



**Federation of Small Businesses**  
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# Vision for a national mentoring system

Connecting business owners with business mentors

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# About the authors

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# Vision for a national mentoring system

## Introduction

The Federation of Small Businesses (FSB) is keen to establish long-term relationships between business mentors and business owners in need of business information and support services.

Approximately £10-12bn is spent every year on Government funded business support. Astoundingly, 95 per cent of businesses in the UK are defined as a micro business – yet only five per cent of the total business support budget goes to the micro business sector.<sup>1</sup>

Small business management is complex and requires competent advisors who have had experience in running a successful micro or small business to advise or mentor business owners and managers. The FSB places a great belief in mentoring to support business owners as it supports the translation of the skills learnt into appropriate action for the business they are running.

On average, around two thirds of all start-ups will fail within their first year of business<sup>2</sup>. Mentoring should perhaps be more targeted towards those businesses which wish to expand, diversify, introduce new approaches to management, engage with HEIs, innovate, export etc.

1 SfEDI – the government-recognised, not-for-profit standards setting body for both Business Enterprise and Business Support – <http://www.sfedi.co.uk/sfedi-news/six-killer-facts>

2 <http://www.simplybusiness.co.uk/knowledge/articles/2010/02/2010-02-08-five-reasons-why-businesses-fail/>

## Key recommendations:

- The creation of a National Mentoring Service through the Institute of Enterprise and Entrepreneurs (IOEE) to match mentors with businesses at all stages of the business life cycle.
- Banks should be looking to donate investment into a Mentoring scheme to start to rebuild the relationships between small business and banking institutions.
- A mentor should be able to provide mentoring services, and in addition, have the capacity to step away from that mentoring role and move into discussions that involve potential investment into the business.
- A system whereby businesses can provide constructive online feedback on the quality of the mentoring that they have been given in terms of positive and negative feedback. An example of this model can be seen on the ebay website.

## The future of business to business support

The FSB believes in the concept of mentors forging long-term relationships with the small business community to impart wisdom and skills and offer advice to businesses in need of assistance.

A national mentoring scheme underpinned by accessible, effective business information services is critical to small business growth.

### Example

In America, SCORE provides start-up entrepreneurs and small businesses with counselling, coaching, training and resources. SCORE connects in communities through 364 offices and with 12,400 business mentors and coaches. SCORE donated more than 1.2 million hours to serve 378,157 entrepreneurs in 2009.<sup>3</sup> By clicking on the link below a business can go through an online portal to get in touch with a local mentor and has the ability to meet face to face: <http://www.score.org/index.html>

There are already volunteer mentors working in their communities who would value the notion of being recognised for their work through personal accreditation and there are others who will need to be given the skills to allow them to provide mentoring services in the future. It will be important to balance the need for light touch assessment (to encourage engagement with small businesses) with ensuring a consistent mentoring service.

3 SCORE FY 2009 Annual Report

- Recent FSB workshops in London showed that established businesses wanted a relationship over a period of time of more than a year with a business mentor.
- SFEDI research shows that start-ups have a one in four chance of surviving and thriving over three years if they have a mentor. Indeed, these start-ups have a better than 85 per cent chance of surviving over three years.
- *Fortune* magazine has reported that coaching gives an annual return on investment (ROI) of over 500 per cent. It measured the ROI of 100 managers and executives from Fortune 100 companies who received customised Executive Coaching. The survey found that coaching returned an average of six times its cost in benefits.<sup>4</sup>
- In a survey by the *Work Foundation* covering more than 300 UK companies, over 80 per cent reported that coaching and mentoring had improved the achievement of individual performance targets and goals.<sup>5</sup>

### Accreditation of Mentors through IOEE

An **Institute of Enterprise and Entrepreneurs (IOEE)** will be established by SFEDI<sup>6</sup>, in association with the FSB to promote small business owners to become business mentors. The online portal will provide the opportunity for businesses with significant experience of running their own business to sign up.

Equally, it will be important that the mentor – if retired, for example – is still *au fait* with modern approaches to business management. One of the criticisms often made of advisers who come through Business Link or who are found through independent advice providers is that they are a bit out of touch. A supervision system (see below) might help overcome this.

There can be a problem at times with quality control of mentors. Not all organisations apply a strict enough criteria in their recruitment of mentors, as well as a slack process for matching companies with those having appropriate experience. The IOEE will strive to ensure a light touch, yet quality assured, mentoring network. The impact that bad advice can have on a business is potentially fatal. The ultimate decision to match up with a suitable mentor should lie with the businesses seeking mentoring.

Initially to become a mentor, it will be essential for the mentors to themselves have a supervisor who can monitor and assist with their work. This will ensure the mentor is able to deliver a top-quality service. Full mentor accreditation will be available for those who wish to further their mentor development.

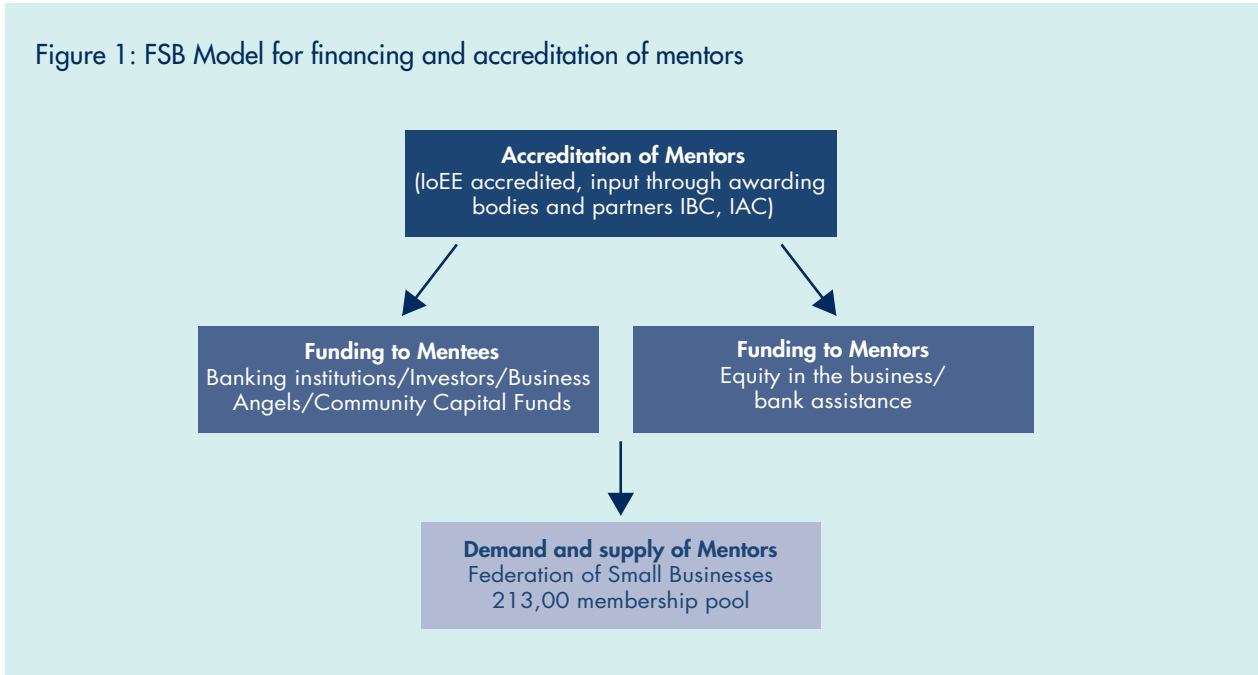
An ebay-style feedback system is vital to a successful mentoring system. A good example of a feedback style approach is the 'Check a Trade' website.

4 [http://www.executivecoachcollege.com/roi\\_of\\_executive\\_coaching.htm](http://www.executivecoachcollege.com/roi_of_executive_coaching.htm)

5 <http://www.gb-executivesolutions.co.uk/executivecoaching/index.htm>

6 The Small Firms Enterprise Development Initiative (SFEDI) is the Government recognised UK Standards Setting Body for Business Support and Business Enterprise.

Figure 1: FSB Model for financing and accreditation of mentors



## Funding streams

### Funding for the mentors:

The FSB is advising the Government to work with SfEDI, FSB and other partners to establish a framework for mentoring (similar to the SCORE model in America). This should be set up nationally to coincide with the Coalition Government's position of centralising business support away from Regional Development Agencies.

This model of a National Mentoring Service (akin to SCORE in the USA) will not materialise without dedicated partners – and this includes mentors. Many mentors will provide this service on a voluntary basis; however, others will offer their professional services at a cost. The FSB favours a free market approach to mentoring so long as the quality of those providing the mentoring is properly accredited.

The FSB believes that banks should be looking to donate investment into a Mentoring scheme to start to rebuild the relationships between small business and banking institutions.

### Potential Funding for the mentees:

Small businesses seeking mentoring should be aware of alternative sources of finance such as business angels and venture capitalists. Through effective mentoring businesses should be able to engage in discussions where the mentor is able to step away from a mentoring role and into a business advice position where discussions on equity finance can develop.

Small businesses will want to reduce their reliance on debt as we live in a world of expensive loans/overdraft fees. Small businesses tend to rely

on retained profits and other self-financing means but have been reluctant to sell equity with the loss of control in their business (only two per cent applied for finance through equity in 2007). Recent changes to Capital Gains Tax will affect many businesses that lack a traditional pension, as they will be paying 28 per cent on their capital gains. A system whereby business mentors could offer more tailored advice with the offer of capital would benefit small businesses.

### **FSB Community Capital Funding Model**

The use of venture capital funds should be linked in with local portfolio investors and investees. For example, local investors should receive communications about firms that wish to receive venture capital funds. Business angels and mentors must also be factored into this as they will have the business investment experience to help high-growth and high-return firms.

The FSB recommends a system of Community Capital Funds (CCF) to link local investors and local small businesses. CCFs would be programmed and managed in the same way as Venture Capital Trusts but localised to help small firms within a specific geographical area (for example, North East, London etc). The scheme would allow benefits such as the offsetting of Capital Gains Tax and Income Tax, or even including local investments within the Individual Savings Account (ISA) wrapper to compensate businesses that have been severely damaged by the low level of interest rates.

## **Roles and responsibilities of a Mentor**

The FSB believes in the value of Mentoring and stresses the importance of good quality mentors offering sound support to businesses. It is vital that the information provided leads a business to making its own effective decisions.

Some of the roles and responsibilities that any credible mentor should possess when they speak to another business are set out below.

## **Potential Partners**

The FSB believes that partners in mentoring and coaching such as the Institute of Business Coaching (IBC) or the International Association of Coaching (IAC) are vital to the success of an overriding National Mentoring service.

The British Library Business and IP centre provide excellent mentoring resources to entrepreneurs and growing businesses and this resource should be exempt from public sector cuts. Likewise, incubators in Universities such

as **Manchester Metropolitan University** or **Leeds City College** offer excellent mentoring services to small businesses.

Awarding bodies such as OCR and EDEXCEL can work with a national mentoring service to ensure the right assessment of business mentors.

### **Roles and responsibilities of a Mentor – International Association of Coaching<sup>7</sup>**

- Mentors transfer the skills to the business owner, rather than doing the job for him or her. The aim is to lead them toward self-directed actions to achieve their goals. After all, the business owner leads the changing organisation, so makes the decisions.
- They avoid the usual management consultancy approach: “these are your problems, and this is my solution”.
- Use Appreciative Inquiry – collaborating for change and building on what works best at present in the target organisation.
- Engages in provocative conversations. Mentoring sessions are generally short. By hearing what the client is saying and not saying, by questioning what one hears, by asking the right questions, pressing for clarity, and by sharing what you know and how you feel, provocative conversations can occur within minutes, not months.
- Reveals the client to themselves. The more aware anyone is, the better choices they can make for themselves. To help them discover their gifts, talents, wants, values, needs and dreams, as well as come to understand what motivates and inspires them. The result is a well-informed client, quickly moving forward on their path of self-awareness.
- Expands the client’s best efforts, and support them to do more in a shorter period of time than they would do on their own. Acting as both a catalyst and accelerant and supporting the client to do more than they have done or think that they are capable of doing, significant value is added.
- Shares what is there. Clients rely on observations, intuition and even inklings to help move them forward in life. Hence, the more often, and easily, a mentor can share what they see, feel and hear, the more value that can be created for that client. It’s often the tiniest, most subtle inklings that can act as powerful beacons and catalysts to the client’s life or business.
- Champions the client. The more often, and deeply, the mentor champions their client at all levels (including their actions, progress, dreams, traits, commitments, gifts and qualities), the more encouraged the client feels and the more likely they are to succeed. For the mentor to merely be encouraging is not enough; there is a much higher level of support generated when the mentor operates at the championing level.

<sup>7</sup> <http://www.certifiedcoach.org/learningguide/proficiencies.html>

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