

Validating the Impact of Virtual Business Mentoring

MicroMentor Toolkit Series: Part Two



MicroMentor
by Mercy Corps





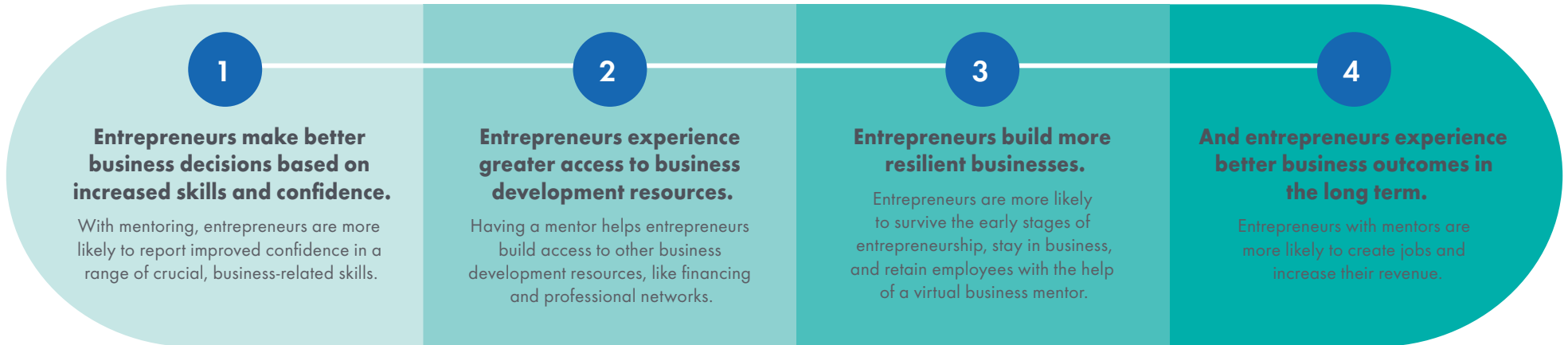
Table of Contents

Introduction	3
About MicroMentor	4
MicroMentor's Annual Evaluation	5
Our Methodology: The Business Outcomes Survey	6
Seeking External Evaluation.....	7
Insights in Practice: Pursuing Mentor-Ready Entrepreneurs.....	8
Crafting MicroMentor's Pathway to Impact	9
What's Next?.....	10
Acknowledgements	11



Micromentor's Pathway to Impact

When entrepreneurs and business owners have easy access to an experienced mentor through MicroMentor:



How do we validate the effect of online mentoring for SGBs on venture-level outcomes?

What factors lead aspiring entrepreneurs and SGBs to find an online mentoring match?

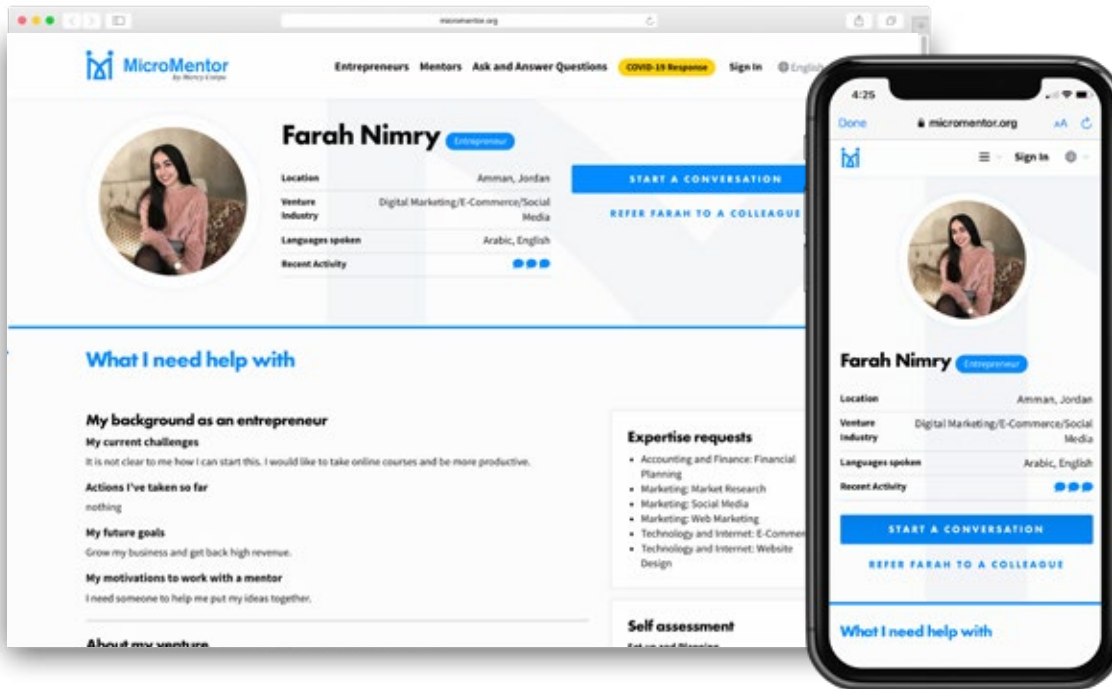
Introduction

How do you validate the impact of a social innovation?

Business development programs like MicroMentor are complicated to measure. To do so effectively, the intended intervention needs to be isolated from external factors that might also influence business outcomes. Through research methods, such as randomized control trials, qualitative interviews and backing primary evidence with secondary research, we can develop a deeper understanding of the isolated outcomes of MicroMentor's intervention and anticipate the downstream impacts, invariably influenced by external factors.

The unique element that sets mentoring apart as a business development intervention is the very same feature that makes it difficult to measure—at its core, mentoring is rooted in human connection and the unique relationship that arises. To understand the impacts of mentoring is to investigate the results chain set in motion by that connection and ensuing mentoring relationship. While there is variation in the depth and breadth of mentoring relationships, at MicroMentor we have found a consistent throughline from mentoring to increased capacity for small business owners that results in further access to resources and future business growth. At MicroMentor we call this our **Pathway to Impact**.

In this final toolkit of our two-part series, we will walk through the results of our research and the secondary evidence that has produced a deeper understanding of the impact of online business mentoring and has allowed for improvements and iterations to our programming that we hope others can learn from.



1. Join

Create a profile on MicroMentor.org.

2. Explore

Read through profiles of potential mentors or mentees.

3. Connect

Send messages to mentors or entrepreneurs who are a good fit.

4. Grow

Have conversations, build relationships, & take on challenges together.

About MicroMentor

Entrepreneurs are the backbone of thriving communities. Small businesses account for 90% of enterprises¹ and at least half of jobs worldwide^{2,3}. Yet small business owners face significant challenges on their path to success. They often operate in isolation, with limited or no access to vital business-building resources like financial capital or professional networks. Traditional business development programs can provide pieces to this puzzle—offering microloans or business planning classes—but entrepreneurs often continue to struggle.

At MicroMentor, a program of Mercy Corps, we believe that mentoring is the missing key to entrepreneurial success. We are not alone in that⁴—the benefits of having a business mentor have been hailed by countless successful entrepreneurs and cited in academic literature.

MicroMentor empowers entrepreneurs across the globe by connecting them to experienced mentors through our free, easy-to-use social platform. MicroMentor’s website makes access to business support available to entrepreneurs anytime, anywhere, and allows them to build relationships across geographical and cultural barriers.

1 Kumar, Ruchira. "Targeted SME Financing and Employment Effects." July 17, 2017. <http://documents.worldbank.org/curated/en/577091496733563036/pdf/115696-REVISED-PUBLIC-SMEs-and-Jobs-final.pdf>

2 Tewari, et al; "Competitive Small and Medium Enterprises: A diagnostic to help design smart SME policy." May, 2019. <https://openknowledge.worldbank.org/bitstream/handle/10986/16636/825160WPOP148100B0x379861B00PUBLIC0.pdf;sequence=1>

3 <https://www.un.org/en/events/smallbusinessday/>

4 Forbes Nov 2017, "My Best Advice for Entrepreneurs: Find a Mentor. This is Why and How."

MicroMentor's Annual Evaluation

Insights

Through this three-year research project—funded by the Innovation Growth Lab, Argidius Foundation and the Kauffman Foundation—we sought to validate MicroMentor's impact through our established annual evaluation.

Our assessment, conducted through a series of surveys sent to MicroMentor members, found strong evidence that mentoring had an impact on several indicators. As this assessment took place after a single year, intermediate and entrepreneur-level outcomes showed the strongest results. Venture-level outcomes likely take longer to develop and are better measured over a longer period of time. Even still, the consistency with which we find evidence of positive venture-level growth suggests that these improvements may begin to develop as soon as a year after signing up for MicroMentor.

INSIGHTS

- 1. Business survival:** Entrepreneurs who received mentoring had a 9% greater rate of business survival, suggesting that entrepreneurs are more likely to survive the year with the support of a business mentor.
- 2. Entrepreneurial Self-Efficacy:** Mentored entrepreneurs rate themselves higher in almost all types of entrepreneurial skills. Mentored entrepreneurs also improve more skills than their non-mentored counterparts, performing especially well in communications and inspiring employees.
- 3. Job creation:** Mentored entrepreneurs create more jobs than their non-mentored counterparts, though this difference was not statistically significant.
- 4. Financial performance:** Entrepreneurs were more likely to seek and receive external funding if they had the help of a mentor.



INSIGHTS FROM RESEARCH: ENTREPRENEURIAL SELF-EFFICACY

MicroMentor consistently finds evidence that mentoring leads to increased entrepreneurial self-efficacy (ESE). In their 2017 paper, [*The Relationship between Entrepreneurial Self-Efficacy and Firm Performance: A Meta-Analysis of Main and Moderator Effects*](#), Miao, Qian, and Ma find a moderate correlation between ESE and business performance, but note the need for more research on moderating factors. This suggests that ESE can only be considered a piece of the puzzle--other intermediate outcomes are necessary to fully drive long-term business growth.

MicroMentor's Annual Evaluation

Methodology

Every year MicroMentor employs a quasi-experimental assessment of the impact our platform has on entrepreneurs around the world. By including all entrepreneurs who signed up for the MicroMentor platform in our survey—regardless of whether or not they found a mentor—we can more accurately isolate the impact of virtual business mentoring.



Upon completion of their profile, MicroMentor entrepreneurs are given a **baseline survey** to assess their personal skills, access to business development resources, number of employees, revenue, and more.



One year later, entrepreneurs are presented with an **endline survey**. This survey checks in on all of the same indicators as the baseline survey, with a few additional questions about their experiences with mentoring.



By comparing outcomes at these two distinct points in time we can assess entrepreneur progress. From there, we can isolate the impact of mentoring by comparing the progress of those entrepreneurs who successfully found a mentor to those who did not.

What are we measuring?

- Success finding a mentor
- Quality of mentoring
- Entrepreneurial self-efficacy
- Access to resources such as finance, export markets, or professional networks
- Business Survival
- Self-employment
- Jobs created
- Revenue increases



External Evaluations Validate Internal Results

In the summer of 2020, with the support of the Argidius Foundation, MicroMentor undertook an external impact evaluation conducted by the consulting firm DevLearn. With the primary goal of understanding the impact of MicroMentor's intervention, DevLearn conducted a two-prong evaluation on MicroMentor members from non-OECD countries: a point-in-time, quantitative analysis of business outcomes and a series of qualitative interviews.

This external evaluation highlighted a few key findings. First, mentored entrepreneurs highly valued their experience with MicroMentor. By and large these entrepreneurs reported that the mentoring was high quality and aligned with their needs. DevLearn also found that they could validate MicroMentor's impact on intermediate outcomes, (outcomes that are predictive of long-term growth, such as access to finance), but not indicators of longer-term business growth (such as job creation).

INSIGHTS

- 1. Entrepreneurs without an operational business are less likely to engage in mentoring activity,** less clear on what support they need from a mentor, and receive mentoring less often.
- 2. Mentoring leads to intermediate outcomes.** Mentoring led to a statistically significant increase in the amount of external finance received and a borderline significant increase in self-employment.
- 3. Long-term venture-level outcomes need more study.** The impacts of mentoring on revenue and job creation were inconclusive, suggesting further research will be required to understand the relationship between mentoring and these outcomes.

About DevLearn:

DevLearn is a UK based consulting firm specialising in implementation, monitoring, evaluation, and communications for inclusive economic growth. Their expertise covers multiple sectors and cross-cutting themes, often with a focus on systemic approaches.



INSIGHTS FROM RESEARCH: PSYCHOLOGICAL WELL-BEING

Qualitative interviews with MicroMentor members suggest that emotional and social support are a key part of the mentoring experience. There is evidence that psychological well-being can lead to improved business growth: Ute Stephan found in their 2018 paper [Entrepreneur's Mental Health and Well-Being: A Review and Research Agenda](#) that a number of studies have found a correlation between entrepreneurs' psychological well-being and business growth. MicroMentor plans on adding more questions to our surveys to further study the relationship between mentoring, psychological well-being, and long-term business growth.

Insights in Practice: Pursuing Mentor-Ready Entrepreneurs

One of DevLearn’s findings confirmed something that MicroMentor has long suspected: some idea-stage entrepreneurs are not quite ready for a mentoring relationship. As such, we’ve determined that entrepreneurs without an established business—or a clearly-formulated idea for a business—may be better served by other business-development activities before pursuing mentorship, such as clarifying their value proposition, creating customer personas, or identifying costs.

By providing entrepreneurs with guidance on what types of activities they should complete before finding a mentor, we’ve reduced the proportion of idea-stage entrepreneurs on the MicroMentor platform by 9% in the first 2 months—making room for those entrepreneurs who are most prepared to receive mentoring.

INSIGHTS FROM RESEARCH: BASIC BUSINESS PRACTICES

McKenzie and Woodruff offer a more concrete measure for intermediate growth in their paper [*Business Practices in Small Firms in Developing Countries*](#) (2015). Using a 26-question questionnaire, McKenzie and Woodruff found that use of basic business management practices (such as visiting competitors or separating personal and business finances) is correlated with improved business survival and growth. A more direct understanding of which activities MicroMentor entrepreneurs are employing can both provide a clearer understanding of entrepreneurial progress and help us identify what a “mentor-ready” entrepreneur really looks like.



Crafting MicroMentor's Pathway to Impact

All of MicroMentor's research is conducted in service of a single, underlying principle and human-centered approach: to increase the efficacy of online business mentoring to better serve under-resourced entrepreneurs across the globe. Insights shared in our first toolkit, derived from a past data analysis and Randomized Control Trial and the validation of MicroMentor's impact through our annual impact assessment, the DevLearn external evaluation, and secondary research has culminated in the following assertions about the impact of online business mentoring:

When entrepreneurs have easy access to an experienced mentor through MicroMentor, they:

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- 1 *Make better business decisions based on increased skills & confidence.*

Our internal impact evaluation found that **mentoring increases the number of skills that entrepreneurs report improving**—in fact, every year MicroMentor finds evidence that virtual business mentoring improves entrepreneur self-efficacy.
 - 2 *Experience greater access to business development resources.*

Both our internal and external evaluations found that **entrepreneurs are more likely to find improved access to financial resources** if they received mentoring. Our 2020 impact evaluation also found that mentored entrepreneurs were 12% more likely to improve their access to business development resources outside of MicroMentor.
 - 3 *Build more resilient businesses.*

DevLearn found strong evidence that **entrepreneurs who received mentoring are more likely to secure full-time self-employment**. Our own internal evaluation found that mentoring improved the survival rate of operational businesses.
 - 4 *And experience better business outcomes in the long term.*

It goes without saying that business survival and self-employment are important steps towards business growth. Secondary research shows that **entrepreneurial self-efficacy and psychological well-being—both outcomes that MicroMentor members report improving through online business mentoring—are correlated with long-term business growth.**
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What's Next

As a learning organization we look forward to continuing to iterate, examine, and implement our insights as we work to build an inclusive support network for entrepreneurs everywhere. In our next project, we hope to build on the foundation established by our previous studies and explore the motivations of our volunteer mentors, examine the dynamics of virtual business mentoring relationships, and design and test interventions that influence both sides of the mentoring relationship.

Contact

We would love to talk to you about our research, opportunities for collaboration, and our available program offerings. If you're interested in learning more please send an email to: partnerships@micromentor.org



Acknowledgements

The insights in this report would not have been possible without the hard work of our exceptional research team, the expertise of the DevLearn team, and the support of the Innovation Growth Lab, the Argidius Foundation, and the Kauffman Foundation. We would also like to acknowledge the thousands of entrepreneurs and volunteer business mentors from around the globe who have joined and contributed to the MicroMentor community. We dedicate the findings of this research to improving the experience and outcomes for MicoMentor members like you.



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