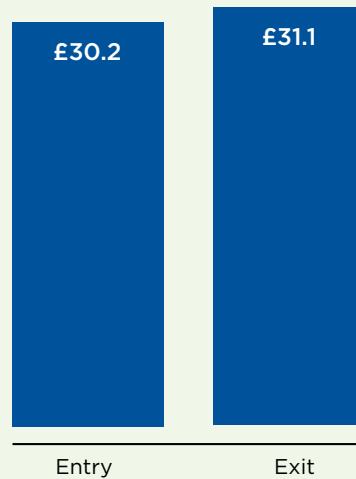
There was a trend towards companies increasing turnover during the mentoring period (see Figure 1 below). The case studies show that several mentees have identified the programme as an opportunity to enlarge their network of clients and investors and so the positive trend for sales should be expected to last (and indeed increase) in the medium term. Thus the results below are not final – simply an early sign of what will most likely be a greater impact in the future.

Figure 1 How did the company's turnover in 2012-13 change from the previous year (2011-12)?



Although the individual trend for the businesses was to increase turnover, the aggregate figure across the 25 businesses changed only a little: from £30.2 million at the beginning of the mentoring process to £31.1 million at the exit (a £0.9 million difference, representing a 3 per cent increase).

Figure 2 Companies' aggregate turnover at entry (2011/12) and exit (2012/13)



Source: BOP Consulting (2014)

3.2 Profit

The trend across the cohort over the year was to see decreasing profit margins, with a balance of three companies experiencing declining margins – eight increased their margins, 11 saw decreases and three stayed the same. In the previous financial year (2011-12), there was a balance of six companies experiencing increasing profit margins.

While this may seem counter intuitive, it should be remembered that financial performance is the area of the business where changes related to mentoring would be seen last. The final 'exit' evaluation tasks were conducted immediately after the completion of the mentoring. This does not allow sufficient time to see the results of the changes put in place by the mentoring to have worked through into companies' financial performance. At the end of his mentoring, David Strachan of Tern Television was very clear on a more appropriate timescale:

“ I expect to see bottom line benefits a year from now ”

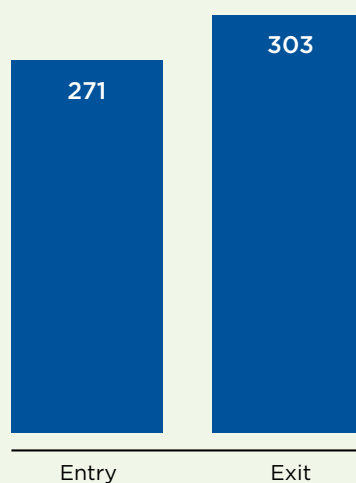
Both Playniac and The Operators also came to realise through the mentoring process that business transitions are not straightforward and that changes often take longer than expected.

3.3 Jobs

The overall headcount of the mentee businesses increased 12 per cent from 271 jobs in the beginning of the programme to 303 FTE's (full-time employees). This result is not just driven by a small group of businesses as 11 companies increased their headcount while only five reduced it.

The increased headcount is a very important result as companies tend to hire staff in anticipation of new business opportunities and revenue streams, thus providing additional evidence that further effects on companies' turnover are likely to be seen over the medium term.

Figure 3 Companies' aggregate number of full-time equivalent employees at entry (2011-12) and exit (2012-13)



Source: BOP Consulting (2014)

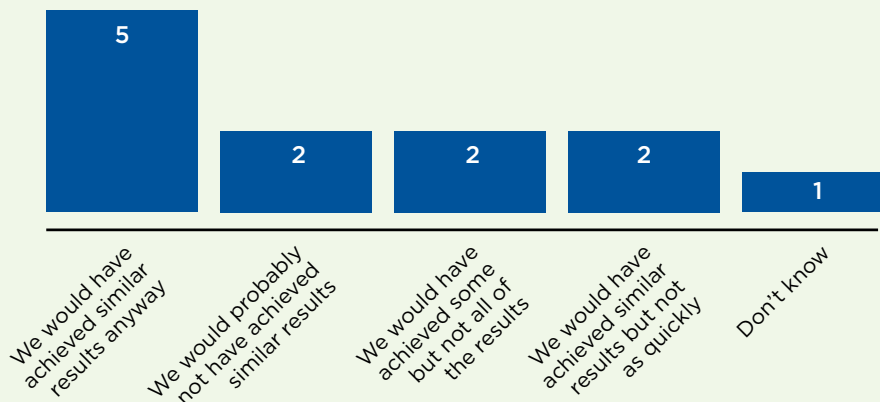
3.4 Economic impact

When analysing the results of this section it should be understood that the economic impact of the mentoring programme would be expected to be spread over a long period of time, and not only during the one year period of the current report. Business mentoring produces opportunities and benefits that flow from strategic business change rather than from quick, easy-to-implement operational fixes.

3.4.1 Attributing change to mentoring

In general, mentees do not attribute the changes that took place in the financial performance of the businesses between 2012-13 and 2011-12 to the mentoring process. We questioned the mentees that reported an increase in revenue over the period of the mentoring. As Figure 4 below shows, half of these mentees identified some sort of impact of the mentoring programme on their increased revenue, stating that they would 'have not achieved similar results' (two mentees), they would have 'achieved only part of the results' (two mentees) or 'similar results but not as quickly' (two mentees). This pattern is entirely to be expected and is explained and re-enforced throughout the following analysis.

Figure 4 (For those businesses that increased turnover) Which of the following statements best describes what would have happened if you had not received the mentoring?



Source: BOP Consulting (2014)

Nevertheless, even after this very short time period in which the mentoring has had very little time to have had a bottom line impact, there is still a net additional increase in turnover across the businesses of £1.3 million and the creation of four FTE jobs.⁶ This is impressive for such a short space of time and for such a low-cost intervention.

4. IMPACT OF MENTORING ON THE OWNER-MANAGERS

Improving the financial bottom line of companies is the ultimate goal of the CBMN programme. But it takes time to see the effects of mentoring on the balance sheet as business mentoring is first and foremost a personal development and organisational change intervention.

4.1 Expertise in managing growth

4.1.1 Strategic business planning

The research findings demonstrate that improving the overall strategic business planning ability of mentees is the most important outcome of the mentoring process. A number of different dimensions of this were explored through the research.

The 'overall direction of the business' is the most commonly reported factor to have improved through the mentoring process, with 21 out of 25 businesses reporting an improvement due to mentoring. This was also echoed strongly in the case studies. For instance,

- Brandwave Marketing came to the mentoring as they needed direction as to how to continue growing and developing their client base; and
- The Operators wanted help to set a new direction as an established business, having moved on from their startup phase.

Moving one level down from broad strategy, mentoring also strongly helps owner-managers with their ability to undertake business planning, with 17 out of 25 mentees reporting that this had improved due to working with their mentors. All the case study businesses reported that mentors had helped in this regard, including helping to set goals for the management team (The Operators), and helping with target setting and being more ambitious about targets (Brandwave, Do Tank Studios).

“Defining what growth means for the business is important and objective setting to achieve that is vital”

John Varney, Nesta mentor

The improvements in business planning can also be seen from the survey results, with only one of the 25 mentees having no formal business plan at the end of the mentoring period as opposed to four of the 25 at the start.

Having a mentor does not, however, appear to make much difference to the frequency with which business planning takes place. What it does seem to do is to prompt businesses to bring more people into the business planning process. By the end of the mentoring, more of the businesses were including senior team members (11 out of 25) and the board and/or non-Exec Directors (ten out of 25) in business planning than at the beginning (where the figures were six and four respectively).⁷

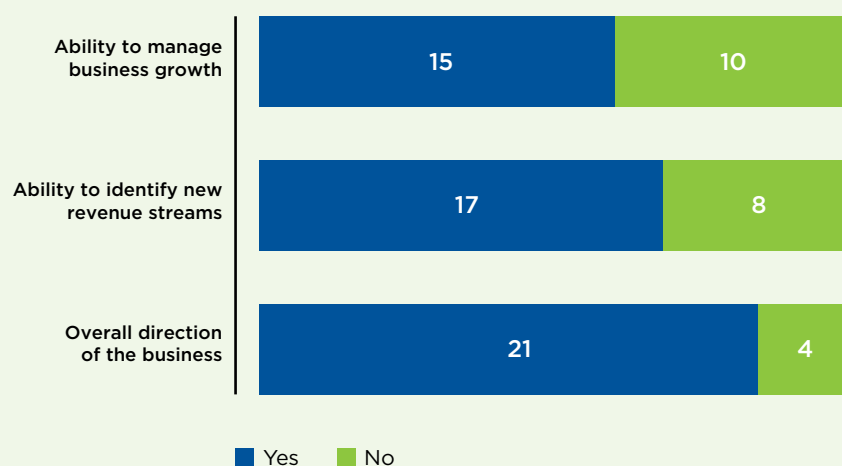
Looking at other elements of strategic business planning, mentors often helped the businesses to better understand their competitive position and their potential client/customer base as follows:

- Customer mapping: as part of the mentoring process, 16 businesses worked with their mentors to map the complete range of customers they could sell to (ten in a formal process and six informally).
- Competitor mapping: nine businesses also mapped out their competitors with their mentors, either at the beginning of the mentoring process or during their relationship.⁸

Crucially, mentoring clearly also helps with owner managers' 'ability to manage growth', with 15 out of 25 mentees reporting that the mentoring had improved this. Do Tank Studios described this in terms of their mentor showing them,

“How to manage a business and not be managed by it”

Figure 5 Has mentoring been a useful way of improving any of the following aspects of your business?



Source: BOP Consulting (2014)

These positive results are also re-enforced by the later findings on how mentors help businesses to tackle a range of strategic business challenges (see Section 7 below).

4.1.2 Financial management

Approximately half of the mentees felt that mentoring helped to improve their 'financial management and forecasting' (13 out of 25). The survey results also show that, between the beginning and the end of the mentoring, several of the businesses moved away from the accounts being the responsibility of accountants (both external and internal), to being the responsibility of one of the Directors of the business.

- Only three out of 25 of the businesses placed responsibility for the accounts with a member of the management team at the beginning of the mentoring. This rose to ten out of 25 by the end of the mentoring period.

This transition is important as management accounts are the 'DNA' for managing a business, so having up-to-date knowledge of them within the senior management team is beneficial.

4.1.3 Personal leadership qualities

Contrary to what the existing research literature suggests, the survey results show that mentoring seems to have little effect on personal leadership qualities across the mentees in this cohort. Mentees were asked to self-assess their capabilities on a variety of different dimensions of leadership (e.g. how owner-managers behave towards their staff, their personal efficacy, and their problem solving ability) at the beginning and end of the mentoring.

Out of the 19 dimensions tested for, the difference before and after was only +/- 0.3 points. There is a chance that this result is anomalous, reflecting the small sample size of this group of mentees. Alternately it could reflect the fact that the existing literature on mentoring is dominated by research on personal mentoring, where these qualities would be more a focus of the mentoring relationship, rather than in business mentoring.

4.2 Growth motivations

The owner-managers of a company set the overall direction, ambitions and targets for the business, in addition to putting in place the necessary resources, structures and processes to achieve growth. How motivated owner-managers are towards achieving growth – as well as how psychologically resilient they are – is therefore important to the overall fortunes of a business.

4.2.1 Confidence

One of the conclusions of the previous SQW report on the CBMN is that the mentoring improves mentees' confidence. Our research corroborates this finding, with 18 out of the 25 mentees reporting that mentoring had improved their 'confidence in managing the business', and each of the five case study businesses reported the same. For instance, Do Tank Studios came into the mentoring process on the back of a difficult period during the recession. During the first six months of the mentoring, their mentor worked with them to increase their confidence, in parallel with structuring a business plan and setting new growth targets. The directors feel that the confidence and motivation they gained as part of the mentoring programme will help them to understand the market better and plan the company's future more effectively. In short, as Director Adam Hoyle put it, it left them feeling:

“ We can do it, we can achieve our goals! ”

But increasing the confidence of owner-managers need not always be about mentors helping mentees to increase confidence. For Brandwave Marketing, before working with a mentor, they knew what they wanted but not how to achieve it or if it was the right thing to do. In their case the mentor re-enforced and validated the existing company strategy. As Vicky Stickland (Commercial Director) reported, it gave them:

“ Confidence in knowing that we're actually on the right path ”

4.2.2 Optimism

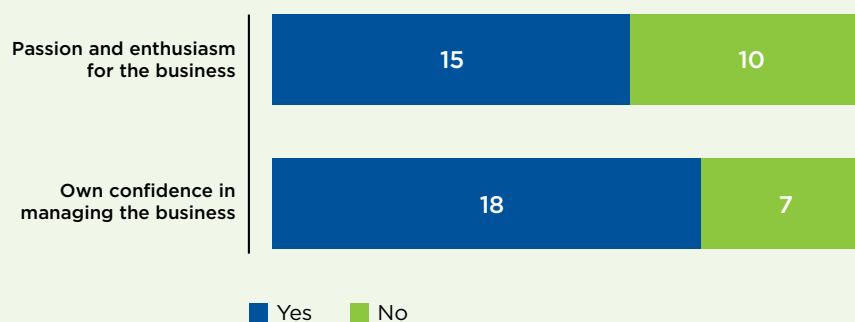
Recent research suggests that optimism is one of the few consistent characteristics that sets entrepreneurs apart from employees, as entrepreneurs are drawn from the ranks of the ‘super optimists’ in comparison with both employees and the general adult population. Optimism is a valuable resource for entrepreneurs as it is one of the factors that keeps them going despite the difficulties that they encounter (and the likely greater personal rewards that they could achieve as employees).

We assessed the mentees’ optimism levels at the beginning and end of the mentoring process via the most commonly used psychological method.⁹ This demonstrates that the mentees are, as expected, more optimistic than the adult population:

- The average optimism score for the mentees was 17.7 at the start of the mentoring, compared with the adult population norm of 14.3 (the scale runs from 10–24).

However, on average, mentees’ optimism levels did not change by the end of the mentoring period. This suggests that either there was insufficient time in order to observe a change or that – as some psychologists have stated – optimism may be a disposition, i.e. a fixed personality trait, rather than something that can be worked on through a developmental process.

Figure 6 Has mentoring been a useful way of improving any of the following aspects of your business?



Source: BOP Consulting (2014)

4.2.3 Enthusiasm and aspirations for the business

As the CBMN is dedicated to business mentoring and not personal life coaching, mentees were asked a more business-focused question about their ‘enthusiasm and passion’ for their companies:

- 15 of the 25 businesses reported that mentoring had improved their enthusiasm and passion for the business.

Mentees were not asked about their aspirations for the business through the survey. However, raising the aspirations and ambitions of what the management team should expect for the business was clearly an outcome for Brandwave Marketing. They noted that their mentor:

“Challenged us to think bigger in the way we approach clients, how we look at the business as a whole, and to act more boldly in the market.”

4.2.4 Financial goals for the business

Another indicator of how mentoring affects the growth motivations of owner-managers, is the financial goals that they have for the company at the end of the process compared to the beginning. Here, the survey findings are more equivocal.

The number of owner-managers with goals to sell the business in the medium to long term marginally increased from six to seven. This is a broadly positive sign from a business growth perspective as it shows that the owner-managers have clarified what they want out of the business and this should in turn help to drive growth in order to facilitate the owners to 'cash out'.

However, the numbers of mentees reporting that they have 'no' financial goals for the business also increased by the end of the mentoring period (from four to seven out of 25). This may suggest a greater honesty upon exit on the part of the mentees.

5. IMPACT ON THE MENTEE BUSINESSES

5.1 Business management and strategy

As outlined above, business mentoring is a relationship between the mentor and the people at the top of the business. In turn, wider changes to the business are set in train through the mentoring process. These affect both company processes (strategic and operational) as well as organisational and governance structures.

5.1.1 Company structure

Optimising the company structure is a strong outcome of the mentoring process. As the case studies show, a key element of this is often re-defining the director-owner role. This was true for The Operators, Brandwave Marketing and particularly Do Tank Studios. Do Tank's directors freed-up more of their time to focus on management by focusing less on production.

The findings from the case studies are backed up by the survey results, as the majority of mentees (16 out of 25) reported that mentoring had improved the 'Company management structure'. The survey results also suggest that mentoring had an impact in terms of governance structure across some of the companies, with the number of companies with boards increasing throughout the period, from nine to 12. Equally, mentees reported that the actions from board meetings are now also followed-up more regularly at the end of the mentoring (17 report 'Always' followed up when compared with the beginning (11)).

5.1.2 Innovation: product development and diversification

Innovation is also a strong outcome of the mentoring process. This is an important finding as it is not particularly noted within the research literature. The following emerged:

- More than two-thirds of businesses stated that mentoring had improved their 'Ability to identify new revenue streams' (17 out of 25).
- Approximately half of the businesses (12 out of 25) went further to say that that it had also improved their 'Ability to realise new revenue streams'.

Other research findings corroborate these results. In particular, mentors seem to have helped businesses to increase the pace at which they innovate as follows:

- 15 of the businesses at the start of the mentoring had developed a new product/service within the previous six months at the start of the mentoring. This rose to 18 by the end of the mentoring.
- 14 of the businesses at the start of the mentoring had come up with an action that opened up new ways of working or saved them significant money. This rose to 18 by the end of the mentoring.

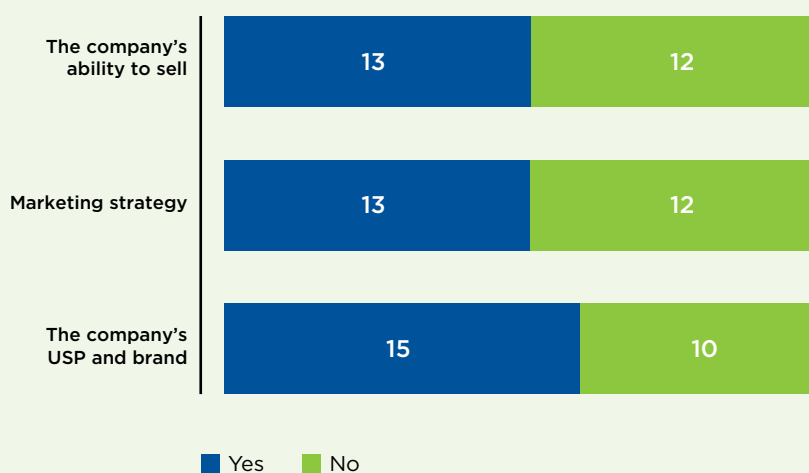
The case studies also provide concrete examples of how mentoring has helped as follows:

- New product development (Playniac, Do Tank Studios).
- Exploration of new international markets (Tern TV, Playniac).
- New business models (Playniac).

5.1.3 Marketing, branding and sales

A majority of companies reported that working with their mentor had helped them to improve their marketing, branding and sales.

Figure 7 Has mentoring been a useful way of improving any of the following aspects of your business?



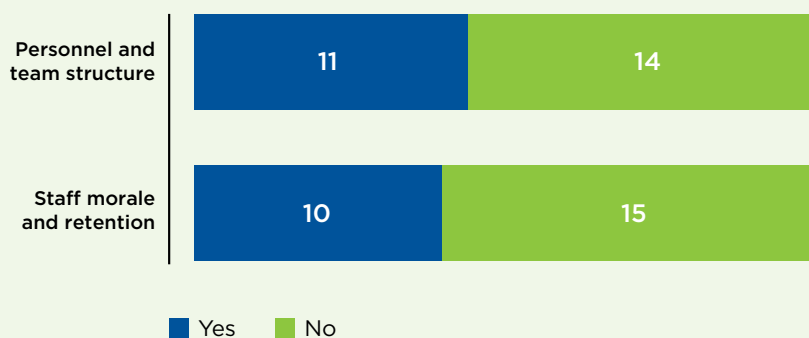
Source: BOP Consulting (2014)

5.2 Human resources

Overall, fewer mentees felt that mentoring had helped them improve a number of aspects of their human resources, including personnel and team structure, and staff morale and retention. This latter dimension is less common than the improvements reported by owner-managers' own morale (as measured by 'passion and enthusiasm' above).

However, the case studies do provide examples of how companies realised that they did not have the best staffing/role structure and moved to change this over the period. For instance, The Operators added new dedicated roles for PR and Marketing as a result of the changes that needed to be made to take the business forward.

Figure 8 Has mentoring been a useful way of improving any of the following aspects of your business?



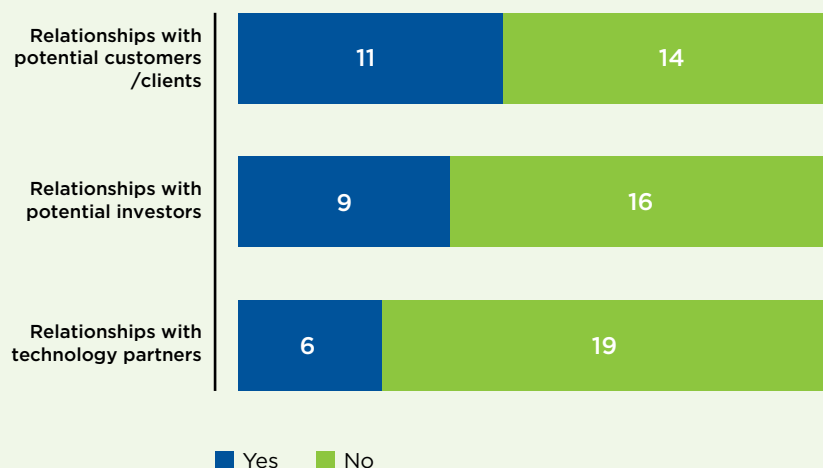
Source: BOP Consulting (2014)

6. IMPACT ON COMPANIES' ACCESS TO EXTERNAL RESOURCES

The role of mentoring in improving the companies' access to external resources (e.g. by facilitating better access to potential clients, investors or partners) is not as strong as one might have anticipated, given the gap in the level and industry experience between the mentees and the mentors.

Whether looking at how mentoring had improved relationships with 'potential clients and customers' (11 out of 25), or 'potential investors' (nine out of 25) or with 'technology partners' (six out of 25), none of them was a widespread outcome for the mentee businesses.

Figure 9 Has mentoring been a useful way of improving any of the following aspects of your business?



Source: BOP Consulting (2014)

However mentoring is tailored to the specific company, each of which has individual and differing priorities and needs. So while the general picture suggests that this was not an area that was widely drawn upon by the majority of mentees, the case studies show that where better external connections and market intelligence were key to the company development challenge, the mentors were very helpful.

Tern Television

Tern's mentor (Jane Turton) provided a lot of help with their plans to expand into the US and to move more into digital. Jane introduced MD David Strachan to agents in the US and to other divisions within her own company (3M). David was amazed at how generous Jane had been in opening up her company and contacts to David. The introductions provided by Jane have extended Tern's working knowledge and brought business. In particular, the company's approach to US business has been totally changed and they have concluded a deal with 3M's YouTube channel.

Playniac

The company was looking to make the difficult transition from a developer of commissioned games to original IP games that Playniac would own. Among the many challenges that they faced in making this transition was not having the contacts to get their company in front of the right publishers/funders and other important industry figures. Playniac's mentor Mike Hayes is a renowned video games expert and he personally facilitated eight high level business meetings, from which Playniac made a clutch of new contacts and went onto take a stand at a major games showcase in San Francisco. None of the meetings and networking would have been possible without Mike's industry contacts and knowledge.

7. IMPACT ON COMPANIES' ABILITY TO DEAL WITH CHALLENGES

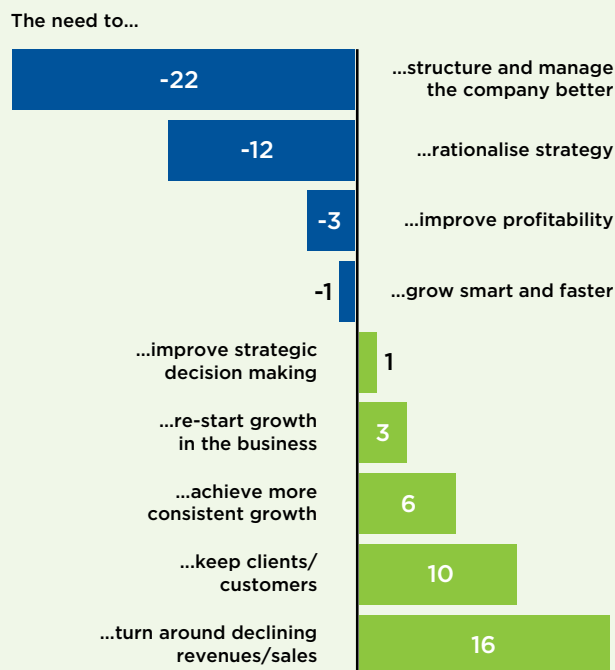
The literature on small business growth shows just how difficult it is for companies to achieve sustained growth. The start-up phase is perilous as approximately half of all new enterprises go out of businesses during this time. What is less well known is the continuing challenges that persist for businesses beyond start-up.

Small firm growth is often characterised by short-lived growth spurts which are hard to repeat. As a result, financial performance falls back into sluggish periods or even decline. The term 'critical transition points' (CTPs) has been coined to describe these moments where a company's fortunes can change either for the better or for the worse.

The evaluation looked at how mentoring might help businesses to tackle the kinds of challenges that are symptomatic of this overall pattern of discontinuous business growth. To do this, mentees were first asked to state to what extent a series of business challenges were characteristic of their own companies, at both entry and exit.

The results show something that initially seems counter intuitive: the mentees rate four out of nine of the challenges as being more characteristic at the end of the mentoring than at the beginning (see Figure 10 below). For example, the mentees overall state that the need to turn around declining sales and achieve more consistent growth is more true of their businesses at the end of the mentoring than it was at the beginning.

Figure 10 Difference between aggregate entry and exit scores of how true the following businesses challenges are for the mentee companies¹⁰



Source: BOP Consulting (2014)

However, the case studies in part help to explain this result. Owner-managers are by nature optimistic, but what mentoring can provide is an external perspective that may temper this innate optimism with a greater realism. This is certainly what Kai Bastard, Director of The Operators found:

“ Be ready for criticism and have the desire to change... you won't be doing everything right ”

Mentoring improves owner-managers' own ability to analyse their companies, whether in terms of financial management, sales opportunities or competitive positioning. This means that mentees may 'see' their businesses in a more realistic and detailed light at the end of the mentoring. It is therefore not hard to understand how the greater wisdom and perspective that they gain through the mentoring process also makes owner-managers more adept at recognising the challenges that their businesses face.

The case studies also provide clear examples of mentee businesses that realised that they were at a difficult transition period and that mentoring was a good first step in tackling this, whether this was related to:

- Not having the skills and market knowledge required to move from TV into digital (Tern Television).
- Being unsure about how to navigate through the recession and move forward as a business (Do Tank Studios).
- Lacking the knowhow and contacts to move from a developer of commissioned games to a developer of original IP games (Playniac).
- Needing to move from being a startup to an established business (The Operators).

For the remaining five business challenges:

- Improving the company structure for growth.
- Making decision making more strategic.
- The need to grow faster and smarter.
- Increasing the owner managers' expectations about the companies' ability to make profits.

companies were more confident at exit that these were less characteristic of themselves. This suggests that their mentors helped them to address these issues over the period. This makes sense as these are generally challenges that are more internal to the business and exactly the kinds of factors that mentoring has an early impact on.

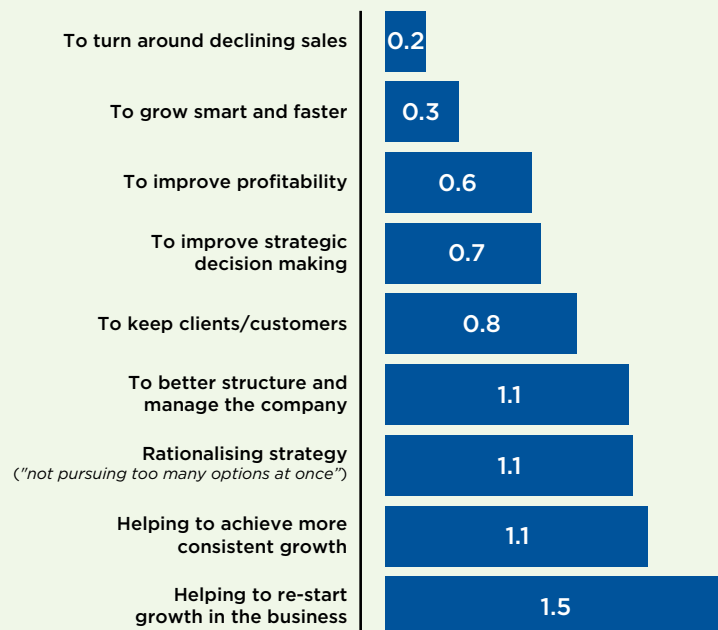
Further evidence to support this proposition – that mentoring is helpful to addressing specific business challenges and transition points – is provided by the survey responses to the follow-up question. For any mentee that stated that a particular business challenge was true of their own company, they were then asked at both the beginning of the mentoring and at the end of the mentoring whether they thought that 'mentoring was a way to help' to meet this challenge.

For every business challenge that was identified, the mentees' opinion of the degree to which mentoring helps increased at the end of the mentoring when compared to the beginning. In the case of helping to meet four of the specific challenges:

- Improving company structure.
- Rationalising strategy (helping businesses when they are pursuing too many options at once).
- Achieving sustainable growth.
- Re-starting growth in the business (tackling the fact that growth has been borne largely through one major growth spurt).

The difference is particularly strong. This latter finding echoes the earlier results regarding the importance of the CBMN in supporting innovation within the businesses.

Figure 11 Difference between average entry and exit scores of how well mentoring can help to address business challenges that relate to their companies¹¹



Source: BOP Consulting (2014)

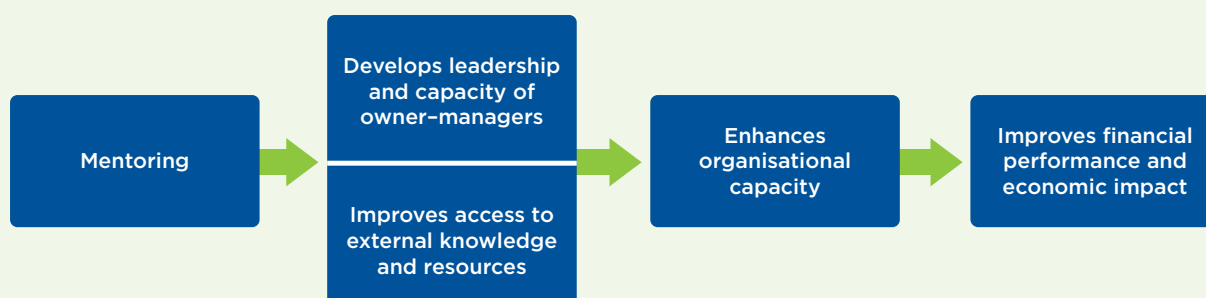
8. CONCLUSIONS

The research demonstrates that the Nesta mentees benefited strongly from the mentoring process. Some of these benefits have already led to improvements in the financial performance of their businesses and many more should generate a financial impact in the future.

The modest literature that does exist on business mentoring indicates that its value is essentially two-fold. Firstly, the combination of space for reflection and learning by doing improves owner managers' leadership qualities and their overall outlook and capabilities. Secondly, through mentors' greater knowledge, experience and contacts, they may also provide mentees with greater access to external resources.

These changes may in turn trigger owner-managers to implement wider changes to their companies' processes and structures. All of these factors are important as they are interim drivers of business growth that ultimately lead to improved financial performance in the future. These relationships can be represented in the following diagram.

Figure 12 Value of business mentoring, according to the existing research literature



Source: BOP Consulting (2014)

The results from this cohort of Nesta CBMN mentee businesses do indeed provide examples of most of these impacts. Improvements to mentees' overall strategic business planning; and their confidence in managing the business and their passion, enthusiasm and aspirations for it are particularly common. From a company perspective, the biggest impacts of the mentoring reside in the following:

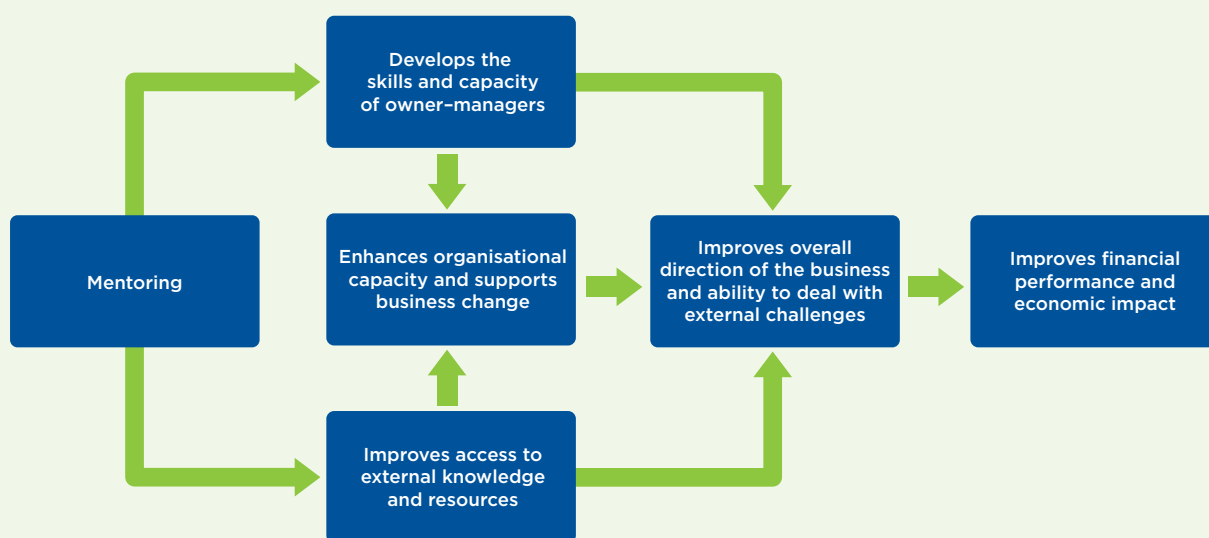
- Improving management structures.
- Enhancing innovation capacity.
- Enhancing ability to sell, enhancing marketing strategies, USP and brand.

But what is missing from the existing literature and what is a clear finding from this study of the Nesta mentees is the degree to which business mentoring facilitates changes in business strategy.

This means that the Nesta business mentoring embodies a more dynamic and complex process than that described in the existing research evidence. It is not simply about improving the stock of owner-managers' skills and contacts or leadership abilities, but about supporting them to plan and execute business change. This is why most of the financial impact of the mentoring cannot adequately be captured within a short time horizon.

Business mentoring produces opportunities and benefits that flow from strategic business change rather than from quick, easy to implement operational fixes.

Figure 13 Value of business mentoring within Nesta's CBMN programme



Source: BOP Consulting (2014)

The specifics of the business change of course vary from company to company, particularly in the scale of the changes that are being implemented. For instance, moving to establish a whole new business model (e.g. self-funded games as opposed to commissioned games) represents a greater change than selling essentially the same services but in a new territory. However, all the changes are designed to improve the overall direction and prospects of the business, and in doing so, to make the business more resilient to external challenges. Figure 13 above shows diagrammatically how this differs from the simpler and more static model so far envisaged in the literature.

When understood in this way, the outcomes of business mentoring are arguably more akin to those that would be achieved from a contracted consultancy project than those that would arise from personal mentoring or coaching. This explains why the Nesta mentoring programme appears to have little impact on personal leadership qualities – because it is simply not the focus of the interaction.

Finally, unlike getting a consultant in to diagnose key business challenges and suggest solutions, the owner-managers within the mentoring process remain the key actors that drive the process. [And importantly, business mentoring is far more affordable for small businesses than going down the consultancy route.]

Business mentoring in this respect has the advantage of the old adage: it is like being taught how to fish rather than simply being given a fish to eat. This was echoed by one of the mentees' statements that the value of the mentoring lay not so much in 'helping us know what to do, but rather showing us how to do it'. Developing and retaining the knowledge of how to implement business change within the company is incredibly important as owner-managers will soon enough face their next major business challenge and critical transition point. The current Nesta research suggests that the experience of business mentoring will leave them much better equipped next time around.

9. APPENDIX: CASE STUDIES

Creative Business Mentor Network: year three case studies are here:
www.nesta.org.uk/creative-business-mentor-network/year-three-case-studies



TERN TV



PLAYNIAC



THE OPERATORS



DO TANK STUDIOS



BRANDWAVE MARKETING

ENDNOTES

1. The literature review has been published separately within the early BOP (2014) report 'Mentoring in the Creative Sector: Industry Insights'.
2. Specifically: SQW (2009) 'A Review of mentoring literature and best practice: Creative business mentor pilot.' report for Nesta; and SQW (2010) 'Evaluation of Mentoring Pilot.' report for Nesta.
3. This is a key finding of the literature review that was undertaken for the start of the evaluation.
4. SQW (2009: 19).
5. Raffo, et al. (2000).
6. This result was derived by applying a grading scale from 100 per cent to businesses that responded saying without the mentoring they probably would not have achieved similar results; to 0 per cent for the businesses that responded saying they would have achieved similar results anyway.
7. The increase in bringing boards and/or non-Execs into the business planning process is partly caused by several companies having moved to establish a board during the mentoring process (see p.19, Company Structure).
8. This was less needed than customer mapping as more businesses had carried this out prior to the mentoring than with customer mapping.
9. The test and the normative data come relate to the revised version of the 'Life Orientation Test', which is taken from afterdeployment.org, adapted from: Scheier, M.F. and Carver, C.S. (1985) Optimism, coping, and health: Assessment and implications of generalized outcome expectancies. 'Health Psychology.'2, 219-247; and Scheier, M.F., Carver, C.S., and Bridges, M. W. (1994) Distinguishing optimism from neuroticism (and trait anxiety, self-mastery, and self-esteem): A re-evaluation of the Life Orientation Test.'Journal of Personality and Social Psychology.' 67, 1063-1078.
10. The total score was derived by multiplying the frequency of answers by the scale of answer (from Totally False =1 to Totally True =6) to calculate an aggregate score for each category and make possible the comparison between entry and exit scores.
11. Based on a six-point scale of Totally False =1 to Totally True =6).
12. ww

Nesta...

Nesta

1 Plough Place
London EC4A 1DE

research@nesta.org.uk

[@nesta_uk](https://twitter.com/nesta_uk)

www.facebook.com/nesta.uk

www.nesta.org.uk

July 2014

Nesta is a registered charity in England and Wales with company number 7706036 and charity number 1144091. Registered as a charity in Scotland number SCO42833. Registered office: 1 Plough Place, London, EC4A 1DE.

