

Global Youth Entrepreneurship Survey 2011



*How non-financial
support is valued
by young people
starting and growing
a business*

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Front cover images show (from left to right):

Donna Jackman from Barbados, who was able to start her wedding services company with help from the Barbados Youth Business Trust.

John McDougall, a mentor with the Prince's Scottish Youth Business Trust, who over six years has helped twelve young entrepreneurs develop their businesses.

Kristin Chen, who founded China Globe Jewelry Sourcing Company with the support of a loan from Youth Business Hong Kong.

This survey is published on the occasion of Global Entrepreneurship Week 2011 (14 – 20 November).

YBI is a Global Partner of GEW and is campaign host in 11 countries.

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Foreword



YBI's global community is a unique asset for understanding "what works" in youth entrepreneurship.

Andrew Devenport



As celebrations begin on this first day of Global Entrepreneurship Week 2011, YBI is proud to publish the findings of our first ever survey of the young entrepreneurs our network supports around the world.

YBI's global community is a unique asset for understanding "what works" in youth entrepreneurship. Understanding the views of the young entrepreneurs themselves, each supported into business by our local in-country member, is essential to maximising impact.

The focus of this survey is how young entrepreneurs value the non-financial support they receive. It is remarkable that in one third of the twenty-one countries surveyed, young entrepreneurs place more value on their mentor than on money. YBI exists to help underserved young people aged 18-35 start

and grow a business, and central to our approach is the combination of financial (in the form of no- or low-interest loans) and non-financial (in the form of mentoring and training) support.

In these worrying economic times, when in many parts of the world the demographic spotlight is on youth, this report provides insights into the motivations and inspirations of young entrepreneurs, their needs, their experiences and their capabilities. It is striking that there is no significant gender divide in the results – young male and female entrepreneurs share similar views throughout.

As part of our research strategy, we intend to conduct surveys annually, sharing for the benefit of the sector our learning about the opportunities and challenges of youth entrepreneurship. We would be pleased to hear from you if you would like more information about our research or to get involved.

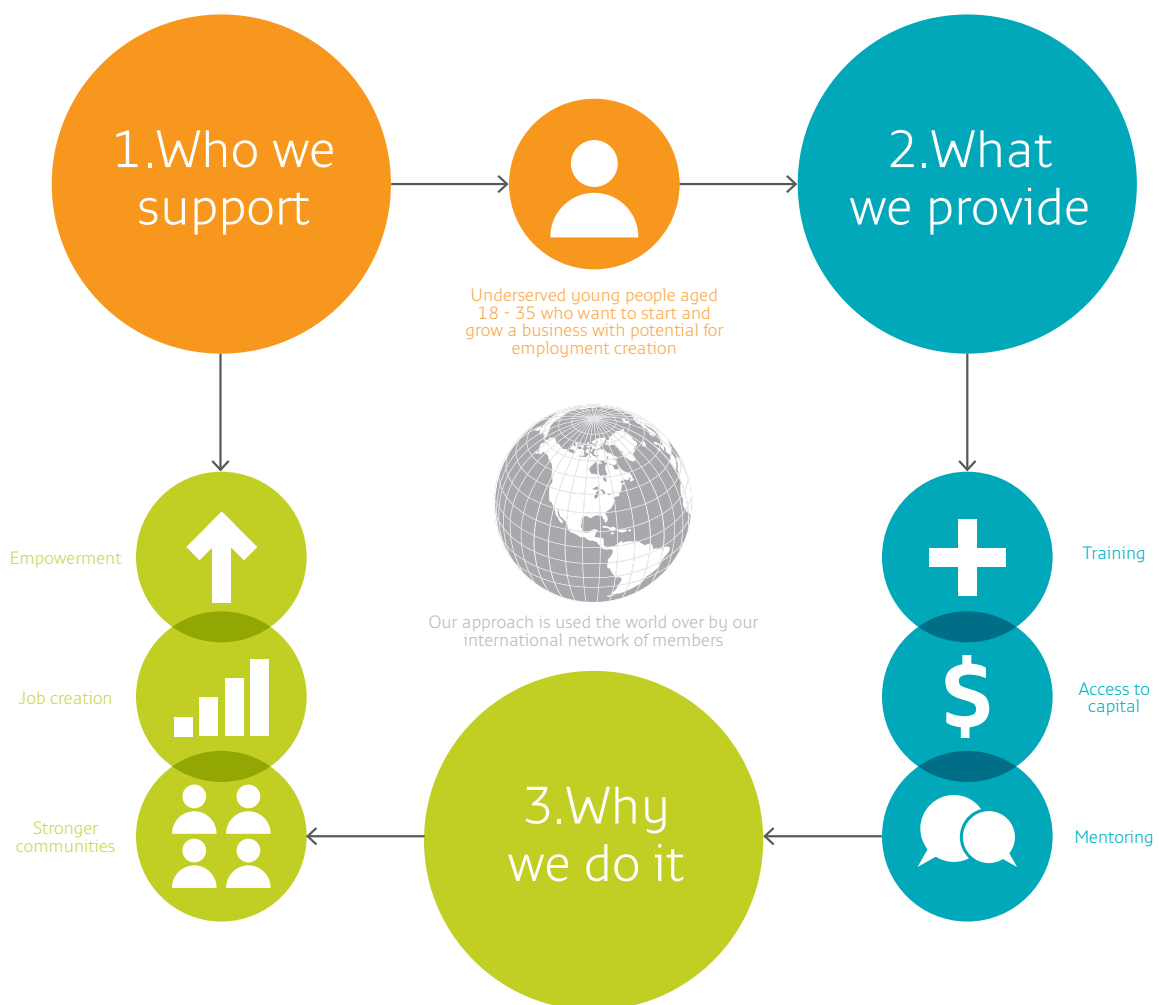


Andrew Devenport
Chief Executive, YBI
November 2011

About YBI

Our global approach

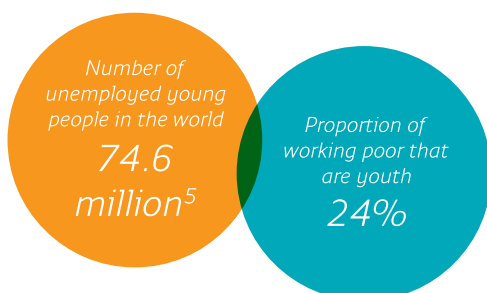
Youth Business International is a global network of independent non-profit initiatives helping young people to start and grow their own business and create employment. YBI members assist underserved young entrepreneurs with a combination of training, access to capital and mentoring. They adapt this common approach to their local context, working in partnership with governments, businesses and multilateral and civil society organisations.



Introduction

On the occasion of Global Entrepreneurship Week 2011, YBI is publishing our first global survey of young entrepreneurs. The focus is on young people's attitudes to starting and growing a business in their country, and in particular on how they value the contribution of non-financial support to improving their business performance and capability. Non-financial support includes mentoring, training, networking and all other capacity development services.

The next generation of entrepreneurs will be vital to future prosperity and security, yet young people continue to face more barriers to entrepreneurship than older people. There is also a lack of evidence to understand fully what it takes to meet the needs of young entrepreneurs and help turn them into the business leaders of tomorrow.

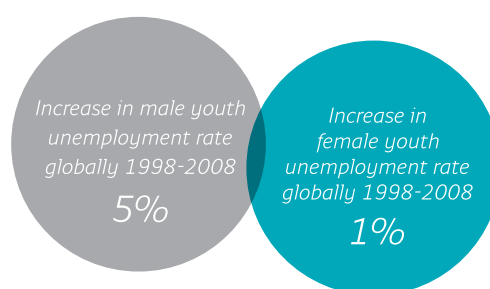


YBI's research is designed to address this gap. This survey draws on YBI's greatest asset: the global community of young entrepreneurs that our network supports. It provides unique insights into the views of more than 1,000 young entrepreneurs from 21 countries about the challenges of start-up, and the positive difference that mentoring and training can make.

This is YBI's first ever young entrepreneur survey. As part of our new research strategy, we will conduct annual surveys of our entrepreneurs or of other key communities, to improve understanding and drive more effective delivery both in our network and in our sector.

This report evaluates the value of non-financial support in improving both the business performance

and the human capital of young entrepreneurs. Can young entrepreneurs attribute specific success in their business to the mentoring and/or training they receive(d)? Does non-financial support improve the bankability of young entrepreneurs, increasing their ability to repay a loan? What difference does the type or frequency of mentoring make to the benefits that young entrepreneurs perceive of having a local one-on-one mentor?



The analysis that follows addresses these important questions, among others, at a time when policymakers and others are responding to unprecedented levels of youth aspiration but also unrest. Part of that response must include learning and applying 'what works' in youth entrepreneurship.

YBI good practice: Training in Russia

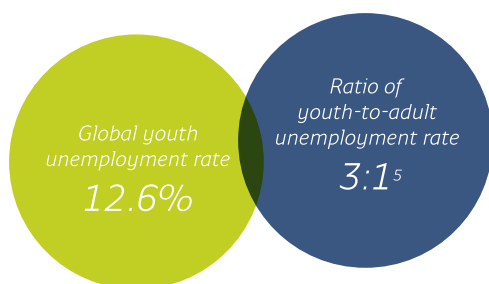
YBI's Russian member, Youth Business Russia (YBR), is based out of Moscow and serves young entrepreneurs across the country in four regions, Voronezh, Kaluga, Vladivostok and Novosibirsk, spanning eight time zones. In order to ensure effective delivery of its highly regarded training programme, YBR has developed a decentralised support system that ensures entrepreneurs receive tailored, local training and maintain close contact with YBR's regional staff. YBR has supported the launch of over 100 businesses, creating more than 400 jobs, in the last two years.

Background to the survey

As the world faces up to the causes and consequences of the 2008-09 financial crisis, few will dispute the urgent need to kick start balanced and sustainable global growth. Across many countries, at various stages of development, there is cross-sector agreement about the role that enterprise will play in rebuilding fragile economies and societies. According to a recent G20 Young Entrepreneur Summit report by McKinsey:

*"Various converging factors suggest that the 21st century will be the century of the entrepreneur."*¹

This potential will only be realised if young people have an opportunity to play their part. Yet youth unemployment and underemployment recently hit record highs, and, according to evidence from the United States in particular, recoveries from economic crises are progressively more 'jobless'². Moreover, recent ILO research confirms that young people are more vulnerable to economic shocks, typically "first out" and "last in" during times of economic recession³.



Entrepreneurship provides an important route for making a significant positive contribution to growth, innovation and employment. The evidence base to understand what works best in entrepreneurship support, youth entrepreneurship in particular, is still relatively weak. However, there is converging evidence and experience that

integrated approaches, combining financial and non-financial support, are more effective⁴. The Global Youth Entrepreneurship Survey 2011 focuses on the value of non-financial support from the point of view of some 1,000 entrepreneurs from 21 of our network countries.



Case study: John McDougall, Scotland – mentor

John McDougall is one of the star mentors for The Prince's Scottish Youth Business Trust, YBI's member in Scotland. After retiring from a successful career with engineering giant Honeywell, where he rose to the position of Vice President of Global Operations, John McDougall was keen to find an outlet to pass on his experience to an upcoming generation of young entrepreneurs.

John's years at the highest levels of international business mean he possesses a range of skills that are crucial to young entrepreneurs, including accounting, marketing, and strategic planning. In the six years that John has volunteered with PSYBT, he has worked with twelve young business people and currently acts as mentor to five entrepreneurs simultaneously.

Entrepreneur Jamie Dunn explains why John's mentoring has been so invaluable: "John has helped me develop business skills and confidence in a way I never thought possible when I approached PSYBT for help. Without John's support I would probably have ceased to trade in 2008." John's regular advice, while this business was suffering in the recession, helped Jamie identify several new areas for expansion and save eighteen jobs.

Reflecting the satisfaction that many YBI mentors get from the experience, John sees his role as a two way process. "It allows me to be involved in a wide range of business sectors... and permits me to operate in a youthful environment in a meaningful and thoroughly enjoyable way."

1. 'The Power of Many: Realizing the socioeconomic potential of entrepreneurs in the 21st Century' <http://g20yes2011.files.wordpress.com/2011/10/the-power-of-many-mckinsey-report-20110310.pdf>
2. 'Entrepreneurial Activity Kauffman Index Of 1996 – 2010', March 2011 http://www.kauffman.org/uploadedFiles/KIEA_2011_report.pdf
3. ILO stands for International Labour Organization. The research referenced is taken from: 'Global Employment Trends for Youth: 2011 Update', October

2011 http://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_elm/---trends/documents/publication/wcms_165455.pdf
4. See YBI's previous publication, 'Closing the Gap' (September 2011), for a more detailed overview of the current research in this area: <http://www.youthbusiness.org/pdf/YBI%20Closing%20The%20Gap.pdf>
5. Statistics in this section are all taken from 'Global Employment Trends For Youth: 2011 Update', ILO, October 2011 – as footnote 3

Key Findings

The Global Youth Entrepreneurship Survey 2011 finds that non-financial support is a strong driver of business performance and capability for young entrepreneurs. Training and mentoring helps make up for the lack of experience and collateral that often excludes young people from mainstream enterprise lending.

In one third of countries surveyed, young entrepreneurs think that their mentor has made more of a positive difference to their business than money.

As a result of receiving non-financial support:

- **Businesses are more successful:** 55% of young entrepreneurs agree that their business is more successful as a result of the non-financial support they received.
- **Operational challenges are overcome:** two thirds of young entrepreneurs can think of a significant operational challenge in their business that they were able to solve as a result of their non-financial support, that reduced costs and increased profit/turnover in their business.
- **Loan repayment rates improve:** 54% of young entrepreneurs would have struggled to repay their loan over the same time period without non-financial support.
- **Access to finance increases:** the likelihood of approval for a commercial loan more than doubles when young entrepreneurs have established a track record and benefited from receiving a range of non-financial services.
- **Young entrepreneurs feel more confident:** 84% of young entrepreneurs feel more confident running their business as a result of the non-financial support they received.

Non-financial support includes all kinds of services excluding finance, including mentoring, training, technical assistance, online forums, networking.

Yet young entrepreneurs remain constrained by lack of access to finance to start and grow a business.

Although commercial loan approval rates increase for young entrepreneurs after they have established a track record and benefited from non-financial support, access to finance remains their main barrier to further expansion.

- More than half of young entrepreneurs think that lack of access to finance is the greatest constraint to the growth of their business
- A fifth of young entrepreneurs do not feel capable of applying for a commercial bank loan after their business is up and running
- 70% of young entrepreneurs find that improved financial literacy is the main business benefit of non-financial support

Other key findings include:

Gender: There is no significant gender gap in how young entrepreneurs view either the value of non-financial support in improving their business or the constraints to the growth of their business. When asked, for example, “do you think your mentor or your money has made more of a positive difference to your business?” responses varied by just one per cent between young men and women.

Context: In developing countries⁶ non-financial support is valued more greatly on every measure than in developed countries, likely compensating for relatively weaker entrepreneurial ecosystems, including poorer financial, regulatory and educational infrastructure. More young entrepreneurs in developing countries agree that their business is more successful; more can attribute a specific operational challenge they solved; and more feel more confident in running their business, all as a result of non-financial support.

Motivation: Young people are mainly motivated by a dream to start their own business. More than a third said, “I have always wanted to run my own business”. A fifth of young entrepreneurs see a gap in the market they think they can fill, and a fifth also feel that their knowledge and skills are best suited to being an entrepreneur.

6. Developing countries are defined as those on the DAC list of ODA recipients, based on the version approved October 2011 http://www.oecd.org/document/45/0,3746,en_2649_34447_2093101_1_1_1_1,00.html

Methodology

This report presents the findings of YBI's first survey of the young entrepreneurs in our global community. All members of YBI's global network were invited to participate in the survey. For more information on YBI members please visit our website at:

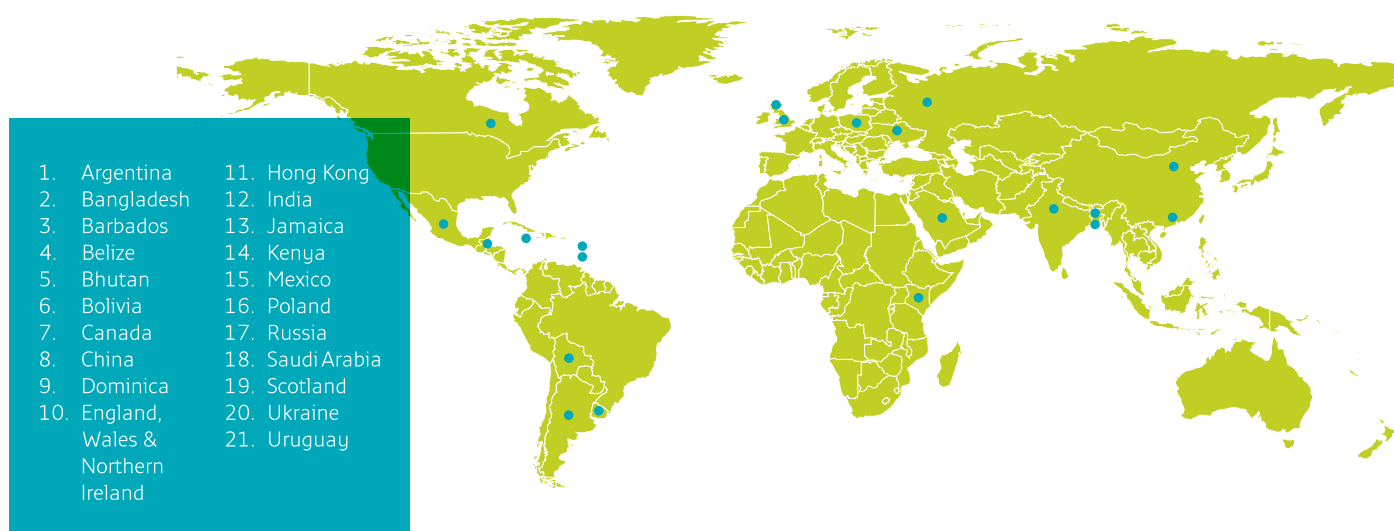
<http://www.youthbusiness.org/our-network.aspx>

Members conducted the survey of the entrepreneurs in their country in hard copy and/or online in their local language. They were encouraged to invite all their entrepreneurs, including alumni, to participate. The survey was in the field between Monday 15 August and Friday 9 September 2011. The young

entrepreneurs were asked 30 questions about themselves, their business and in particular about the value of non-financial support in starting and growing their business. Non-financial support was defined in the questionnaire as:

"... all the support you received from YBI apart from your loan, including mentoring, training, technical assistance, online forums, networking."

A sample of 1,023 young entrepreneurs took part in the survey from 21 countries, out of a total distribution of 5,141:



YBI awards prize for one lucky survey participant

As an incentive to participate in the survey, YBI offered a prize of a professional photo shoot for one young entrepreneur to promote their businesses. The lucky winner, selected at random, was Chinese entrepreneur Wang Ruipeng from the Pinggu District of Beijing. Wang runs the Beijing Green Hill Sheep Breeding Company, and received his first loan from Youth Business China in 2010. Over 50 young entrepreneurs from China responded to the YBI Global Young Entrepreneur Survey 2011.

The survey results have been weighted and analysed by the independent research and analysis company IDA Consulting Ltd to take into account sample sizes and response rates. Response rates varied between 10 per cent and 100 per cent in smaller countries. With a response rate of 20 per cent overall, there are 95 per cent statistical confidence limits of ± 3 percentage points.

A segmentation analysis was undertaken to categorise respondents according to a number of indicators relating to their profile, background and business experience:

- **Country**
- **Age**
- **Gender**
- **Education level**
- **Time in business**
- **Mentor match from same business industry or not**
- **Frequency and type of contact with mentor**
- **Time mentored**
- **Mentoring type**

This methodology derived insights into young people's views on the enterprise support services they received, both financial and non-financial, according to significant factors that can affect business performance and/or the relative impact of the support services.



Case study: Delroy N. Williams, Dominica – mentor

Delroy Williams has been a mentor for two years for YBI's member in Dominica, the Dominica Youth Business Trust (DYBT).

Delroy developed his professional experience as an agricultural extension officer with the Ministry of Agriculture since 2001. His passion for youth issues is evident: he is founder and current President of the National Association of Youth in Agriculture and Chairman of the Dominica Youth Environment Organisation, among many other interests and activities in the agriculture, small business and youth sectors.

"I became a mentor to assist young people to start and develop their own businesses", Delroy explains, "as I am aware of a lot of difficulties and pitfalls that one can be exposed to as an entrepreneur. I am also very aware of the role of small business and entrepreneurship in poverty alleviation and socio-economic development on small island states."

Delroy meets regularly with his mentee, at times more than twice a week, supporting him in developing his vegetable production business. Specifically Delroy was able to guide the purchase of a second greenhouse to increase productive capacity. Given his agricultural expertise, Delroy has also assisted the young entrepreneur with obtaining training manuals for the production of various crops.

For Delroy, mentoring is a two-way experience: "I have gained wonderful insight and understanding from mentoring. It has given me much pride to see the mentee grow and reach his goals".

For more information about this survey, please contact YBI's Research and Policy Manager, Helen Gale helen.gale@youthbusiness.org

Survey Results

The Global Youth Entrepreneurship Survey 2011 focuses on **the value of non-financial support** for young entrepreneurs' performance and capabilities in business. It also assesses young entrepreneurs' **constraints to business growth** and **motivations to start up in business**. Finally, the survey **asked for advice to give to other young budding entrepreneurs**.

The results are presented in five sections:

- 1. The value of non-financial support**
- 2. The access to finance barrier**
- 3. Start-up motivations**
- 4. Peer learning**
- 5. Conclusion**

Non-financial support includes all kinds of services excluding finance, including mentoring, training, technical assistance, online forums, networking.

YBI good practice: Training in Jamaica

Youth unemployment in Jamaica is over 25 per cent (2009). Out of a population of 3 million, Jamaica has 127,000 'unattached' young people: not in education, a job or training. Gang culture and extortions are rife. In this difficult environment, YBI's member in Jamaica, the Jamaica Youth Business Trust (JYBT), offers a comprehensive support network with a strong focus on training. Importantly, the training includes not only technical business skills but also life skills, encompassing confidence building, presentation skills, and inter-personal skills. By tailoring support to the needs of a particularly disadvantaged demographic, JYBT better prepares young entrepreneurs not just for success in business but for a more stable and more productive adult life.



"Access to finance is crucial but not sufficient. It must be combined with the provision of non-financial resources such as business development services, technology advice and mentoring, alongside access to networks and markets."

Jane Nelson, Director, Corporate Social Responsibility Initiative, Harvard Kennedy School and nonresident Senior Fellow, Brookings⁷



7. Quoted in YBI's online policy discussion based on the third report in the Making Entrepreneurship Work series, 'Beyond Collateral' <http://www.youthbusiness.org/pdf/BeyondCollateraldiscussion.pdf>

The value of non-financial support

The research reveals that young entrepreneurs benefit considerably from non-financial support in making a success of their start-up. **More than four times as many young entrepreneurs agree than disagree that their business is more successful as a result of the non-financial support they receive(d).** In Jamaica the rate is double at eight times; and in Uruguay as many as 91 per cent of young entrepreneurs are in agreement. **Young male and female entrepreneurs appreciate very similar benefits on most measures – there is no significant gender divide.**

Figure 1a shows an overview of the results, aggregating 'strongly agree' + 'agree' and 'strongly disagree' + 'disagree'. Figure 1b shows the results in detail.



"Get a mentor - prevent mistakes by listening to someone who's made theirs."

Young entrepreneur, Scotland, in response to the question: "If you could give one piece of advice to a young person who wants to start their own business, what would it be?"



Figure 1a:

Do you agree / strongly agree / disagree / strongly disagree / neither disagree nor agree that your business is more successful as a result of the non-financial support you receive(d)?

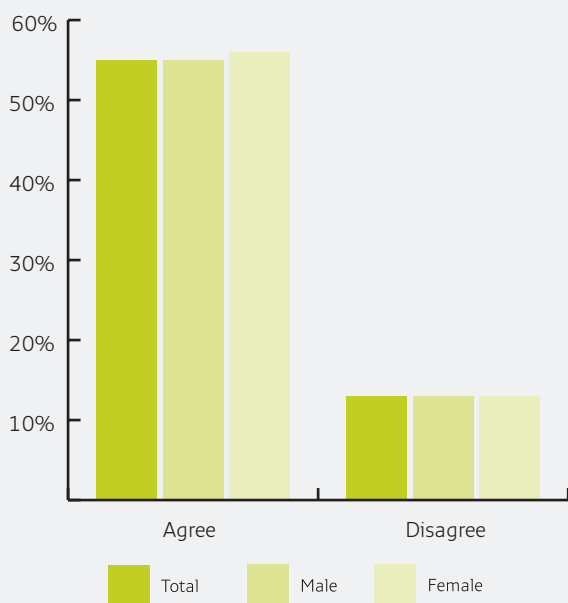
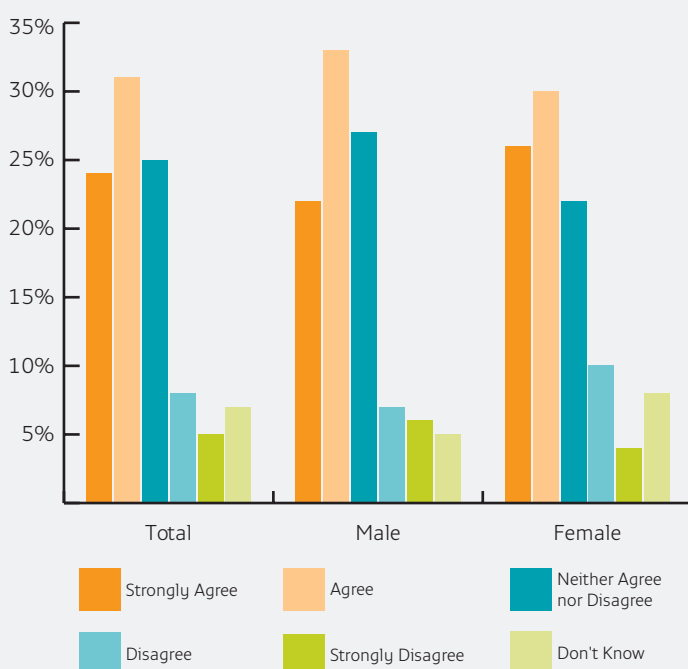


Figure 1b:

Do you agree / strongly agree / disagree / strongly disagree / neither disagree nor agree that your business is more successful as a result of the non-financial support you receive(d)?



One-on-one mentoring is a critical component of YBI's non-financial support. Running a business is simply not possible without funding, but this research shows just how important a mentor can be, too. **A significant number (37%) of young entrepreneurs globally consider their mentor more influential than money to the success of their business. In a third of countries surveyed (7 out of 21), young entrepreneurs feel that their mentor makes/made more of a positive difference to their business than money:** Barbados, Dominica, Hong Kong, India, Mexico, Poland and Ukraine. In Uruguay it was 50-50.

On a number of measures, non-financial support leads to concrete improvements in business performance. Almost two thirds of young entrepreneurs can think of “a significant operational challenge” in their business that they were able to resolve as a result of the non-financial support they receive(d). They were asked to think specifically of a challenge that “reduced costs and/or increased profit/turnover in their business” to indicate tangible benefit in financial performance terms. In India, where the mentoring culture is strong, over 90 per cent (91%) of young entrepreneurs attributed practical improvement in their business to non-financial support.

Figure 2:

Do you think your mentor or your money (financial support) has made more of a positive difference to your business?

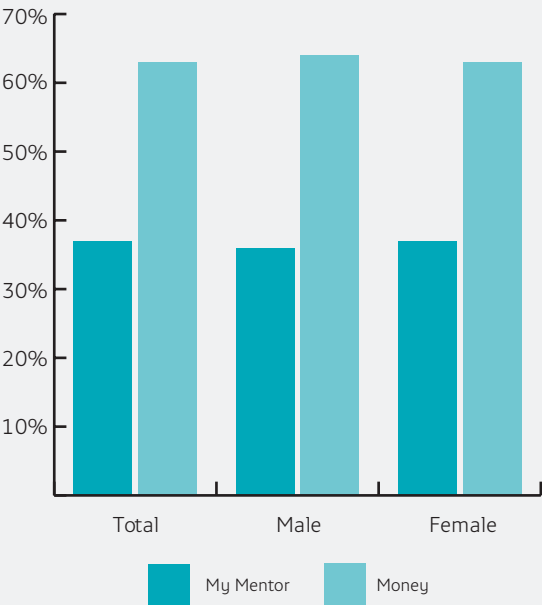
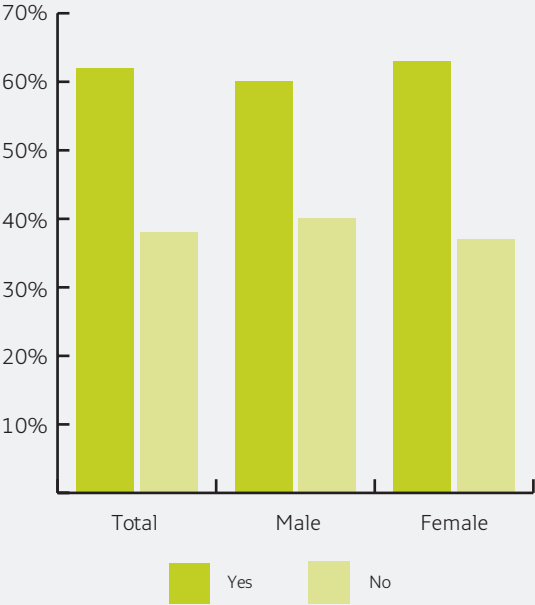


Figure 3:

Can you think of a significant operational challenge in your business that you were able to solve as a result of your non-financial support, that reduced costs and/or increased profit/turnover in your business?



Financial literacy is the main area (72%) where young entrepreneurs apply the benefits of non-financial support to their business operations.

The survey asked if respondents could define the “significant operational challenge in their business that they were able to solve as a result of their non-financial support, that reduced costs and/or increased profit/turnover in their business?” For more than 70 per cent, that challenge was one of ‘finance’, such as accounting (35%) or ‘cash flow’, such as pricing (37%). Solving obstacles in the area of marketing and communications was also significant. Support in building their value chain had most impact for young entrepreneurs in Jamaica and China.

YBI Mentoring

YBI's working definition of mentoring is:

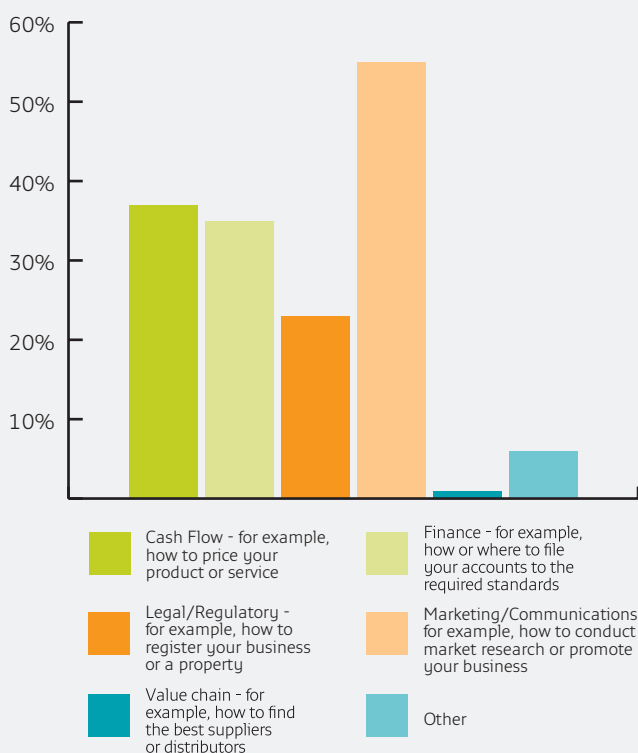
“Personalised support in helping young entrepreneurs develop their abilities and insights as they start and grow their own business”.

YBI promotes one-on-one in-person mentoring, typically delivered through an experienced member of the local business community.

In 2010 YBI mentors spent approximately 500,000 hours in total working with their young entrepreneurs, estimated to be equivalent in financial value to USD 20 million.

Figure 4:

Can you think of a significant operational challenge in your business that you were able to solve as a result of your non-financial support, that reduced costs and/or increased profit/turnover in your business? If yes, what was that challenge?



‘Other’ answers include:

- Applying for a bank loan
- Increasing sales
- Defining the right business model
- Setting up premises
- Penetrating new markets
- Exporting products
- Having confidence in myself
- Improving my presentational skills
- Attracting talent
- Developing a new website
- Understanding technology
- Being more organised and managing time better
- Networking



“Mentors from successful businesses can offer vital support, but the importance of their role is often overlooked.”

G20 Young Entrepreneur Summit 2010,
Final Communiqué: June 22, 2010

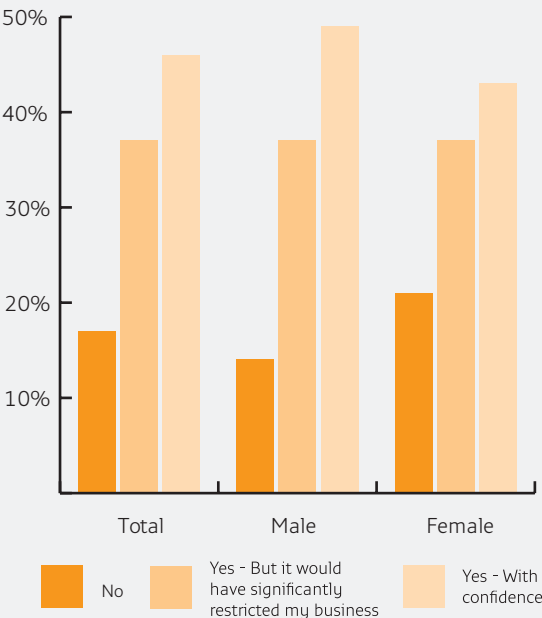


Business performance also improves in terms of the young entrepreneurs’ financial capabilities, helping them become more experienced and more reliable borrowers. **Most (54%) young entrepreneurs feel better able to repay their loan as a result of the non-financial support they receive(d).**

On this measure, gender has some effect, with women entrepreneurs ascribing the most value to non-financial support: 21 per cent of female entrepreneurs said they would not have been able to repay their loan over the same time period without non-financial support, compared with 14 per cent of men.

Figure 5:

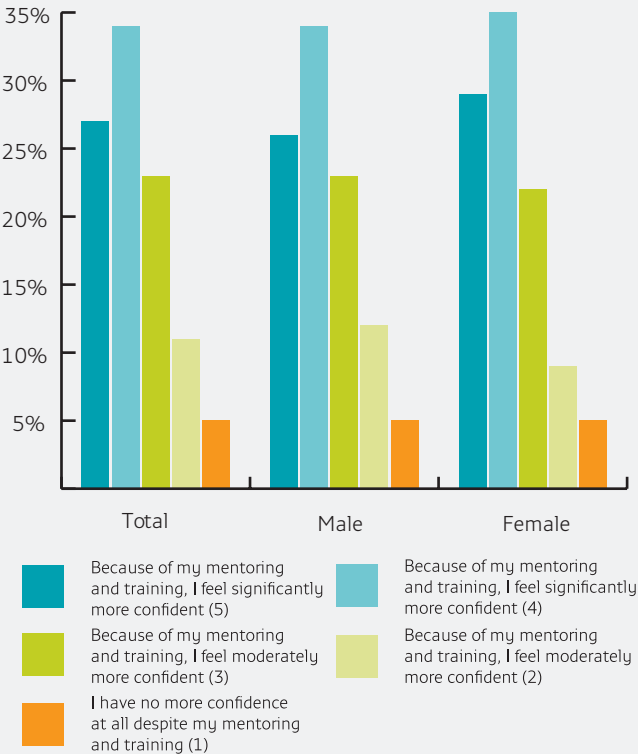
Without non-financial support, would you be / have been able to repay your loan over the same time period?



One young entrepreneur identified lack of confidence as the “most significant constraint” to the growth of their business⁸. Top tips for other young people dreaming of getting started in business included having “confidence in yourself”. Lack of confidence can seriously hinder business performance. **The confidence of young entrepreneurs to make a success of their business dramatically increases as a result of non-financial support: 84 per cent feel either “moderately” (57%) or “significantly” (27%) more confident.** The increase in confidence was “significant” for 57 per cent of young entrepreneurs in Belize and in Argentina for 49 per cent.

Figure 6:

As a result of the non-financial support you received, how much more confident do you feel in running your business on a scale of one to five?



8. 'Lack of confidence' was not one of the listed answers from the menu of options; the entrepreneur added it under 'Other' responses.

Value of non-financial support: Mentoring under the microscope

The value of non-financial support for young entrepreneurs was measured in terms of improving their business performance as well as their human capital, through five key questions:

1. Do you agree / strongly agree / disagree / strongly disagree / neither disagree or agree that your business is more successful as a result of the non-financial support you receive(d)?
2. Can you think of a significant operational challenge that you were able to solve as a result of your non-financial support, that reduced costs and/or increased profit/turnover in your business? If yes, what was that challenge?
3. Without non-financial support would you be / have been able to repay your loan over the same time period?
4. Do you think your mentor or your money (financial support) has made more of a positive difference to your business?
5. As a result of the non-financial support you receive(d), how much more confident do you feel in running your own business on a scale of one to five?

In order to understand in more depth the value of non-financial support, responses were analysed against: type and frequency of mentoring; and industry match of entrepreneur and mentor. The research gives insights into three key aspects of the delivery of non-financial support services:

- Whether mentoring is more effective if a young entrepreneur is matched to a mentor in the same industry or a different industry
- Whether more contact time leads to more effective mentoring
- Whether the type of mentoring (“mainly professional” or “mainly personal”) has any impact

Is mentoring more effective if a young entrepreneur is matched to a mentor in the same industry or a different industry?

According to the findings, **the industry match is not a very significant factor in determining the value that a young entrepreneur derives from their mentoring.** The chart opposite illustrates similar results for those entrepreneurs who have/had a mentor from the same sector, compared with those who have/had a mentor from a different sector.

There are only **two slight variations from this trend, both of which indicate that matching young entrepreneurs and mentors from the same industry is less effective**

- Whilst the numbers ‘agreeing’ are very similar, more entrepreneurs matched to a mentor in their same sector disagree that their business is more successful as a result of non-financial support than those with mentors from a different sector: 17 per cent of those matched by industry disagree (combining “disagree” and “strongly disagree” responses), compared with 11 per cent in different industries.
- The ‘unmatched’ entrepreneurs express a higher increase in confidence as a result of non-financial support: 66 per cent compared with 60 per cent are either “moderately” or “significantly” more confident as a result of non-financial support



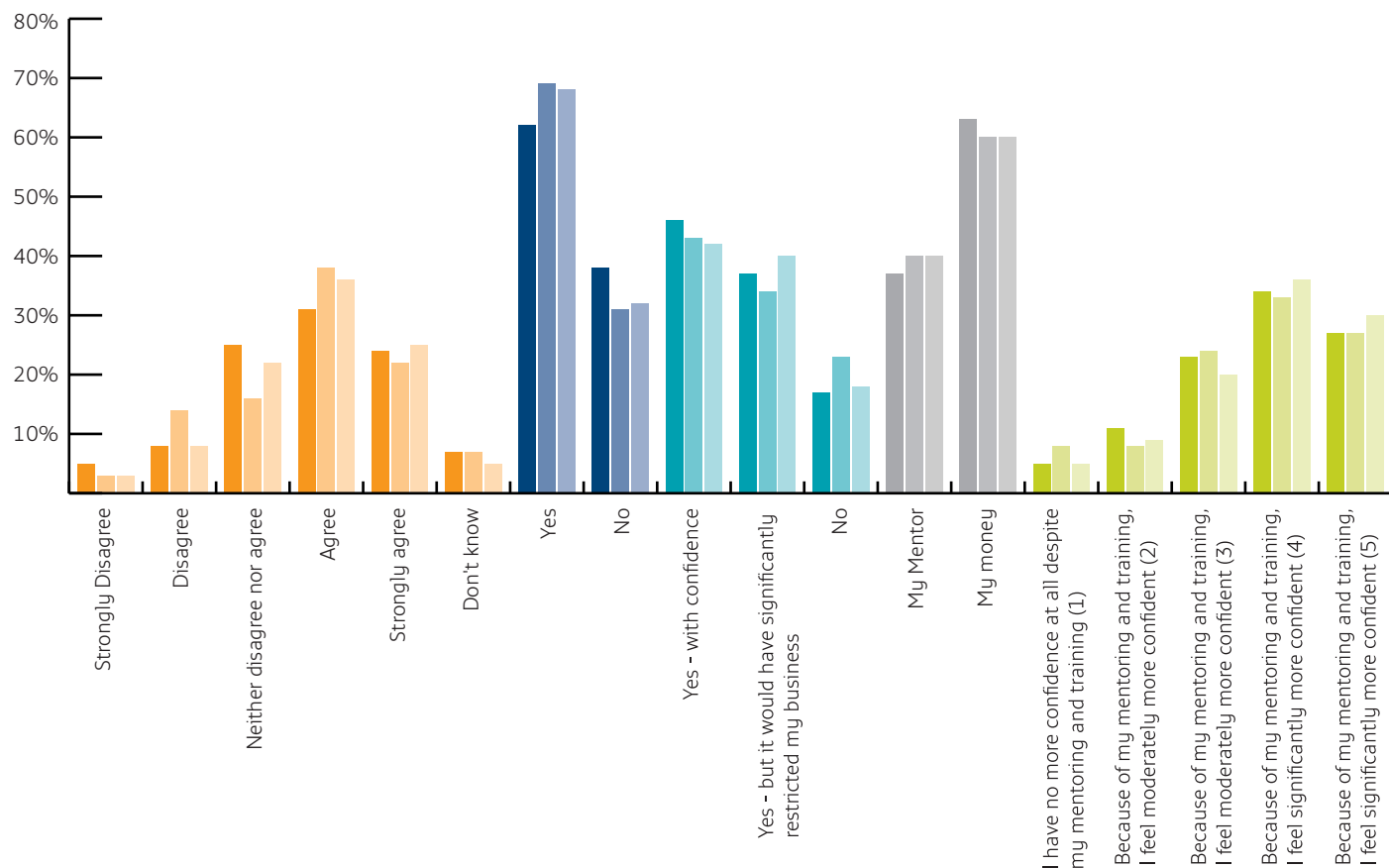
“Get a mentor before you start your business.”

Young entrepreneur, Canada, in response to the question: “If you could give one piece of advice to a young person who wants to start their own business, what would it be?”

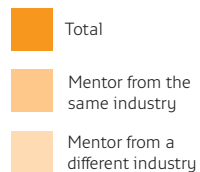


Figure 7:

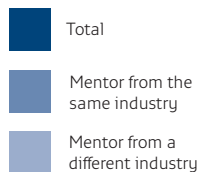
The effect of matching entrepreneur to mentor by industry



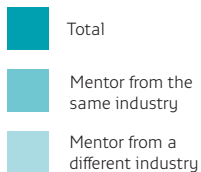
Do you agree / strongly agree / disagree / strongly disagree that your business is more successful as a result of the non-financial support you receive(d)?



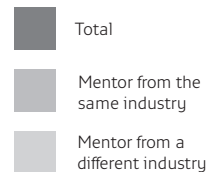
Can you think of a significant operational challenge in your business that you were able to solve as a result of your non-financial support, that reduced costs and/or increased profit/turnover in your business?



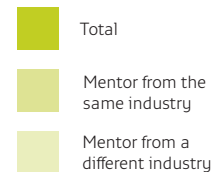
Without non-financial support, would you be / have been able to repay your loan over the same time period?



Do you think your mentor or your money (financial support) has made more of a positive difference to your business?



As a result of the non-financial support you received, how much more confident do you feel in running your business on a scale of one to five?



Does more contact time lead to more effective mentoring?

Ultimately the effect of the time that a young entrepreneur and his or her mentor spend together will depend on the quality of the relationship. However, the study shows that quantity is also important: frequency of contact – either in person or via email/phone – influences the value of mentoring for entrepreneurs.

An entrepreneur who has more contact with their mentor – either in person or by email/phone – is more likely to rate their mentor ahead of money in terms of making a more positive difference to their business. **Entrepreneurs with the most contact time rate the value of mentoring more highly than their counterparts who interact with their mentor only infrequently:** for entrepreneurs who have frequent contact with their mentor over email or phone, the value of the mentor is 15 percentage points higher than for entrepreneurs whose virtual contact is infrequent (33% v 48%); comparing in-person mentoring, the gap is 6 points (42% v 36%). Frequent contact in person tends to correlate with more frequent contact by email or phone, and to some extent vice versa.

71 per cent of young entrepreneurs who met with their mentor frequently in person were able to identify a specific operational challenge that the non-financial support they received helped them to overcome, compared with 56 per cent of young entrepreneurs who meet in person only infrequently; a difference of 15 points. Frequent contact by email or phone led to a 9 point difference in the responses.

Entrepreneurs who have more contact with their mentor – either in person or by email/phone – place more value on the contribution of non-financial support to their ability to repay their loan. 21 per cent of entrepreneurs with frequent contact in person said they would not be/or have been able to repay their loan over the same time period, compared with

13 per cent whose in-person contact was infrequent. This varies by just one percentage point when frequency of contact via email or phone is assessed: 22 per cent compared with 13 per cent.

The remaining two indicators reveal a less significant effect:

- Young entrepreneurs who have/had more contact with their mentor of any type have slightly higher than average confidence levels in running their businesses as a result of the non-financial support they receive(d): 88 per cent reported an increase in their confidence compared with 82 per cent of young entrepreneurs with infrequent contact.
- 60 per cent of young entrepreneurs that have “frequent” in-person meetings with their mentor overall agreed that their business is more successful as a result of the non-financial support, compared with 58 per cent who met in-person “infrequently.” For virtual contact (phone or email), the difference is reversed: 59 per cent of entrepreneurs with infrequent mentoring of this type agree versus 61 per cent of entrepreneurs with more frequent contact.

Entrepreneurs were asked whether they met their mentor:

- More than once per week
- Once per week
- Twice per month
- Once per month
- Once or twice per quarter
- Less than once per quarter

Frequent in-person is defined as: between ‘more than once per week’ and ‘once per month’

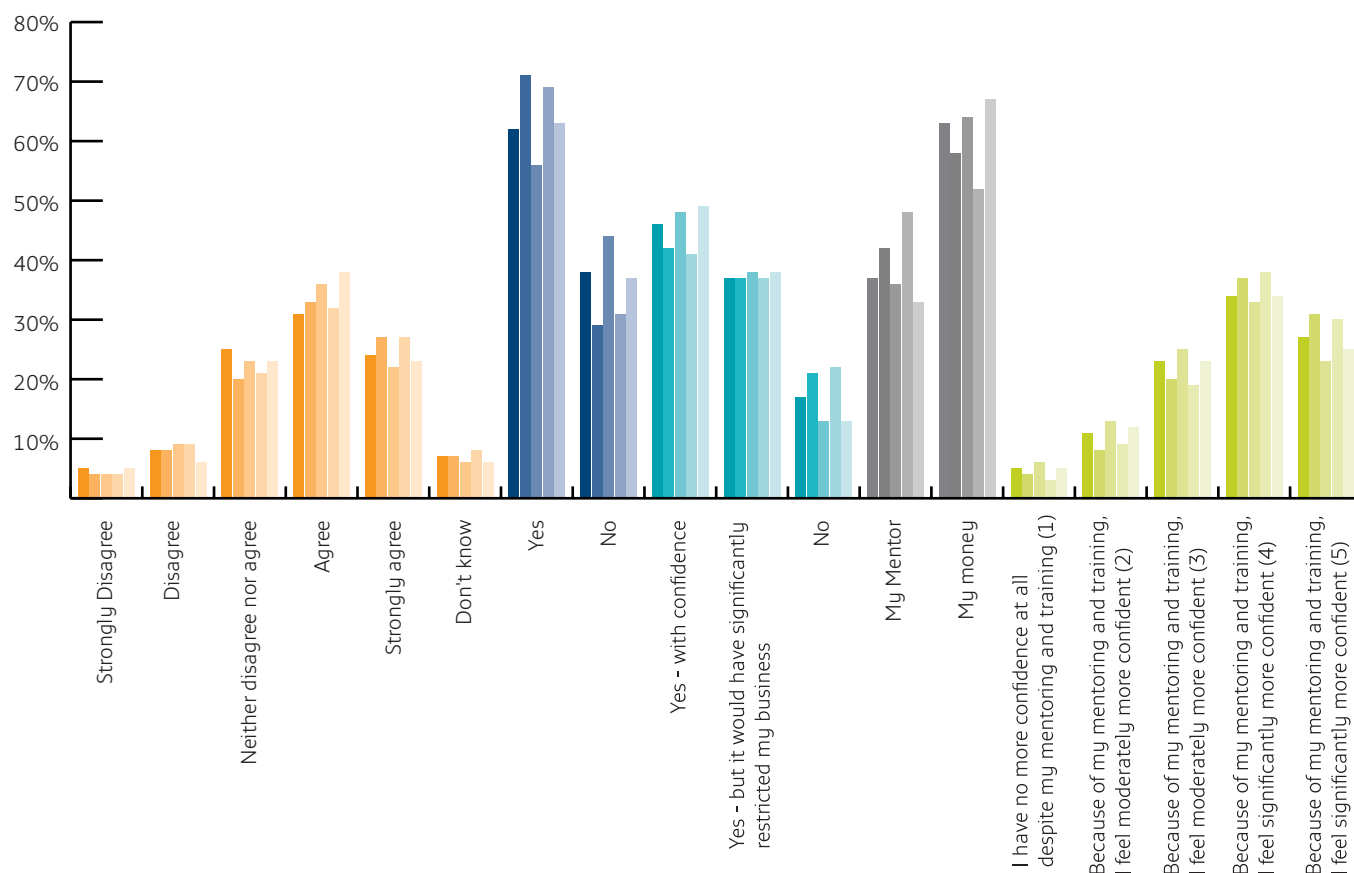
Infrequent in-person is defined as: ‘once or twice per quarter’ and ‘less than once per quarter’

Frequent by email/phone is defined as between: ‘more than once per week’ and ‘twice per month’

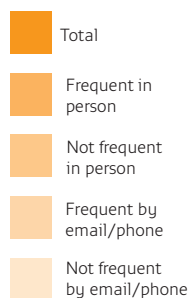
Infrequent by email/phone is defined as: between ‘once per month’ and ‘less than once per quarter’

Figure 8:

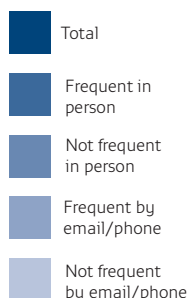
The effect of entrepreneur-mentor contact time



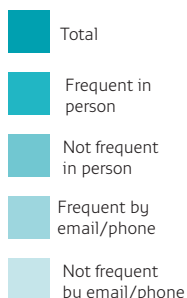
Do you agree / strongly agree / disagree / strongly disagree that your business is more successful as a result of the non-financial support you receive(d)?



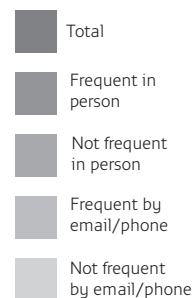
Can you think of a significant operational challenge in your business that you were able to solve as a result of your non-financial support, that reduced costs and/or increased profit/turnover in your business?



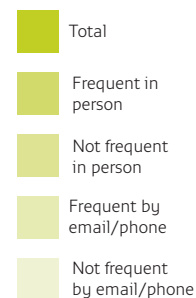
Without non-financial support, would you be / have been able to repay your loan over the same time period?



Do you think your mentor or your money (financial support) has made more of a positive difference to your business?



As a result of the non-financial support you received, how much more confident do you feel in running your business on a scale of one to five?



What impact does the type of mentoring have?

The findings are inconclusive about whether ‘mainly professional’ or ‘mainly personal’ mentoring has a more positive impact on entrepreneurs.

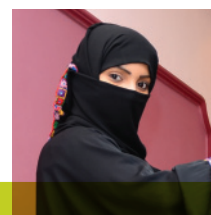
Based on the positive difference that non-financial support makes to a young entrepreneur’s business, the type of mentoring has no effect at all: for both categories, 60 per cent cite their money as most significant, compared with 40 per cent who cite their mentor.

Confidence levels as a result of non-financial support are also similar for entrepreneurs who receive(d) both

types of mentoring: 84 per cent of ‘mainly personal’ respondents report an increase in their confidence levels, compared with 86 per cent of ‘mainly professional’.

Young entrepreneurs who describe their mentoring as ‘mainly personal’ feel more dependent on their non-financial support to be able to repay their loan on time, compared with those entrepreneurs whose mentoring is ‘mainly professional’ (25 compared with 17 per cent). Yet a majority (63 per cent) of those young entrepreneurs with ‘mainly professional’ mentoring agree overall that their business is more successful as a result of the non-financial support they receive(d), compared with 50 per cent of those who subscribe to the ‘mainly personal’ definition.

**Case study: Manal al-Azoori,
Saudi Arabia – entrepreneur**



Deaf since birth, Manal has always faced challenges when integrating into new environments and meeting new people.

Despite taking many practical training courses and qualifications, Manal encountered many rejections and setbacks in her attempts to find work in a society that is not always prepared to make the concessions necessary to support those with long term disabilities.

Yet today she runs a thriving salon and tailoring boutique, Masaya Salon and Tailor, which is providing employment for disabled people. Manal’s business offers the latest skin and hair treatments and is growing rapidly.

Her success has been largely a result of the support of The Centennial Fund (TCF), YBI’s member in Saudi Arabia. It was the mentor that she was paired with through TCF who gave her the initial idea of becoming a young entrepreneur and helped her secure the financing for the project.

“Without the help of The Centennial Fund, this would have been an impossible dream,” she says.

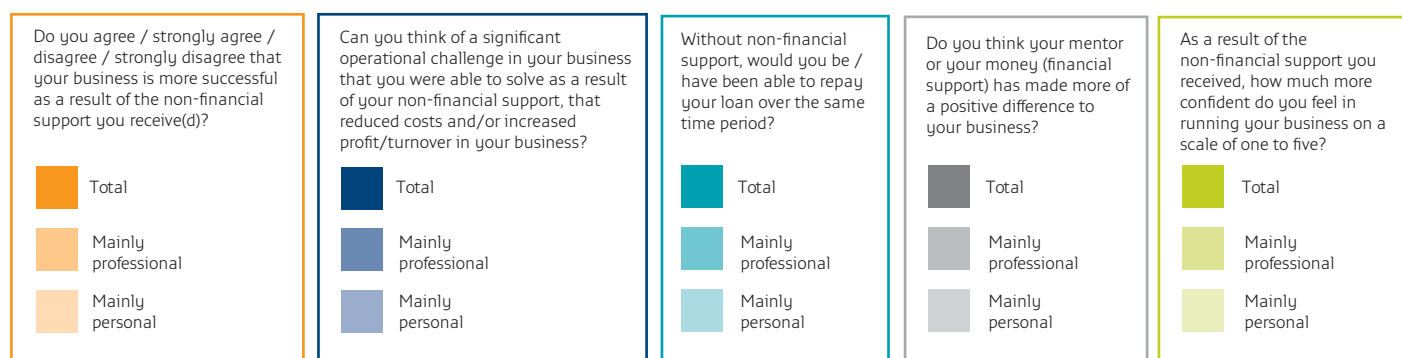
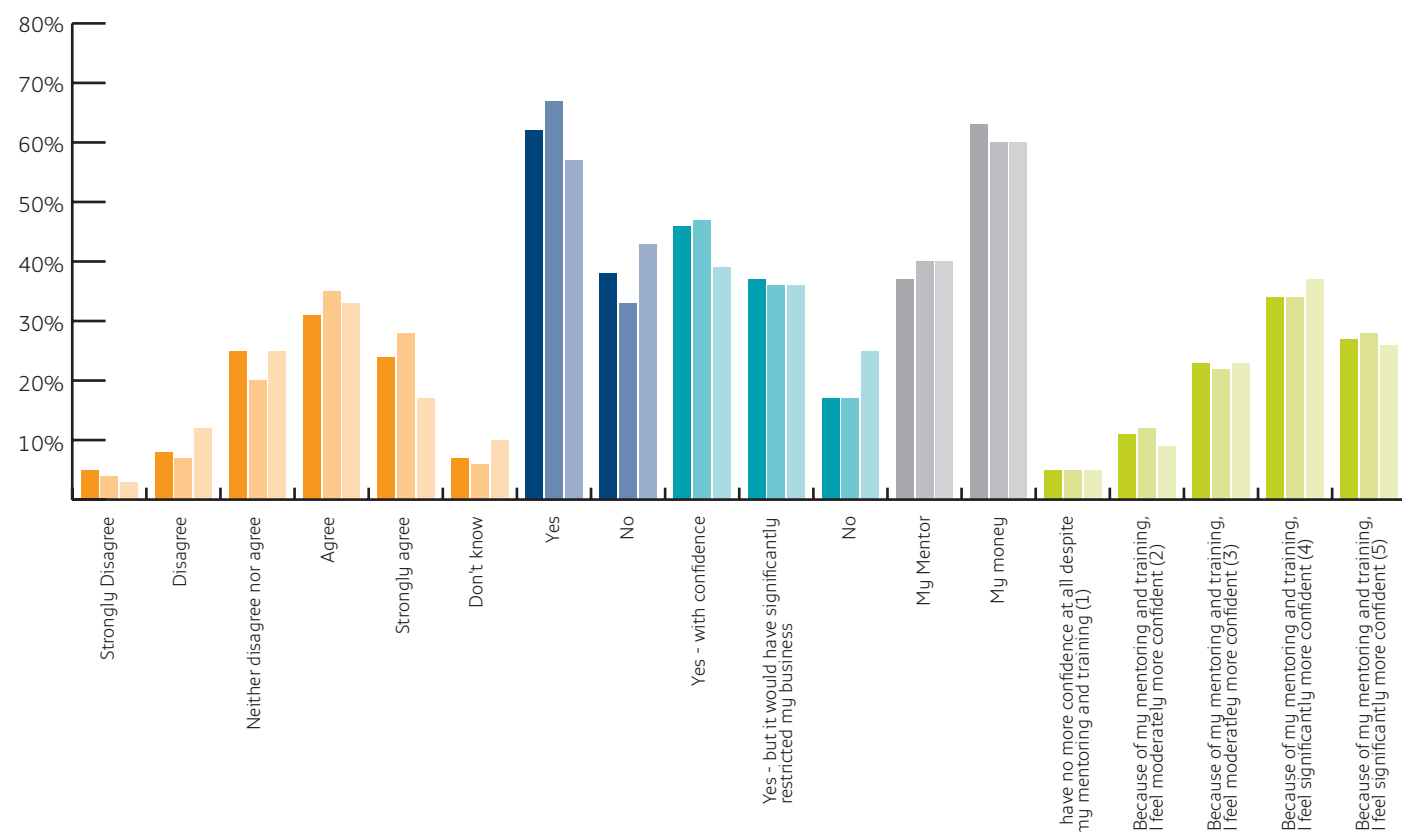
With the support of her mentor, Manal was able to find a location for her business, pay for the drafting of materials and buy the stock needed to set up. The early stages of any business are always challenging, and this is especially true if you are starting with the added concerns of how best to engage with customers and staff through sign language.

One of her first business decisions was to invest in hiring a sign language interpreter to aid communication, both with her staff and clients. “My work environment has become very similar to my family environment, in which all staff get along and communicate well despite any disabilities,” she says.

In her first year of operations, Manal’s profits were equivalent to half the size of her first loan.

Figure 9:

The effect of the type of mentoring



The access to finance barrier

Non-financial support can help young entrepreneurs access mainstream finance. When young entrepreneurs have established a track record and benefited from receiving a range of non-financial services, their likelihood of approval for a commercial loan more than doubles. In Russia young entrepreneurs are seven times more likely not to be rejected by a bank having been supported through the start-up phase.



“Self-confidence is key.”

Ernst & Young 2011 Entrepreneurship Barometer, October 2011⁹



However, in some countries, young entrepreneurs continue to be excluded from mainstream enterprise lending. In Poland a quarter (24%) applied for a loan from a commercial bank since receiving support through YBI (local member Youth Business Poland), but were rejected. In Bhutan, a fifth (20%; the local YBI member in Bhutan is the Loden Entrepreneurship Programme). In some countries, there is a strong culture of fear or scepticism towards banks, especially among young people. In Ukraine, three quarters (73%) of young entrepreneurs did not feel capable to apply for a loan from the mainstream finance sector, even after being supported through the start-up phase. In Bangladesh, the figure is as high as 85 per cent. For more than half of young entrepreneurs (55%), lack of access to finance is the greatest constraint to the growth of their business.

Figure 10:

BEFORE you received support from YBI, did you ever: apply for a loan from a commercial bank and get rejected?

SINCE you received support from YBI, have you ever: applied for a loan from a commercial bank and been rejected?

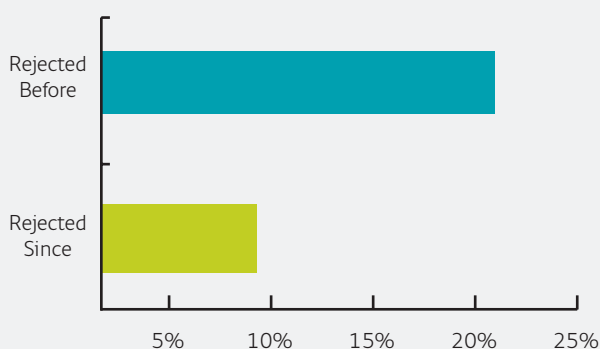
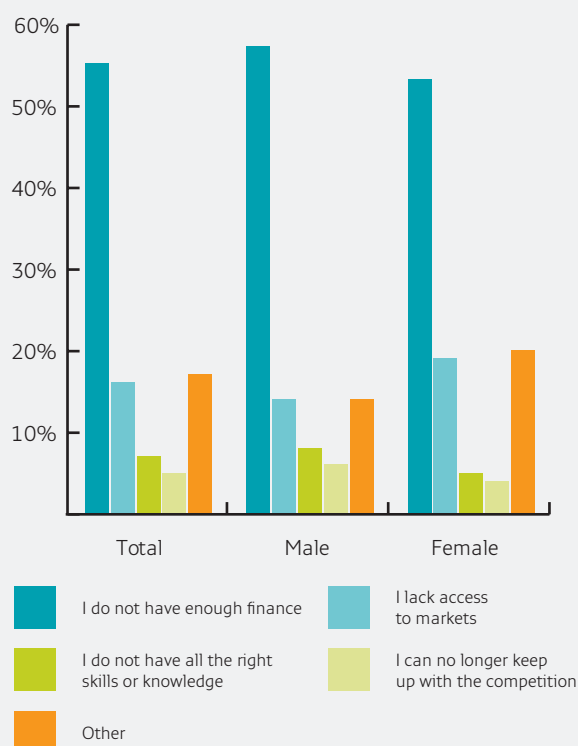


Figure 11:

What do you think is the greatest constraint to the growth of your business?



9. <http://www.ey.com/GL/en/Newsroom/News-releases/Entrepreneurs-call-on-G20-governments-to-recognize-role-in-job-creation>

YBI good practice: Mentoring in Barbados

In an external evaluation by the Inter-American Development Bank's Multilateral Investment Fund (MIF), the mentoring component of Barbados Youth Business Trust's offering was commended for embracing both the "hard" and "soft" aspects of human development. Within the evaluation, particular praise was given to YBI's member in Barbados for its well structured and systematic process for the recruitment of mentors as well as its effective use of business clubs for mentors and mentees. Business clubs provide a forum for the networking of mentors, mentees and partners and take place every three months. They provide an opportunity for mentors and mentee exchange to share real experiences and are effectively a forum for entrepreneurial learning.

'Other' responses, by more than one person:

1. Lack of time (24)
2. HR, quality of staff (17)
3. Lack of marketing / promotion opportunities or knowledge (9)
4. Employment law or other regulation (5)
5. Economic conditions (9)
6. Crowded market (6)
7. Expensive overheads (5)
8. Location, lack of infrastructure (4)





Case study: Vaidhyanathan Rajamani, India – entrepreneur

From a young age Vaidhyanathan, from Chennai, South India, was determined to become an entrepreneur, but his family were not convinced. Aged 17, he ran away from home when his parents insisted that he carry on his education at a business college.

“I thought I would rather be homeless than be employed by others doing something that didn’t interest me,” he recalls.

Developing an idea for a simple machine that could prevent overhead water tanks overflowing, Vaidhyanathan approached various banks for a business loan but was turned down.

He went ahead and launched his business without the support of a bank, but quickly ran into cashflow problems after investing heavily in infrastructure.

When he approached YBI’s member in India, the Bharatiya Yuva Shakti Trust (BYST), the selection panel looked at his business plan and saw his product’s great potential for growth. As a result, BYST supplied him with a loan of USD 20,000.

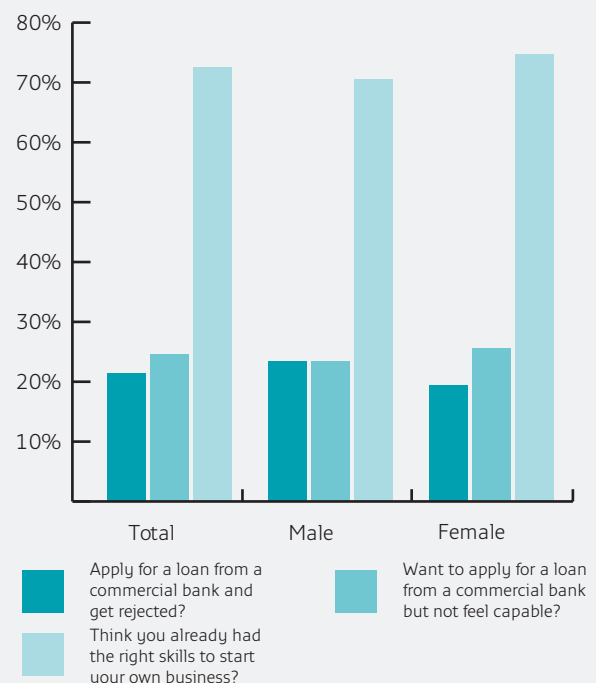
Crucially, in addition to the capital injection, BYST connected Vaidhyanathan with a mentor who was invaluable as his business developed. “My mentor not only guided me in running the business, but provided me with a network of contacts and taught me the nuances of marketing and expanding my customer base,” he says.

Vaidhyanathan Rajamani’s V-Cube Automations now sells a range of products that automate water pump operations, helping to reduce wastage and energy consumption significantly. Since beginning trading in 2008, V-Cube Automations has sold products that are saving 50,000 litres of water every day. The business has grown to employ 37 full-time staff.

When young entrepreneurs are at the thinking stage, preparing to launch their business, the majority (nearly three quarters, 71 per cent) feel they have the right knowledge and skills to get started in business, but many (nearly half, 45%) feel either incapable (24%) or are rejected (21%) from accessing commercial finance to turn their idea into a reality. Rejection rates are as high as 44 per cent in India and 40 per cent in Jamaica. The feeling of being incapable of applying is highest in Ukraine (63%), Dominica (60%) and Kenya (60%).

Figure 12:

Before you received support from YBI, did you ever:



Start-up motivations

What drives young people to go it alone and set up in business? **Turning their dream into a reality is the main motivation for more than a third (36%) of young entrepreneurs: they had always wanted to start their own business.** In China, this rises to more than half (58%). Others were mainly motivated by filling a gap in the market (19%), or felt that their knowledge and skills were best suited to becoming an entrepreneur (20%). This sense of entrepreneurial ‘fit’ is strongest in Dominica, for half (48%) of young entrepreneurs.

The prospect of earning more money through being your own boss is another important motivator for young people to start their own business (41%). This was the main motivation for 40 per cent of young entrepreneurs in Ukraine. Some are also inspired by a successful entrepreneur that they know in person. This factor has the strongest influence in Canada.

Figure 13:

What was the main reason why you decided to start your business?

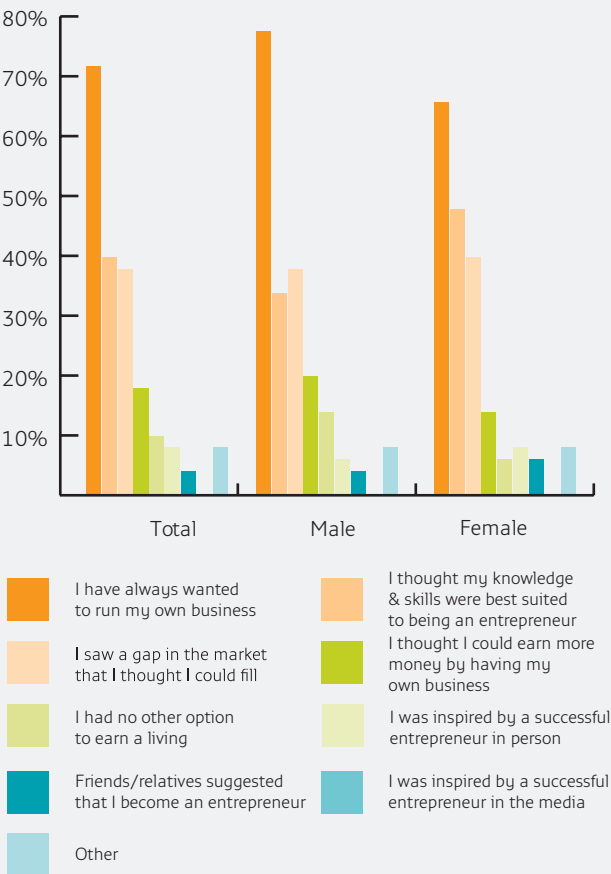
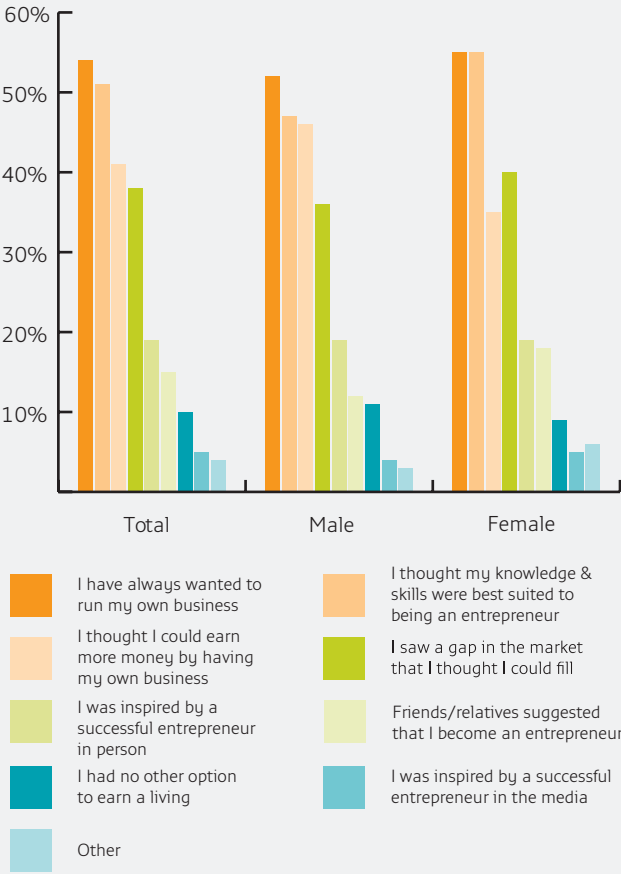


Figure 14:

What were the other reasons why you decided to start your business?



Peer learning

Young people were asked, "If you could give one piece of advice to a young person who wants to start their own business, what would it be?" Below is a sample of two quotes per country:

Argentina

- *If you walk past ten doors that are closed, the eleventh door might open*
- *Have faith in yourself. Never give up. If you try and fail, try again...*

Barbados

- *If you truly believe that this is where you want to be and you truly believe in your product/service, then keep at it and you will be successful*
- *Learn to listen to other entrepreneurs and always take advice and flesh it out to see the best way. Listen to not only the positives but also the negatives because they help you to improve.*

Bhutan

- *Have confidence in yourself and in what you do. Think that you would be contributing to the nation as a whole and that you would be helping someone/somewhere along the way without your knowledge. Always think that you are a leading example to the youth and you can be a part of the Gross National Happiness creator.*
- *Never stop believing in yourself. Success and failure is part of the game. You have just got to start. Like someone rightly said, stay hungry, stay foolish.*

Belize

- *Start with a positive state of mind. Be focused, and have determination and drive to push when things get rough.*
- *Dream big, and with hard work, faith, dedication and confidence, you can make the dream into reality*

Canada

- *Time and money are interchangeable. If you want more of one, you've got to spend more of the other. It is up to you to first decide which one is more important to you. If you choose time, be prepared to constantly make an effort to stay true to your original motivation. Life is a great balancing act!*
- *Follow your dreams and don't let anybody tell you that you can't*

Bolivia

- *Get the right skills*
- *Take calculated risks*

China

- *Persist in your business*
- *Have a good business idea*

Dominica

- *Give it a try. Who knows how far it can take you. Don't wait to be 35 years old and say I wish I had taken the opportunity. And if it doesn't work out how you hoped, at least you tried.*
- *Be persistent in whatever you want to become*

Hong Kong

- *Business and life are like riding a bicycle! To keep your balance you must keep moving!*
- *In business, there is no best, only better*

India

- *Get knowledge about the market*
- *Make good contacts*

England, Wales and Northern Ireland

- *Believe in yourself, speak to people and listen. Be inspired and passionate about what you do and never give up!*
- *Evaluate the demand for your product or service. Don't base a business idea on your skills alone*

Ukraine

- *Don't be afraid to change your life*
- *Believe in yourself, you will succeed*

Jamaica

- *Ensure you have a genuine passion to go into business and that you are serious about it*
- *Be confident, disciplined and keep abreast of new trends*

Bangladesh

- *Honesty , dedication and patience.*
- *Divide the total capital into 4 portions. Invest first portion in production/service, 2nd portion for running capital, 3rd portion for risk management and 4th portion to keep as liquidity so that your business never dries up.*

YBI good practice: Training in Argentina

YBI's member in Argentina, Fundacion Impulsar (FI), was set up in 1999 and has supported over 1,000 young people to start up in business. FI has gradually expanded its operations from Buenos Aires into six other regions across Argentina and is now one of the leading YBI members in Latin America. Ensuring it reaches disadvantaged sectors of Argentina's youth population, the organisation has earned a strong reputation in particular for training. FI's training programme consists of fourteen sessions followed by a personal assessment. This rigorous approach ensures young entrepreneurs are well prepared for running their businesses.

Peer learning

Saudi Arabia

- *Patience, and self-reliance*
- *Research, and know your sector*

Scotland

- *Make sure you have a support network around you first*
- *Age is not a barrier. Enjoy what you do and it will all run smoothly*

Uruguay

- *Don't be afraid to ask*
- *Anything is possible for he who believes. Belief and positive thinking are key.*

Russia

- *Believe in yourself and your own efforts!*
- *Listen to more experienced entrepreneurs!*

Poland

- *Don't act alone*
- *Everything will take longer than you think. Prepare for frustration, and look for support*

Kenya

- *Work hard and be focused*
- *Self discipline, determination and courage are the key to success*

YBI good practice: Mentoring in India

YBI's Indian member, Bharatiya Yuva Shakti Trust (BYST), has expanded its mentor offering through the introduction of Mentor Chapters. These are formal groups of mentors, locally-based and constituted under the guidance of BYST, similar in nature to Rotary and Lions Clubs. Each is responsible for all aspects of the mentoring programme, including mentor induction, awareness generation, technical evaluation and of course counselling. They also play a role in entrepreneur selection. Accordingly each Chapter comprises a Chair, Vice Chair, technical evaluators, a mentor advisory panel and an entrepreneur selection panel. This volunteer workforce has allowed BYST to expand its reach rapidly across both rural and urban areas.

The Global Young Entrepreneur Community

Last year YBI members helped start up 6,346 new youth-led businesses, disbursing around USD 50 million in loans. The average loan size globally is USD 10,000, and repayment rates across the network average 70-95 per cent.

Of the young entrepreneurs who responded to The Global Youth Entrepreneurship Survey 2011:

Gender equality: 54 per cent young men and 46 per cent young women

Age: 62 per cent aged 26-35, 27 per cent 18-25 and 10 per cent older than 35

Life before entrepreneurship: 47 per cent of young people in employment, 22 per cent unemployed and 21 per cent studying before setting up in business (10 per cent other)

Education: 71 per cent completed tertiary education, 54 per cent secondary only, and 40 per cent primary only

Industry: most engaged in arts and crafts (17 per cent), services (11 per cent) and construction (10 per cent). Most mentors in: admin / support services (22 per cent), finance and accounting (16 per cent) and services (13 per cent)

Business structure: most are sole traders (61 per cent), then limited companies (25 per cent), then partnerships (11 per cent), finally cooperatives (2 per cent)

Job creation: average number of jobs per business 3.4

Time in business: half only a year old: a quarter (26 per cent) launched this year and a quarter (26 per cent) last year

YBI good practice: Mentoring in Canada

YBI's member in Canada, Canadian Youth Business Foundation (CYBF), developed a pioneering online mentoring orientation programme, MENT2B™. This tool is based on the results of in-depth research by CYBF, which placed chemistry as the defining factor in a successful mentor-entrepreneur relationship, and is designed by leading experts in the mentoring field.

MENT2B™ revolves around the three key stages of the mentoring cycle: Establishing a Relationship, Maintaining a Relationship and the Relationship Close. It includes discussion boards, interactive activities, videos and a specific profile area for each mentor-entrepreneur relationship. The MENT2B™ programme is mandatory and must be completed successfully by both the mentor and the entrepreneur for loan funds to be disbursed.

Conclusion

The report reveals that non-financial support has a significant impact on a young person's success and confidence in business. Although a majority of young entrepreneurs can attribute specific improvements in the performance of their business (62%) as well as improved loan repayments rates (54%) to non-financial support, accessing capital remains their greatest constraint to growth (55%). YBI is calling on all sectors to recognise the value of non-financial support in order to increase access to finance for young entrepreneurs¹⁰.



"I fully agree with YBI's demand to go for an integrated approach combining financial services for young start-ups and business support services like mentoring. From the relatively little that we know about what works and what does not work we can clearly see that integrated support programs tend to perform better with regard to labour market outcomes than only providing loans."

Markus Pilgrim, Manager, Youth Employment Network (YEN), an inter agency partnership of UN, ILO and World Bank¹¹



Whilst there is consensus that combining financial and non-financial support for young entrepreneurs increases their bankability, we need more research into the factors influencing the effective delivery of mentoring and training. This survey shows that frequency of mentoring and mentor-entrepreneur matching both influence the benefits that a mentor provides. Through rigorous impact assessment studies, we can develop a more complex understanding of the most effective delivery of different types of non-financial support services, increasing operating efficiencies and overall impact. Building a cloud-computing data management system and creating partnerships with research organisations, YBI is playing its part in developing and sharing learning from our global youth entrepreneurship community. With youth unemployment and underemployment levels reaching record highs, and economic growth stalling, this work is more urgent than ever.

10. For a more detailed explanation of this proposition, please see YBI's previous policy report, 'Closing the Gap', <http://www.youthbusiness.org/pdf/YBI%20Closing%20The%20Gap.pdf>

11. Quoted in YBI's online policy discussion based on the third report in the Making Entrepreneurship Work series, 'Beyond Collateral' (position at time of writing)

YBI members that participated in the survey:



Argentina



Bangladesh



Barbados



Belize



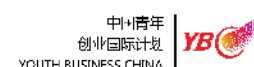
Bhutan



Bolivia



Canada



China



Dominica



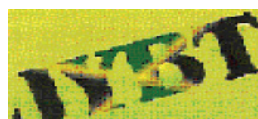
England, Wales
& Northern Ireland



Hong Kong



India



Jamaica



Kenya



Mexico¹²



Poland



Russia



Saudi Arabia



Scotland



Ukraine



Uruguay

12. Since the survey fieldwork was undertaken, YBI's member in Mexico, JEMAC, has left the network.

