

***HELPING ENTREPRENEURS SUCCEED: ADVISORY RELATIONSHIPS IN  
GOVERNMENT-FUNDED PROGRAMS***  
**KELLEY PACKALEN**

This study is part of the *Research Partnerships to Revitalize Rural Economies* project, a research initiative of The Monieson Centre at Queen's School of Business funded by the Social Sciences and Humanities Research Council of Canada (SSHRC) Partnership Development Grant program, as well as significant partner-based funding. Project resources are available online at [www.economicrevitalization.ca](http://www.economicrevitalization.ca).



THE  
MONIESON  
CENTRE

## **Helping Entrepreneurs Succeed: Advisory Relationships in Government-funded Programs**

Kelley A. Packalen, PhD  
Associate Professor of Strategy & Organization, Queen's School of Business  
and  
Visiting Professor, Department of Industrial Engineering & Management, Aalto University (2013-2014)

143 Union Street  
Kingston, Ontario, Canada  
K7L 3N6  
Tel: +1.613.533.3243  
Email: [kpackalen@business.queensu.ca](mailto:kpackalen@business.queensu.ca)  
Website: [business.queensu.ca](http://business.queensu.ca)

Funding for this study was provided by a Social Science and Humanities Research Council (SSHRC) Partnership Development Grant. I would like to thank The Monieson Centre staff at Queen's School of Business for their help in administering the grant.

Keywords: advisory relationships; mentoring; government-funded programs;  
small business; entrepreneurs; start-ups

## **Abstract**

In many countries, governments sponsor small business development centres. One of the main goals of these centres is to foster new business creation and growth within their local communities. As part of this goal many centres offer individual-level confidential business advising services for free to anyone who requests it. Considerable research has investigated the benefits (or lack thereof) of small business advice, but little research has investigated what factors may influence the type of advice is provided.

Based on the findings from semi-structured interviews with business advisors and directors of government-funded small business centres throughout Ontario, Canada I investigate how organizational features of the centres and personal backgrounds of individuals involved in the advising process influence the type of mentoring provided. Specifically, when centres offer specific programs (e.g. those focused on youth entrepreneurship, transitioning unemployed individuals to self-employment, or providing loans) and/or have number-focused boards of directors, advisors tend to focus foremost on helping entrepreneurs with completing the required business plan template. In contrast, advisors who focus foremost on providing what Kram (1985) terms psychosocial support tend not to be constrained by a particular program and/or use a specific advising style. These include the Sirolli Method ([www.sirolli.com](http://www.sirolli.com)) or methods taught in the APEC Certified Business Councillor program ([www.apec-ibiz.org](http://www.apec-ibiz.org)).

## **Helping Entrepreneurs Succeed: Advisory Relationships in Government-funded Programs**

Governments spend considerable money funding programs and centres that are designed to help nascent entrepreneurs turn their opportunities into viable businesses (Curran, 2000). Yet prior literature has provided mixed evidence regarding the value of these programs (Massey, 2004).

A key free service offered by many government-funded small business centres is individual-level advising to entrepreneurs. Advisors can play an important role in helping nascent entrepreneurs create and/or grow their businesses. Advisors may help entrepreneurs complete relatively routine tasks such as writing and initially updating business plans (Karlsson and Honig, 2009), organizing strategically by determining the type of product or service to offer, and organizing tactically through product or service development, establishing credit, and hiring employees (Lichtenstein et al., 2006). The aforementioned activities are akin to what Kram (1985) refers to as career development functions in his analysis of more traditional career mentoring exchanges. Advisors, however, may also provide a second type of advice which Kram (1985) labels psychosocial functions. These include helping the mentee develop a sense of professional self, counseling, friendship, and being a role model. Applied to entrepreneurship this kind of advice includes educating a nascent entrepreneur as to the realities of self-employment, including its impact on family, friends and personal finances.

Research has demonstrated that connecting with advisors not only provides entrepreneurs with needed knowledge but can also make them more successful than their counterparts who do not seek advice (Larsson et al., 2003). For example, Chandler and Lyon (2009) found that entrepreneurs' involvement in knowledge acquisition activities, such as talking to knowledgeable people in the industry, benchmarking best practices and attending seminars on relevant topics, related to improved venture performance.

As indicated above, considerable research has investigated the types of advice advisors provide as well as the benefits that that advice may provide. What is lacking in the literature, however, is an understanding of how the centre's structure, programs offered, advising methodology followed and career histories of advisors and directors may influence the type of advice deemed important. The purpose of this study is to address this issue.

### **Methodology**

Semi-structured telephone interviews with program directors, managers, and business advisors at government-funded small business centres in Ontario, Canada were completed in the summer and fall of 2013. Interviewees were solicited by email using contact information that was found on the Ontario Network of Entrepreneurs' (ONE) online directory ([www.onebusiness.ca/](http://www.onebusiness.ca/)), which lists 87 different government-funded small business centres in Ontario. This number represents the majority of centres in Ontario and includes:

- *Regional Innovation Centres (RICs)*, which are focussed on advising nascent entrepreneurs of high-growth start-ups;
- *Community Futures Development Corporations (CFDCs)*, which among other things provide loans to small rural businesses who are unable to get loans from more traditional sources like banks;
- *Economic Development Corporations (EDCs)*, which are focused on broader regional economic development initiatives as well as providing counselling to small business clientele; and
- *Small Business Enterprise Centres (SBECs)*, which typically are located small-to-midsize towns and are charged with fostering small business economic growth in their regions.

Two types of individuals participated in confidential semi-structured telephone interviews. The first group consisted of 12 advisors. The interviews averaged 51 minutes and ranged in length from 39 to 63 minutes. The second group consisted of 14 directors or managers (some of whom were also advisors). These interviews averaged 37 minutes and ranged in length from 21 to 74 minutes. Interviewees were located in 18 geographically dispersed centres representing all major regions of Ontario (i.e. Northern, Southeastern and Southwestern Ontario). All interviews were completed by the primary investigator on this study.

Before conducting the interviews the proposed questions were reviewed by two small business centre directors. Business advisors were asked about their career histories, job duties, the positives and negatives of their jobs and the typical topics they discussed with clients. They were also asked to describe in detail the

advising activities in which they engaged with a typical, rewarding and challenging client. Program directors were similarly asked about their career histories, job duties and the positives and negatives of their jobs. They were then asked about the logistics of the centre, how they advertised their services to the public, the centre's practices in terms of hiring business advisors and the client recruitment process. A summary of the questions asked is provided in Appendix A. Additionally, supplementary data (e.g. bios of staff members, schedule of workshops being held) were collected from the centre websites.

All interviews were audio-recorded and subsequently transcribed. As the interviews were being conducted a preliminary set of themes emerged regarding advising activities. These themes captured general activities as well as positive and negative reactions to those activities (e.g. comments about the perceived advantages or disadvantages of advising). Once transcribed interviews were analysed for: initial themes, examples of behaviors that captured those themes, and positive and negative reactions related to those themes. During the coding process, additional themes also emerged and interviews were reanalysed and coded for these themes as well.

## **Results and Discussion**

Preliminary findings reveal that while centres tend to offer the same basic services there is considerable variability from centre to centre in how services are delivered. Many centres are run by former entrepreneurs and they bring their entrepreneurial spirit to the centres. For example, one centre might run many workshops to disseminate information about business creation to clients, another might post webinars on its website, and a third may find that workshops are not well attended in their region and therefore conclude that their resources are best devoted to other endeavours. Centres also differ in how they advertise their services ranging from using traditional large-scale billboards to relying on word-of-mouth to sponsoring relevant community functions.

The overall mandates of the different types of centres from which managers and advisors were interviewed also differ to some degree. One of the defining features of Community Future Development Corporations (CFDC)—which are located in more rural areas—is to provide loans to businesses that are not eligible for loans from more traditional sources. To secure these loans requires the completion of standardized business plans and then subsequent monitoring by the loans officer, who often monitors the business more closely than a traditional lender may. Many CFDC advisors help entrepreneurs complete the required business plans, but others rely on related organizations, such as Small Business Enterprise Centres (SBECs), that are also located in the region to complete the task.

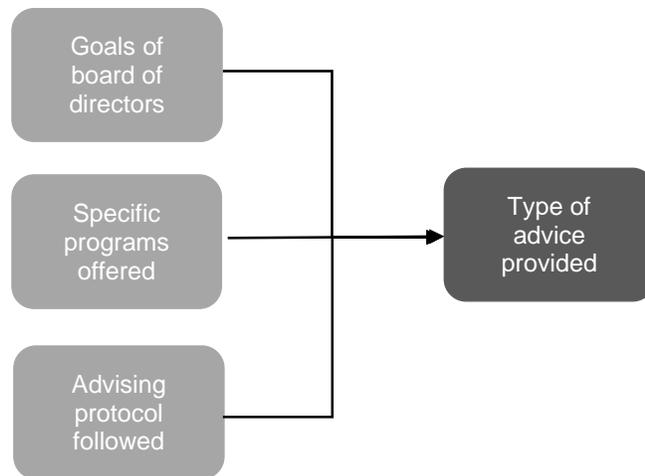
While CFDCs and SBECs tend to serve “mom and pop shops” in rural areas, Regional Innovation Centres (RICs), which are located in more metropolitan areas and university towns, cater to high growth businesses. Unlike the other centres who will meet with any person who comes through the door, future RIC clients go through a screening process. Potential high growth entrepreneurs are accepted, while others are directed to other centres in the region. RICs have full-time business analysts who will meet with entrepreneurs and help them with basic items and research, thereby freeing up entrepreneurs-in-residence (their term for business advisors) to focus on more nuanced issues. Entrepreneurs-in-residence are hired on a part-time hourly basis both for their ability to share the knowledge they gained while running their own high-growth companies as well as their ability to connect clients to relevant individuals in their own business networks.

### *Organizational features are the primary drivers of the type of advice provided*

In reviewing the interview transcripts I found three structural features that influenced whether business advisors were primarily focused on advising to business plan completion or on Kram's (1985) psychosocial functions. These are summarized in Figure 1. Before proceeding, however, it is important to emphasize that all advisors worked with their clients on business planning and viewed understanding financials, marketing and human resource issues as being important. Thus the distinction is not between counselling the business versus the person rather which of these two elements seemed to be in the forefront.

*Goals of the boards of directors:* The first structural feature that influenced whether advisors advised to a business plan template or funding application was the goals of the board of directors. If the directors were focused on numbers then there was a push to do things that checked boxes and got those numbers. One interviewee remarked that there was a push to help entrepreneurs to get grants, which in turn forced them to advise to the grant application. The manager of this same centre noted that because of the board's pressure,

right now it's been strictly focused on getting the money, getting the money, getting the money, and not necessarily on the success of the business. And the pillars of the business moving forward has just been specifically those applications for funding.



**Figure 1: Organizational features which influence type of advice provided to entrepreneurs**

In other words incorporating businesses was more important than incorporating businesses that had the potential to succeed.

*Specific programs offered:* In Ontario there are a number of specific government-sponsored programs meant to encourage entrepreneurship. These include the aforementioned CFDC loans, as well as loan programs specific to each of Ontario's three regions (Northern, Southwestern and Southeastern). These also include programs, such as *Summer Company*, which is meant to promote youth entrepreneurship and the *Self Employment Benefits Program (SEBP)*, which is designed to transition people who have been on employment insurance to self-employment. Among advisors assigned to one of these programs there was consistency with respect to what they would cover in their counselling sessions with clients. Specifically, these interactions tended to focus on helping the entrepreneurs fill out the necessary templates, worksheets, and business plans that were required by the programs. As mentioned above, they may have also engaged in the psychosocial functions, but these were not emphasized in the same way that they were by some other advisors.

While most programs either intentionally or unintentionally lead advisors to focus their advising hours on helping entrepreneurs to complete business plans, RICs, as mentioned above, had policies and procedures in place to enable their EIRs to focus on more nuanced issues. Consider the approach taken by one EIR interviewed:

When I talk to a client I really want to get to the core of what's their passion, what are they really about, what drives them, and why are they doing this, you know why is it important to them....

The one core element we talk about is you need to be able to tell your story, and the story can be how you define your value proposition, it's how you present to customers. It could be on how you connect in a networking event. Someone can ask "oh what do you do" and if you can answer him, very quickly and have people think wow that's cool...

It's being able to articulate to tell your story and to whatever stake holders you're talking to. It can be employees, it can be partners, it could be customers, could be investors, whoever if you can really get a handle on the story, then that will be important. If you can describe your story in a way that people are engaged to take action in some level then that becomes a much more powerful story. So to me the story is most important.

More generally, advisors who were not tied to a particular program seemed to speak more about the importance of helping the entrepreneur make the right decision in terms of whether entrepreneurship was right for them, whether they had a product or service that could potentially provide them with the kind of lifestyle that they wanted and expected. Consider what skills a former college professor turned CFDC business advisor turned CFDC manager looked for in business advisors she hired:

I need [an advisor] who's willing to say, "No [to a client]," and to direct people to what's best for them...I'd say talk to [the client], help them through their education and research and get to know them. Build relationships."

In other words, she wanted advisors who would spend time getting to know their clients and have the strength to tell those clients if self-employment and/or their particular business ideas were not appropriate for those clients.

*Advising protocol followed:* If centres prescribe to a particular mentoring philosophy than this too will influence how advisors approach relationships with their clients. For example, some small business centres in Ontario follow the Sirolli Method ([www.sirolli.com](http://www.sirolli.com)). At the highest level, the Sirolli Method is about finding out what the entrepreneur is good at and passionate about and then facilitating connection with those in the entrepreneur's existing network or community who can help them with the other pieces. It is not about filling in the blanks of a business plan. Another tenant of the program is that the entrepreneur (to-be) must initiate all contact. In other words, even if the facilitator (Sirolli's term for advisors) believes that an individual has a promising business opportunity and would make a good entrepreneur, he is not to follow-up between appointments to encourage the nascent entrepreneur to proceed with the opportunity.

A second mentoring philosophy that I encountered during my interviews was the philosophy taught in the APEC Certified Business Councillor program ([www.apec-ibiz.org](http://www.apec-ibiz.org)). When I asked a manager of a small business centre who also counseled clients about what APEC has taught her in terms of what she should focus on with clients, she responded

Some of the tools would be everything from taking your idea—like if somebody comes through the door and they have an idea—and asking are they actually an entrepreneur? What does it mean to be an entrepreneur? What are the steps that they need to go through?

We would then take them through the whole business planning component [which goes beyond writing a business plan]. So what type of individual are they? How would they deal with different types of personalities in the business? Through the financial part...and when I say financials I mean in the whole aspect, so what does that mean for your business and what does that mean for your family if you're a sole proprietor. Because a lot of the businesses we see don't have the understanding of what it is to be a sole proprietor and the effect that it can have on your own personal financials...

There are different tools for every single component of a business plan. But the important part, I think, is the very first module where you're talking about what is an entrepreneur and what does it mean? And are you entrepreneur, and do you understand what that means to you, and how that can affect your family?

In short, the philosophy encouraged advisors to speak to their clients not only about how to complete each section of a business plan, but also what the content in those sections meant for the clients personally.

#### *Personal career histories are less influential*

My expectation at the beginning of this project was that individuals' own career histories and personal circumstances would influence what they felt was important in terms of the type of advice that they provided to their clients. For example, one advisor with whom I spoke had a spouse who was self-employed and had experienced firsthand the ups-and-downs that came with such a career. She emphasized the importance of discussing what self-employment meant from an emotional standpoint as well as the demands it would place on finances and family responsibilities:

I don't think that they necessarily come back, so I really like to get a thorough understanding of what my client's vision is. And I will spend an hour with them going through that question and answer, conversational.

This meeting also included making them aware of lifestyle changes that might come about with being an entrepreneur.

For the most part, however, I did not find individuals' own career histories and personal circumstances to influence what they spoke to clients about; examples such as the one mentioned above were relatively rare. To be certain, their own experiences shaped what they valued, but this appeared to be limited to their own skills and—in the case of directors or managers—what they looked for in the skills of the advisors they hired.

For example, one manager who had grown up in the area felt that “being from the area” was essential to her success, while managers and advisors who were not from the areas in which they worked did not indicate that this was a challenge. Similarly, many interviewees who had been entrepreneurs in the past indicated that having first-hand start-up experience was important in doing their jobs, whereas those who had not been entrepreneurs did not state this as a negative.

## Recommendations

Based on the analysis, I have developed a series of recommendations, which are summarized in Table 1. The first set of recommendations are to the government agencies who sponsor both these centres and some their specific programs. The recommendations are to minimize change and simplify processes. None of the individuals who I spoke with were short on work. Some change is necessary, but a running theme from both advisors and directors was that there were often unnecessary changes and excessive reporting took away from time that could be used to help clients. Moreover, there may be times when very detailed business plans are not required. Time spend filling out excessively detailed forms could instead be spent educating the client about entrepreneurship more generally.

Second, to boards of directors and funders I recommend to avoid pushing growth for growth’s sake. This was not a universal concern, but it was a theme that did come up from time-to-time, particularly from centres which had a portion of their funding coming from local sources. These local funders typically sat on their board of directors and often wanted to see clear metrics on their return on investment. As one advisor noted,

That’s [the board’s] main goal, how much funding did you help clients get, how much financing did they leverage, how many new jobs were created and that of course, you know, is an important metric to bring in new investments and stuff like that but at the same time...you might in a way be setting [the entrepreneur] up for failure.

More generally, advisors consider helping someone recognize that not starting a business is as much a success as helping someone to start a business, but in terms of government, board of directors and other reporting measures only the latter is considered to be a success. Related to this, at least one interviewee noted that another challenge was getting clients who the centre helped to publically admit that they received help. This particular interviewee felt that she was doing much more for the economic growth of community then she was able to discuss.

Third, to the directors and advisors within the various small business centres continue to put the entrepreneur first. As one manager who did this noted:

Being grassroots, we’re really driven by the people we serve. Not by boards and not by other managers, but from the people on the ground who tell us this is what we need.

Several centres also highlighted how they used technology and/or group workshops to the extent possible thereby maximizing the value of contact hours. For example, one business advisor mentioned how he directed clients to online business planning tools as homework to weed out those who were serious about further developing their business idea from those who were not. A second benefit of this strategy was that the meetings could then be used to discuss challenges and questions that may have arisen in the process of completing the business planning tool as compared to working through the tool together. Others employ volunteer mentors from the community or create networking events to enable entrepreneurs to connect directly with for example prospective clients or supporters to minimize the need for the advisor to always act as the broker.

**Table 1: Recommendations to various stakeholders based on interview findings**

<b>Group</b>	<b>Recommendations</b>
<b>To government sponsors</b>	<ul style="list-style-type: none"> <li>• Minimize change</li> <li>• Simplify processes</li> </ul>
<b>To boards of directors &amp; funders</b>	<ul style="list-style-type: none"> <li>• Avoid pushing growth for growth’s sake</li> <li>• Understand that people don’t always want to publicize their support</li> </ul>
<b>To directors &amp; advisors</b>	<ul style="list-style-type: none"> <li>• Continue to put the entrepreneur first</li> <li>• Use technology &amp; other creative solutions to the extent possible thereby maximizing value of contact hours</li> </ul>

## References

- Chandler, G.N., & Lyon, D.W. (2009) Involvement in knowledge-acquisition activities by venture team members and venture performance. *Entrepreneurship Theory and Practice*. 33(3). p.571-592.
- Curran, J. (2000) What is small business policy in the UK for? Evaluation and assessing small business policies. *International Small Business Journal*, 18(3). p.36-50.
- Karlsson, T. & Honig, B. (2009) Judging a business by its cover: An institutional perspective on new ventures and the business plan. *Journal of Business Venturing*. 24. p.27-45.
- Kram, K.E. (1985) *Mentoring at Work: Developmental Relationships in Organizational Life*. Glenview, IL: Scott Foresman.
- Larsson, E., Hedelin, L. & Garling, T. (2003) Influence of expert advice on expansion goals of small businesses in rural Sweden. *Journal of Small Business Management*. 41(2). p.205–212.
- Lichtenstein, B.B., Dooley, K.J., & Lumpkin, G.T. (2006) Measuring emergence in the dynamics of new venture creation. *Journal of Business Venturing*. 21. p.153-175.
- Massey, C. (2004) Is the training train out of control? A case of evaluation failure from New Zealand. *Journal of Small Business and Enterprise Development*. 11(4). p.458-466.

## Appendix A: Summary of Interview Questions

### Questions for Centre Directors

1. How long has the centre been in operation?
2. How long have you been the director of the centre?
3. Why did you want to become a director of the centre?
4. What is your educational and professional background?
  
5. How long has the centre been offering individual business advising services?
6. What are the centre's primary goals with respect to the business advising function?
7. How many clients have used the centre's business advising services?
8. How do you recruit clients to your centre?
9. Who decides whether to take an individual on as a client or not?
  
10. When hiring business advisors, what are the three main skills you look for?
11. When you first began as director or began offering the business advising service what did you envision the business advisor's role to be?
12. When you hire business advisors what do you tell them regarding the responsibilities of their jobs?

### Questions for Business Advisors

1. How long have you been working as a business advisor at this centre? In this program?
2. Why did you want to become a business advisor?
3. What is your educational and professional background?
  
4. What are the centre's primary goals with respect to the business advising function?
  
5. How many hours do you dedicate to the business advising function? Do you have other responsibilities at this centre?
6. How many clients have you worked with since becoming as an advisor at this centre?
7. How is it decided who will work with what clients?
  
8. When you first began as a business advisor what did you envision your role to be?
9. When you were hired, what were you told regarding the responsibility of your job?
  
10. Thinking back on the clients that you have worked with, I would like to know more about your relationship with three specific (but unnamed) clients, namely your **most rewarding client**, your **most challenging client**, and a client who is representative of your **most common type of client**. For each of these three clients, please answer the following questions.
11. Overall, what made the relationship great/challenging/typical?
12. How long did the relationship last?
13. How frequently did you meet in-person with this person?
14. How long did the average in-person meeting last?
15. Did you supplement your in-person meetings with other kinds of communication?
16. Tell me about the specific advising activities that you engaged in with this individual. The more detail you can provide the better.
17. What did you know about your client's educational and professional background?
18. *If the relationship is in the past:* How did this relationship conclude? What was the outcome?