

TRENDS in ENTREPRENEURSHIP SERIES

Reporting on data from a wide range of sources to measure, track, and compare trends related to entrepreneurship | 2020, No. 5

DEMAND FOR BUSINESS ADVICE OR MENTORING AMONG ENTREPRENEURS

Business advice or mentoring is a commonly discussed intervention to support entrepreneurs. Entrepreneurship support organizations, ranging from incubators to targeted industry programs, leverage mentoring as one approach, or as part of a set of programming options to strengthen entrepreneurs. While business advice or mentoring is often provided to entrepreneurs, the nature of demand for this support among entrepreneurs is not always clear, particularly as a business ages. Given that the needs of a business can change over time, it is useful to understand the nature of this demand among business owners.

Employer businesses – a subset of all businesses – are responsible for job creation in the United States.¹ In 2016, there were 111 new employer businesses for every 100,000 people.² Insight on the perceived needs and processes of the entrepreneurs can be useful for the programs that aim to support them. This brief presents a breakdown of the reasons entrepreneurs seek business advice or mentoring, as well as the sources of mentoring, drawing from the 2016 Annual Survey of Entrepreneurs. The trends explained here are based on the perceptions of the entrepreneurs themselves, which provide insight into how they think about and navigate the process of obtaining business advice or mentoring.

Highlights

• Who seeks business advice/mentoring?

- Half of employer business owners did not seek business advice or mentoring.
- Owners of older businesses were less likely to seek business advice or mentoring than owners of young businesses: about 4 in 10 owners of businesses less than 2 years old did not seek business advice or mentoring (41.8%), compared to about half of the owners of businesses 6 to 10 years old (50.8%) and more than 16 years old (52.5%).

• Why seek business advice/mentoring?

- The most common reason to seek business advice or mentoring was related to **taxes and accounting** (33.9%), followed by **legal** (15.0%) and **increasing sales** (13.8%).
- Among owners of businesses less than 2 years old, the most cited reasons were **taxes and accounting** (38.8%), **management and day-to-day operations** (19.2%), and **increasing sales** (19.1%).

• Sources of business advice/mentoring:

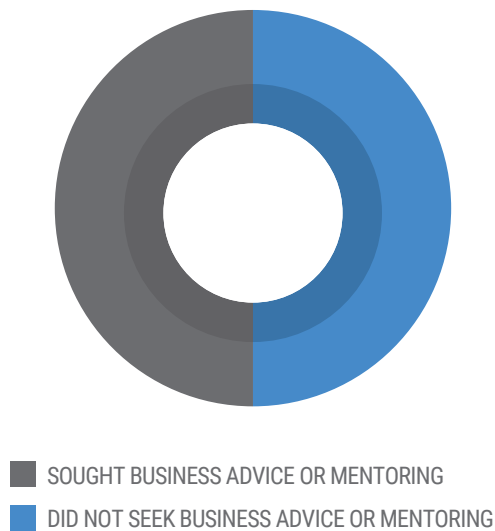
- The most common sources of business advice or mentoring were **legal and professional advisors, colleagues, and family**. This was the case for employer business owners regardless of business age (66.2%, 48.0%, and 22.3%, respectively) and for owners of businesses less than 2 years old (61.8%, 51.6%, and 30.4%).



Why Seek Business Advice or Mentoring?

Older businesses were less likely to seek business advice or mentoring than younger businesses. About 4 in 10 owners of employer businesses less than 2 years old (41.8%) did not seek business advice or mentoring, compared with around half of the owners of businesses 6 to 10 years old (50.8%) and at least 16 years old (52.5%).

FIGURE 1: Half of Employer Business Owners Did Not Seek Business Advice or Mentoring (50.0%)

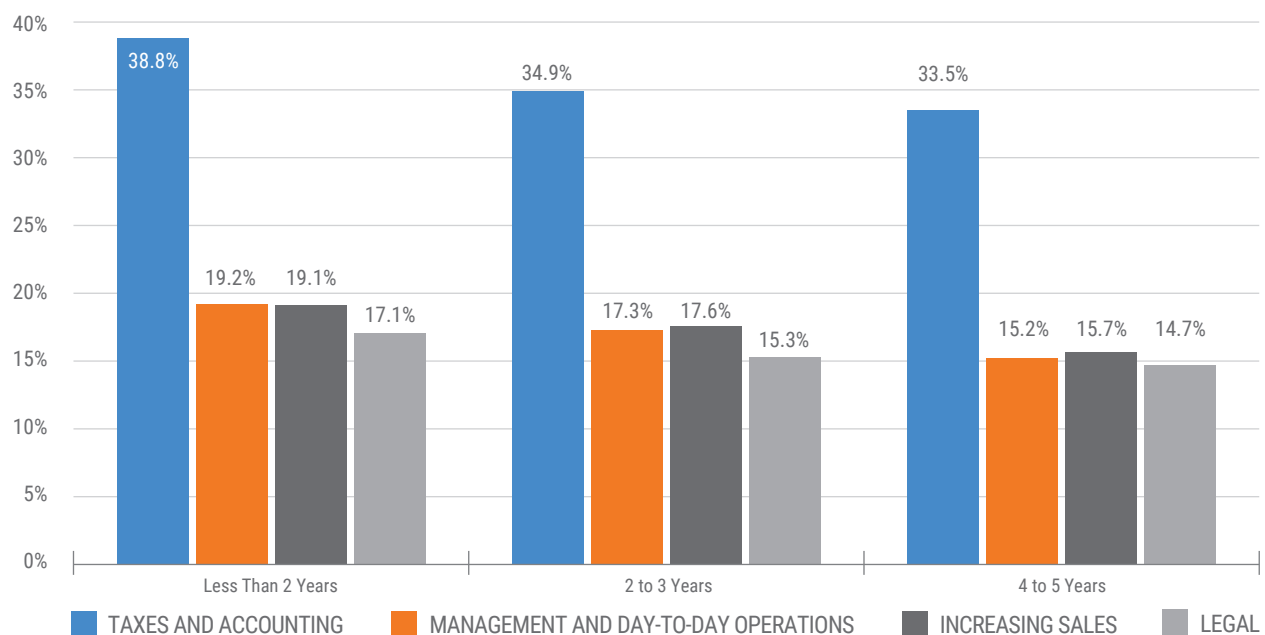


The most common reason for seeking business advice or mentoring was **taxes and accounting**; this was cited by about 1 in 3 (33.9%) business owners. Other common reasons cited by business owners were related to **legal** matters (15.0%) and **increasing sales** (13.8%).

The perceived need for the following areas of support declines with business age: **employee relations, management and day-to-day operations, product innovation and development, investment and access to capital, increasing sales, reducing costs, taxes and accounting, business finances, key performance indicators, and copyrights, trademarks, and patents.**

Taxes and accounting was cited by 38.8% of owners of businesses under 2 years old, 34.9% of owners of businesses 2 to 3 years old, and 33.5% of businesses 4 to 5 years old. There was a similar, slight decrease in frequency for **management and operations, increasing sales, and legal** across these age bands.

FIGURE 2: Most Common Reasons for Seeking Business Advice or Mentoring



Succession planning or exit strategy was not a frequently cited reason for seeking business advice or mentoring. Business owners who sought business advice or mentoring for this reason were most likely to have less than two years in business (4.2%) or more than 16 years in business (7.5%).

TABLE 1: Reasons for Seeking Business Advice or Mentoring

	Years in Business					
Reason	<2	2-3	4-5	6-10	11-15	≥16
Employee relations	16.2%	15.3%	14.9%	14.0%	12.2%	12.3%
Management and day-to-day operations	19.2%	17.3%	15.2%	13.5%	11.8%	10.0%
Product development and innovation	7.5%	7.0%	6.3%	5.7%	5.1%	4.7%
Investment and access to capital	7.0%	5.7%	4.9%	4.6%	3.7%	3.6%
Succession planning and exit strategy	4.2%	3.9%	4.2%	4.5%	5.2%	7.5%
Increasing sales	19.1%	17.6%	15.7%	14.7%	12.7%	10.8%
Reducing costs	11.3%	10.2%	9.9%	8.9%	7.8%	7.5%
Taxes and accounting	38.8%	34.9%	33.5%	32.9%	32.6%	33.3%
Business finances	13.2%	11.5%	10.2%	9.4%	8.3%	7.7%
Regulatory compliance	9.3%	8.5%	7.8%	7.7%	7.6%	8.8%
Technology/Information Technology	9.9%	10.0%	9.6%	10.0%	10.6%	11.8%
Key performance indicators and business targets	4.1%	3.5%	3.2%	3.0%	2.6%	2.4%
Copyrights, trademarks, and patents	3.6%	2.8%	2.5%	2.2%	1.8%	1.8%
Legal	17.1%	15.3%	14.7%	13.9%	13.4%	15.7%
Did not seek advice or mentoring	41.8%	46.2%	48.4%	50.8%	52.1%	52.5%

The most common reason for seeking business advice or mentoring was taxes and accounting; this was cited by about 1 in 3 business owners. Other common reasons cited by business owners were related to legal matters and increasing sales.

Sources of Business Advice or Mentoring

The most common sources of business advice or mentoring were related to *legal and professional advisors* (66.2%), followed by *colleagues* (48.0%) and *family* (22.3%). Among owners of businesses less than 2 years old, the most common sources were also *legal and professional advisors* (61.8%), *colleagues* (51.6%), and *family* (30.4%).

As businesses age, owners report less reliance on *family, friends, customers, and government-supported technical assistance* as sources for business advice or mentoring. Owners of older employer businesses were more likely to seek business advice or mentoring from *legal and professional advisors* and *suppliers*.

TABLE 2: Sources of Business Advice or Mentoring

Source	Years in Business					
	<2	2-3	4-5	6-10	11-15	≥16
Family	30.4%	27.6%	26.7%	23.1%	19.9%	17.1%
Friends	26.5%	23.5%	21.9%	19.1%	16.4%	12.7%
Colleagues	51.6%	49.8%	48.0%	49.2%	47.5%	45.8%
Employees	10.1%	10.4%	10.0%	9.8%	8.6%	9.4%
Legal and professional advisors	61.8%	62.3%	62.8%	63.5%	66.0%	71.6%
Customers	12.3%	11.9%	11.2%	11.2%	9.5%	8.6%
Suppliers	11.9%	11.9%	11.6%	12.2%	12.1%	13.4%
Government-supported technical assistance program	5.0%	3.7%	3.1%	3.1%	2.6%	2.1%

As businesses age, owners report decreasing reliance on family, friends, customers, and government-supported technical assistance as sources for business advice or mentoring. Owners of older employer businesses were more likely to seek business advice or mentoring from legal and professional advisors and suppliers.

About the Data

Employer business owners refers to owners of businesses with paid employees that own at least 51% stock or equity in the business. The data come from the 2016 Annual Survey of Entrepreneurs of the U.S. Census Bureau, which samples approximately 290,000 employer businesses operating anytime during the survey year; it includes all nonfarm businesses that file IRS tax forms as individual proprietorships, partnerships, or any type of corporation, with annual receipts of \$1,000 or more. ASE data include point estimates, which can be subject to sampling and nonsampling errors and should be considered carefully for populations with smaller representations in the sample. For more on ASE definitions, limitations, and methodology of the Annual Survey of Entrepreneurs, see <https://www.census.gov/programs-surveys/ase/technical-documentation/methodology.html>. Data on race and ethnicity are reported as provided by the source: <https://www.census.gov/topics/population/race/about.html>.

For the data covered in this brief, employer business owners identified one or more reasons for seeking paid or unpaid business advice or mentoring from others and the source of the business advice or mentoring.

Sources: (1) Haltiwanger, J. et al. 2013. Who creates jobs? Small versus large versus young. The Review of Economics and Statistics. (2) Desai, S. et al. 2020. 2018 New Employer Business Report: National and State Trends, Ewing Marion Kauffman Foundation: Kansas City.

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