

This is an electronic version of an article published in:

Waters, L, McCabe, M., Kiellerup, D., & Kiellerup, S. (2002). The role of formal mentoring on business success and self-esteem in participants of a new business start-up program. *Journal of Business and Psychology*, 17(1), 107-121

To link to the published article:

<http://dx.doi.org/10.1023/A:1016252301072>

<http://link.springer.com/article/10.1023%2FA%3A1016252301072>

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The role of formal mentoring on business success and self-esteem in participants of a new business start-up program.

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The current study investigated the relationship between career-related mentoring, psychosocial mentoring, business success, and self-esteem in participants of a program that was designed to assist in the establishment of a new business. Seventy-seven protégés and their matched mentors were included in the study. A comparison of mentor and protégé perceptions revealed that mentors considered themselves to provide higher levels of psychosocial support than did the protégés. Protégé perceptions of business success were predicted by the frequency of mentor contact and the level of career-related support provided by their mentor. Protégé self-esteem was predicted by frequency of mentor contact and psychosocial support.

Introduction

Mentoring has been described by Mullen (1998) as a one-to-one relationship between an experienced person (a mentor) and a less experienced person (a protégé) that provides a variety of developmental functions. The aim of the current study is to examine the usefulness of mentoring for participants who are enrolled in an Australian government-funded training program that assists people to start-up a new business venture.

Kram (1983, 1985) suggested that mentoring relationships serve two separate, but inter-related, functions: career-related and psychosocial. Career-related support facilitates career advancement by increasing a protégé's visibil-

ity in the organisation and by improving the protégé's knowledge of how to effectively navigate the corporate world (Aryee, Wyatt & Stone, 1996). The psychosocial function provides emotional and psychological support to the protégé (Olian, Carroll & Giannantonio, 1993), and serves to enhance confidence in the protégé's professional role.

Kram (1983; 1985), Kram and Isabella (1985) and Noe (1988) have each suggested that career-related and psychosocial support lead to different types of career benefits. Research shows that career-related support contributes to tangible career outcomes such as promotion and salary increases (Chao, Walz & Gardner, 1992). Psychosocial support indirectly facilitates the protégé's career by improving

esteem and perceived competence in one's professional role. Noe (1988) proposed that these tangible and intangible outcomes of mentoring be classified as 'job-related outcomes' and 'interpersonal outcomes'.

The current study's focus on the role of mentoring in new business start-ups was chosen following Wooten, Timmerman and Folger's (1999) call for a shift in research focus from 'existing organisations' to 'emerging organisations'. Kram (1985) has also argued that in order to gain a full understanding of the influence of mentoring on career success, it must be examined in a variety of contexts. The arguments of Wooten et al. (1999) and Kram (1985) are particularly relevant in the current climate, where career progression is no longer tied to a life-long relationship with one organization. Instead, employees are likely to work for numerous organisations over their life (London, 1998), and, in a growing number of instances, move into self-employment (Lane, 1996; Wooten et al., 1999). Eby (1997) suggested that the success of future mentoring relationships will, arguably, be determined by the capacity of mentors to facilitate non-traditional career paths.

The role of mentoring in assisting people who start their own business has received scant empirical investigation. Hence, it is difficult to predict whether the theoretical principles of mentoring, which have typically been developed in an intraorganisational, corporate context, will transfer to new business start-up. For example, Kram (1985) argued that mentors assist protégés through their experience, rank and influence in the organisation. Yet the rank and influence of the mentor is largely irrelevant in the case of a protégé who is starting up a new business. Hence, in a new business context it is suggested that the nature of this function will differ from that provided in intraorganisational relationships. Specifically, the career-related function involved in mentoring for business establishment is likely to be based on the mentor's business experience and technical expertise rather than the mentor's organisational influence, power and networks.

Another possible difference between mentoring in an organisational context and mentoring in new business start-ups is the formal, or

informal, nature of mentoring. Kram (1985) argued that a large proportion of mentoring relationships develop informally within an organisation because of the physical proximity and regular interaction that occurs between mentors and protégés. However, in the small business context the mentor is external to the protégé's business and there is limited physical proximity and interaction. Consequently, being a mentor to a person who is starting up a business is more likely to occur through a formalised program rather than an informal connection (Hofman, 1998).

The formalised nature of mentoring relationships in a new business context may influence the provision of psychosocial support. Familiarity, closeness, and trust, which are preconditions of psychosocial support, may not have the same opportunity to develop due to the physical distance and irregular contact between the mentor and protégé (Raggins & Cotton, 1999). Both Kram (1988) and Raggins and Cotton (1999) argued that formal relationships tend to be more career focussed rather than psychosocially focused. However, in Noe's (1988) investigation of a formal program, protégés reported the value to them of the psychosocial benefits. Despite the mixed evidence, the current study will follow the argument of Kram (1988) and Raggins and Cotton (1999) and predict that formal mentoring in new business start-ups will provide higher levels of career-related support than psychosocial support.

In conclusion, although the functions provided by mentoring in a new business context may fall under 'career-related' and 'psychosocial' categorisations, the nature of the career-related function may be different to that which occurs within a traditional organisational context. Moreover, due to the external and formal nature of the mentoring relationship, the ability of mentors to provide psychosocial support may be reduced when compared to their ability to provide career-related functions. Some exploratory questions and the specific hypotheses of this study are presented below.

1) *Exploratory Questions*

1) Do protégés (business owners) and mentors have similar perceptions about the success of the new business?

2) Do protégés and mentors have similar perceptions of the levels of career-related and psychosocial support provided through the mentoring program?

2) *Study Hypotheses*

1) Frequency of contact between mentors and proteges will be positively related to career-related support, psychosocial support, and perceptions of business success.

2) Mentors will provide higher levels of career-related support than psychosocial support.

3) The career-related function will be more strongly related to business-related outcomes (profit and perceived business success) than the psychosocial function.

4) The psychosocial function will be more strongly related to interpersonal outcomes (self-esteem) than the career-related function.

a) *METHOD*

Background Information: Mentoring in the New Enterprise Incentive Scheme.

All protégés in the study completed the New Enterprise Incentive Scheme (NEIS). This is a Government-sponsored program in Australia designed to provide people who are unemployed with the skills necessary to establish a new business (Department of Employment, Workplace Relations and Small Business, 1999)¹. Participants are selected into the program based on the viability of their preliminary business plan. Participants complete a seven-week intensive training program. The major focus of this program is to assist participants to further prepare their business plan, to provide legal and technical information, to conduct a risk analysis, and to assist participants to develop skills in the areas of financial management, market research, sales, and marketing. Upon completion of the training component, a mentor is assigned to each protégé to act as a guide in the implementation of the business

plan. Mentors were people who were successful in their own business and careers, and who volunteered to provide assistance. Mentors were matched to the protégé in terms of being able to provide assistance to the protégé's particular business enterprise. The mentoring scheme is provided for the first 12 months of business set-up. In the current study, the mentor process had been in place for an average of 8.09 (SD 1.15) months.

Sample

Seventy-seven protégés (70% male: 30% female; Mean age = 37) and sixty-eight mentors (72% male: 28% female; Mean age = 48)² formed the sample groups in the current study. The gender mix of the protégé-mentor dyads was 75% same-gender and 25% opposite-gender. Twelve percent of participants had not completed high school, 63% of participants had completed high school, and 24% of participants were tertiary educated.

Instruments

a) *Independent Variables: Mentor Relationship*

Length of mentoring relationship: The time-period for which the mentoring relationship had existed was taken from the program records kept by the NEIS co-ordinator.

Frequency of meetings between mentor and protégé: Protégés were asked to record the frequency with which they met with their mentor along a five-point Likert scale ranging from 1 'Rarely meet' to 5 'Meet weekly'.

Mentor functions: The 'Mentoring in New Business' scale (Waters, McCabe, Kiellerup & Kiellerup, 2000) was used to assess the nature of mentoring in business start up. The career-related function of mentoring (advice on legal, technical, financial, and marketing issues) and psychosocial function of mentoring (friendship, emotional support, satisfaction and personal development) are assessed separately in this scale, each with a four item sub-scale that is answered along a five-point Likert scale from 1 'A slight extent' to 5 'A large extent'. The maximum score for each scale is 20 and a high score reflects a higher level of the mentoring function. Following Pollock's (1995)

¹ The NEIS co-ordinator approached the researchers six months into the NEIS course and asked the researchers to be involved in an evaluation of the mentoring program. The researchers, therefore, had no input into the design of the mentoring program.

² Nine mentors each had two protégés.

argument that research “should incorporate the mentors’ perceptions of their own behavior” (p.161), parallel versions of the scale were given to both the mentors and protégés. Mentors and protégés were instructed to read each item and consider the extent to which it reflected their own mentoring relationship. The internal consistency estimate for the psychosocial function in current sample was $\alpha = .88$ for the protégés, and $\alpha = .81$ for the mentors. A high internal consistency was also found for the career-related function, where the alpha was $\alpha = .83$ for the protégés and $\alpha = .70$ for the mentors.

3) b) *Dependent Variables: New Business Success*

1) *Business-related outcomes.*

Profit: The objective assessment of the business-related outcome was profit. Protégés were required to report their monthly income, expenses, and profit to the NEIS co-ordinator in the first 12 months of their business set up. A measure of ‘raw profit’ was calculated by subtracting total income from total expenses. Percentage profit was also calculated using the following formula: $\text{income} - \text{expenses} / \text{income} \times 100/1$.

Perceived success: In order to examine the subjective assessments of business success (Turban & Dougherty, 1994), protégés were asked to respond to the question ‘How successful do you consider your business to be?’ using a five-point Likert scale from 1 ‘Not at all successful’ to 5 ‘Extremely successful’. Mentors were presented with a parallel version of this question which asked them ‘How successful do you consider the business of your protégé to be?’ Mentors used the same five-point Likert scale as the protégés.

2) *Interpersonal outcomes.*

Self-esteem: Rosenberg's (1965) Self-esteem Scale was used with protégés. This is a ten-item scale scored on a four-point Likert scale ranging from 1 'Strongly agree' to 4 'Strongly disagree'. A higher score reflects a higher level of self-esteem (maximum score = 40) ($\alpha = .92$). This variable was chosen following Kram's (1983; 1985) suggestion that mentoring may assist in improving the protégé's self-confidence.

Procedure

A letter of invitation was sent from the NEIS co-ordinator to protégés and mentors, together with a questionnaire and a reply paid envelope for the return of the questionnaire. All participants were telephoned by the researchers 7–10 days after the invitation was posted to determine if they had any questions regarding the study and to encourage them to return the completed questionnaire. A further telephone call was made one week later to check if questionnaires had been returned. Of the 102 protégés who were contacted, 77 protégés replied (75% response rate). Protégés were asked to nominate their mentor in the front section of the survey and this information was used to match Protégés with mentors in the data set. Of the 89 mentors contacted, 68 replied (76% response rate).

RESULTS

Means, standard deviations, and inter-correlations between the length of the mentoring relationship, frequency of contact with mentor, career-related function (protégé and mentor ratings), psychosocial function (protégé and mentor ratings), raw profit, percentage profit, perceived business success (protégé and mentor ratings), and protégé self-esteem are presented in Table 1.³

Question one in the current study asked ‘Do protégés (business owners) and mentors have similar perceptions about the success of the new business?’ In order to explore this question, mentor and protégé ratings of business success were compared using matched t-tests. T-test analysis revealed that the observation of business success made by the mentors was significantly higher than the protégés’ own ratings of their business success ($t(76) = 2.53$ $p < .05$).

In answer to question two ‘Do protégés and mentors have similar perceptions of the levels of career-related and psychosocial support provided

³ Protégé gender and the gender mix of protégé-mentor dyads were included in the analysis based on past findings that these variables may influence the mentoring relationship (Baugh, Lankau & Scandura, 1996; Ragins and Cotton, 1999). These variables were not significant.

through the mentoring program?' T-test analysis found no significant differences on career-related support ($t(61) = 1.43$ $p > .05$). However, mentors considered themselves to provide significantly higher levels of psychosocial support than the proteges' ($t(58) = 2.20$, $p < .05$).

As shown in Table 1, the protégé sample reported that, on average, they met with their mentors less than once a month. Frequency of contact was positively associated with the protégé's perception of the provision of career-related and psychosocial functions, and protégés' perceptions of business success. Frequency of contact was also significantly associated with mentors' perceptions of business success. Hypothesis one, that 'frequency of contact between mentors and proteges will be positively related to career-related support, psychosocial support, and perceptions of business success' was, therefore supported in relation to protégé perceptions and partially supported in terms of mentor perceptions.

In order to test hypothesis two, a within sample t-test was conducted in each group to compare the level of career-related support with the level of the psychosocial support provided. Significantly higher levels of the psychosocial function were reported by both the protégés ($t(74) = 3.76$ $p < .001$) and the mentors ($t(59) = 3.76$ $p < .001$). Hence, the hypothesis that 'mentors will provide higher levels of the career-related function than the psychosocial function' was not supported.

It was predicted in hypothesis three that 'the career-related function will be more strongly related to business-related outcomes (profit and perceived business success) than the psychosocial function' and in hypothesis four that 'the psychosocial function will be more strongly related to interpersonal outcomes (self-esteem) than the career-related function'. A series of Hierarchical Regressions were conducted to test hypotheses three and four and investigate the contribution of the career-related function and the psychosocial function on business-related outcomes and interpersonal outcomes. The outcome variables were raw profit, percentage profit, perceived business success (protégé), perceived business success (mentor), and protégé's self-esteem.

In order to test for the unique contribution made by the mentoring functions, the frequency of contact between protégés and mentors was entered at step 1. This was based on the significant correlation between frequency of contact with ratings of career-related functions and psychosocial functions (see Table 1). Protégé and mentor ratings of career-related and psychosocial functions were entered at step 2. Table 2 presents R^2 , R^2 change and p values for each regression analysis. Where an independent variable made a significant, unique contribution, the beta weights and Sr^2 are provided in parentheses.

As shown in Table 2, the frequency of contact with mentors and the provision of career-related and psychosocial functions (protégé and mentor ratings) did not significantly predict raw profit or percentage profit. However, the Protégé's subjective perception of business success was significantly predicted by the frequency of contact with mentors and the provision of career-related and psychosocial functions. In fact, 35% of the variance in protégés ratings of the success of their business was explained ($F_{(5,59)} = 5.94$, $p < .001$). In particular, at step 1, the frequency of contact with mentors significantly contributed to 13% of the variance. Mentor functions, at step 2, accounted for a significant increment in explained variance, with the protégé ratings of career-related function being a unique predictor ($sr^2 = .20$). A similar finding was observed when the mentors appraised the business success of their protégés ($F_{(5,59)} = 3.48$, $p < .01$). In this analysis, 26% of the variance in mentors' ratings of business success was accounted for by frequency of contact and the two mentor functions. In particular, frequency of contact with mentors uniquely accounted for 13% of the variance and the provision of the career-related function as rated by the protégés explained 13%. Interestingly, the mentors own ratings of their provision of career-related and psychosocial mentoring were not unique predictors.

In relation to the interpersonal outcome, mentoring was found to make a significant contribution to protégés' self-esteem ($F_{(3,74)} = 3.10$, $p < .05$). The frequency of contact with mentors, together with career-related and psychosocial functions of mentoring accounted for

12% of the variance in protégés' self-esteem. Five percent of the variance was accounted for by frequency of contact. The addition of protégé and mentor appraisals of the mentoring functions contributed a further 7% of the variance in self-esteem. Psychosocial support was a unique predictors in this analysis.

DISCUSSION

The current study is one of the first in the literature to systematically examine the role of formal mentoring on both business and interpersonal outcomes in new business start-up. It should therefore be highlighted that this study was a preliminary investigation with a relatively small sample size chosen from a specific business-mentoring program. As outlined below, the results of the current study suggest that mentoring is a useful initiative when starting up a new business.

Mentors in this study provided higher levels of psychosocial support than career-related support. This finding is in contrast to the hypothesis of the current study. It also contrasts the arguments of Kram (1988) and Raggins and Cotton (1999) that formal mentoring programs provide higher levels of career-related support than psychosocial support. The current findings may reflect the fact that the study participants, who were in the early stages of business development, were likely to be anxious and, therefore, in need of high levels of psychosocial support. Indeed, Pollock (1995) found that the psychosocial function predominated over the career-related function in the early stages of mentor-protégé relationships. It may also be, as Chao et al. (1992) suggested, that "...psychosocial functions are easier to provide to protégés than the career-related functions" (p. 626) because they only involve interactions between the protégé and mentor rather than the career-related functions which often involve securing external resources and/or altering the external environment to promote career progression.

However, neither the career-related function nor the psychosocial function were provided at high levels in the current study. In fact, both the mentor and protégé ratings of the support provided by mentors were scored at the low to middle range of the scale. This may, in part, be due to the infrequent contact between mentors and proteges. In the current study, the protégé sample reported that, on average, they met with their mentors less than once

a month. This lack of contact may be detrimental, given that frequency of contact was positively associated with the protégé's perception of the provision of career-related and psychosocial support. If the mentor and protégé were to meet on a more frequent basis the protégé's perceptions of the provision of career-related and psychosocial support may be increased. A similar finding was reported by Noe (1988). Moreover, this idea is consistent with Kram's (1983) suggestion that frequent contact between the mentor and the protégé, particularly in the early stages of the relationship, is required if the functions are to be fulfilled.

It was hypothesised in this study that the career-related function of mentoring would be more strongly linked to business-related outcomes (profit and perceived business success) than the psychosocial function. When using an objective assessment of business-related outcomes (ie. profit), the hypothesis was not supported. In fact, neither function of mentoring was significantly associated with profit. Hence, from an objective, and very instrumental, perspective, mentoring does not appear to contribute to new business success.

However, the above conclusion requires caution when considering the multitude of micro- and macro-economic factors that influence profit in new businesses (Watson & Everett, 1988). This is particularly relevant to the current study, where the establishment costs of the new business and the new roles and duties confronting the protégés, meant that profits were likely to be quite varied, irrespective of the level of mentoring provided. This highlights a limitation of the cross-sectional design used in the current study where indicators of profit and mentoring were attained at only one point in time. Although the first 12 months of business establishment may be the time when mentoring is most needed, it is also a time where the relationship between mentoring and profit is most likely to be confounded. Longitudinal data are needed to further explore the role of mentoring on business profit as a mentor relationship for eight months may not have given sufficient time for the benefits of mentoring to accrue and for profitability of a new business to stabilise (Ragins & Cotton, 1999).

Chao (1998) has argued that "The inability to validate one mentoring partner's perceptions

with the other's reactions is a common pitfall in mentoring research. Without any measure of agreement between mentor and protégé, results may be biased." (p. 334). Noe (1988) has also argued that research in this area has concentrated too heavily upon protégé perceptions and that researchers need also to collect mentor perceptions. The use of separate protégé and mentor ratings in the current study helped to address these criticisms as well as to overcome the problem of common-source variance. However, as argued by Patton (1980), multiple data sources will "...seldom lead to a single, totally consistent picture." (p.331). So that while the method of using multiple data sources may enhance the credibility of the conclusion, it is also a method through which inconsistencies can be expected to emerge. Certainly this was true of the current study where mentors and protégés agreed on the level of career-related support provided but mentors saw themselves as providing significantly more psychosocial support than did the protégés. It could be that because psychosocial support is intangible and, therefore, less directly measurable when compared to career-related support, the two parties are less likely to reach agreement as to its levels. Moreover, human tendencies to positively evaluate one's own behaviour (Fiske & Taylor, 1984) may mean that mentor's over estimate the degree of support they are providing. Given the importance of both mentor and protégé perceptions to the success of relationship, we suggest that future research is required to explore how both parties appraise the mentoring relationship.

Turban and Dougherty (1994) suggested that in addition to the use of objective indicators of career success, it is also necessary to examine subjective aspects of success in mentoring. In the current study mentors rated business success significantly higher than their protégés. It may be argued that the mentor, given his/her greater business experience, will have a more accurate appraisal of the success of the business than the relatively inexperienced protégé. Alternatively, the mentor's knowledge of the specific business in question is probably less comprehensive than the protégé, and so the mentor may be overly optimistic.

Further research is necessary in order to clarify this issue.

Using perceived business success as the outcome, there was support for the hypothesis that the career-related function would be more strongly linked to business-related outcomes than the psychosocial function of mentoring. Protégé ratings of the career-related function were significantly predictive of their own appraisal of business success as well the mentors' appraisal of business success. However, the psychosocial function was not a unique predictor in either groups' assessment of business success, instead it was more strongly related to the interpersonal outcome of self-esteem. These results are consistent with the findings of Chao et al. (1992), who found that career-related support was more closely related to job-related outcomes than psychosocial support. The results also provide partial support for hypotheses three and four and they support Kram's (1985) original conceptualisation of mentoring, where career-related functions served the 'instrumental' link to career and psychosocial functions served to enhance esteem.

A strength of the present study was the high response rate gained for both the protégé sample (75%) and the mentor sample (76%). This high participation rate means that the conclusions drawn are highly generalisable to participants completing the NEIS mentoring program. However, despite the high response rate of the current study, the sample sizes were still small. This limitation is difficult to overcome when considering that "the start-up of a new business ... is difficult to study with large sample sizes" (Wooten et al., 1999; p. 83). Moreover, the fact that most formal mentoring programs can only accommodate small numbers explains why small sample sizes are not unusual in research focusing upon formal mentoring programs.

In conclusion, the present study makes an important contribution to the mentoring literature by conducting a systematic analysis of the relationship between the functions and outcomes of mentoring in a small business context. The limited research attention given to the role of mentoring in new business means that there are many issues which require further attention. The growing rate of new business

start-ups (Mazzarol, Volery, Doss & Thein, 1999; O'Reilly, 1994), together with the findings of the current study that mentoring can assist the start-up process, suggests that the role of mentoring in business establishment is an important area for further research.

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Table I: Means, Standard Deviations and Inter-correlations Between Mentoring Variables, Business Success Variables and Self-esteem

			1	2	3	4	5	6	7	8	9	10	11
1. Length of mentoring relationship	M	8.09	1.000										
	SD	1.15											
2. Frequency of contact with mentor	M	2.41	-.26*	1.000									
	SD	.95											
3. Career-related function (protégé rating)	M	8.52	-.18	.38**	1.000								
	SD	3.37											
4. Psychosocial function (protégé rating)	M	10.09	-.11	.47**	.50**	1.000							
	SD	3.85											
5. Career-related function (mentor rating)	M	9.37	.04	.16	.20	.18	1.000						
	SD	3.22											
6. Psychosocial function (mentor rating)	M	10.91	.12	.08	.05	.24*	.52**	1.000					
	SD	3.72											
7. Raw Profit (average monthly)	M	4,646.8	.17	.17	.23*	.02	.07	.14	1.000				
	SD	7 8,552.5 7											
8. Percentage profit (average monthly)	M	89.65	.02	.08	.03	.03	.12	.19	.08	1.000			
	SD	482.57											
9. Perceived success (mentor)	M	2.10	.11	.34**	.44**	.18	.30*	.17	.20	.01	1.000		
	SD	.92											
10. Perceived success	M	2.26	.02	.34**	.57**	.24*	.22	.12	.23*	-.02	.75***	1.000	

(protégé)	SD	1.03											
11. Self-esteem	M	24.38	.11	.245	.32**	.47**	.24	.12	.03	.05	.09	.06	1.000
	SD	4.26											

* $p < .05$ (2-tailed).

** $p < .01$ (2-tailed)

Table II: Regression Analyses Summarising Predictors of the Business-related Outcomes and Interpersonal Outcomes of Mentoring.

Objective Business-related outcomes	R ²	R ² chan ge	p	Subjective Business-related outcomes	R ²	R ² chan ge	p
RAW PROFIT				PERCEIVED SUCCESS (PROTÉGÉ)			
<u>Step 1</u>	.01	.01	.65	<u>Step 1</u>			
Frequency of contact				Frequency of contact ($\beta = .36$: $Sr^2 = .13$)	.13	.13	.01
<u>Step 2</u>				<u>Step 2</u>			
Career-related functions (P)	.04	.03	.69	Career-related functions (P) ($\beta = .57$: $Sr^2 = .20$)	.35	.22	.01
Psychosocial functions (P)				Psychosocial functions (P)			
Career-related functions (M)				Career-related functions (M)			
Psychosocial functions (M)				Psychosocial functions (M)			
PERCENTAGE PROFIT	.01	.01	.88	PERCEIVED SUCCESS (MENTOR)			
<u>Step 1</u>				<u>Step 1</u>	.13	.13	.01
Frequency of contact				Frequency in contact ($\beta = .36$: $Sr^2 = .13$)			
<u>Step 2</u>	.05	.04	.77	<u>Step 2</u>			
Career-related functions (P)				Career-related functions (P)	.26	.13	.01
Psychosocial functions (P)				Psychosocial functions (P)			

Career-related functions (M)
 Psychosocial functions (M)

Career-related functions (M)
 Psychosocial functions (M)

Interpersonal outcomes

SELF-ESTEEM

Step 1

Frequency of contact ($\beta = .35$; $Sr^2 = .12$) .05 .05 .01

Step 2

Career-related functions (P) .12

Psychosocial functions (P) ($\beta = .54$; $Sr^2 = .14$) .07 .01

Career-related functions (M)

Psychosocial functions (M)