

**WORKING PARTY ON SMEs AND ENTREPRENEURSHIP (WPSMEE) -- BEST PRACTICE  
POLICIES IN ISRAEL : EVALUATION OF THE MENTORING PROGRAM FOR SMALL AND  
MEDIUM SIZED BUSINESSES**

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*This document presents the evaluation of the Mentoring Program for Small and Medium Businesses in Israel. This program is part of the overall in-progress evaluation process carried out by the Ministry of Industry, Trade and Labor to improve the effectiveness of programs in support of Small and Medium Businesses.*

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## EVALUATION OF THE MENTORING PROGRAM FOR SMALL AND MEDIUM BUSINESSES IN ISRAEL

### 1. INTRODUCTION

1. In the following paper, we shall present the Evaluation program for the Mentoring program for Small and Medium businesses.

2. This program is part of many evaluation processes that the Ministry of Industry, Trade and Labor is doing in its support programs for medium and small businesses in order to improve the effectiveness of the programs.

3. We chose the Mentoring program to be the first program to be evaluated as it has an effect on the largest number of businesses more than any other program.

4. We start by presenting the Mentoring program. We discuss its objectives, the population of the businesses that are entitled to take part in the program. We present the program for the small businesses and for the medium businesses.

5. In the second section, we present the businesses that take part in the Mentoring program. We learn about their characteristics: industry, number of employees, business lifespan and geographical distribution. We compare those characteristics to the ones of the business sector in Israel and learn if there is any kind of bias. We learn about the motivation of the business when applying the program and main scope of the program in each business.

6. In the third section, we present the evaluation program. We discuss our approach to the evaluation methodology, comparing the Mentoring program to a control group. We present the main parameters that we are analyzing in these groups. We discuss the various efficiency criteria considered during the evaluation. We present the survey population that we are using during the first stage of the evaluation program looking into businesses that joined the program in the years 2004-2006. We present the sample that we choose from the survey's population and explain the reasons for that. We present the type of questionnaires used and our data collection.

7. In the fourth section we present the results of the evaluation program. We discuss the method used in order to estimate the added-value of the Mentoring over the control groups. The first is a comparative method where we measure the change in the parameters of the Mentoring program relative to the ones of the control groups. The other is an internal method, where we ask the businesses that improved their condition to estimate the contribution of the Mentoring program to this process. We present our findings of the added value in the fields of profitability, income, number of employees and management skills.

## 2. THE MENTORING PROGRAM

8. In this section, we shall examine the Mentoring program for small and medium businesses that is managed in the Israel Ministry of Industry, Trade and Labor. We shall detail the objective of the program, its target population and the two paths (for small and medium business).

9. The program was intended to assist the business in increasing its volume and improve its business skills and profitability by providing the business with tools for better management and economic analysis. The program supplies the business with a mentor with expertise tailored for each business. The mentors are part of the private sector. The Ministry subsidizes the cost of the mentor, while the business pays for the rest. The mentor's role is to analyze the business, build a program suitable for its needs and accompany the business during the program implementation. .

10. The program was started in 1991 and operated by the Ministry.

11. Since then 25,000 business took part in the program. In recent years the average number of businesses per year was 2500 using approximately 70,000 hours of consulting. The average budget of the program per year was 4.5 million US\$.

### 2.1. Objective

12. The objective of the program is to assist the small and medium business in controlled increase of its revenues, profitability and overall performance while providing him with better business management tools to insure the long lasting effect of the program.

13. *The program takes care of the following needs:* Defining the vision of the business and the ways to fulfill it, business strategy, general management, finance, production, marketing and sales, information technology and human resources.

#### *Target population*

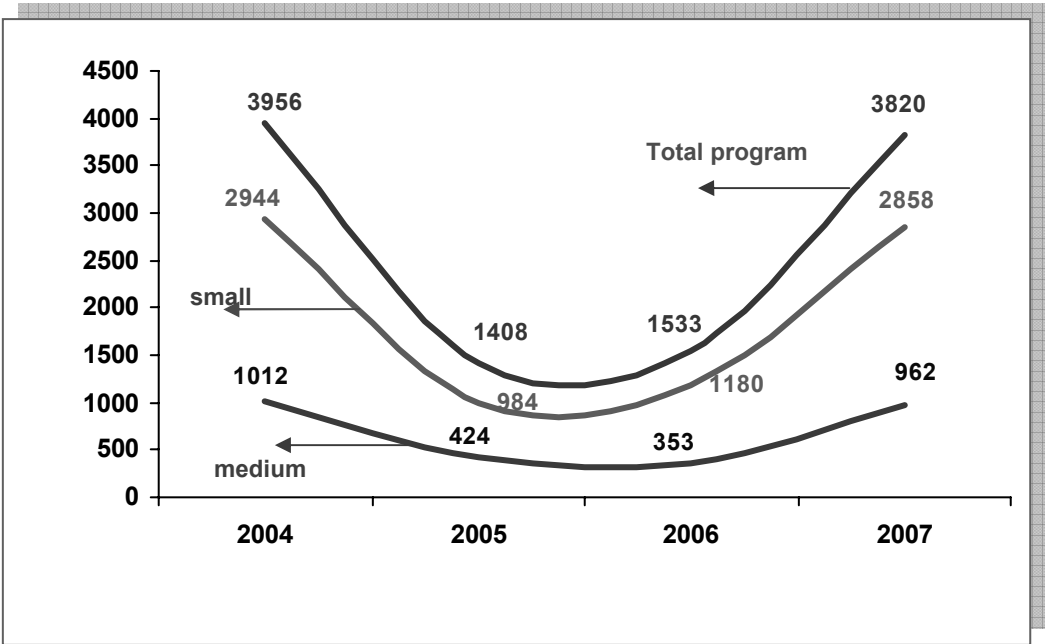
14. *Businesses with up to 100 employees in the fields of:* industrial production, commerce and business services.

#### *Program*

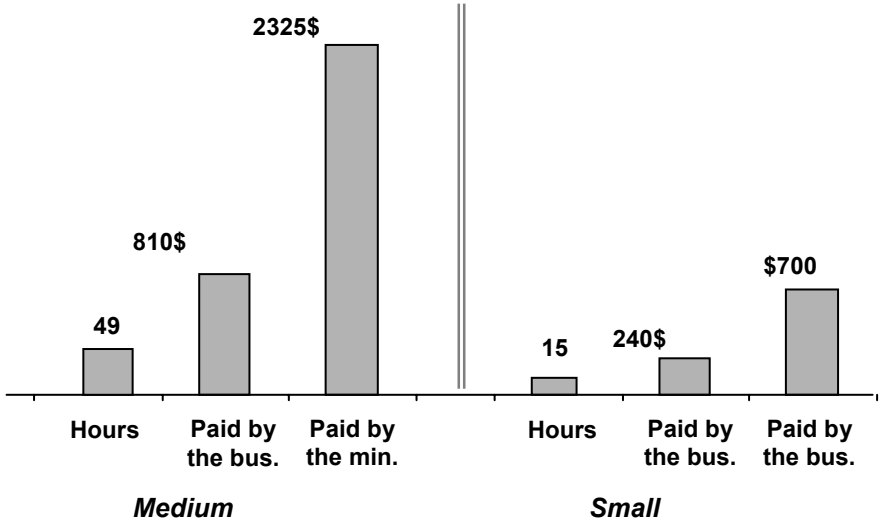
15. *The Mentoring program consists of two sub-programs:* for small and for medium businesses. The ministry pays for 75% of the consulting cost while the business pays the rest. The current price per consulting hour is 65\$:

- *Medium business:* A business with 5 to 10 workers is entitled to up to 100 consulting hours. A business with 10 to 100 workers is entitled to up to 150 consulting hours. The business can use these hours in a period up to 18 months from the beginning of the program.
- *Small business:* A business with up to 4 workers is entitled to up to 20 consulting hours. The business can use these hours in a period up to 6 months from the beginning of the program.

**Diagram 1 : Number of business in the Mentoring Program 2004 - 2007**



**Diagram 2 : Average Consulting hours and Consulting cost for small and medium business**



## 2.2. The businesses

16. In the following part, we shall characterize the business that takes part in the Mentoring program. We shall learn about the industry of the businesses, their geographical distribution, the number of workers in each group and the seniority/age of the businesses. We shall try to compare that with the characterization of the average small and medium business in Israel. We also look at the main motivation of the businesses when applying the Mentoring program and what was the main scope of the program.

### *Industry*

17. The industry of each business is defined according to its main activity and categorized by the Central Bureau of Statistics in Israel.

18. We can learn from the table below that the three biggest industries in the Mentoring program are : trade (21%), business services (20%) industrial production (15%) and health-care and nursing (14%). We see a difference between the small and the medium businesses. Almost 60% of the medium businesses come from the industrial production and trade industries, while the majority of small businesses come from business services(20%), commerce (19%) and health and nursing (16%). We see that the representation of most of the industries in the Mentoring program is similar to their share in the whole business sector. However we see a mis- representation of the building and transportation and communication that are 14% and 8% respectively of the businesses sector while about 2% each of the Mentoring program.

**Table 1 : Mentoring for the small and Medium businesses by industry**

	Total BUS	Total		Medium
	Sec	Mentoring	Small	
Total Bus.	<b>%100</b>	%100	%100	%100
Ind. production	13.3	15.3	12.3	28.1
construction	13.8	2.1	2.1	2.0
Business svcs	19.7	19.7	21.5	12.0
Trade	18.5	21.2	19.3	29.0
Agriculture	3.6	2.6	2.3	4.0
Transportation & Communication	8.4	2.1	1.8	3.2
Education	1.3	9.7	10.4	6.9
Community SRV.	5.1	7.5	8.6	2.7
Accommodation	6.8	5.7	5.6	6.2
Financial SRV.	4.6	0.4	0.3	0.5
Health and Welfare	4.9	13.8	15.8	5.4

### 2.3. Geographical distribution

19. The second characteristic that we examined was the geographical distribution of the businesses that participated in the Mentoring program. In Israel the majority of the businesses are located in the central area where they enjoy better economic environment than businesses in the North or in the South. As we can learn from the table below, the north is getting over-representation in the mentoring program compared to its share in the total business sector at the expense of under representation of the South and the Center.

**Table 2: Geographical distribution of the Mentoring program**

	<b>Israel</b>	<b>Mentoring program</b>
	%100	%100
Jerusalem	10.7	9.9
North	12.1	20.0
Haifa	13.3	13.1
Center	53.8	49.0
South	10.2	8.0

### 2.4. Business Lifespan

20. Another interesting aspect of the businesses taking part in the Mentoring program is their lifespan. Among the small businesses, the average age was 7.7 years while in the medium businesses it was 12.8 years. About 29% of the small businesses were relatively new (3 years or under). The share of new businesses in Medium group was only 12%. In the group of the "established" businesses (6 years or more) things turn around. Only 40% of the small businesses are 6 years or more, while almost 60% of the Medium businesses are of the same age.

**Table 3: The lifespan of the businesses in the Mentoring program**

	<b>Total</b>	<b>Small</b>	<b>Medium</b>
Age (years)	%100	%100	%100
1	0.3	0.2	0.8
2	9.0	10.1	4.1
3	16.5	18.5	7.5
4 to 5	28.8	30.7	20.3
6 to 10	23.4	22.2	28.7
11 and over	22.0	18.3	38.5
Average Age	8.8	7.7	12.8

## 2.5. Number of employees

21. The last characteristic that we examined in the businesses was the number of employees that each has.

22. The number of workers of each group is affected of course by the preconditions existing in joining the small or the medium program. In the small group we have an average number of 2.6 workers, while in the medium group it is 15.5. About half of the small businesses are self-employed, while in the medium group 58% have 5 to 10 workers and 11% have 11 workers or more.

**Table 4: The number of employees of the businesses in the Mentoring program**

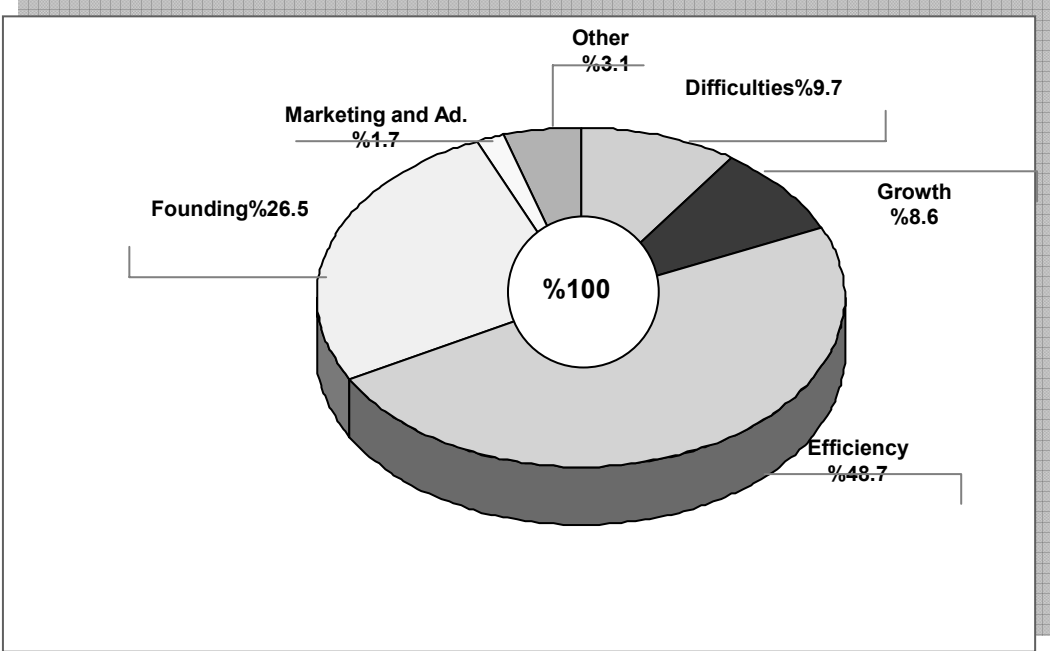
<b>No. of emp.</b>	<b>Total</b>	<b>Small</b>	<b>Medium</b>
	%100	%100	%100
1	41.3	50.7	0.1
2	20.7	25.4	0.4
3 to 4	19.2	23.5	0.1
5 to 10	11.1	0.3	58.3
11 +	7.7	0.0	41.1
Average	5.3	2.6	15.5

## 2.6. Motivation

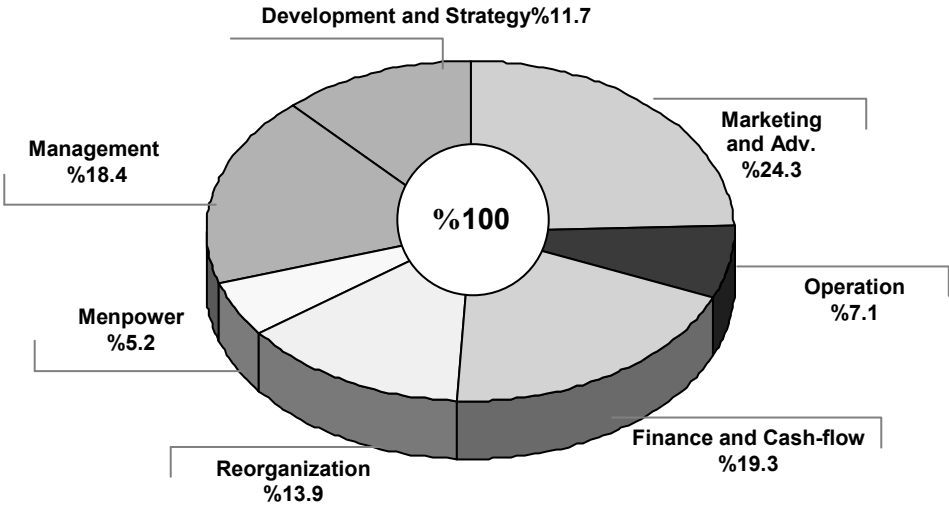
23. Another aspect that we looked into was the motivation of the businesses when they applied for the Mentoring program. We find that almost half of the businesses applied in order to make their business more efficient, another 26.5% were founding a businesses and were seeking assistance in its establishment. The rest applied since they were in difficulties (10%) or wanted to grow the business (9%). However, when we look at the main subject that the program dealt with, we find that sometime the problem of the business was not well defined. The main scopes of the mentoring program were : Marketing and Advertisement (24%), Finance and cash-flow (19%), Management (18%) and Reorganization (14%).



**Diagram 3: Motivation for applying the Mentoring program**



**Diagram 4: Main Scope of the Mentoring Program**



### **3. EVALUATION PROGRAM**

24. In this section, we shall present the evaluation program of the Mentoring program.

25. The evaluation program is made by doing multi-year interviews with the companies that ended the program and examining wide range of economic and management parameters while comparing them to two control groups. The first control group consist of businesses that approached the program, but eventually decided not to take part in it. The second control group is an "outside" group and is made of businesses with similar characteristics as the businesses in the Mentoring program.

26. We will discuss in this chapter the evaluation methodology that we are using and the parameters we collect. We will present the evaluation population. We will show and discuss our sample, types of questionnaires and data collection

27. The Mentoring program was chosen to be the first program to be evaluated because of it's capacity and the wide range of businesses within it. Nowadays we are building the evaluation program for other support program of the Ministry.

#### **3.1. Evaluation Methodology**

28. The evaluation program was created in order to assess the affectivity of the Ministry support programs and in order to build a reliable and long lasting database and info about the companies that are taking part in the programs. We are interviewing the businesses in the Mentoring program and the control group once a year during a number of years and comparing their parameters. As we discussed before, the goal of the Mentoring program is to assist the small and medium business in improving its performance and profitability while providing it with better management tools. The Mentoring program seeks to support the business in long lasting sales growth, gross margin, number of employees and number of customers while leaving it with better management skills in order to insure the effect of these changes in the long run.

#### **3.2. Collected Parameters**

29. In order to examine if the goals of the Mentoring program were achieved, we shall collect in the questionnaires the following data and parameters:

- *Developing the business* – Sales volume, number of employees, new products/services
- *Performance of the business* – Changes in the Gross profit of the business, risk profile of the business and the survival of the business during the years.
- *Management Skills* – we shall look for changes in business and market strategy of the business, if it using ERP/CRM systems and whether it is using consulting services.

### 3.3. Efficiency criteria

30. The efficiency of the Mentoring program shall be considered by using the following methods:
- i) *Comparative analysis* – We will compare the businesses that took part in the Mentoring program to the businesses in the two control group and evaluate their performance in :Sales increase, improvement of profitability and management skills
  - ii) *Cost-benefit analysis* – we will compute the cost of the mentoring program and compare it to the benefits to the government in increased tax revenues, higher employment and growth.
  - iii) *Efficiency of the operation and implementation of the program* – we will test the skills of the consultants, their commitment to the businesses and the overall satisfaction of the businesses from the consultants. We will learn about the implementation of the consultants' recommendations in the in the long run.
  - iv) *Efficiency to other programs* – We will estimate the effects of the Mentoring program in comparison to other programs that were oriented to small and medium businesses.
  - v) *Efficiency in allocation* – We will learn if there is prioritization of businesses in the program according to criteria of industry of geographical distribution.

### 3.4. Survey's population

31. The population of businesses that we are going to survey includes three groups:
- i) Businesses that took part in Mentoring program;
  - ii) Control group1 of Businesses that approached the program but didn't take any part in it;
  - iii) Control Group 2 of Businesses that never approached the program and have similar characteristics to the businesses in the Mentoring program.
32. During the first year of the evaluation program, we will interview businesses that took part in the program in the recent years and an equivalent control groups. From the second year and on, we will interview the new businesses that joined the program during the last year and we will return to the businesses that we already interviewed in previous years to learn about their development.
33. During the years 2004-2006, 1791 Medium businesses and 5109 Small businesses applied for the Mentoring program. During the year 2004 60% of the businesses applied, while the rest applied evenly in 2005 and 2006. Among the businesses that approached the program, 78% were approved and completed the program. The other 22% that did not complete the program, were denied or decided not to take part in the program.

### 3.5. Sample

34. The sample we build for the interviews is based on various parameters that represent the Mentoring program like: industry and participation year. On the first year of the program we will interview businesses that took part during the years 2004-2006. In the later year we will go back and interview again a sample of these businesses as well as the businesses that approached in 2007. We will create a sample for the businesses in the Mentoring program and the businesses in the 2 control groups. Our assumption is that we can interview about 50% of the businesses that we will approach.

35. We plan to interview 2900 businesses for the evaluation program for the years 2004-2006. We will survey 2000 businesses that took part in the program and 450 from each of the control group. We will differentiate between small and medium businesses, their weights in the sample would be 60% for the small and 40% for the medium, while their weights in the Mentoring program are 74% and 26% accordingly.

36. As we assume that we will interview about one from every two businesses that we would approach, we would need to approach to about 6,000 businesses so we can reach our target.

Since the number of businesses in the year 2004 is substantially higher than in 2005 and 2006, we decided to interview all the businesses from the years 2005 and 2006. In the year 2004, we will interview all the medium businesses and build a sample for the small businesses.

### 3.6. Data collection

37. The businesses will be interviewed once a year and we will collect from them information regarding their activity and the progress in the goals of the program. The data collection will be done by telephone interviews. The point of contact in each business would be the owners, CEO's or CFO's.

### 3.7. Questionnaire

38. The interviews of each business would be done based on a questionnaire. There would be 3 different questionnaires: for the businesses in the Mentoring program and for the two control groups. The questionnaire will include the following parts:

**Part I** – *Description of the businesses* – General part with questions regarding the demography of the business like: industry, size, location, employees, volume, etc.

**Part II** – *History of the business activity*. Question regarding the Mentoring program that try to evaluate the effect of the program and its contribution for the business. In this section we ask question about the business activity on the previous years including sales, profitability and number of workers.

**Part III** – *Current business activity* - this part will be similar to part II, but will focus on the current condition of the business and not on its history.

39. When entering to our sample each business would take part in a "long" interview including the three parts mentioned above. When returning to the business in the next year would have a short questionnaire including questions about the current state of the business.

#### 4. RESULTS OF THE EVALUATION PROGRAM

40. In this section, we shall discuss our main results from the evaluation program. We shall present the added value of the Mentoring program in the fields of profitability, income, employment and management skills. We shall observe the results of Mentoring program and compare them to the results of the control groups. We have two control groups. The first control group (inner) consists of businesses that approached the program, but eventually decided not to take part in it. The second control group is an "outside" group and is made of businesses with similar characteristics as the businesses in the Mentoring program that never took part in the program.

##### 4.1. Profitability

41. The first parameter that we examined was profitability. We looked at the differences in profitability among the Mentoring program and the control groups. We asked the businesses in these groups what was their level of profitability before joining the Mentoring group and what was their current level of profitability. We asked the businesses in the control groups about the change in their profitability during the same period in order to neutralize the effects of the businesses cycle. From the answers of the businesses, we learned that the initial level of profitability (the level of the businesses that declared they are profitable) of businesses in Mentoring group (37.6%) was far lower than the one in the control groups (56.9% and 63.9%). After the program was over, the level of profitability in businesses of the Mentoring group almost doubled to 71.7%, higher by 34.1% than the initial state. The level of profitability in businesses in the inner control group increased by 24% to 81.6%. The level of profit in the second control group increased by only 4% to 67.9%. These results are not surprising as during these years Israel enjoyed a positive business cycle that affected the results. However, we find that the Mentoring program had an added value of 10% to 30% as the improvement in businesses in the Mentoring group was 34% compared to 24% in the inner control group and 4% in the outside control group. The results we report here are for the total Mentoring group. However, they are roughly the same when we compare the Small and Medium groups in Mentoring program to their matching groups in the control groups.

**Table 5: Profitability - Added value in the Mentoring group and control groups**

##### *Mentoring group*

	Before the program	After the program	Difference
Profitable	37.6	71.7	34.1
Break-even	42.2	17.9	-24.3
Loss	20.2	10.4	-9.8

##### *Control groups*

	Inside control group			Outside control group		
	Before	After	Difference	Before	After	Difference
Profitable	56.9	81.6	24.7	63.9	67.9	4
Break-even	30.9	11.3	-19.6	26.1	23.3	-2.8
Loss	12.2	7.1	-5.1	10	8.8	-1.2

**Added Value**

	<b>Difference</b>	<b>Difference</b>	<b>Difference</b>	<b>Added Valued</b>	<b>Added Valued</b>
	Mentoring	Control In.	Control Ot.	Control In.	Control Ot.
Profitable	34.1	24.7	4	9.4	30.1
Brake-even	-24.3	-19.6	2.8-	-4.7	-21.5
Loss	-9.8	-5.1	1.2-	-4.7	-8.6

**4.2. Income**

42. The second parameter we compared was the income level. We asked the businesses in the Mentoring group and the control group what was the change in their revenues comparing the period before the Mentoring program to the current time. We found out that the increase in income level in businesses in the Mentoring group was 65% , far higher than 50% in the inside control group and a little higher than the out side control group (61%). As we mentioned before, Israel enjoyed positive growth through that period, but still we identify an added value of 3% to 15% by the Mentoring program. We didn't find any substantial difference among the results of the Small and Medium groups.

**Table 6: Income - Added value in the Mentoring group and control groups**

	<b>Difference</b>	<b>Difference</b>	<b>Difference</b>	<b>Added Valued</b>	<b>Added Valued</b>
	Mentoring	Control In.	Control Ot.	Control In.	Control Ot.
Increase	64.7	50	61.4	14.7	3.3
No change	24.5	36.8	23.7	-12.3	0.8
Decrease	10.8	13.2	14.9	-2.4	-4.1

**4.3. Employment**

43. The last economic parameter that we look into was the change in employment in the Mentoring and the control groups. We find that 32% of the businesses in the Mentoring group increased the number of their workers, while only 28% did the same in the inside control group. In the outside control group the raise in employment occurred in 38% of the businesses. We find that the mentoring program had positive effect compared to the inside control group and had an added value of 4%. However, compared to the outside control group it had a negative effect of 6%. In the employment parameter the added value of the Mentoring program is the lowest among all other parameters. We should keep in mind that the main goal of the Mentoring program is to improve the profitability and the survival of the business. In some businesses it may be achieved by decreasing the number of employees and not by increasing it in order to control the wage cost. Since we witnessed a positive business cycle, in many businesses the improvement in profitability was highly correlated with business growth and increment in the number of workers.

**Table 7: Employment - Added value in the Mentoring group and control groups**

	<b>Difference</b>	<b>Difference</b>	<b>Difference</b>	<b>Added Valued</b>	<b>Added Valued</b>
	Mentoring	Control In.	Control Ot.	Control In.	Control Ot.
Increase	32.1	28	38.4	4.1	-6.3
No change	61.9	63.2	50.7	-1.3	11.2
Decrease	6	8.8	10.9	-2.8	-4.9

#### 4.4. Management parameters

44. The second type of parameters that we examined in the Mentoring and control groups were parameters that are tied with the management skills of the businesses. These parameters were in finance, marketing and general management. We asked about the change in these parameters from the before the Mentoring period to the current period in all the groups. The categories for the answers were: greatly improved, improved, no change and worsen. We compared the answers we got in the "improved" and "greatly improved" categories among the groups in order to learn if there is added value here as well in the Mentoring compared with the control groups. Analyzing the results, we learn that the Mentoring group had an added value in all the fields we checked compared to the inner control group. The difference is the highest in the fields of: management of the business(34%), marketing (30%), the overall business condition (23%), number of costumers (23%) and the level of profitability of the business (21%). The average difference between the Mentoring group and the inner control group per parameter was 19%. Relative small differences were in the parameters of : entering new overseas markets (6%) and the debt level of the business to the bank and suppliers (11%).

45. When we compare the results of the Mentoring group with the outside control group, we find that the mentoring group still dominated in most of the parameters. The most noticeable added value was in the fields of : Management (30%), overall business condition (25%), marketing (19%) and debt to bank and suppliers(18%). The Mentoring program had a negative added value in the fields of : number of geographical markets (-10%) and range of product and services (-6%).

**Table 8: Management parameters - Added value in the Mentoring group and control groups**

	<b>Difference</b>	<b>Difference</b>	<b>Difference</b>	<b>Added Valued</b>	<b>Added Valued</b>
	Mentoring	Control In.	Control Ot.	Control In.	Control Ot.
Cash flow	68.7	52.5	52.2	<b>16.2</b>	<b>16.5</b>
Debt to bank and sup.	33.1	22.6	14.8	<b>10.5</b>	<b>18.3</b>
Number of costumers	67.8	45	56.5	<b>22.8</b>	<b>11.3</b>
Number of geo. Markets	24.3	18.3	34.6	<b>6</b>	<b>-10.3</b>
Range of products and services	38.3	23.9	44.5	<b>14.4</b>	<b>-6.2</b>
Overall business condition	73	49.3	47.6	<b>23.7</b>	<b>25.4</b>
Marketing	59.9	30.3	40.7	<b>29.6</b>	<b>19.2</b>
Management	68.6	34.5	38.5	<b>34.1</b>	<b>30.1</b>
Average	55.4	36.9	41.2	<b>18.5</b>	<b>14.3</b>

46. Since Israel was in a positive business cycle through the period that was reviewed, we assumed there would be a considerable number of businesses reporting about improvement in various parameters. Trying to take different approach, we asked the businesses in the Mentoring group that reported an improvement in some parameters to estimate the contribution of the Mentoring program to this improvement. By multiplying the percentage of businesses that reported some sort of improvement by the ones that believe that the improvement is a direct result of the Mentoring program, we can compute the internal added value. According to the answer in the Mentoring group, the highest internal value was the in the fields of : management of the business (32%), managing the cash flow of the business (27%), marketing (25%), the general business condition (25%), number of costumers (22%) .

47. We then compared the results we got in the comparative method to the internal method and found that they were similar and a bit higher in the comparative method.



**Table 9: Management parameters - Internal Added Value**

	<b>Improved</b>	<b>Mentoring Effect</b>	<b>Internal Added Value</b>
	<i>Mentoring</i>	<i>Mentoring</i>	<i>Mentoring</i>
Cash flow	68.7	47.3	<b>27.1</b>
Debt to bank and sup.	33.1	26.0	<b>6.0</b>
Number of costumers	67.8	28.7	<b>21.9</b>
Number of geo. Markets	24.3	17.3	<b>5.7</b>
Range of products and services	38.3	28.3	<b>7.5</b>
Overall business condition	73.0	39.8	<b>24.5</b>
Marketing	59.9	43.7	<b>24.5</b>
Management	68.6	54.0	<b>32.4</b>
Average	55.4	34.4	<b>16.8</b>

#### 4.5. Satisfaction

48. The last parameter we examined was the overall satisfaction of the businesses from the consultant of the Mentoring program and from the program itself. From the answers of the businesses we find that the level of satisfaction from the consultants was very high with about 65-70% of the businesses finding their professional level, commitment and their communication skills to be excellent and another 11% as good.

49. The overall satisfaction from the program was high, though somewhat lower than the satisfaction from the consultants. About 59% of the businesses found the program to be Excellent, while 13% found it to be good. We believe that the difference may come from a few features of the program, the main of them is the number of consulting hours, that the businesses would seek to increase.

**Table 10: Satisfaction of the businesses from the consultant and the Mentoring program**

	<b>Excellent</b>	<b>Good</b>	<b>Average &amp; less than average</b>
Professional level of the Mentor	65.1	13.3	21.5
Commitment of the Mentor	71.4	11.9	16.8
Communication skills of the Mentor	69.6	11.2	19.2
Overall satisfaction from the Mentoring program	58.7	13.3	28.0

## 6. CONCLUDING REMARKS

50. In this paper, we presented the results of the first stage in the evaluation of the Mentoring program.

51. The mentoring program support approximately 2500 to 3000 businesses per year with an average budget of 4.5 million US\$.

52. We compare the results of the businesses that took part in the Mentoring group compared to two control groups.

53. We learned about the added value of the Mentoring program in various fields focusing on: profitability, income, employment and management skills. The business cycle in Israel during the recent years was positive and in order to eliminate this effect, we compared the added value of the Mentoring group to two control groups and not focused on the total improvement. In order to assess the added value we used two methods: the first was a comparative analysis in which we compared the improvement in the parameters between the Mentoring program and the control groups. The second included internal assessment of the businesses in the Mentoring group that had an improvement in some parameters, to the contribution of Mentoring program for it. The results show that in the two methods the Mentoring program had a considerable added value of 10 to 30% in profitability and management skills. A little lower added value of 3% to 15% in income. While there are some mixed results regarding the added value in employment.

54. We are aware that there are some problems that exist in the evaluation program. First is our distance from the data for the previous years. We are aware that since a few years past since the Mentoring program for the years 2004-6, some of the data might be missing or vague. Second, is lack of numerical data in some parameters. During the data collection a minority of the businesses were willing to provide us with numerical data about the change in the profitability and income, but only about it's direction. Last is the survivability bias. It is obvious that the businesses that we were able to interview now are the ones that survived, this might generate a positive bias to the results, but since most of our analysis in this paper is comparative to two control groups, we eliminate some of this bias. We hope to solve these issues in the later parts of the evaluation program.

55. This paper presents only the first stage of the evaluation program, analyzing the businesses that joined the program in 2004-2006. During these days, we start to analyze the businesses that joined the program in 2007 after we implemented some changes from lessons we learned during the first stage. In the near future we plan to go into each business that would join the Mentoring program and subject it to a complete evaluation, where we would learn about its economic parameters before the program commence and would follow their development a few years later.