

THE ROLE OF MENTORING AND PEER SUPPORT IN CONTRIBUTING TO PERCEIVED PROGRESS TOWARDS SMALL BUSINESS SUCCESS: A CROSS SECTIONAL STUDY

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ABSTRACT

The construct of mentoring, as developed in the Organizational Behavior literature, was applied to a small business context to examine the associations between career-related support and psychosocial support on business success of Small Business Incubators (SBI). Tenants in the SBIs reported that psychosocial support given by SBI managers and career-related support given by SBI peers was positively related to subjective assessments of perceived progress to business success. From a theoretical perspective, this research indicates that mentoring exists outside the traditional organisational domain. From a practical perspective, the findings illustrate the importance of mentoring support for small business owners in the business establishment stage.

Keywords: small business, mentoring, psychosocial support and career-related support

INTRODUCTION

The importance of small business to economic development in countries around the world is well recognized (Anderson, Li, Harrison, & Robson, 2003; Baldacchino, 1999; Nabeel & Al-Qirim, 2003; Romano, Smyrnios, & Tanewski, 1997; Sherman & Chappell, 1998; Storey, 1994). In Australia, recent national figures show that small business accounted for nearly 94 per cent of total business and just over 42 per cent of employment (Australian Bureau of Statistics, 2003). The importance of small business in Australia has led the Australian government to focus upon economic policy that specifically nurtures small business (Department of Employment Workplace Relations and Small Business, 1997; Reith, 1999), with the initiation and implementation of numerous programs and services to assist small business. Many of these programs have focused on the vital 'establishment stage' of small business, where research suggests that there is a very high failure rate (Bruton, 1998; Feindt, Jeffcoate & Chappell, 2002; Morrison, Breen & Ali, 2003; Watson, 1999). The current study focuses on one of these programs - Small Business Incubators (SBI). Specifically, this study draws together two bodies of literature, the mentoring literature and the small business literature, to examine the effect of career-related mentoring and psychosocial mentoring on the perceived progress of SBI tenants towards their small business.

SMALL BUSINESS INCUBATORS IN AUSTRALIA

SBIs, common in the US and UK, were first funded by the Australian Federal Government in the early 1990's in an attempt to provide proactive support to small business (Price Waterhouse Coopers, 1999). The overall objective of SBI funding is threefold: to reduce the failure rate of new start-up businesses; to assist small businesses to operate; and to create new employment through encouraging self-employment (Lawler Davidson Chartered

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Accountants, 1998). If successful, the funding should increase the survival rate of small businesses, create and retain jobs in the community, improve local economies, increase opportunities for partnerships between the public and private sector, and help commercialise research and development (www.sengai.com.au, 2000).

SBIs provide a unique mix of advice and services in a supportive business environment, where the primary objective is to facilitate business growth. This objective is met in three major ways. First, SBIs provide accommodation. SBIs are property sites which provide small businesses in the start-up phase with a workspace, such as an office area, or light-industrial facility. Rental levels are normally lower than the market rate, and payable on a monthly, rather than yearly basis, reducing the risk for the small business owner reducing the need for a long-term financial commitment and providing the flexibility and freedom to expand in increments (Spiller, 1997). Second, SBIs provide business services. Services are provided through shared resources and facilities, such as a receptionist, a conference room, and a resources room which includes a photocopier (AusIndustry, 2003).

Last, and most important to the current study, SBIs provide business growth support. Business growth support is given through the SBI manager who provides personal support and business expertise. Dr Robert Meeder, a member of the National Business Incubator Association (USA), stated that a major responsibility of the SBI manager is to enhance the learning curve, “to reduce the stress and loneliness of being an entrepreneur”, and to “kick boulders out of their path” (Finney Whelan International, pg 3). British researchers Haskins and Gibb (1987) define the manager’s role as “software support” (p.48), because it includes information, advice, research, promotion, counselling, consulting, training and education.¹ While there has been considerable attention given to the first two functions of an SBI; that is, accommodation and business services, (Bruton, 1998; Brandt, 1991), there has been comparatively little research on the third function, that is, business growth support. As such, an understanding of how to facilitate business growth support, particularly through software support activities such as advice, research, promotion, counselling, consultation, training and education, still remains unclear.

Although existing SBI research provides a sound knowledge-base for exploring the ways in which SBIs are established and operate (see Price Waterhouse Coopers, 1999), the research consists mainly of feasibility studies. The absence of academic input into this research area has led to a failure to comprehensively explore and analyse the support provided by SBIs. As such, there exists a lack of understanding for the ways in which SBIs can improve the success of their tenants. In particular, there is a paucity of research on whether the provision of software support (ie. advice, research, promotion, counselling, consultation, training and education) may assist in small business success at this critical stage. A lack of such research may be because, as argued by Haskins and Gibb (1987), software support is often intangible and is, therefore, extremely difficult to measure.

SOFTWARE SUPPORT: THE ROLE OF MENTORING

One possible way of exploring the effect of software support in SBIs may be to use the theory of mentoring which has been developed within the field of Organizational Behavior and is a useful theory to assist in capturing the, often intangible, aspects of a supportive

¹ Haskins and Gibb (1987) separate these kinds of assistance from “hardware support” such as finance, loans, grants, equity, premises, workshops and help-in-kind (common to the accommodation and business services functions of the SBI).

relationship (Eby, 1997; Higgins, 2000; Kram, 1985; Kram & Isabella, 1985; Mullen, 1998; Noe, 1988; Turban & Dougherty, 1994). Kram (1985) described mentoring as the “broad range of developmental relationships between juniors and seniors and among business peers” (p.22).

Theory suggests that mentoring support comes in two forms: career-related support and psychosocial support (Kram, 1985; Kram & Isabella, 1985, Wanberg, Welsh & Hezlett, 2003)). Kram (1985) defines career-related support as “those aspects of a relationship that enhance career advancement” (p. 24), including sponsorship, exposure-and-visibility, coaching and protection. She defines psychosocial support as “those aspects of a relationship that enhance an individual’s sense of competence, identity and effectiveness in a professional role” arguing that these functions include “role modelling, acceptance-and-confirmation, counselling and friendship” (p. 32). Research supports these two functions in various samples including IT staff, administrators, medical staff, teachers, and academics (Koberg, Boss, & Goodman, 1998; Noe, 1988; Waters, 2004). However, as yet, there has been little research conducted to see if these two functions are also apparent in a small business setting where, unlike the organisational samples above, the mentor operates from outside the business (Waters, McCabe, Keillerup & Kiellerup, 2002).

An extensive review of the small business literature revealed only a small number of papers that have considered the role of mentoring in small business start-ups. Deakins, Graham, Sullivan and Whittam (1998) argued that “mentoring support, using previous entrepreneurs, should be effective in overcoming the crucial early stage learning period when new entrepreneurs have to learn how to handle change, crises and make strategic decisions” (p. 159). Indeed, 43% of their sample of small business owners reported that “mentoring relationships had made a substantial difference to their ability to achieve” (p. 157). Gold, Devins and Johnson (2003) support Deakins et al. (1998) and argue that mentoring is important for “the learning of the small business manager and the performance of the business (p. 53). However, whilst these two studies found that mentoring did assist small business owners, neither study used a theoretical framework to explore how and why mentoring was useful. As such, it remains unclear whether mentors in a small business context provide help through career-related and/or psychosocial means. The current study, therefore, provides an important starting point from which to examine whether the theoretical two functions of mentoring (which have typically been developed in an intraorganizational, corporate context) will transfer to the practice of new business start-up.

Waters et al. (2002) suggested that the support provided in the establishment phase of small business development (such as that provided in the SBI) may be characterized more as career-related mentoring than psychosocial mentoring. This might be because the relationships are newly formed and have not had sufficient time to develop the intimacy and trust required for psychosocial support to occur. Also, mentoring relationships in SBIs are typically a formal relationship established between the tenant, who occupies the SBI, and the manager, who operates the SBI. Kram (1988) argued that formal relationships tend to be more career-focussed rather than more broadly defined to encompass psychosocial support. Noe (1988) also found that where mentoring programs are developed formally, the focus of the mentoring relationship tends to be career-related, such as the completion of tasks, activities or protégé skill-learning, rather than psychosocial, such as friendship. Given that one of the key roles of SBI manager is to provide formal support by drawing on their own business expertise and experience, it is likely that they will tend to focus upon career/business-related aspects of the relationship (e.g., providing advice on legal,

technical, financial and marketing issues). As such, aspects of psychosocial mentoring such as friendship and emotional support may take a back seat. These arguments lead to hypothesis one.

Hypothesis One: SBI managers will provide higher levels of career-related support to SBI tenants than psychosocial support.

In addition to receiving higher levels of career-related support from SBI managers, tenants may also find that career-related support contributes more directly to business success than psychosocial support. This is because career-related support tends to offer more tangible types of assistance (e.g., access to resources, introductions to business networks) than the more subjective support provided via psychosocial mentoring (Kram, 1983; 1985; Kram & Isabella, 1985; Noe, 1988). Certainly, research in the corporate context shows that career-related support contributes to 'hard' career outcomes, such as promotion and salary (Chao, Walz, & Gardner, 1992; Siebert, Kraimer, & Liden, 2001). In contrast, psychosocial support facilitates the protégé's career in a more indirect manner by improving esteem, enhancing the protégé's perceived competence in their professional role, and increasing job satisfaction (Wanberg, Welsh, & Hezlett, 2003). It is likely that the different outcomes from the two types of mentoring support are also evident in a small business context.

Hypothesis Two: Career-related support from managers will contribute more significantly to business sales and the business tenant's perceptions of business success than psychosocial support from managers.

To date, the intra-organizational mentorships studied within the Organizational Behavior literature have typically viewed the mentor as an older, more senior person within the organisation (e.g., Chao, Walz, & Gardner, 1992). However, Kram and Isabella (1985) indicate that peer relationships have the potential to serve some of the same critical functions as traditional mentoring and, in addition, they appear to be more available to individuals. Adding to these ideas, peer relationships are described by Eby (1997) as 'lateral mentoring' which reflects the idea that both career-related and psychosocial support mechanisms are involved, but that they do not need to come from someone more senior.

In the SBI context, people setting up their own small business may find that their fellow tenants are able to provide invaluable support. This is because few small business entrepreneurs have the resources, management skills and access to markets required to successfully complete all their objectives. However, Mazzarol (1999) suggests that through the establishment of partnerships, they can multiply their resources without having to bear the sole burden of substantial costs that would otherwise be required. Hence, in order to fully understand the nature of the assistance provided by SBIs, it is important to consider the role of fellow SBI tenants in providing mentoring support.

In contrast to the argument made above, that SBI managers will provide more career-related support than psychosocial support, it is argued in this article that the relationship of SBI business peers will be characterised by higher levels of psychosocial support than career-related support. This is based upon Kram and Isabella's (1985) argument that peer relationships focus heavily on psychosocial functions such as emotional support, friendship, feedback and confirmation. In the small business arena, Hlava (1999) indicates that entrepreneurs look to their business peers as a confidant, listener and sounding board.

Putting Hlava's research findings into a mentoring framework, it appears that people starting a small business would be more likely to seek psychosocial support from their business peers (e.g. friendship) than career-related support. This focus on psychosocial support may be because business peers (who are not necessarily more senior) may not have the influence, or resources, to provide tangible, career/business-related support (Eby, 1997; House, 1981; Hlava, 1999; Jacobi, 1991; Lee & Ashforth, 1996).

The research and arguments presented above have led to hypotheses three and four below.

Hypothesis Three: SBI business peers will provide greater psychosocial support to SBI tenants than career-related support.

Despite the suggestion that business peers will provide greater levels of psychosocial support than career-related support, this article maintains that of the two types of support, career-related support will have a greater impact upon business success as argued prior to the statement of hypothesis two.

Hypothesis Four: Career-related support from business peers will contribute more significantly to business tenant's perceptions of current and future business success, records of profit, and business sales than psychosocial support from business peers.

METHOD

Study Design

The current cross-sectional study used both quantitative methods (through an anonymous questionnaire) and qualitative methods (through interviews with SBI tenants). The combination or 'triangulation' of these methods follows Miles and Huberman's (1994) 'Design 4' prescription for combining qualitative and quantitative methods: "qualitative data are useful when one needs to supplement, validate, explain, illuminate, or reinterpret quantitative data gathered from the same setting" (p.10). In the current study, interview responses were used to identify the aspects of support mechanisms not immediately evident to the researcher and so not covered by the survey, and to deepen the researcher's understanding of the survey responses, thereby helping to explain more fully the causal relationships.

Quantitative Methodology

Sample

The SBIs included in the survey were identified through the Australian and New Zealand Association of Business Incubators (ANZABI) membership database. The managers of SBIs across Victoria, Tasmania, Western Australia, South Australia, New South Wales and Queensland were contacted by the researcher and asked if tenants within their SBI could be involved in the project. In total, managers from 26 SBIs were contacted and 17 SBI managers agreed to be involved (65 %)². Within the 17 SBIs, 75 tenants participated. The average age of the tenants was 40 years and the gender mix was 70% male and 28% female (with 2% missing). Incubators in WA, SA, Vic, Tas and NSW were included in the sample.

² Of the SBI's who did not agree to be involved, two had recently undertaken surveys through other researchers and felt the tenants would be too busy for another one, two were identified as unsuitable as they were no longer operating as SBIs, one had only recently opened and wasn't established enough to be of value to the research, one did not reply after four attempts at contact, and three were not interested in being involved.

Measures

Demographic Characteristics. Participants were asked to record their age, sex, marital status and highest level of education, length of business and previous business experience.

Independent Variable: Mentor support. Twelve items were used to assess the extent to which tenants believed they received mentoring from both SBI managers and SBI business peers. The scales were adapted from Waters et al. (2002). Seven items were used to assess career-related support (e.g., "To what extent does the manager provide you with advice about new technological developments relevant to your business?") and five items were used to assess psychosocial support (e.g., "To what extent do you get emotional support from the SBI manager?"). Participants were instructed to read each item and consider the extent to which it reflected their own situation. Responses were given on a five-point Likert scale (1: 'Not Much', 5: 'A Great Deal'). The internal reliability for these scales was high: SBI manager psychosocial support ($\alpha = 0.87$): SBI manager career-related support ($\alpha = 0.88$): SBI business peer psychosocial support ($\alpha = 0.88$): and SBI business peer career-related support ($\alpha = 0.84$).

Dependent Variables: Business support. The issue of how to define business success is one that is much debated in the small business and entrepreneurial research (Blackwood & Mowl, 2000; Gadenne, 1998; Kuratko, Hornsby, & Naffziger, 1997; Paige & Littrel, 2002). The notion of success ranges from a business that is making a large profit to a business that is surviving at a loss (but has not yet gone bankrupt). Within this range, success has been operationalized via many different measures including profit, sales, community awareness, and the business owner's own perceived success. Of all these measures, profit is most commonly used to assess business success. Certainly in the current study, it might be expected that mentors, by showing protégés how to budget, target the correct market, and make good financial decisions, assist in making the protégé's business more profitable. However, there are a multitude of micro- and macro-economic factors that influence the level of profit in new businesses (Watson & Everett, 1988) and are, therefore, likely to cloud the pattern between mentoring and profit. This is particularly relevant to the current study, where the establishment costs of the new business, and the new roles and duties confronting the SBI tenants, mean that profits were likely to be quite varied, irrespective of the level of mentoring provided. Moreover, given that the SBI tenants were all in their first 12 months of business set-up, many were not yet making a profit. During the establishment phase of small businesses set-up, a large proportion (if not all) of the financial resources are placed back into the business in order to establish a market position, develop contacts with customers and suppliers, and create a community profile. As such, there is often little actual cash inflow. In fact, a small business which is growing and succeeding in the start-up stage may be showing quite a significant loss (Watson, Hogarth-Scott, & Wilson, 1998). Therefore, profit was not used as a dependent variable in the current study. Instead, we sought the advice of the SBI managers as to the best way to measure business success in the first year of start-up. The SBI managers advised us that business success would best be operationalized via a combination of the number of business sales and by the tenants' perceptions of business success.

Business Sales. Respondents were asked to record their average monthly business sales as a numerical figure.

Perceived success. In order to examine the subjective assessments of business success, protégés were asked to respond to the question 'How successful do you consider your

business to be?’ using a five-point Likert scale (1: ‘Not at all successful’, 2: ‘Slightly successful’, 3: ‘Moderately successful’, 4: ‘Very successful’, and 5: ‘Extremely successful’). This item was taken from Waters et al. (2002).

Procedure

The 17 managers who agreed to be involved in the current study were sent surveys to distribute to all their tenants, along with reply paid envelopes, so that responses could be sent back directly to the researcher. Reminder letters were sent to the sample after two weeks, encouraging tenants to complete the survey. At this time, managers were also contacted and asked to remind the tenants. Site visits by the researcher were also used for Victorian and Western Australian SBIs, and these were successful in encouraging more tenants to complete the surveys. This prompted the researcher to recontact the other interstate managers, asking them to strongly encourage those tenants who hadn’t returned their surveys to do so. Despite these attempts to encourage participation, only 75 of the 310 surveys were returned (response rate = 24%). This low response rate was disappointing but not altogether unexpected, given that involvement in the study required time, a valuable commodity for new small business owners. One SBI manager expressed his tenants’ inability to find the time to complete the survey, explaining that the tenants “were busy trying to keep their business alive”. Hence, lack of time was the biggest impediment to getting tenants to complete the survey. This raises a difficult issue for researchers in this area. There is a need to study small business operators/owners during the business establishment stage given that it is at this stage that businesses are most likely to fail (Sherman, 1999). However, it is also at this stage when operators/owners are possibly the most busy and least likely to have the time to participate in research.

Qualitative Methodology

SBI tenants from Victoria and Western Australia³ were asked if they would like to volunteer to participate in interviews with the researcher. A total of 15 interviews were conducted at three SBIs in Victoria and two SBIs in Western Australia. The gender breakdown was 85% male and 15% female, with all interview participants having completed surveys. This gender breakdown reflects the gender ratio of SBI tenants.

A semi-structured interview format was used. The interviews lasted between 30 minutes and one hour and were conducted on site at the SBIs. The format involved a series of questions on two main topics: perceived SBI management support and perceived peer support. The questions were based on the mentoring theory, past literature on SBIs and the study’s hypotheses, with three set questions per topic, to ensure that the relevant topics were covered. However, the interviews were also intentionally kept informal and flexible (Patton, 1990). This was important as it gave the interview scope to move beyond the pre-set questions. This allowed for one of the benefits of qualitative research, as defined by Rossman and Wilson (1991) and Miles and Huberman (1994), to allow the interviewees to initiate new lines of thinking and provide fresh insight. The informal nature of the interview also allowed the business tenants to elaborate on issues that they felt were salient and encouraged them to be open and relaxed.

³ The researcher conducted site visits of SBIs in Victoria and Western Australia and, as such, tenants in these states were targeted for interviews.

RESULTS

Quantitative results

Prior to hypothesis testing, all of the variables were examined through SPSS for accuracy of data entry, missing values, outliers and normality (Tabachnick & Fidell, 1996). There were no patterns of missing data detected. Data were checked for skewness and kurtosis, and significant variables were transformed. There were no significant multivariate outliers nor any evidence of multicollinearity. A Spearman correlation was used to explore the interrelationships between demographic characteristics, mentoring, and business success. Demographic characteristics were unrelated to the level of mentoring received, business sales, or tenants' perceptions of business success.

Paired sample t-tests showed that tenants believed that SBI managers provided higher levels of psychosocial support than career-related support⁴: $t(52) = 21.87$, $p < .001$. This result goes against the prediction made in Hypothesis One. The results do not support hypothesis four as tenants' perceptions of the support provided by their business peers revealed that they believed their business peers provided more career-related support than psychosocial support: $t(53) = 20.68$, $p < .001$ (see Table I for Means and Standard Deviations).

TABLE 1
Means, Standard Deviations and Intercorrelations between Mentoring and Business Success

				1	2	3	4	5	6
1. Peer career-related support	M	13.9		1.000					
	SD	5.61							
2. Peer psychosocial support	M	13.18	.735**	1.000					
	SD	5.37							
3. Managers career-related support	M	13.34	.418**	.271*	1.000				
	SD	5.6							
4. Managers psychosocial support	M	13.9	.503**	.608**	.620**	1.000			
	SD	5.08							
5. Perceived business success	M	2.74	.688**	.675**	.536**	.699**	1.000		
	SD	.97							
6. Business sales	M	3.99	.129	.145	.196	.306*	.092	1.000	
	SD	3.02							

* $p < .05$, two-tailed.

** $p < .01$, one-tailed.

Correlation analysis showed that perceived business success was significantly related to the career-related and psychosocial support provided by SBI managers and business peers. However, career-related mentoring and psychosocial mentoring were unrelated to business sales. These results were tested further with the use of two Standard Multiple Regressions. The first regression was used to predict business sales. The four dependent variables were: 1) career-related support from SBI managers: 2) psychosocial support from SBI managers: 3) career-related support from business peers: and 4) psychosocial support from business peers. The results showed that business sales were not significantly predicted by the level of career-related and psychosocial support provided by either SBI managers or business peers $F(2,43) = 1.831$, $p = .173$.

⁴ The two subscales were each divided by their total number of items so that the scale range was the same.

The second regression was used to predict perceived business success. The four dependent variables were: 1) career-related support from SBI managers, 2) psychosocial support from SBI managers, 3) career-related support from business peers, and 4) psychosocial support from business peers. Together, these four mentoring variables accounted for 53 % of the variance in perceived business success: $F(4,46) = 13.175$, $p = .000$. Univariate significance was found for managers' psychosocial support ($Sr^2 = 4$ per cent) and peer career-related support ($Sr^2 = 10$ per cent).

Qualitative Results

Interview data was used to further explore the use of mentoring within SBIs. The data was analysed in relation to the two functions provided by mentoring: career-related support and psychosocial support.

Theme 1) Career-related support. In support of the quantitative data, SBI tenants reported that business peers were viewed, almost without exception, as providing career or business-related support. All the tenants interviewed had explored the possibility of gaining assistance from their business peers as potential business partners, customers, suppliers or more, generally, business advisors. A majority had done so, often multiple times. Tenants used the expertise and services of their business peers for specific business related issues, as well as informally asking for advice from business peers on issues outside their own area of expertise: "We've had excellent contact with business peers, very beneficial. We've used four companies in our incubator, three on a paid basis: it's the proximity, they are there". Furthermore, tenants recognise the ways in which they can help other tenants: "With businesses who haven't helped my own business, in some of their cases I would hope that I've been helpful to them, no doubt in my mind that there are ways of helping each other in all sorts of different ways. It doesn't matter even if they are in competition". There were two exceptions, however, where tenants deliberately avoided accessing business support from their business peers: "There's been social interaction with other tenants but we haven't necessarily gained assistance because small business is fairly predatory and likes to protect their edge".

During the interviews, tenants rarely spoke of receiving career/business-related support from the SBI managers. One manager who was interviewed explained this by expressing his desire not to get too involved in the actual day-to-day running of the tenants business for two reasons. First, he did not want to be seen to be invading the tenants privacy or coercing them to share business ideas if they didn't want to. More importantly, he felt that if tenants became too reliant on him to run their business, they may not be as successful when they graduate from the SBI and no longer have him to turn to: "I don't want to get too involved because they have to be able to run their own business, have the independence."

Theme 2) Psychosocial support. The interview data suggests that business peers were seen by tenants as friends and someone to chat to. One tenant commented "It's good to talk to some of them [other tenants] when you've had a bad day." This theme is consistent with the literature on peer and developmental relationships.

Many tenants also spoke of their relationship with the SBI manager as a friend, more than that of a mentor: "It's just informal chatting with the manager, most friendly." Specifically, they indicated that the SBI managers were there as someone to turn to when they were

feeling out of control: “In a way, it’s just to know someone cares, or just someone’s monitoring it, your business.”

Interestingly, it was business owners who started their business at home who seemed most likely to make full use of the range of SBI services: “I was home-based initially, I’ve got limited resources and so the incubator is a step between, to set up financially and increase confidence” and “Emotional support is the difference from home-based business, you notice the difference. It provides an office/professional base, surrounded by people to talk about business issues and things.”

Another issue that was raised was related to the mix of tenants within the SBI, and the importance of this to the atmosphere that developed. The manager of one SBI stated that “I try to develop complementary businesses within the incubator e.g., There’s an accountant already here, I’d like a lawyer.” One tenant commented: “Complementary mix of tenants, done well so far here: to be a success the incubator must consider this, with too many similar businesses, things could fall apart.”

DISCUSSION

The current study focused on the role of mentoring in providing business growth support to people starting up their own small business. In particular, the concept of mentoring was used as a theoretical lens through which to examine the ways in which SBI staff and business peers provided SBI tenants with software support (Haskin and Gibb, 1987) in the form of career-related assistance (i.e information, advice, education and training) and psychosocial support (e.g counseling and consultation). Although mentoring relationships have been typically studied as intra-organizational, monodyadic, hierarchical relationships, the current findings extend the literature by indicating that similar underlying functions of support exist in a small business context. However, in order to maintain a proper perspective when discussing the results, it must be highlighted that this study was a preliminary one with a relatively small sample size chosen from a specific business-mentoring program.

With this in mind, the current study does provide some interesting findings. First, while mentoring theory led us to suggest that SBI manager/mentors would provide higher levels of career-related support than psychosocial support (due to the anticipated formal nature of the relationship), the opposite was found. While the underlying logic of our original argument is theoretically correct in that we predicted a relationship between the level of formality of the mentoring relationship and the amount of career-related mentoring provided, our prediction was incorrect because we assumed, from our reading on SBIs, that the environment was going to be more formal than it was.

Initially, SBI managers were predicted to provide career-related support because a formal mentoring program existed. However, the interview data showed that while SBI managers did provide a formal mentor function, the proximity of the SBI managers to the tenants seems to have encouraged a more informal relationship. One interviewee commented: “I pass the manager everyday in the hall and if I need to ask something, we just stop for a quick chat.” Another mentioned that he would often “pop my head in to [the manager’s] office to run an idea past him.” The proximity of the manager and the frequency of interaction seemed to break down the formal nature of the SBI manager-tenant relationship. Informal rapport was also facilitated through the lack of hierarchical relations. The informal nature of the relationship may have served to increase trust between the two parties, thereby facilitating psychosocial support. We can find indirect evidence for the importance of a

mentor providing psychosocial support in a business context from in Deakins, et al. (1998) who found that mentors provided “softer subjective” (p. 157) support such as the help in coping with problems and encouraging business owners to learn from their mistakes. Sullivan (2000) also confirms the importance of a mentor providing psychosocial support by stating that the mentor provides a business owner with the emotional space to go and reflect on his/her actions and to bring about behavioral and attitudinal change.

It is interesting to note that one of the key career-related functions that SBI managers can provide—coaching behavior—was found by Noe (1988) to be highly correlated with psychosocial functions. It is possible that tenants may perceive these coaching behaviors as helping them more in terms of self-identity rather than for business development. This provides a possible explanation for the tenants’ perception that the SBI managers provided more psychosocial support than career-related support.

By adopting Kram and Isbaella’s (1985) characterization of mentoring as a peer relationship, the current study was able to consider the level of mentoring support provided by business peers within the SBIs in addition to that provided by managers. The results showed that business peers were an important source of support during the establishment phase of a small business start-up. In contrast to the prediction of hypothesis four, SBI tenants reported that their business peers provided higher levels of career-related support than psychosocial support. As was borne out in the interviews, the relationship developed with business peers was useful for gaining introductions to necessary business contacts, and for obtaining access to legal, regulatory, marketing and promotional information. These results support Mazzarol’s (1999) argument for the overall significance of strategic partnerships to successful business performance.

Hypotheses two and four predicted that career-related and psychosocial mentoring would contribute to business success in terms of increasing business sales. However, neither function was significantly associated with business sales. Hence, from an objective, and very instrumental, perspective, mentoring does not appear to contribute to new business success. However, it is important to remember that the use of financial statistics, such as business sales, to analyse the success or failure of new small businesses has been questioned by many researchers (Keasey & Watson, 1991; Mazzarol, 1998; Watson et al., 1998). Based upon the advice given to us by SBI managers, we chose to measure success via business sales. However, we discovered that business sales can also be affected by many external and internal factors (Loth & Parks, 2002) that are unrelated to the provision of mentoring. For example, fluctuations in the value of the Australian dollar can change the level of business sales overnight irrespective of the level of mentoring provided.

The fact that SBIs increase a tenant’s perceptions of their current success may be a partial validation of the effectiveness of SBIs. One tenant said: “There’s no way I could have become as successful as I did if it hadn’t been for the incubator.” In the initial stage of small business ownership, where objective indicators of success may not be strong, forms of support that help to improve the owner’s subjective judgments of business success may be necessary in boosting their psychological resilience against set-backs, low profits, and poor sales. A sense of business confidence may help the owner persist through the difficult and uncertain establishment phase, and ensure the survival of the business until it begins to grow.

Study limitations and strengths

The above conclusions must be considered within the limitations of the current study. The study was only able to obtain a small sample size. This is a limitation that is difficult to overcome when considering that “the start-up of a new business occurs rarely and is, therefore, difficult to study with large sample sizes” (Wooten et al., 1999; p. 83). This is even more relevant considering that there are only 110 incubators across Australia and New Zealand (Price Waterhouse Coopers, 1999). Future researchers could work to overcome this by allowing time to conduct site visits to increase the response rate, or by providing incentives for tenants to be involved in the research.

Given the recency of SBIs in Australia, the results of the current study are useful in providing a snapshot of support mechanisms upon which future research can build. However, the cross-sectional design used in the current study means we are unable to draw definitive causal conclusions. Although the first 12 months of business establishment may be the time when mentoring is most needed, it is also a time when the relationship between mentoring and business sales is most likely to be diffused. A stronger conclusion concerning the relationship between mentoring and business sales would come from a longitudinal assessment of variations in mentoring and sales levels over time. This would provide reliable evidence of the tenant’s sales growth, as well as the changes in their perceptions of success. Longitudinal research may also be needed to continue to examine the business outcomes after the tenants leave the SBI and the mentoring program has finished. This research would be able to explore Chao’s (1998) arguments that the benefits of mentoring may extend beyond, or may not even be fully realized, until after the mentorship has finished.

A strength of the current article was the triangulation of qualitative and quantitative methods. For example, both methodologies highlighted the fact that SBI managers and business peers provided valuable support, while business peers provided more actual business support than did the SBI managers. This research may be used to suggest that SBI managers set up a process whereby business peers can more readily interact and share their knowledge with each other.

CONCLUSIONS

The present study has extended past research into mentoring by conducting an analysis of its influence within a small business start-up context. The study has also provided a much-needed basis for research on the processes of support, particularly software support, which occurs within SBIs (Autio & Kloftsten, 1998). The growing number of SBIs, and their importance in the establishment phase for new businesses, together with the vital role of mentoring in this process, suggests that the study of support mechanisms in SBIs will be an area of significant future research.

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