

Discouraged advisees? The influence of gender, ethnicity and education in the use of advice and finance by UK SMEs

Jonathan M Scott

Formerly Queen's University Management School

Currently Teesside University Business School

email: j.scott@tees.ac.uk

David Irwin

Irwin Grayson Associates, Unit 3, Hindley Hall, Stocksfield, Northumberland, NE43 7RY;

email: david@irwin.org

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Abstract. This paper investigates the influence of gender, ethnicity and education in the use of external advice and finance by UK small and medium-sized enterprises (SMEs). A conceptual model of ‘discouraged advisees’ was developed as a framework for analysis of the results of a telephone survey of 400 SMEs. We found an association between the use of external advice and the ability to raise bank finance. Furthermore, both men and black and minority ethnic (BME) participants were more likely to use family and friends for advice, whilst women were twice as likely as men to use Business Link. BME business owners were discouraged from using less ‘trusted’ sources, such as Business Link, possibly believing them insufficiently tailored or that they would provide inappropriate advice. Therefore, the findings provide support for our conceptual model of discouraged advisees and have implications for the provision of advice for business owners from BME communities.

Keywords: external advice, access to finance, SMEs, gender, ethnicity, education, human capital, discouraged advisees, market failure, trust

1 Introduction

Government enterprise policy in the United Kingdom (UK) has aimed to stimulate the start up of new firms, as explored by Greene et al's (2008) study of three regions with different experiences of economic growth and entrepreneurship. The provision of external advice is an important component of business support, but whether the public sector is the best provider of such advice is highly contested (Mole et al, 2007; Richard, 2008), while many SMEs rely on traditional private sector advisers such as accountants.

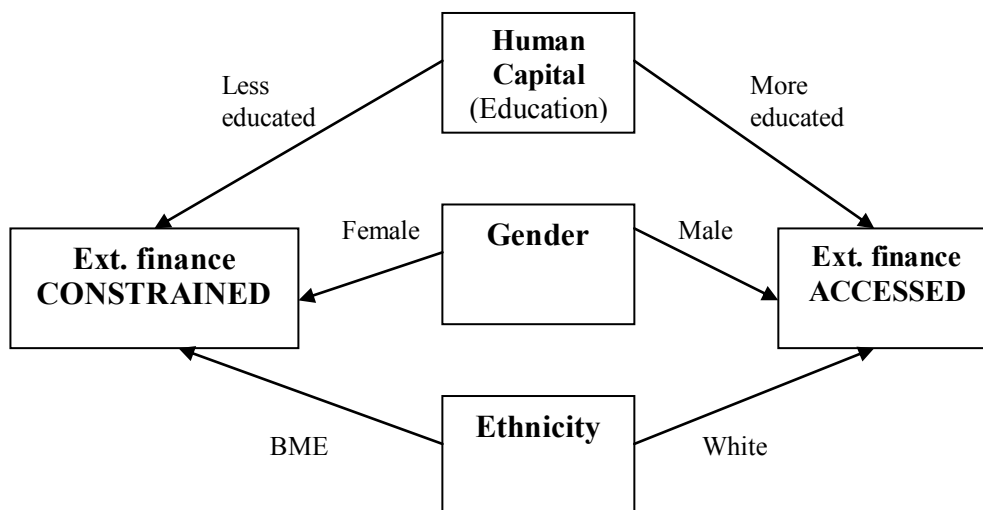
The purpose of this paper is to investigate the link between the use of external advice by SMEs and constraints in accessing finance. The paper draws upon a survey of 400 SMEs, and the firm-level analysis concentrated upon two key variables, whether there were finance constraints and what types of advice were used by these firms. A key outcome of the paper is the development of theory in the form of a conceptual model of discouraged advisees (cf Kon and Storey, 2003), which is empirically tested. The paper also explores gender, ethnic and educational differences in the uptake of external advice which, therefore, may constrain access to finance. In the UK, an extensive programme of research into the use of external advice has been undertaken (e.g. Bennett and Robson, 1999a, b; 2000; 2003; 2004; Bennett et al, 2000a, b; Robson and Bennett, 2000). A number of other articles investigated business advice, but few attempted to make comparisons by personal characteristics. The context and, indeed, rationale for the paper is the lack of evidence on gender, ethnic and educational differentials in obtaining external advice, with the exception of Barrett (1995), Read (1998), Bennett (2008) and Robson et al (2008) on gender and Basu (1998), Ram et al (2002) and Fraser (2007) on ethnicity.

The remainder of the paper is structured as follows. In the next section we review the theoretical background and present the conceptual model. The third section comprises a brief methodology, the fourth is an analysis and discussion of the results; and the final section offers some conclusions.

2 Theoretical background and conceptual model

The theoretical background to our study hinges on various theories that may influence the uptake of different types of business advice, which in turn may have an impact upon whether external finance is either accessed by SMEs or constrained. Established literature highlights the perceived impact of owner-manager (O-M) characteristics – gender, ethnicity and education (human capital) – in either enabling or constraining access to finance (Deakins et al, 1994; Ram and Smallbone, 2001; Irwin and Scott, 2006; Carter and Shaw, 2006; Smith-Hunter, 2006). Although these and other studies highlight the influence of additional factors (such as sector or size), the notion of a direct link between O-M characteristics and access to finance (Figure 1) is overly simplistic and is challenged in this paper. Figure 1 also assumes that applicants possess viable business propositions – otherwise, they would be unlikely to be funded in any case.

Figure 1. The traditional notion of how O-M characteristics influence the finance constraints of loan applicants who possess viable business propositions. (Source: Developed by authors to summarise commonly held assumptions.)



2.1 Trust, market failure and discouragement

Bennett and Robson (2004) suggested that ‘trust’ between entrepreneurs and advisers influences the uptake of business advice. In addition, provision of business advice by Governments is often predicated on the ‘market failure’ interventionist paradigm (Atherton et al, 2002; Mole and Bramley, 2006). To be specific, Atherton et al (2002) examined the role of business support services in addressing market failure:

“market failures can serve as a useful framework for developing rationales for the provision of public business support services to SMEs. Specific market failures relating to information and advice services ... can be identified and considered in terms of their implications for SME development and support. The application of market failures concepts to the development of rationales for public intervention ensures that such intervention occurs only if there is no adverse impact on private sector activity, in this case the provision of commercial information and advice services” (pages 34-35).

Kon and Storey’s (2003) theory of discouraged borrowers highlights potential borrowers from banks who may offer perfectly reasonable business proposals but who “do not apply for a bank loan because they feel they will be rejected” [and more recently considered in studies such as Roper and Scott (2007) and Brooksbank et al (2007) (gender), Fraser (2007) (ethnicity), Wyer et al (2007), and Freel et al (2007)]. We would posit that trust, as described by Bennett and Robson (1999a) – and further developed in Bennett and Robson (2004) – leads to a situation in which there are discouraged advisees. In this case, we argue that it may be that owner-managers do not approach particular sources of external advice because they are not confident they will receive (and do not trust the advisers to provide) useful information.

Insight into external advice in the UK is chiefly provided by analysis of the Cambridge Centre for Business Research (CBR) SME surveys. Bennett and Robson (1999a) drew a distinction between *trusted* and heavily used sources of external advice (‘accountants, lawyers ... , customers, suppliers and business friends’), on the one hand, and less trusted (and thus less used) sources, on the

other – for example, Government funded advice and business associations. Their results were broadly supported by previous studies in the UK, although there were significant variations in the use of different sources in each study. Bennett and Robson (1999b) found higher levels of ‘interaction intensity’ – controlled by contracts – between SMEs and external advice providers, principally consultants, where there were lower levels of trust, resulting in greater impact from these providers. In Robson and Bennett (2000a) they found that:

“size of firm, rate of growth and innovation appear to be the main variables influencing the likelihood of firms seeking external advice” (page 1675).

Latterly, it transpired that there had not been significant increases in the use of external business advice between 1991 and 1997, but there was evidence of decline, and in particular of the use of Business Link, by 1999 (Bennett and Robson, 2003). The importance of trust within the relationship between SME owner-managers and external advice providers was reaffirmed, and developed, by Bennett and Robson (2004) and they concluded that ‘social networks and family’ provided sources of advice which are:

“based exclusively on relational exchange, governed uniformly by trust relations, have no charges or fees, and make no use of legal contract controls” (page 484).

Other papers point to the critical importance of accessibility of external advice sources (Bennett et al, 2000a). Most recent research suggests that there is ‘little evidence’ of market failure in business support provision or uptake by SMEs, although there may be problems for start-ups and the smallest firms (Bennett, 2008). Whilst gender has been increasingly considered in studies of business advice, one characteristic that is relatively unexplored, therefore, is ethnicity.

2.2 Gender, ethnicity, education and social capital

Read (1998) reported that 40 per cent of women and 15 per cent of men had sought business advice from their bank, but that for both genders it was infrequent and there was a perception that “banks do not understand small business.” Barrett (1995) found that men were more likely than women to use advice from customers, investors, lenders, strategic partners, the management team and paid professionals (e.g. lawyers) – whereas there were no gender differences for suppliers, professional acquaintances and family and friends. In contrast, she reported that women actually found investors, suppliers, the management team and business acquaintances *more useful* than men did (Barrett, 1995). Robson et al (2008) found that women had a slightly higher use of accountants and banks and a significantly greater level of use of Government backed business advice, but concluded that size (employees) and ‘exporting activity’ was more influential than gender. Marlow and Carter (2005) examined the role of accountants in women’s entrepreneurship and access to finance. They found that not only were women more risk averse, but they were inclined to seek advice on informal finance – rather than ‘formal funding sources’ – and on management issues (Marlow and Carter, 2005).

A lack of management or business experience is considered by many women as a key finance constraint (Heilbrunn, 2004). Higher levels of human capital (education or experience) amongst women may overcome the ‘gender disadvantage’ in obtaining finance (Smith-Hunter, 2006). And yet, even armed with human capital, women may not have access to men’s social networks, which can be disadvantageous to women seeking finance (Carter et al, 2003; Carter and Shaw, 2006). Thus, a lack of ‘social capital’ can act as a critical finance constraint. Manolova et al (2006) found that social network diversity makes entrepreneurs more likely to obtain external finance but that social networks tend to be more effectively used by men to obtain such finance. Despite suggestions that women have limited access to social capital (Carter et al, 2003; Carter and Shaw, 2006), Robson et al (2008) provide evidence that friends and relatives were used by 29.3% of men and 47% of women.

Ram et al (2002) found that BME businesses were more likely to access external start-up advice from their family, with African Caribbeans and Chinese reporting significant use of banks and accountants for start up advice. Evidence of best practice in BME business support in Birmingham could be replicated elsewhere (Ram and Patton, 2003; Fallon and Brown, 2004), whilst Oc and Tiesdall (1999) identified three needs: sensitivity to specific BME issues, awareness of differences between BME firms so as to provide effective support, and “credibility in the eyes of ethnic minority businesses.” The importance of business support providers understanding variations between not just BME and white firms but between businesses owned by different ethnic minority groups was underlined elsewhere (Dhaliwal and Adcroft, 2005; Dhaliwal, 2006; Hussain et al, 2007). In particular, Dhaliwal and Adcroft (2005) suggested the development of:

“alternative methods of promotion and support, perhaps through ethnic or socio-cultural characteristics.”

It is not clear, though, with some notable exceptions (Ram and Patton, 2003; Scott, 2007), whether business support providers and policy-makers have heeded these lessons. Prowess (2005) emphasised the importance of business advice (and support) being tailored to the specific needs of women (being different from those of men) and avoiding a ‘one size fits all’ approach. An understanding of variations between men and women can be used to inform the role of gender in the provision of advice by accountants and other advisers (Stanger et al, 2002). Pernilla (1997) found that some male stakeholders or advisers considered women-specific business advice to be less legitimate than mainstream (untargeted) advice.

Despite this, and given apparent market failures in publicly funded advice (although this is highly contested [Bennett, 2008; Richard, 2008]), one way of accessing more tailored support from professionals is for BME owned firms and women entrepreneurs to use accountants who are themselves, respectively, of the same ethnicity and/or gender (see Ram and Carter, 2003; Marlow and Carter, 2004). The reliance of BME firms upon external advice has been confirmed by Whitehead et al (2006) who found that 50 per cent of BME businesses sought no external

professional (formal) advice on start up. Instead, they relied on informal advice from families and friends, though rarely from professionals such as accountants (ibid). Hussain et al (2008) found that 65 per cent of their sample of BME graduate entrepreneurs – but no African Caribbeans – accessed advice from family and friends. On a cautionary note, Basu (1998) urged that South Asian firms that,

“rapidly expanded their businesses invested their personal savings at start-up, relied on their family and friends for advice ... [Those] aspiring to grow need to advance beyond the traditional reliance on informal support networks for finance and labour. Formal institutions could play a catalytic role by offering long-term debt or equity finance, encouraging investment in employee training, and providing appropriate training schemes by understanding their needs” (page 325).

Fraser (2007) examined different types of advice used by businesses and variations by ethnicity, but did not provide insight into how external advice could influence access to external finance. It is worth highlighting some of Fraser’s findings here with regard to ethnic differentials in sources of advice at start up. Bank managers and accountants were each relied upon by 16 per cent of Indians, but 60 per cent used no sources of advice – compared to between 30 and 40 per cent for all other ethnic groups (Fraser, 2007). Although this finding must be treated with caution since it is based on only 8 firms, it suggests prior business experience for Indians (perhaps in family businesses) or high levels of education. Some 36 per cent of Pakistanis and 33 per cent of Bangladeshis used friends and business associates, compared to only 2 per cent of Indians. Nearly a quarter of Black Caribbeans used Business Link and 11 per cent used friends and business associates, whilst 22 per cent of Black Africans used the latter source: and 14 per cent used bank managers (Fraser, 2007). Meanwhile, 17 per cent of white-owned start-ups used bank managers, 11 per cent used accountants and 10 per cent used friends and business associates (Fraser, 2007).

2.3 The impact of external advice

Previous studies have focused on the impact of external advice upon firm survival and performance, but few authors have considered how advice can improve access to external finance. Deakins et al (1998) found that mentoring entrepreneurs in new firms had a positive effect, with implications for enhancing firm survival rates. Indeed, the provision of advice can lead to firms surviving because: “entrepreneurs ... gained knowledge and ability during the founding process” (Gartner et al, 1999). Another perspective is that formal ‘pre-start’ business planning can improve business survival rates (Castrogiovanni, 1996). Dyer and Ross (2007) suggested that “advisors and owners have disparate world-views” but emphasised the importance of a long-established relationship. Therefore, relationships between entrepreneurs and accountants are more likely to be long-established (with higher levels of trust), as opposed to newer relationships such as with Business Link advisers where trust has not yet been earned (Bennett and Robson, 1999a).

Other evidence suggests that entrepreneurs consider the relationship with banks and the advice provided to be highly positive (Haines et al, 1994). Gooderham et al (2004) built upon the importance of “quality, rather than the longevity,” of the relationship between owner-managers and advisers (in this case accountants) in order to understand the extent to which accountants are used. Quality is defined by Gooderham et al as the level of ‘satisfaction’ with the advice and services provided by accountants. Berry (2006) used a survey of 1,004 firms to explore SME-banker/accountant relationships and, in particular, the importance of accountants in the provision of business advice in Germany, Hong Kong, Spain, the UK and the USA. Berry (2006) identified accountants, lawyers and banks as the major provider of external advice, as supported by other literature. Perhaps the most powerful findings of Berry’s (2006) study is on the role of accountants in providing advice to SME owner-managers, in that their main role is ‘tax, audit and accounts preparation work’, whilst advice on finance is provided to no more than 40 per cent of SMEs. Blackburn and Eadson (2006) also found evidence on how, in both the UK and Canada,

“SMEs use accountants more than any other single source as their main provider of advice in relation to dealing with their regulatory obligations.”

Regional development agencies (RDAs) in England have assumed contractual responsibility for the Business Link business support organisations (Mole et al, 2008), although in reality these are still under central Government control. The number of business support schemes is being rationalised or ‘simplified’ (Department of Trade & Industry (DTI), 2007) but these are not alone in being downsized. Following the Small Business Service’s re-integration into the Department of Business, Enterprise and Regulatory Reform (BERR) [formerly DTI] – as the ‘Enterprise Directorate’ – and the reduction of its staff and research budget, a new enterprise strategy (HM Treasury and BERR, 2008) has been introduced which supersedes the previous action plan for small businesses (SBS, 2003). A number of studies focus more specifically upon Government sponsored sources of external advice, such as Business Link (Bennett and Robson, 2000; Bennett et al, 2000b). There has been a longstanding academic debate about the role and effectiveness of Business Link, for example in the exchange in the *Regional Studies* journal between Hutchinson et al (1996) and Bryson et al (1997). The impact of external advice upon SMEs has been examined in a number of studies (for example, Robson and Bennett, 1999a). Elsewhere, Mole (2002: 156) argued that business advisers from Business Links simply do not have the ‘professional kudos’ and, indeed, the same level of impact as accountants and solicitors due to the “contractual basis of their relationships”. More recently, Mole et al (2006, 2007, 2008)’s national evaluation of the economic impact of Business Link concluded that:

“the profile of assisted firms differs significantly between the different types of assistance. In particular, firms differ on the strategic choices that they make to develop their business.

Additionally, the types of Business Link Organisations make a difference to the outcomes from Business Link advice” (Mole et al, 2007).

However, there is evidence that Government-funded business support has been far from effective (National Audit Office, 2006; Richard et al, 2007), raising concerns about the desirability of encouraging certain types of SMEs to obtain advice or support from such sources. Bennett (2008) provides a more positive assessment of Government business support, but queries its value for money and suggests that lower spending could form the basis for a 'tax cut'. Richard (2008: 5) goes further by suggesting that, given the significant administrative cost of business support, RDAs and Business Links could be abolished and replaced by 'a single, web-based Business Information Service.'

A study of business advice and mentoring for start up in Scotland identified a number of impacts of such support, for example in making clients more focused on objectives; to have a greater use of business planning; to focus on profitability, as opposed to sales turnover/cash; and being "able to learn to manage their businesses and to cope with change" (Deakins et al, 2000: 165). Mole and McLaughlin (2006) found that:

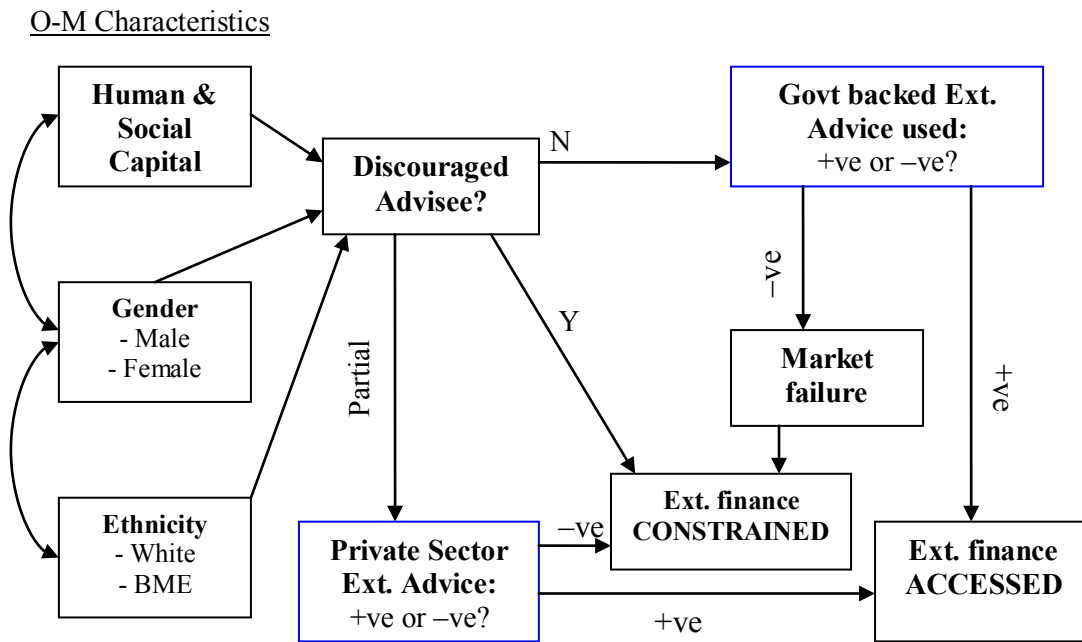
"effective meetings are those in which advisers share more of the conversation and ask questions that are of a better quality. The variety of clients means that we have to show both the context of client and adviser and their respective ways of interacting."

Elsewhere, it emerged that,

"Lack of experience may lead to differences in the financing patterns, as business owners with less experience may be assumed to be unaware of the way in which they can acquire financial capital and whom they can contact for help and advice" (page 95).

The venture capital literature does indicate a connection between obtaining external advice and accessing equity finance; in particular, Hustedde and Pulver (1992) found a correlation between not seeking advice and failing to obtain equity-based finance. However, there is little else in the literature that even remotely ties together advice and success in accessing finance.

Figure 2. A conceptual model of how O-M characteristics, discouragement and market failure influence external advice – and thus access to finance – of loan applicants with viable business propositions. (Source: Developed by authors.)



2.4 The conceptual model

Figure 2 shows how O-M characteristics – which can be interlinked and combined, e.g. being an Asian woman without a degree – may impact upon the likelihood of being a discouraged advisee. Human capital theory explains why women entrepreneurs who are highly educated or who have more business experience are likely to be more successful in obtaining financial capital (Smith-Hunter, 2006), whilst social capital theory suggests that a lack of access to men’s social networks can constrain women’s access to finance (Carter et al, 2003; Carter and Shaw, 2006). Cognitive biases, where the true level of risk is not perceived rather than “knowingly accept[ing] high levels of risks” (Simon et al, 2000), imply gender differences in the perception of risk. Simon et al’s (2006) cognitive biases may equally apply to a business owner’s perceptions about external advice, i.e. potentially leading to becoming a discouraged advisee. The conceptual model provides three possible outcomes from the ‘Discouraged Advisee?’ box: ‘Yes’, where external finance is constrained as a direct result of not seeking advice; ‘No’, where the individual does seek advice from a Government source; and ‘Partial’, where private sector advice is sought. A fourth case is where Government and private sector advice is used, and a fifth would be where, for other reasons, external finance is not constrained even though advice is not sought. The model also provides for the possibility that a negative (-ve) experience – effectively, market failures in provision of either type of advice – could constrain advice, whilst a positive experience (+ve) would enable access to external finance. To summarise, the model shows how discouragement or market failure can lead to financial constraints. Again, the model assumes that applicants possess viable business propositions.

***Hypothesis 1:** Gender, ethnicity and education will influence whether O-Ms use specific types of business advice.*

***Hypothesis 2:** Using external advice will have an association with accessing external finance.*

3 Methodology

The authors prepared a number of research questions, which were codified and incorporated into a telephone survey, intended to differentiate [by gender, ethnic group and education] the level of difficulties raising finance, sources of finance and external advice and the impact on businesses of difficulties raising finance. A previous paper investigated access to finance by owner-manager characteristics but did not provide any analysis of external advice from within the same dataset (**ANONYMISED**). Drawing from the above review of the literature, the authors identified two key research questions. First, what sources of external advice were used – varying by gender, ethnicity and education? Second, was there any association between the use of external advice and the ability to obtain finance for the business? These research questions have been adapted into Hypotheses 1 and 2 for the purposes of applying the conceptual model.

The sample population was extracted from a database of Barclays Bank customers in Great Britain (England, Scotland and Wales) who had a business account, but not necessarily a loan. The interviewers then sourced 400 participants (the target number of completed interviews) from this larger list based on willingness to take part. The only exclusions were clubs, charities and societies. The only limitation was that the firms were still active in the month before the date of interview. The interviews were undertaken by the Barclays Telephone Research Unit, in September 2005, using standard Computer Aided Telephone Interview (CATI) techniques and operated on Market Research Society Guidelines. The results are collected wholly independently of Barclays Bank.

Out of the original sample of 7,820, a total of 1,360 were dialled – of which the interviewers spoke to 570 – and 790 were wrong numbers, unanswered calls etc.¹ Of the 570 to whom the interviewers spoke, 150 (26%) refused, 20 (4%) were ineligible (for example, the owner-manager was not available; or the firm was no longer active), and 400 (70%) were successfully interviewed. The responses for men (297 achieved out of 5,920) and women (103 of 1,900) were both 5% of the original sample. There was no difference in refusal rates between men and women.

¹ These indicative figures were provided by Barclays and were rounded to the nearest ten.

The research team conducts a quarterly survey of SMEs which is performed with rigorous and robust sampling and administration standards. However, the telephone survey is best understood – and perhaps even criticised – in that it is based upon a sample of small firms that are customers of Barclays Bank, i.e. they have a business account which does not equate to having accessed finance (term loans etc) from the bank. Businesses are likely to have some formal banking relationship, so as a result it can be argued that the sample is not skewed so as to be unrepresentative. Furthermore, the Barclays research team adopted standard sampling techniques to ensure that the sample was representative of the population as a whole. The research team's objective was to achieve a representative sample of 400 completed interviews. The sample size, at 400, exceeds the number (386) required to achieve a statistically significant sample of the population.

The authors were provided with an anonymised SPSS data set (hence resolving any ethical issues of confidentiality or disclosure), which contained the responses from all 400 surveyed firms. They then analysed the data using descriptive statistics and cross-tabulations, in order to test the hypotheses and apply the conceptual model. The sample was large and varied enough to provide solid evidence of differences between entrepreneurs' sources of advice, finance constraints, and personal characteristics. The analysis was structured around each the two hypotheses identified above. Commentary on the results was written and finally conclusions and recommendations were identified and articulated.

4 Results and discussion

4.1 Use of external advice: gender, ethnicity and education

Hypothesis 1 proposed that owner-manager characteristics influenced the use of external advice.

Tables 1, 2 and 3 show the different sources of advice used by participants (374 of which responded to this question, though 15 refused to divulge their ethnicity), which are displayed by gender, ethnic group and education. First, the main sources of advice were accountants (38 per cent) and family and friends (30 per cent). Compared to these two main sources, only solicitors managed to break the 5 per cent barrier, but there were some considerable differences by ethnic group and education when it came to the choice of source of advice. Bennett and Robson (1999a) found over 80 per cent use of accountants, much higher than the 38 per cent reported here. Use of solicitors in their study was below 60 per cent, with business friends and relatives used by just under 40 per cent, whilst Business Link did not exceed 30 per cent (Bennett and Robson, 1999a). The two differences between our sample and that of Bennett and Robson (1999a) are that: first, theirs was composed of manufacturing and business services, whereas ours covered all sectors; and second, ours was restricted to enterprises that have bank accounts at Barclays Bank. Despite these structural variations in the two samples, both confirmed the predominance of accountants as a source of advice.

Table 1. Sources of advice by gender (percentage).

	Male	Female	All
BL/Enterprise Agency	11.8	21.4	14.4
Accountant	39.1	35.9	38.2
Solicitor	6.3	3.9	5.6
College Course	3.3	4.9	3.7
Startright Seminar	0.7	1.0	0.8
PYBT	1.1	0.0	0.8
Family/Friends	32.5	25.2	30.5
Other Sources	5.2	7.8	5.9
<i>N</i>	271	103	374

Table 1 illustrates that, in line with Robson et al (2008), men were slightly more likely (by 3 percentage points, within the statistical margin of error) to use accountants as a source of advice. However, men were more likely by 7 percentage points to use family and friends, while Barrett (1995) found no gender differences for family and friends. Men were more likely by just over 2 percentage points to use solicitors, which was confirmed by Barrett (1995), but the difference in our survey was too slight to be significant.

Women, however, were almost twice as likely to access external advice from Business Link and Enterprise Agencies (EAs), which is confirmed by Robson et al (2008). One explanation may be that the heightened policy emphasis upon women's entrepreneurship by the Government and support agencies has encouraged a greater proportion of women business-owners than their male counterparts to approach Business Link for advice – whether or not Business Link is the 'right' source of advice for women (given concerns about its effectiveness (National Audit Office, 2006; Richard et al, 2007; Richard, 2008)). However, there is some evidence that intensive support from Business Link has led to significant employment growth within firms (Mole et al, 2007). Although the level of Business Link advice use has been falling (according to Bennett and Robson, 2003), the majority of the UK firm stock is male-owned while the level of women's entrepreneurship is on an upwards trajectory (Carter et al, 2006).

Table 2 shows that family and friends was the main source of advice amongst Asians (confirmed by Basu (1998), Ram et al (2002), Whitehead et al (2006) and Fraser (2007)), but was less predominant for black business-owners. Accountants, on the other hand, were more important for black participants but less so for Asians. White entrepreneurs predominantly used Business Link, but BME business owners had low usage. Ram et al (2002) found very low levels of use of Business Link advice amongst South Asians. However, both Ram et al (2002) and Fraser (2007) found that African Caribbeans used Business Link much more than white entrepreneurs. Given that Dhaliwal and Adcroft (2005) and Dhaliwal (2006) emphasised the importance of understanding different ethnicities' diversity, it is important to differentiate between Asian and black participants.

Table 2. Sources of advice by ethnic group (percentage). Ethnicity was not disclosed in 15 cases.

	White	Asian	Black	Other*	All
BL/EA	16.5	8.0	9.1	10.3	14.2
Accountant	38.1	28.0	54.5	37.9	37.9
Solicitor	5.1	8.0	9.1	6.9	5.8
College Course	4.7	4.0	0.0	2.3	3.9
Startright Seminar	1.3	0.0	0.0	0.0	0.8
PYBT	0.8	4.0	0.0	0.0	0.8
Family/Friends	28.8	44.0	18.2	32.2	30.4
Other Sources	4.7	4.0	9.1	10.3	6.1
<i>N</i>	236	25	11	87	359

Graduates were most likely to use accountants, whilst they were low users of advice from family and friends and Business Links/EAs compared to those with lower education levels (Table 3). Those who are educated to A level were more likely to access advice from family and friends and Business Link/Enterprise Agencies, whilst those with trade/apprentice/technical qualifications were above average users of advice from family and friends and accountants but were amongst the lowest users of Business Link/Enterprise Agency advice. Those participants who were educated to O level/GCSE, on the other hand, were on a par with graduates in their use of accountants, and were also average users of Business Link/Enterprise Agencies and family and friends advice.

Table 3. Sources of advice by education level (percentage).

	O Level/ GCSE	A Level	First/Higher Degree	Prof/trade/ app/tech	Not known	All
BL/EA	14.8	19.1	13.3	13.0	11.3	14.4
Accountant	40.2	30.9	42.2	39.1	36.6	38.2
Solicitor	3.3	5.9	10.0	0.0	5.6	5.6
College Course	3.3	5.9	4.4	4.3	1.4	3.7
Startright Seminar	0.8	0.0	1.1	0.0	1.4	0.8
PYBT	0.0	0.0	1.1	0.0	2.8	0.8
Family/Friends	31.1	32.4	23.3	39.1	33.8	30.5
Other Sources	6.6	5.9	4.4	4.3	7.0	5.9
<i>N</i>	122	68	90	23	71	374

In summary, Hypothesis 1, ‘Gender, ethnicity and education will influence whether O-Ms use specific types of business advice’, is confirmed.

4.2 Using business advice and accessing external finance

The next step in this study was to test Hypothesis 2 (*‘Using external advice will have an association with accessing external finance’*) and to establish whether the gender, ethnic and educational variations and use of external advice, therefore, impinge upon these participants’ ability to raise external finance. This part of the study was highly exploratory and sought to elicit evidence of an *association* between the use of particular sources of advice, successfully accessing finance and the owner-manager characteristics underlying the choice of advice sources. We need to be cautious here about assigning causality to the use of sources of external advice, but the strong association suggests that this must be a major factor in reducing finance constraints.

Table 4 reports, for firms that used each of the types of advice shown down the left-hand side, what proportion of them experienced difficulties in raising finance (‘Yes’) and what proportion had no difficulty in raising loans (‘No’) of those who used each type of advice. These figures are not broken out into gender, ethnicity and education due to the lack of statistical significance of the small numbers involved therein. Although here we are only able to provide an association between use of external advice and raising loans, it would appear that firms that used external advice, particularly accountants and family and friends, were less likely to experience difficulties in raising loans. Both college courses and Startright Seminars had a 100% success rate, but given the small numbers of firms using these sources, this finding is less robust. However, with large numbers using sources such as accountants, there is evidence that obtaining external finance is associated with use of external advice. These findings provide some support for Hypothesis 2 but further detailed, in-depth research would be required to probe the mechanisms of association between using external advice and accessing external finance.

Table 4. Difficulty in raising loans (percentage).

	Yes	No	N = 100%
BL/Enterprise Agency	27	73	45
Accountant	20	80	128
Solicitor	12	88	17
College Course	0	100	12
Startright Seminar	0	100	3
PYBT	33	67	3
Family/Friends	19	81	106
Other Sources	25	75	20
<i>N</i>	65	269	334

5 Conclusion

At the outset, we said that we aimed to investigate the linkage between the use of external advice and access to finance for small and medium-sized enterprises (SMEs) in the UK, with particular consideration of gender differences (and to a lesser extent, ethnic and educational differences). In so doing, we were drawing from the theoretical positioning of trust in business advice (as explored in the work of Bennett and Robson e.g. 2004), market failures (Atherton et al, 2002) and discouraged borrowing (Kon and Storey, 2003). The conceptual model has enabled us to test, and validate, the hypothetical propositions that owner-manager characteristics influenced the use of external advice; and that using business advice has an association with accessing external finance.

Our survey found that accountants were the main sources of advice (38 per cent) followed by family and friends (30 per cent) and that men (39 per cent) and women (36 per cent) were almost equally likely to use accountants as sources of advice. However, men were more likely to use family and friends (possibly, as the literature suggests, due to men's higher level of access to social capital such as business networks (Carter, et al 2003; Carter and Shaw, 2006; Manolova et al, 2006; Heilbrunn, 2004)). Women were around twice as likely to access external advice from Business Link and Enterprise Agencies. In addition, women were slightly more likely to use college courses as

sources of advice, which could have been because of lower levels of human capital (Smith-Hunter, 2006) and a need to improve business knowledge. Therefore, it could be that, whilst fewer men are accessing Business Link advice, the increasing number of women entrepreneurs starting businesses is sustaining Business Link's current level of use.

Not surprisingly, family and friends was predominant amongst South Asian participants but the reverse was true for black business-owners, perhaps since South Asian entrepreneurship is more established and South Asians were more likely to know other business owners within their family and friends networks. Ethnic minority participants were considerably less likely to use Business Link/EAs. Meanwhile, graduates were most likely to use solicitors and accountants, whilst they were low users of advice from family and friends and Business Links/Enterprise Agencies. O level and A level educated participants predominantly used advice from family and friends and Business Link/EAs. These findings are broadly supported by other literature (Barrett, 1995; Basu, 1998; Bennett and Robson, 1999a; Ram et al, 2002; Whitehead et al, 2006; Fraser, 2007; Bennett, 2008; Robson et al, 2008). The conclusion here is that Business Link has started to make inroads into the African Caribbean community because of: (a) social capital: there are fewer existing entrepreneurs within African Caribbeans' social networks to give advice; and (b) gender: there may simply be more women entrepreneurs within this community. Notably, though, Business Link penetration into the South Asian communities has remained frustratingly low.

When we examined the variation between those who used particular sources of advice and whether or not they experienced difficulties raising loans, in all cases those who used advice were less likely to experience difficulties in raising finance. However, it could be argued that some sources of advice appeared to improve the success rate, such as solicitors, family and friends and accountants – whilst Business Links/Enterprise Agency use was not so successful. Therefore, those sources of advice which Bennett and Robson suggest engender more 'trust' amongst entrepreneurs are the very ones which appear to correlate with having fewer difficulties accessing finance.

In conclusion, it was clear from our findings that the ‘market’ continues to provide sources of external advice for businesses (principally, accountants and solicitors), and that for both women and men accountants were equally used – and Asians used accountants marginally more than white entrepreneurs. The use of accountants is clearly down to the trust paradigm in external advice suggested by Bennett and Robson (2004). Business Link or Enterprise Agencies were an even more important source of external advice for the women in our sample, but remained stubbornly low for ethnic minority entrepreneurs. Here, whilst women were most definitely engaging with Government backed sources of external advice, perhaps because they ‘trust’ the advisers, there may be a persistent case of discouraged advisees amongst many ethnic minority businesses? Ethnic minority entrepreneurs may not trust these agencies, possibly believing them insufficiently tailored to them or that they would provide inappropriate advice. We do not know this for certain, as it may be a failure of marketing or for any other number of reasons, but it suggests an avenue for future research.

Finally, to what extent are the Government backed sources of advice therefore intervening to prevent market failures (see Atherton et al, 2002) if they are failing to provide advice to sufficient numbers of ethnic minority businesses who still do not trust them or think they will receive meaningful advice? The private sector, i.e. accountants and solicitors, continue to provide external advice to those who are oft considered ‘disadvantaged groups’, such as women and ethnic minorities, and whilst the Government sources have high levels of take up amongst women (i.e. white women), why not so amongst ethnic minorities? We can only suggest further research to examine both the continuing low take up of Government backed business advice amongst ethnic minority businesses, as well as the link between the use of external advice and improved outcomes in accessing finance (as suggested in this study). The issue of low take up amongst ethnic minority businesses, though, remains a persistent and stubborn policy issue for the Government and perhaps for both its new Ethnic Minority Task Force and Small Business Panel to consider and hopefully address effectively in policy.

Does business advice and support make no difference to the ability to raise finance? Our problem here, though, is that we do not know what the original propositions looked like. It may well be that the reason that the ‘noes’ who had support did not have difficulty is because the support enabled them to borrow more easily than might otherwise have been the case. Could it be that the reason that the ‘yeses’ had difficulty is because they were poor propositions - and indeed it may have been the support that helped them raise the money even with difficulty. Business advisers promote the development of business plans (Deakins et al, 2000), as do many finance providers and enterprise educators. It has been suggested that formal ‘pre-start’ business planning can improve business survival (Castrogiovanni, 1996), and yet it has been observed that, “many of the most successful entrepreneurs ... never write a business plan at all ... The fact that journal articles do not satisfactorily answer a question as fundamental as whether or not to write a business plan shows that we are not focused on issues that are important for the practice of entrepreneurship” (Bygrave, 2007: 26). Future research on this theme ought to adopt more in-depth, qualitative methodologies in order to explore carefully the association between investment readiness (whether through business planning (Mason and Stark, 2004; Richbell et al, 2006) or other means), use of external advice, accessing finance; as well as the appropriateness of business plans (Bygrave, 2007). It is clear, as we observed in our previous paper (**ANONYMISED**), that we need to be reviewing the inputs as well as the outcomes if we are to determine discernible differences. Now that could be a very interesting piece of future research!

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