

The Mentoring Effect on Economic Growth



Welcome

Supporting the empowerment of entrepreneurs to drive economic growth through job creation has been at the heart of Mowgli's vision since its inception in 2008. Since this date, we have trained over 900 mentors, matched trained mentors with over 780 entrepreneurs to support them in strengthening and growing their businesses and leadership, through facilitated and supervised one-to-one long term mentoring relationships. Mowgli has a regional network of 1680 alumni members spanning 14 countries, 13 of which are in the Middle East and North Africa region (MENA).

Throughout each of the mentoring relationships, we regularly interact with the entrepreneurs and mentors and collect data on three key impact areas:

-  Economic growth, job creation and safeguarding
-  Business growth, sustainability and success
-  Personal growth and strengthening of leadership

Having developed a substantial alumni and impact data base, we set out to answer a key question that accompanies all investment decisions and one that we, as providers of intangible services, seek and yet struggle to quantify:

What is the return on investment for those who invest in mentoring as a component of human capital or capacity development? Well the wait is over, we have the answer!

By leveraging the data that we have collected over the past eight years in the MENA region, we are thrilled to showcase that significant Return on Investment (ROI) can be achieved by investing in mentoring, in the form of economic generation achieved through job creation and safeguarding. In addition, we also wish to share some of the findings and understanding that we have gained as to the factors that can increase and reduce the potential ROI going forward.

This paper outlines these pioneering findings and we sincerely welcome the opportunity to engage with you on the subject as we further place mentoring at the heart of the entrepreneurial ecosystem.

Thank you.



Tony Bury
Founder and Chairman



Kathleen Bury
Chief Executive Officer

Key Takeaways

MOWGLI'S HOLISTIC MENTORING PROGRAMS ACHIEVE SIGNIFICANT RETURNS FOR INVESTORS IN MENA ENTREPRENEURSHIP - 890%

Mentoring which focuses on supporting both the business and personal aspects of the entrepreneur is key to ensuring the greatest Return on Mentoring Investment (ROMI) from other support initiatives such as business skills training and financial support. Mentoring clearly needs to be a key cornerstone of any entrepreneur-serving ecosystem or support initiative



DEVELOPED AND HARMONISED ENTREPRENEURIAL ECOSYSTEMS ENABLE HIGHER ROMI

Geographies that have a developed and entrepreneur-serving ecosystem enable higher job creation levels than those that do not. The safeguarding of jobs, however, is an imperative need and achievement within these areas

CAPABILITY - INTERFERENCE = SUCCESS

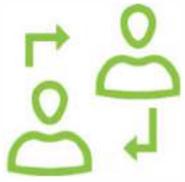
The ROMI performance is strongly correlated to the Capability – Interference = Success formula. When capability levels are low to medium and interferences, both extrinsic and intrinsic are high, lower returns are to be expected

INVESTMENT IN EQUALS ROMI OUT

Reduced investment in programs leads to a significant reduction in the ROMI achieved, due to core elements being marginalised

VALUES BASED PROJECT MANAGEMENT ENSURES GREATER ROMI

Project management with aligned values and commitment to adhering to Mowgli's program milestones is critical to optimizing the relative success of the program. Programs managed by third parties have typically produced lower returns



The Imperative Need for Entrepreneurial Mentoring

In 2015, the World Economic Forum released their Outlook on the Global Agenda 2015¹, which features an analysis of the top ten trends that they believe are the key challenges facing the world's regions going forward. It's an overview of global leadership and governance as well as the emerging issues that they believe will define our future. The top three trends foreseen were:

1. Deepening Income Inequality



2. Persistent Jobless Growth



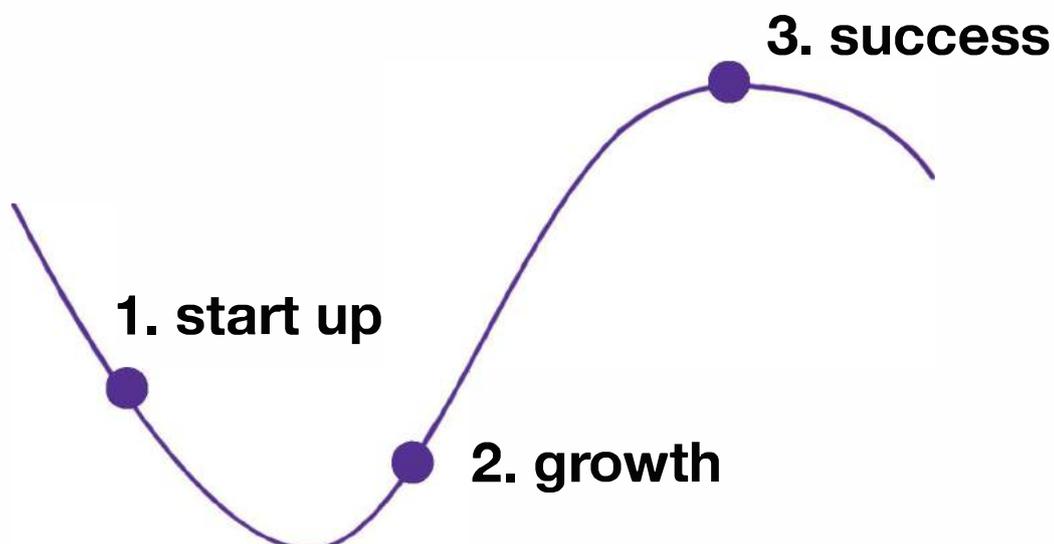
3. Lack of Leadership



Entrepreneurship and the closely linked support of mentors, acts in part as a potential solution for each of the three trends above. It is clear that the incubation, development and support of sustainable entrepreneurship as well as small and medium sized enterprises (SME) can play a vital role in increasing employment and economic generation.

However, throughout every entrepreneurial journey, the business the entrepreneur is nurturing will have a lifetime of development, which is overseen, guided and indeed lived by the entrepreneur himself or herself.

As a result, the entrepreneurial learning often goes through several distinct phases of growth and development, along with the business. Within these phases, three of the most challenging times, where Mowgli² believes an entrepreneur can benefit from at least one highly skilled mentor, are:





The Imperative Need for Entrepreneurial Mentoring

During each of these three transitional stages, a mentor can provide vital guidance and support to entrepreneurs by guiding them in finding the courage and resources to move themselves and their business forward.

In the UK, business mentoring is a core pillar within the entrepreneurship ecosystem and 70%³ of small businesses that have access to it survive for five years, which is double the rate compared with non-mentored entrepreneurs.

We believe that it is five to ten times more difficult for a start up company to breakthrough in the MENA region, due to the level of interferences both intrinsic (core spirit, hope, confidence) and extrinsic (culture, society) that restrict entrepreneurs from moving forward. Despite 60%⁴ of the region's entrepreneurs having access to business mentoring, which is predominantly advice driven, a significantly lower proportion of entrepreneurs have access to holistic or relational mentoring.

Whilst informal mentoring relationships between friends and family members are reasonably commonplace, true and focused holistic entrepreneurial mentoring is still in its infancy.

To effectively support and empower entrepreneurs to breakthrough these barriers and drive this much-needed economic growth, we believe:



More attention needs to be paid to the short and long term financial and non-financial benefits that entrepreneurial mentoring offers, as a core pillar of human capital/capacity development



More investment needs to be dedicated to ensuring the quality of the mentoring that is offered to the entrepreneurs, through the training and preparation of mentors, effective mentor-entrepreneur matching as well as the facilitation of the ongoing supervision and support of the mentoring relationships, especially during the first year, to ensure the right foundations are built for long term engagement



Investment in Mentoring Achieves Significant Returns

International Governments, financial institutions (IFIs), philanthropists and corporate pioneers are predominantly the leading investors in mentoring within the MENA region. To date, there has been little visibility into whether or not their investments have generated any real and significant economic impact.

Mowgli's analysis highlights that investors have and are realising real and significant ROMI across the MENA region, through the economic return achieved by the sustainable creation and safeguarding of jobs:



Source: Mowgli 2016

Of the investments made, the greatest ROMI comes from the creation of new jobs rather than the safeguarding of existing jobs.

Mowgli vs. Third-Party Delivered Programs

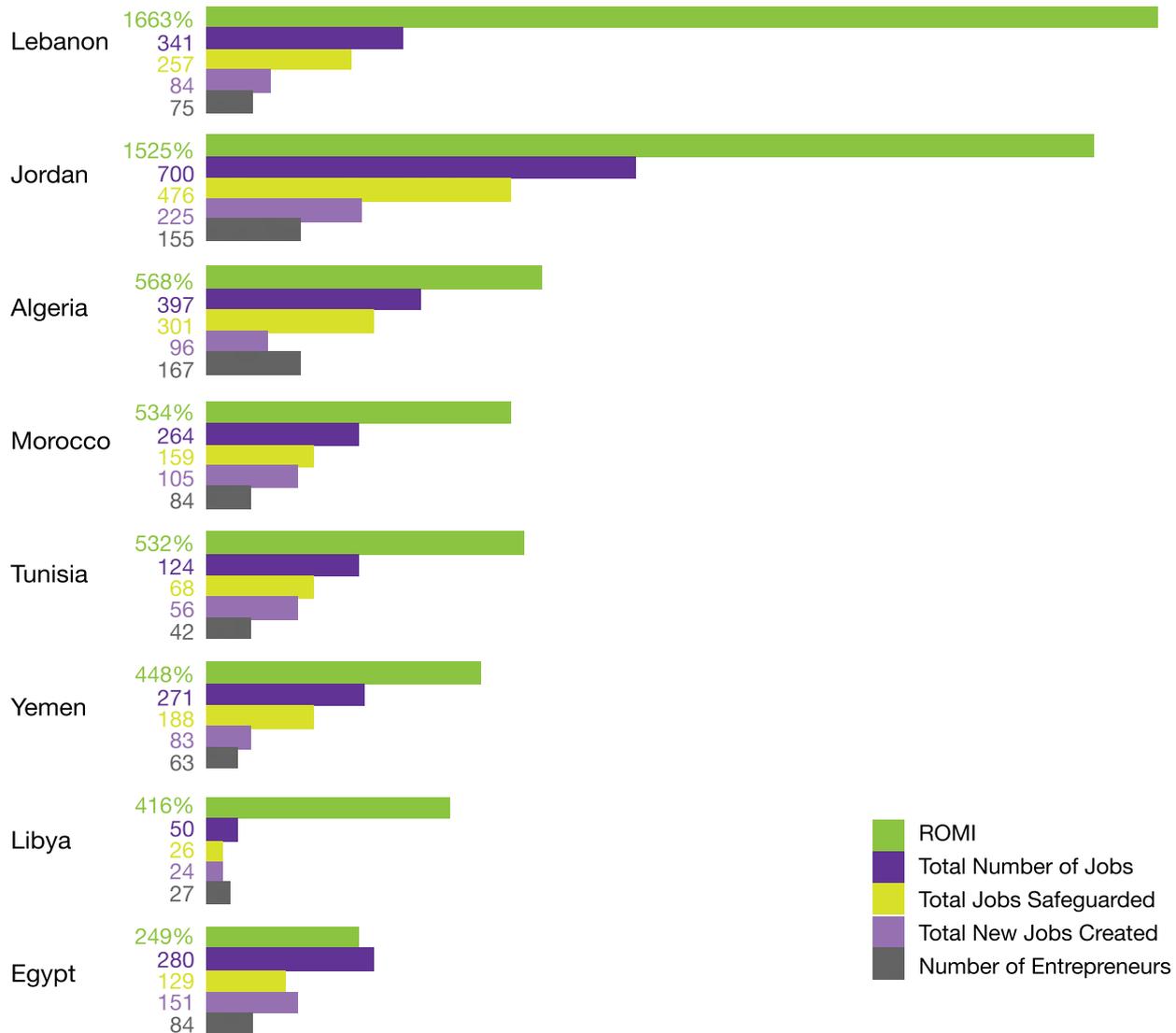
Mowgli delivered programs generate higher ROMI for mentoring investors than those delivered by third party partners:

- Mowgli delivered programs represent 46% of the investment made, yet represent a total economic generation ROMI of 1420%
- Third party delivered programs represent 54% of the investment made, yet represent a ROMI of 440%



Investment in Mentoring Achieves Significant Returns

Figure 1: ROMI Country Analysis and Ranking, 2008 - 2016



Source: Mowgli 2016, BDO 2016

Lebanon and Jordan generated the highest ROMI levels at c. 1660% and c. 1520% respectively

It is not surprising that Lebanon generated the highest ROMI, given that its entrepreneurship ecosystem is one of the most developed in the region. However, it does provide significant justification for further investment in the future

Algeria generated the third highest ROMI at c. 570%

Given Algeria's nascent and somewhat closed and fragmented entrepreneurial ecosystem, this is an encouraging insight for future investment decisions



Investment in Mentoring Achieves Significant Returns

Mazin Khalil, the Founder and CEO of SudaMed based in Sudan is a Mowgli Entrepreneur who joined a program in Jordan in 2013. During his mentoring year, he singlehandedly generated the highest ROMI at 133,345% as a result of the 568 full and part time jobs he created and safeguarded.

As this is not truly representative of Sudan's ROMI, we have treated this as an outlier and have included the relevant data in the overall analysis, but not the country analysis.

"We had just won the KAAYIA Award for SudaMed in Sudan, a place where in 2013 entrepreneurship was unheard of.

A year and a half later, as a doctor who had his career already set out for him, my life took a drastic yet amazing turn. In this time we won first place in the MIT Award, were named one of the 500 fastest growing companies in the MENA region, I was voted as one of the 10 most influential under 30 in the Arab region and we were approached by more than 7 VC companies willing to invest millions of dollars in a company I started with USD 500 and some change.

It didn't stop there and we continued winning awards, including the Best Medical Services Company in the MENA region.

I personally attribute 100% of my achievements during this year to my mentoring relationship. Mowgli was my first and only mentoring program and what I got from it was... priceless."

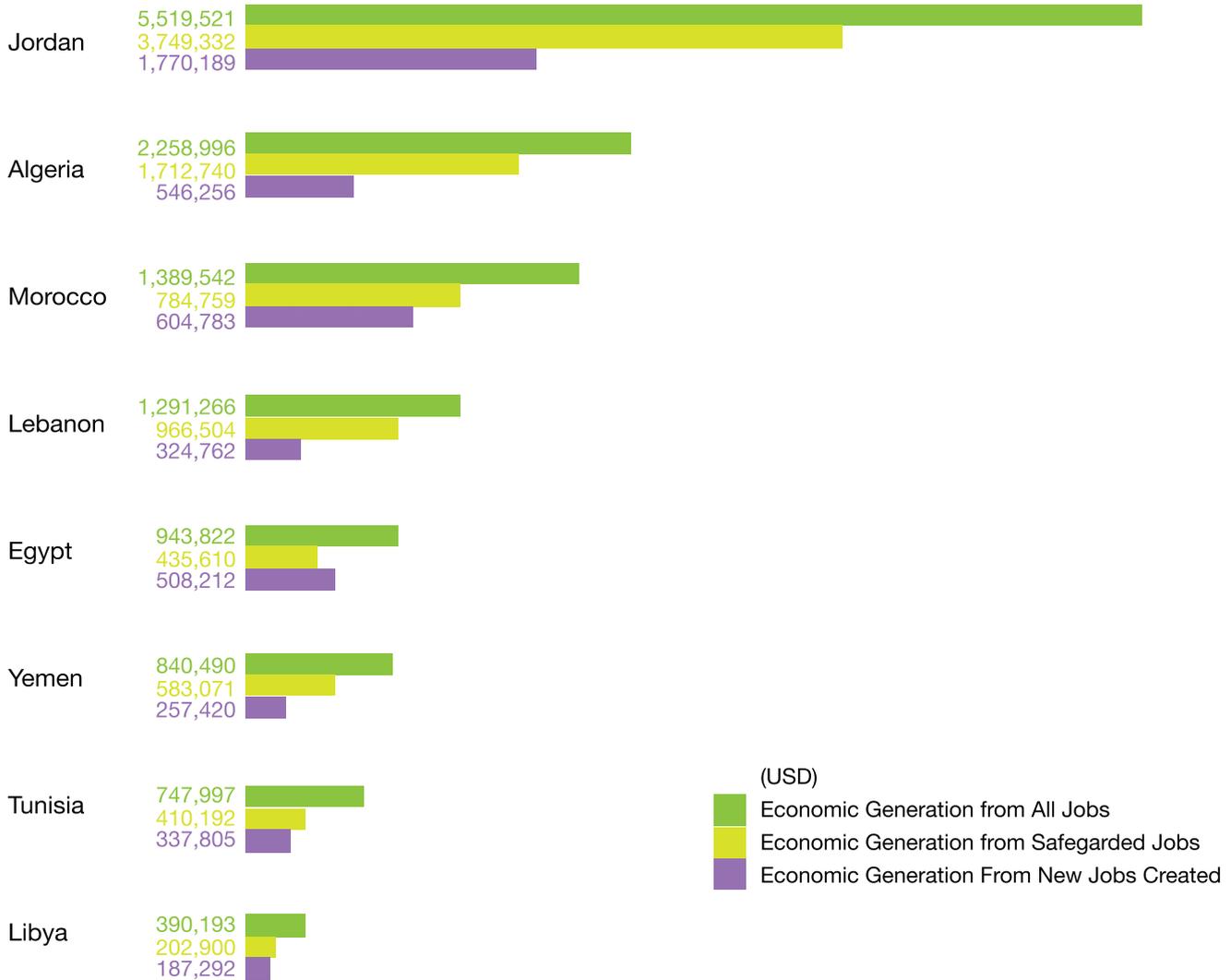
Mazin Khalil, Founder and CEO of SudaMed,
Mowgli Entrepreneur





Investment in Mentoring Achieves Significant Returns

Figure 2: Economic Generation Country Analysis and Ranking, 2008 - 2016



Source: Mowgli 2016, BDO 2016

The total economic generation achieved through the creation of new jobs and safeguarding of existing jobs by Mowgli Entrepreneurs in the MENA region, during their mentoring year, equals c. US\$18.4m

- c. US\$9.4m (c. 51%) of this figure has resulted from the creation of new jobs
- c. US\$8.96m (c. 49%) of this figure has resulted from the safeguarding of existing jobs



Investment in Mentoring Achieves Significant Returns

Although Lebanon achieved the highest ROMI, Jordan created the highest level of economic generation totaling \$5.5m

This could be attributed to the fact that Mowgli's programs were launched in Jordan, its greater understanding of mentoring and its impact as well as a larger entrepreneur alumni base

Algeria created the second highest level of economic generation totaling \$2.26m

This could be attributed to the fact that the alumni base is the largest across the region and was created under a 3-year multi-program project which enabled the steady raising of awareness, robust recruitment and increased economies of scale regarding the support offered



Methodology

1. This analysis was carried out by Mowgli and verified by BDO⁵ LLP in the UK
2. The analysis only includes government and corporate funded one-year mentoring programs that have been delivered and completed by Mowgli or with a third party partner since 2008
3. This ROMI analysis was based upon establishing the economic return being derived from the number of jobs created and safeguarded by Mowgli Entrepreneurs during their mentoring year, multiplied by the average pre-tax annual salaries within each country, against the project investment made, thereby providing the economic generation within each of the individual and regional economies

$$\text{ROMI} = (\text{Jobs Created} + \text{Jobs Safeguarded}) \times \frac{\text{Average Pretax Annual Salaries}}{\text{Project Investment}} = \frac{\text{Economic Generation}}{\text{Project Investment}}$$

4. The investment made in mentoring was the same as the contracted costs of the mentoring programs undertaken by/in partnership with Mowgli for various funding bodies
5. The ROMI relates to the economic generation achieved through the payment of job salaries during the 1-year Mowgli Mentoring Experience (MME) program only and does not include that which is achieved after the 1 year. We expect this trend to continue and escalate with the growth of the businesses
6. Post-tax annual salary levels, which were more readily available, were taken and the relevant income tax amounts were used to determine the average pre-tax annual salaries within each of the countries
7. The data has been challenged through local assessments and it was recognised that these average salaries, whilst providing a consistent methodology across MENA, are greatly dependent upon whether the jobs are created within cities or rural areas
8. The currency used for the analysis was GBP and a GBP: USD exchange rate of 1:1.5 was utilised
9. Projects that represent less than 10% of the total regional investment in mentoring through Mowgli have not been included in the analysis
10. All job numbers in the analysis refer to Full Time Equivalent (FTE) numbers. Part time jobs have been calculated as being equivalent to 0.5 FTE



Methodology

11. 'Jobs Created' refers to the number of new jobs that each Mowgli Entrepreneur created during the mentoring year
12. 'Jobs Safeguarded' refers to the number of jobs that have been maintained/kept during the mentoring year which are as key as the creation of new jobs
13. This data was requested from the Mowgli Entrepreneurs before this ROMI analysis was undertaken; therefore we are confident that the numbers are unbiased
14. The analysis is based upon a 60% response rate by the Mowgli Entrepreneurs to the End of Project feedback forms
15. It is recognised that Mowgli operates within each of the local and regional entrepreneurship ecosystems and many actors deserve credit for developing entrepreneurs and therefore the resulting economic returns and impact achieved
16. It is recognized that mentors provide multiple levels of impact and benefit; to the entrepreneurs they work with, to the organisations they work within or with and the wider society. This contribution has not been factored into the above analysis
17. The above analysis does not include the revenue generated by each of the Mowgli Entrepreneurs' businesses, which would further increase the total economic generation and ROMI figures significantly

5. The model used by management to calculate project ROI for 2015 uses a number of variables. These include average per capita post-tax income per country (as extracted from www.nationmaster.com) and income tax rates per country. The extraction of the data for average per capita post-tax income per country, the income tax rates per country and the mathematical accuracy of the model have been independently verified by BDO LLP on a sample basis. BDO LLP's work was performed under the provisions of International Standard of Related Services (ISRS) 4400 'Engagements to perform agreed upon procedures and did not constitute an audit or a review performed in accordance with relevant standards

Background

The Mowgli Foundation is an international, UK headquartered and award winning mentoring organisation that works with international and local governments, financial institutions, philanthropists and corporates across 14 countries to provide mentoring programs that empower entrepreneurs to drive economic growth and develop leadership models.

Mowgli provides mentoring programs that inspire, connect and guide entrepreneurs and leaders to overcome life's personal and business challenges through the:

- Training and nurturing of mentors
- Strengthening of entrepreneurs and their businesses by matching them with a trained mentor in facilitated and supervised long term relationships
- Building of a global community of trained mentors and entrepreneurs that are able to access networking, learning and growth opportunities

Mowgli has an alumni network with over 1680 members and has matched over 780 entrepreneurs with trained mentors in 14 countries; Algeria, Bahrain, Egypt, Jordan, Lebanon, Libya, Morocco, Palestine, Qatar, Saudi Arabia, Syria, Tunisia, Yemen and the UK.

In 2016, the European Mentoring & Coaching Council (EMCC) awarded the European Quality Award (EQA) to Mowgli for its Mowgli Mentoring Experience (MME) program and in 2012, Mowgli received the Mohammed bin Rashid Award for Young Business Leaders Award for the 'Best Mentor Network in the Arab Region'.



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Website: www.mowgli.org.uk

Email: info@mowgli.org.uk

Quarterly Newsletter: [Subscribe](#)

UK Headquarters:

St. Nicholas House Office G.04, 31-34 High Street Bristol BS1 2AW UK

Tel: +44 (0) 117 202 0137

UK Charity Number: 1127087

Duns Registration Number: 06587752