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# ***Foundations and Trends in Entrepreneurship***

## ***Advice to Entrepreneurs and Small Business***

### ***Abstract***

Concerns about the quality of business's management and productivity has increased the salience of advice for policymakers. For policymakers, possibilities exist to develop advisory services and improve business practices bringing wider benefits to the economy and society. For academics, the problem of advice has become more important as it relates to firm development. Major perspectives on advice have developed in isolation from each other, in particular the psychology of advice taking and the managerial and economic perspectives. Hence it may be time for a re-think. The appraisal will be timely, as it reviews the literature on advice to entrepreneurs and to small firm managers. Therefore, the objective of this paper is to review the literature on advice to entrepreneurs and small business managers. In order to take advantage of the iterative potential that different perspectives would bring, this narrative literature review will need to understand these through the eyes of the advice seekers and the context within which they operate. Having identified and defined advice, the paper discusses the different perspectives and the implications under five different headings that reflect the customer journey in the advice process from the initial 'attraction' to advice, to the implications for businesses of consistent advice-taking. Implication for future research are presented.

1. Introduction

Entrepreneurship is risky, with most enterprises ending in failure. Consequently, those who find success in entrepreneurship are asked for their advice for the next generation but above the aphorisms lurks a large industry of business advice both from the private sector and public support (Amezcuca et al. 2013, Cravo and Piza 2019). Government maintains a strong interest because advice can help develop the businesses that constitute the supply side of the economy. This review of the business advice literature outlines our understanding of a process that occurs in 90% of businesses but has varying effects. Around 9 out of 10 businesses take advice, predominantly before they begin trading (Bennett 2014, Rotger, Gørtz and Storey 2012), with an expectation that advice augments the business capabilities usually through improvements to the business management (Chrisman and McMullan 2004). However, the understanding of advice is often too narrowly conceived with the concept of advice as an input into the decision-making process rather than a more complex process (Strike, Michel and Kammerlander 2018, Ma, Kor and Seidl 2020). This narrative literature review presents a comprehensive background of the business advice literature. Whilst the narrative review takes a less formal approach than other types of literature review such as the systematic (e.g. Tranfield, Denyer and Smart 2003), this narrative literature review allows sources literature from a wide range of sources. Requiring a greater knowledge of the area the narrative literature review can help critically assess the approach taken in a topic area (Hart 2018). Drawing on the wide-ranging literatures on business advice from economics, psychology, management and sociology this narrative literature review considered advice as a five part process from seeking advice (attraction), the navigation of the market, the engagement with the adviser, the exit of the adviser and, finally, an extension.

This review focuses on the CEO advice taking process, generally concerned with strategic decisions (Arendt, Priem and Ndofofor 2005). The review examines the case where advisers provide strategic advice to the top management of the firm (Hjalmarsson and Johansson 2003). In addition, the review has relevance to the strategic entrepreneurship (e.g. Hitt et al.

2002) and the small business and management literatures (e.g. Storey and Greene 2010). Whilst incubators and accelerators include advisory processes (e.g. Cohen, Bingham and Hallen 2018), these lie outside the scope of the review. Also outside the scope is advice taken as part of equity investment in so-called ‘smart money’ (e.g. Wright, Robbie and Ennew 1997, Sorensen 2007). In addition, although the review mentions the influence of gender and ethnicity within sociological studies of advice the review does not do justice to the wide ranging issues emphasized by researchers studying ethnicity and gender (e.g. Robson, Jack and Freel 2008, Kremel 2016) The definition of advice used in the rest of the review derives from the strategic advice seeking literature (Alexiev et al. 2010, van Doorn, Heyden and Volberda 2016) to suggest

“Advice seeking...is defined as the pursuit of recommendations from others either inside or outside the organization on the best course of action to take when faced with important strategic decisions” (Alexiev et al. 2020 p2).

Whilst the recipient of the advice may be an SME manager, a business owner or a new firm founder, in the rest of the review we refer to the person as the entrepreneur. This captures the argument that those in the CEO position in a small firm may gain their position through the virtue of their endeavours to understand a market opportunity, not necessarily for their management capability (Hmieleski and Baron 2009, Nightingale and Coad 2013) .

The review suggests that the process of business advice could be divided into attraction, engagement, exit and extension. Far from being a simple input into the decision-making process, advice is a strategic, human process consisting of several stages (Ciampa 2006, Garvin and Margolis 2015). Essentially, this story concerns unfulfilled promise because pinch-points in the advisory process are overlooked and need to be rethought and considered more effectively in a more convincing of advice-taking.

The first section describes the different perspectives that have discussed business advice from economics, psychology, sociology and management and their different attentions to aspects of the topic. Next, the review turns to the attraction of advice and the reasons why entrepreneurs seek advice. Then, the review examines the navigation of the business advice market, subject to market failures (North et al. 2011, Storey 2003). Following, the review considers the engagement in the adviser-entrepreneur relationship. Thereafter, the review examines the impact of advice. The process completes by considering the extension to advice in terms of longer-term effects. Finally, the review considers what we know, what gaps exist and highlights controversies in business advice before concluding.

## ***2 Perspectives on Advice***

### ***a) Defining Advice***

The review distinguishes between advice and information. Advice and information to businesses generally involve external support from beyond the boundary of the firm, provided in various ways and delivered by a variety of providers (Sawang, Parker and Hine 2016). Advice implies some recommendation or suggestion for others, whilst the provision of information implies no such recommendation. Advice can be informally delivered in the normal run of events by friends, family and business associates (Heyden et al. 2013, McDonald and Westphal 2003, Vissa and Chacar 2009). On the other hand, professionals and consultants provide formal assistance, normally for payment. Advice can provide various types of information from generic codified knowledge such as information about government regulations and corporate taxation to highly context dependent, strategic advice using tacit knowledge (Chrisman and McMullan 2004). In turn, strategic advice, aiming to change the growth and development of the business (Alexiev et al. 2010), contrasts with transactional assistance, as information to support the day to day business operation, which encompass 'objective' operational services, independent of the relationship between the client and

service provider. Transformational advice encompasses ‘subjective’ strategic services dependent on the relationship between client and service provider (Hjalmarsson and Johansson 2003). In practice, external business support mixes both operational and strategic services because an initial contact between an entrepreneur and adviser might transfer codified knowledge, yet with interaction increasing trust and confidence, a more symmetric relationship involving tacit and contextualized knowledge may evolve (Mole, Hart and Roper 2014). Turner (1982) posits a hierarchy of eight consulting purposes with the improvement of organizational performance at the apex. Consequently, advice is a complex construct – a theme to which the paper will return.

### ***b) Major perspectives on advice***

Advice is of interest to many of the social sciences, consequently the topic crosses academic disciplinary boundaries. Economists are interested in the market for advice, including the extent to which businesses can value advice *ex ante* and the role that advisers might play to improve business performance (e.g. Storey 2003, Wren and Storey 2002). Psychologists are interested in the extent that advice might be sought and used under different cognitive and emotional conditions (e.g. Yaniv and Kleinberger 2000, Gino and Schweitzer 2008) Sociologists have interest in advice networks (e.g. Keller, Wong and Liou 2020, McDonald and Westphal 2003). Management scholars have interests in strategic decision-making, particularly the upper echelons decision-making unit (e.g. Heyden et al. 2013, van Doorn et al. 2016) and organizational sponsorship (Amezcuca et al. 2013).. Each discipline considers different aspects of advice, consequently bringing the findings together favours a holistic view, since most advice studies are commensurate, being within a functionalist perspective (Jennings, Perren and Carter 2005, Burrell and Morgan 1979). Combining insights from the disciplines therefore is a useful task to establish a foundation for future questions to improve our understanding and explanation of business advice. To begin, this section considers each of the major perspectives on advice in turn.

### ***i) Economic***

Within economics advice reflects traditional concerns about market efficacy. From an economists point of view advice is a factor of production; therefore, when advice is taken it ought to lead to greater output, and economists have assessed the impact of advice as a factor of production (e.g. Bennett and Robson 1999b, Cumming and Fischer 2012). In addition, a puzzle for the economic literature occurs because only a minority of entrepreneurs avail themselves of advice at any one time. If entrepreneurs are rational either advice is ineffective or possible market failures are present in the market for advice. The latter also justifies the near universal provision by government sources of business development services (BDS) as market failure and spillover effects justify government intervention (Hill 2005).

Market failure justifies intervention, with three main reasons for intervention identified in the literature. First, due to the presence of externalities, which are impacts on those who are not directly involved in the production, or consumption of a good. The classic example of externalities is pollution. The second issue is incomplete markets, where the private sector does not provide a complete service due to high risks, termed quasi-public goods with bridges being an example. The third issue concerns asymmetries in information (Akerlof 1970, Stiglitz and Weiss 1981), where two parties to an agreement have private knowledge concerning their abilities and the effort that they are willing to exert. Consequently, three questions justify intervention in the market for advice.

- (1) Is business advice a public good?
- (2) Is business advice an incomplete market?
- (3) Is business advice subject to information asymmetries?

We take each of these questions in turn. First, whether business advice has the attributes of a public good involving the presence of externalities and leading to non-excludability.

Certainly Storey (2003) suggested that ALMI, a network of advice centres in Sweden, operated with an implicit assumption that subsidised advice to small firms had a positive impact on those who *did not receive* it, through the creation of jobs. These spillover effects may be difficult to estimate and there is also displacement where the benefits of advice can lead to detrimental impacts on others, such as increases in employment in one firm being at the expense of another (e.g. Du and Vanino 2019). Therefore, it is unclear that business advice is a public good, although its impact might improve economic welfare.

However advice might exhibit qualities of a quasi-public good. Bennett (2008) argued that since almost all small firms use some sort of external expertise (such as accountants, lawyers, and bankers) this undermined any evidence of a supply-side failure in the business advice market. Of course, private sector advice is often facilitated through regulation: audit requirements drive the demand for accountancy advice, lawyers have a near monopoly of representation in the law courts, and banks are highly regulated. Moreover the type of advice that is being offered it is not always clear. Accountancy advice is likely to be finance based. Lawyers give legal advice but markets may be incomplete for strategic advice, where a business could benefit from outside assistance. In addition, transaction driven consultants have no incentive to tell potential clients their advice is superfluous (Sear and Agar 1996). Consequently, there may be an incomplete market for impartial diagnosis of advice needs for entrepreneurs (Turok and Raco 2000, Hjalmarsson and Johansson 2003).

Finally, market failure due to asymmetric information makes it difficult to ascertain the costs and benefits of advice (Lambrecht and Pirnay 2005, Storey 2003). Entrepreneurs might lack information for several reasons. First, advice and consultancy is an ‘experience’ good as opposed to a ‘search’ good (Nelson 1970). With a search good, such as clothing in a retail outlet, consumers can readily assess the quality before they buy; with an experience good quality can only be assessed *ex post*, although clothing may wear surprisingly quickly (Shy



1995). Nevertheless, making assessments of the benefits of advice and consultancy is difficult. Moreover, differences in the information between buyers and sellers of consultancy can prevent entrepreneurs from designing a contract to reward effort, as they would do if quality could be evaluated. This imposes an extra cost on the business in the form of the risk of inappropriate advice causing the business to undervalue its benefits. Consequently, entrepreneurs buy a sub-optimal amount of advice, delaying business development. In response to this market failure, Storey (2003) suggested a ‘taster’ of business advice might expose entrepreneurs to the advice market and in doing so this might lead the entrepreneur to learn to assess the quality of advice, but the evidence suggests entrepreneurs return to the same advisers (Kautonen et al. 2010). In addition, advice is often taken in response to a one-off event, although many programs attempt to develop strategic management processes. Consequently, asymmetric information is prevalent in the advice market.

In another twist to the market failure argument there is an alternative ‘second best’ view. Bannock and Peacock (1989) argue that business support for small firms offsets the higher cost of compliance with regulation (Chittenden, Kauser and Poutziouris 2005) although the reaction of SME managers to regulation is more complex than considering it simply as an extra cost (Kitching, Hart and Wilson 2015). Nonetheless this ‘second best’ argument is based on the idea that a countervailing policy can improve matters without necessarily reducing market failure (Lipsey and Lancaster 1956). Overall, the economics of business advice focuses on the particular attributes of the market for advice which lead to reductions in the demand for advice and in undervaluation of its effects by entrepreneurs, through partial market failure. How entrepreneurs deal with the partial market failure will be discussed in the later section on navigating the market.

### ***i) Psychology***

In contrast with the attention of the economics on the market for advice, psychologists have attended to the individual differences in the likelihood of accepting advice focusing both on the characteristics of advice-giver and the recipient and on the nature of tasks for which advice is offered. Many psychological studies of advice have focused on the interaction of ‘judges’ and ‘advisors’ under experimental conditions. Judge-advisor studies can be characterized by tasks where the final decision is assigned to one person, the judge, but where an advisor is asked to make a recommendation before the judge makes up their mind (e.g. Sniezek and Van Swol 2001). These studies control recommendations and tasks to manipulate one element, with subjects randomly assigned to groups that have the ‘treatment’. The advantage of such studies is the ability to vary the situation and study the impact on the degree to which advice is both sought and utilized. These studies have given a comprehensive understanding of the types of factors which impact on advice foremost among these being task complexity and the type of judgement required (e.g. Rader, Larrick and Soll 2017). One of the most robust findings in the judge-advisor studies is that most judges overweight their own opinions – which the literature calls ‘egocentric advice discounting’ (Yaniv 2004, Yaniv and Kleinberger 2000). The paper returns to these studies later.

## ***ii) Sociological***

The sociologically-influenced literature on advice tends to examine advice networks, making advice part of the social environment of the advice seeker. This literature underlines the flow of resources, knowledge and information through interpersonal networks (Borgatti and Cross 2003, Balkundi and Kilduff 2005). The literature inevitably emphasizes the inequitable access to information as it notes the levels of similarity in advice networks (McPherson, Smith-Lovin and Cook 2001). One of the arguments surrounding the social aspects of advice and advice networks is the role of ethnicity and gender. These issues go wider than simply advice, since they touch on the extent to which networks reflect society (Ram 1994). In the purely advice literature, the potential unequal access to public sources of

advice attracted attention (Ram and Smallbone 2003, Robson et al. 2008, Kremel 2016). The influence of similar others can aid but also constrain CEO's ability to respond strategically within their business (McDonald and Westphal 2003). This literature often speaks to whom the advice seeker turns to in the face of competitive pressures. In addition the literature highlights the differences between the organizational identity of the advice seeker (Lomi et al. 2014).

Since this literature perceives organizations in terms of networks, it can compare enablements and barriers to resource, knowledge, and information flow within organizations (Borgatti and Cross 2003, Kilduff and Krackhardt 2008) to those flows that cross organizational boundaries (Cross, Borgatti and Parker 2001). Three mechanisms link knowledge transfer and advice relations within organisations. First, the organization's business practices routinely enable advice ties which then blend different expertise and sources of knowledge to solve problems (Hansen 2002). Secondly, advice relations offer meta-information about where the knowledge resides with an organization (Cross et al. 2001) which facilitates rich information, often more than that required to solve a particular problem (Cross and Sproull 2004). Third, advice relations promote discussion and debate across organization units, divisions or functional areas, linking people (Hargadon and Sutton 1997, Tsai 2002) and enabling intraorganizational vicarious learning (Argote, Beckman and Epple 1990). Consequently, organizational routines create advice networks which then promote tacit knowledge flows through out the organization.

However, two main barriers hinder knowledge flows across organizational boundaries (Brown and Duguid 2000), even when individual and subunit performance may depend on these cross organization ties (Cummings and Cross 2003). Firstly, the lack of a common knowledge base including concepts and language constrains both the exchange of information and subsequent integration of ideas (Reagans and McEvily 2003). Secondly, local processes

of socialization create idiosyncratic local sub-cultures, since staff are hired locally (Dokko, Kane and Tortoriello 2014) their persistent socialization happens locally too (Weick 1993), making it difficult to incorporate dissimilar resources (Tortoriello and Krackhardt 2010). This literature highlights the flows of information between firms.

### ***iii) Managerial and strategic***

The different emphasis in the major social science disciplines are also reflected in different emphasis within the managerial literature. Four distinct types of literature fall under this heading highlighting the eclectic nature of the advice literature. Much of the earlier advice literature concerned with entrepreneurship and entrepreneurship training adopted a resource based view (Robson and Bennett 2000, Chrisman and McMullan 2004, Chrisman, McMullan and Hall 2005). Secondly, a literature has articulated that takes an organizational sponsorship view derived from the organization ecology and survival analysis (Hannan and Freeman 1977), suggesting public involvement in new organizations (e.g. Flynn 1993, Amezcua et al. 2013, Autio and Rannikko 2016). Thirdly, a stream of literature encompasses upper echelons theory to examine the characteristics of the management and advice including the advice network (Hambrick and Mason 1984) but adding the insight that advice networks augment the management (Arendt et al. 2005). Finally, a set of work around the specific family business context has developed which has emphasized the role of the ‘most trusted adviser’ as a benevolent Svengali-type figure within the business (Strike 2013). The section takes each of these managerial theories in turn beginning with the resource-based view.

#### ***Resource-based view***

The first managerial theory used by influential authors in the advice literature is the resource-based view of strategy, in a similar vein to the economic view advice is seen as an input to small firm strategy (e.g. Bennett and Robson 2004, Chrisman et al. 2005). In the RBV, business support is a ‘sticky’ resource not free to be shared or easily imitated in order

that the firm can appropriate its results to gain competitive advantage (Bennett and Robson 2004, Chrisman et al. 2005). If business advice is codified and openly accessed, in RBV terms it would be easy to imitate and therefore unlikely to deliver competitive advantage (Wernerfelt 1984). The implication of the RBV approach is to privilege face-to-face advice and the transfer of tacit knowledge (Griffiths, Boisot and Mole 1998). In addition face-to-face delivery of advice for strategic decision-making facilitates the co-production of knowledge (Rice 2002). The interaction between an adviser and the entrepreneur is two-way; advisers need to understand the motivations of the entrepreneur to influence their choices. Advisers who make outlandish suggestions undermine the confidence of entrepreneur (Mole 2016). In face-to-face meetings it is possible to develop a shared understanding of the situation facing the business. Formal face-to-face advice has another advantage in that it enables the business owner to respond to a challenge (Wright, Sturdy and Wylie 2012). The adviser therefore has to negotiate a balance between the more outlandish suggestion and a sycophantic agreement with the entrepreneur, neither of which enable the business to develop. Indeed McDonald and Westphal (2003) caution that peer networks of entrepreneurs do not challenge enough although they may spread 'how-to' knowledge. Advice can clearly be seen as a resource to the entrepreneur.

### ***Organizational sponsorship***

Whilst the resource-based view focuses on the particular resources for the entrepreneur, organizational sponsorship focuses on the resources in the environment from initiatives intended to support new businesses (Flynn 1993), defined as:

“attempts to mediate the relationship between new organizations and their environments by creating a resource-munificent context intended to increase survival rates among those organizations” (Amezcuca et al. 2013 :1628).

Organizational sponsorship buffers new resource-poor organizations to increase their ability to withstand the liability of newness (Stinchcombe 1965), further it may act as a bridge for new organizations to build relationships with existing organizations and resources, boosting social capital and networks (Birley 1985, Aldrich and Zimmer 1986, Shane and Stuart 2002). The buffering idea suggests organizational sponsorship prolongs the period in which a firm can undertake the necessary adjustments to develop its product and service. The bridging idea brings the new organization into the existing environment to attract resources and knowledge (Yli-Renko, Autio and Sapienza 2001). Business advice can be seen as part of the bridging element of organizational sponsorship. Furthermore, organizational sponsorship has been extended to consider the development of firm capabilities (Autio and Rannikko 2016), and advice is important in this regard also. Organizational sponsorship has contingencies particularly in founding environments. In situations with higher founding densities bridging policies to connect with potential collaborators are effective. In situations with lower founding densities organizational sponsorship is more effective when it attempts to connect new firms in the industry in what is termed field-building efforts (Amezcuca et al. 2013). This nascent research stream has begun to develop the notion of the circumstances under which particular organizational sponsorship can be effective including business incubation and grant-aid which is outside of this review (Jourdan and Kivleniece 2017, Breivik-Meyer, Arntzen-Nordqvist and Alsos forthcoming). Nonetheless, this represents an interesting angle for business support research, particularly in considering policies within context. .

### ***Upper Echelons Theory***

In contrast to the entrepreneurial context, other advice scholars focus on the internal firm management. A stream of work around the Erasmus School in Rotterdam has examined advice from an upper echelons perspective (Alexiev et al. 2010, Heyden et al. 2013, Van Doorn et al. 2013, van Doorn et al. 2016). This perspective emphasizes the background of the

management in the decisions made within the firm (Hambrick and Mason 1984); yet the attention in this literature has been on the influence of outsiders to the firm on the decisions through advice networks (Arendt et al. 2005), similar to the sociological literature referred to above, taking its cue from work such as McDonald and Westphal (2003, 2008). The research strand emphasizes the decision processes within the firm.

### ***Family Business advisers***

Also analysing the particular firm context is research which focuses on the family business. The role of advisers in family business has been studied as a distinct area with earlier studies focusing on the practical aspects and steps for family business advisers to navigate the hybridity of family and business hierarchies (Hilburt-Davis and Dyer 2003) and as a conduit between the research findings in the literature and the improvement of family firms (Reay, Pearson and Dyer 2013). The attention to the intricacies of the advice process through qualitative research techniques has produced a stream of research that emphasizes relationships, and which has yielded insights for the success of advice to non-family businesses.

This section outlined three major disciplines interested in advice and four approaches within management. The diversity of approaches to examining business advice emphasizes the multifaceted role nature of the advisory process. From examinations of the market, to the judge advisors studies, and advice networks through to the resource-based view, organizational sponsorship, upper echelons theory and family business, having shown the different approaches that are salient within the business advice literature the review now turns to the process of advice beginning with the attraction of advice.

### ***3 The demand for advice (attraction)***

This section examines the antecedents of the demand for advice on the part of the entrepreneur. A number of previous empirical studies have distinguished between the

characteristics of the users and non-users of external assistance. Most of these have focused on either various characteristics of the business itself (Heyden et al. 2013) or attributes/traits of the business owners-managers. However, comparison of their findings is made difficult by differences in the range of types of assistance covered, with some studies including both private and public providers, whilst others focus on a particular type of provider as well as differences in the scope of external assistance included (Cumming and Fischer 2012, Mole et al. 2011). Unsurprisingly given the methodological idiosyncrasies, there is a lack of consensus on the influence that a number of business and personal characteristics have on whether or not SMEs seek external assistance. Nonetheless, the review identifies three main explanations the capability gap, competitive benefits and barriers. The first element in the attractiveness of advice is a push from the challenges that the entrepreneur or CEO faces, labelled a capability gap which advice may help to fill.

### ***Capability gap***

The suggestion that the demand for advice depends on the challenges facing the entrepreneur implies an identified knowledge gap within the firm. To seek advice from others indicates some willingness to accept that others may have some knowledge or opinions that might help you to accomplish something. Similarly from a behavioural view (Cyert and March 1963) advice seeking can be a response to disappointing performance feedback. Essentially entrepreneurs have an aspirational level of performance. When the performance is attained or exceeded then businesses are fine but when the performance is below the target this triggers a problemistic search in an attempt to bridge the gap between the current and target performance (Greve 1998). Mole (2016) reported a comment from a niche construction firm manager: *We were looking to grow, but we got to a certain amount and we just felt a little bit stuck. We didn't know whether to take someone on in the office, or someone in selling ... so its just about getting a bit of a perspective on it.* Heyden et al., (2013) found relatively poor performance in large firms, which was not a threat to the firm's survival, such as when a



business hits a 'plateau', was related to taking advice from internal sources rather than external sources. Since the resource-based view of the firm suggests external assistance responds to the founder's lack of knowledge (Chrisman and McMullan 2000). External assistance can help overcome information and knowledge gaps, which Chrisman and McMullan (2004) suggest can exist in any one of four areas: know-why; know-what; know-how; and know-who. Information/ knowledge gaps may be particularly evident in the smallest and youngest businesses because of their resource and skills deficiencies, (Johnson, Webber and Thomas 2007). Also, given public support for pre-start ventures in 'guided preparation' (Chrisman and McMullan 2000, Rotger et al. 2012), younger firms might make greater use of public providers (Bennett and Robson 1999a). A research project examining entrepreneurs in three English counties found responses of 81.3 to 96% of the entrepreneurs interviewed had taken advice prior to start-up; opposed to 67% who had taken advice after the start of the business (Greene, Mole and Storey 2008).

The second key aspect related to whether or not an entrepreneur turns to external assistance will be *their confidence in their firm's ability* to successfully tackle the problems and challenges that the business faces. This is likely to depend on the gap they perceive between their internal resources (staffing, skills, finance etc.) and those required in order to achieve business objectives and/or tackle the problems faced (Chrisman et al. 2005). The more power is shared within the firm the less the need to search outside for informal advice (Alexiev, 2019), In laboratory studies, human participants who had their confidence undermined were more likely to take advice (Gino, Brooks and Schweitzer 2012). Conversely, greater confidence in one's judgement, reduces demand for advice (See et al. 2011), although whether one is actually more accurate or have better judgement is more debatable. Indeed See et al. (2011) posited that those who exhibit confidence tend to be overconfident; particularly when the same people considered themselves powerful (Tost,

Gino and Larrick 2012). Therefore, advice-seekers may have to first recognize the limitations of their knowledge.

The influence of advisers on the role of the new firm founder depends on several aspects associated with the 'technology' of the new firm (Stinchcombe 1983). New firm 'technology' depends on the extent to which activity cycles are routine within the business, the complexity and innovation embodied in the new firm, and the experience and skill of the new firm founder. When the new firm is a routine business such as a retail store for garments and where the new firm founder has retail experience then the demand for advice is relatively muted. Firms that use more complex technology are more likely to report a gap between internal resources and resources required (Johnson et al. 2007). In studies of potential founders of technology businesses advice was complementary to the entrepreneur's existing experience (Denoo, Belz and Yli-Renko 2017). The more innovative the new firm, with more complex tasks to accomplish, and with less experienced new firm founder(s) the more likely they will demand advisory services. Hence greater complexity is associated with advice seeking.

In addition, growth is seen as increasing the complexity surrounding business. Notwithstanding questions about the direction of causality (i.e. whether growth leads to seeking advice or whether advice stimulates growth), the findings are somewhat equivocal, reflecting methodological differences including how growth was measured. Using data relating to entrepreneurs' objectives rather than actual business performance, Johnson et al (2007) conclude that "growth orientation is a key factor that predisposes businesses to use external support". Using data relating to several business performance measures Robson and Bennett (2000), found that "the use of external advisors has surprisingly little relationship with each of the measures of growth: where it does it is chiefly for employment growth." On the other hand, in seeking transformational assistance, it has been argued that because of the

increasing turbulence of global markets and the pace of technological change, entrepreneurs are increasingly turning to the specialist expertise provided by consultants to respond to the pressures and take full advantage of new market opportunities available to them (Fincham 1999). Thus, more sophisticated businesses may be more likely to seek assistance. As businesses grow and become larger then they increase in complexity, which brings a greater range of support needs (e.g. in relation to employing people, international trading and financing) than the smallest businesses. Moreover these resource needs reflect *more complex decisions*, with *higher stakes* both of which have been linked with increasing demand for external advice in psychological studies (Gino et al. 2012, Gino and Moore 2007, Yaniv 2004, Brockner et al. 1984). Individuals act on advice more readily when the *task is difficult* (Gino and Moore 2007) and when the *advice is costly to obtain* (Gino 2008). Advice is rarely sought to solve routine tasks. In addition to having greater needs, larger businesses are more likely to be able to procure through the market and therefore more willing to pay for private sector assistance (Johnson et al. 2007).

External influences on seeking advice are sector and location. The *sector/business activity* that an SME is engaged in reflects the impact of different market environments on the support needs of SMEs (Heyden et al. 2013, Johnson et al. 2007). For example, Bennett and Robson (2003) found that the sectors making the least use of business assistance were mainly from the relatively traditional sectors with more stable technologies, whereas the higher-use sectors relate to those experiencing technological and organisational changes, such as publishing, the media, and business services (Heyden et al. 2013), and those affected by government regulations (e.g. food manufacture) made more use of assistance. This increased complexity of the businesses has yielded an information processing theory which suggests that increased complexity puts a greater cognitive load on the manager, because humans are ‘cognitive misers’ this leads to greater demands to share the cognitive load which can be done internally in the firm or externally through advice (Alexiev et al. 2020).

### ***Competitive benefits***

Given the resource-based view taken by advice researchers (e.g. Chrisman et al. 2005), Advice can be an input into the strategic management of the firm yielding competitive benefits. Bennett and Robson (2003) cite various leading authors on business growth and competitiveness (Penrose 1959, Teece, Pisano and Shuen 1997, Teece 1986) in arguing that external sources of advice increase strategic knowledge to increase the business's potential.

The competitive benefits of outside assistance may accrue to particular firms who can best use advice (Garvin and Margolis 2015). Firms can develop the capacity to absorb and make use of outside information (Cohen and Levinthal 1990, Zahra and George 2002). Advice is only useful when it can be actioned, even though external advisers may offer a broader perspective on the future business opportunities available (Alexiev et al. 2010) and to mediate sensemaking of changes in the environment (Vissa and Chacar 2009, Menon and Pfeffer 2003, Strike and Rerup 2015). In actioning advice, the entrepreneur's firm needs procedures and capabilities in place to implement new approaches, known as absorptive capacity. The firm's absorptive capacity consists of three elements. First, its ability to understand new knowledge provided by advisers. Second, the ability of the firm to assimilate the knowledge to amend the firm's processes and routines in the light of the new knowledge. Third, to be able to commercially exploit the new knowledge (Cohen and Levinthal 1990).

Absorptive capacity boosts the outcomes from advice because it allows the business to distinguish between the various potentially conflicting advice they may receive (Sah and Loewenstein 2015). In an assessment of top management teams, van Doorn, Heyden and Volberda (2016) highlighted the ability of the top management team to refine and assess the strands of advice as a precursor to the development of strategic decisions. The argument points to the tendency for managers to discount or ignore challenging advice which undermines existing pre-conceptions (Yaniv 2004). Taking advice requires managers to

interpret the external recommendations and integrate them with the existing strategies (Lane and Lubatkin 1998). Van Doorn, Heyden and Volberda (2016) found a significant moderating influence of absorptive capacity on advice suggesting those businesses taking advice with low levels of absorptive capacity did not reap the benefits. This echoes earlier work demonstrating that managers need to process new information in order to go beyond the existing state (Hambrick, Geletkanycz and Fredrickson 1993). This goes beyond simply having a more heterogeneous management, although that may have a positive impact too (Alexiev et al. 2010). The role of absorptive capacity is a possible explanation for the overwhelming evidence that better firms benefit more from business support programmes (Autio and Rannikko 2016).

### ***Barriers***

Another way to examine the assistance to entrepreneurs is to examine the reasons why advice is not sought, given the benefits that might accrue. This section considers the reasons businesses often put forward for not seeking advice. Evidence from a series of SME surveys conducted in the 1990s in the UK undertaken by the Centre for Business Research (CBR) indicates that the majority (around 95 per cent) of businesses made use of external assistance at some point (Bennett and Robson 2003, Robson and Bennett 1999), although at any one time only a minority of existing firms sought formal external assistance. Once they are trading, a large proportion of entrepreneurs do not use formal external assistance (McDonald and Westphal 2003, Johnson et al. 2007).

In the first instance, this may involve the knowledge and situation in the market for advice for several reasons. Entrepreneurs have insufficient information about the cost and availability of advice to inform their choice of adviser because of their smallness and limited market power (Bennett 2008). Second, even with a good awareness of information and advice, owner-managers doubt its value, because advice is an experience good with value

becoming clear after its purchase (Spence 1973). As has been shown in the section on economists and advice, entrepreneurs express concerns about the cost of expert advice, harboring doubts about its value for money, including the time needed to fully implement and benefit from the advice because of information asymmetries (Storey 2003); therefore the entrepreneur might 'price in risk' (Akerlof 1970), reducing the demand for advice compared with the yardstick of perfect information (Wren and Storey 2002).

Moreover, the advice market is also located geographically. Not only can some problems stem directly from a business's location where rural firms may have more limited market opportunities or difficulties recruiting skilled workers, but also urban firms are likely to have better access to both formal and informal networks of advice (Bennett and Smith 2002).

Another barrier to taking advice can be labelled various relationship concerns, since personal interaction between business owners and external advisers is integral to the advice process (Ramsden and Bennett 2005). An older debate investigates power imbalances and disparate 'world views' between advisers and owner-managers (Dyer and Ross 2007, Lean, Down and Sadler-Smith 1999, Bennett and Robson 2004, Mole 2002). Some owner-managers in the smallest firms may be unsure of their ability to deal with 'smart and sophisticated consultants' on equal terms. Moreover, a often invoked trope is the value small business owners place on independence and their distrust of 'outside' influences (Curran and Blackburn 2000, Edwards, Sengupta and Tsai 2010, De Vries 2000).

#### ***Confidence of decision maker***

Third, aspects of the individual decision-maker's internal state impact on her decision to act on advice such as the emotions of the decision-maker (Gino and Schweitzer 2008, Harvey and Fischer 1997). This is part of the judge-adviser strand of research that has introduced the concept of egocentric advice discounting, where people are likely to discount advice from others in favor of their own opinion (Yaniv and Kleinberger 2000, Yaniv 2004, Bonaccio and

Dalal 2006). Three elements are associated with greater advice discounting. First, when the decision maker feels optimistic that she would make a good decision; second, when the decision maker feels that she has the decision under control; and third, when the decision maker is confident about her own ability in the decision. High powered individuals are highly likely to have all three of these perceptions because power tends to produce a sense of optimism leading individuals to discount risks (Anderson and Galinsky 2006). High-powered individuals enlarge their perception of what they can control personally (Fast et al. 2012). Power increases an individual's confidence in their own opinion (Brinol et al. 2007). All in all, we would expect a high-powered individual to discount advice. On the other hand, individuals who have subjectively less power might discount advice from novices but take advice from experts and experienced advisors. Of course, we expect high-powered individuals to discount advice heavily; however, high-powered individuals also discounted advice from experts due to their confidence and also feelings of competitiveness between themselves and the experts (Tost et al. 2012). Powerful people compete with the greater expertise in the adviser!

In addition, power makes people overconfident with potential problems for performance (Fast et al. 2012). But are overconfident people more prevalent in positions of power or does the feeling of having power itself lead people to be overconfident in their decision-making? Using priming techniques to induce feelings of powerfulness, participants, were asked to recall incidents where they were in either powerful, weak or neutral conditions; researchers set out to find whether those primed for power were more confident about their answers to general knowledge questions. They were. The researchers tried with another different task to choose and assess the performance of hockey players. Same result. When the precision of a prediction was motivated by money the same outcome was present. Powerful participants lost more money! This result concerning power has clear implications for entrepreneurship.

On the other hand, feelings of anxiety might have detrimental effects on advice-taking too. Anxiety on the part of the recipient affects both the taking of advice and the ability to discern whether that advice is good (Gino et al. 2012). Gino, Brooks and Schweitzer (2012) studied state anxiety, a transient short-lived form of anxiety concerned with a situation that implies a threat. To trigger state anxiety researchers showed a section from a movie about a mountain accident. They then measured the attitudes of the participants to measure anxiety to find that 90% of participants in an anxiety condition sought advice; compared to 72% in the neutral condition. Anxiety reduced self-confidence and this reduction in confidence induced both greater advice seeking and greater advice taking. Anxious individuals remain very receptive to advice even when the adviser had a disclosed conflict of interest! Over eight experiments the researchers showed a robust relationship between anxieties and seeking and taking advice. Their model showed state anxiety to reduce self-confidence, which, in turn, increased advice seeking and at the same time left those taking advice to be less discriminating between good and poor advice. (Gino et al. 2012: 510)

### ***Relationships***

Making important decisions and solving essential problems often require people to adapt and change their opinions or solutions in response to suggestions or comments from colleagues, co-workers or customers (Gino 2008). In avoiding the problems of power one solution found in the literature is to make the process more co-operative (Tost et al. 2012). In making the advisory process one of co-production involves the relationships between the adviser and client which can act to facilitate advice (Rice 2002)

With the relationships comes an inevitable problem of trust. Within the economics literature the asymmetric information in the market for advice raises issues of moral hazard, including whether advisers can be trusted to provide impartial advice. Consultants driven by



transactions have an incentive to present their solution as the answer to any problem presented (Hjalmarsson and Johansson 2003). In extremis, the incentive to continue to supply advice can ruin a business. O'Shea and Madigan (1997) reported the example of consultants to Figgis Inc who worked so much with the firm and generated so much cost in fees eventually leading to its demise.

If the adviser can persuade the entrepreneur that they are trustworthy through their competence and warmth (Fiske and Dupree 2014), entrepreneurs may be properly concerned that advisers do not fully understand the needs of their business. An adviser will need to frame their advice in a way that the entrepreneur can recognise and act upon. Evidence shows a dosage effect to advice where 'managed brokerage' is seen as more effective with greater interaction, which produces more understanding of the firm (What works growth 2016, Mole et al. 2011). For example, Hader and Fischer (2008) found recommendations incorporated the adviser's risk preferences, rather than those of clients. Firms who use outside assistance for innovation gradually learn with whom they can best work (Roper, Love and Bonner 2017, Love, Roper and Vahter 2014).

The expanding research on advice towards family businesses highlights relationships for two reasons. First, because the top management team members are often restricted to family members, which can reduce human capital within the management team (Barbera and Hasso 2013). Second, because of the complexity of the dynamic between family, business and ownership (Reay et al. 2013). Advisers need to grapple with the subtleties of family relationships in addition to the tasks that they may advise on. Indeed recent work has examined advisers within the family itself (Naldi et al. 2015).

One way that the relationships and market might be overcome is through taking informal advice. Informal advice relies on managers' active networks including family and friends most important at the nascent pre-start time (Greene et al. 2008). Informal advice also may be

found from the business supply chain, customers and suppliers, who are greater sources of advice after the business has started (Greene et al. 2008).

However, informal advice is not distributed equally. Those with more social capital gain more knowledge from their peers, since studies of advice networks stress the similarity within peer networks (McPherson et al. 2001), although peer networks may offer advice even when they are competitors (Kuhn and Galloway 2013), and place-based effects maybe relevant (Bathelt, Malmberg and Maskell 2004).

### ***Supply of formal advice***

Sources of informal advice are augmented by the wide variety of suppliers of formal sources of advice. A 1990s study of entrepreneurship in three English counties demonstrated ‘most vital’ sources of advice before the business started were, in order: family and friends, customers, business contacts, A UK agency called Prince’s Trust, another UK agency called ‘Start-Right-in-Business followed by accountants (Greene et al. 2008). Consequently, entrepreneurs draw on a variety of sources of important sources of advice including informal, supply chain, and those providing organizational sponsorship such as the UK’s Prince’s Trust. A systematic review examined the support provision for entrepreneurs taking it as axiomatic that policy supports entrepreneurship as a development objective. The review contrasted the eagerness within public policy, with patchy empirical evidence showing effective entrepreneurship support (Ratinho et al. 2020). The lack of systematic approaches to entrepreneurship support is a perennial problem since in addition to the private sector a myriad of public sector agencies are supported with individually all very plausible rationales but collectively can generate the macro effect of a patchwork quilt of support (Audit Commission 1989). Consequently, there is a problem in navigating the advice market.

## ***4. Seeking advice Problem of navigating the market***

Having established a requirement for advice, the entrepreneur's first step into the advisory process is to procure that advice, by determining the appropriate adviser (Garvin and Margolis 2015). This was reported as the main reason why 17% of entrepreneurs did not take advice in a recent UK survey (Mole, North and Baldock 2017). One of the first steps towards advice as we saw could be through peer advice networks.

### ***Informal peer networks***

Entrepreneurs with greater numbers of network ties may access information concerning new routines or technology in a diffusion process, particularly if the network is open (Uzzi 1997). These advice networks reflect the social capital of the entrepreneur (Yli-Renko et al. 2001), with like-minded people working together (McDonald and Westphal 2010). Therefore, entrepreneurs' access to mentors is distributed unequally; moreover a "Matthew effect" exists where contacts accumulate in a process called preferential attachment (Perry-Smith and Mannucci 2017). Peer networks online have been shown to provide practical advice (Kuhn and Galloway 2015, Sarkar, Osiyevskyy and Hayes 2019, Brown and Butler 1995) but in contrast to preferential attachment, existing peer networks legacy-ties can constrain businesses from reaching new contacts (Hasan and Koning 2019). The sociological literature demonstrates the power of reciprocity in advice networks (Mirc and Parker 2020) and transitivity, where networks increase their density over time leading to 'small world networks'. With dense networks entrepreneurs can access a diversity in the networks matching different advice for different concerns perhaps even when developing a particular idea (Perry-Smith and Mannucci 2017). Two effects may operate with informal sources of advice: a substitution effect and an advice effect. The substitution effect may be informal advice as a competitor to formal sources of advice. This is often the default position taken in the entrepreneurship literature (McDonald and Westphal 2003). However, an alternative is an 'advice effect', when informal advice demonstrates the benefits external advice brings to the firm managers (Arendt et al. 2005, Edwards et al. 2010, Heyden et al. 2013). Empirical

evidence favours the ‘advice’ effect where informal advice provides a ‘stepping stone’ to formal sources of advice (Mole et al. 2009). Informal advice networks offer a way to take advice; however, informal advice may lack any challenge to the entrepreneur to improve on their performance, particularly for older entrepreneurs (McDonald and Westphal 2003, Newman et al. 2018). Consequently, evidence of referrals to the formal advisory services (see table 1) characterizes the relationship between informal and formal advice as complementary rather than competitive and informal advice can therefore act as a stepping stone to formal advisory services (Mole et al. 2009).

### ***Formal advice***

Engaging with formal advisory services from consultants, accountants and solicitors inevitably involves engaging with the market; however, this section of our evidence base needs improvement. Whilst innovation studies highlight external knowledge (e.g. Roper et al. 2017) little evidence exists for entrepreneurs, save for evaluation studies of publicly provided business support and government sponsored investigations. In business support many formal advice-takers responded to marketing materials see table 1 (Mole et al. 2008), which suggests some passivity on the entrepreneur’s part. Studies show entrepreneurs stick with their existing advisers which provides further evidence of market failure (Kautonen et al. 2010). Two reasons might account for ‘sticky advisers’: first, a sunk cost argument because of the costs associated with educating the adviser on the business complexities and context. Consequently, advice from the same adviser given to the firm will improve over time. Second, having found an adviser who provides an acceptable level of service the entrepreneurs stays with the person that they know because the search is so difficult (Kautonen et al. 2010). The second argument for the ‘stickiness’ of advisers indicates problems in navigating the advice market. On the other hand, the Internet provides an overabundance of advice sources. Nonetheless, from the entrepreneur’s viewpoint a website search involves a more proactive role for the entrepreneur who must self-diagnose their

issues, then pro-actively search for information. Little evidence exists concerning how entrepreneurs search for codified advice. First, the problem of assessing quality remains as much a problem online as it is face-to-face. Table 1 shows government website used as a source in part because it represented an impartial source. Second online search lacks challenge, even more so than advice networks. The entrepreneur must solely assess the information available; hence while the Internet has given more information for entrepreneurs, it is not a panacea.

**Table 1. Probit model of the probability of receiving ongoing assistance for a business advice organization**

Source of initial contact	Coefficient	t-Statistic	Marginal effects
Mailshots	1.570*	16.640	0.567
Website	1.227*	10.800	0.447
Referred by an adviser	1.175	4.500	0.383
Direct contact	0.911*	7.380	0.340
Referred by a friend	0.349	2.410	0.136
Constant	1.762*	8.540	
N	2136		
Log likelihood	-553.88		
Chi-squared	854.68		
Pseudo R2	0.6259		

Source: Adapted from Mole et al. (2008). Notes: Models also include, firm characteristics, management team composition and a set of 15 industry dummies (not reported); chi-squared statistics indicate that  $p < 0.0001$  in all models; marginal values are computed at variable means; marginals for dummy variables relate to the impact of a change from 0 to 1. \*Indicates a statistically significant difference at the 5% level.

***Relationships and the advice process (engagement)***

Effective advice depends on the relationships and advice process. We know from judge-adviser studies that participants invariably discount much advice, particularly when it is not sought (Fitzsimons and Lehmann 2004). Once the firm manager has sought their adviser, next the two must engage with each other. A trope in the literature contrasts the mindset of the entrepreneur with the more professional and bureaucratic constraints on the adviser (e.g. Guerrero, Herrera and Urbano 2019, de Wit-de Vries et al. 2019, Dyer and Ross 2007) This contrasting worldview argument represents a consistent theme in the literature to suggest barriers in developing rapport between adviser and client (Dyer and Ross 2007) investigated within literatures focusing on family businesses and public sector business advisers. Consequently this section focuses on the process and relationships within the advisory process.

Advisers may signal their expertise to catalyze action, including the purpose and characteristics of the adviser, with the advice of more *experienced and/or knowledgeable advisers* heeded more often (Yaniv 2004). When advisers communicate at an abstract level, they signal their expert reputation (Reyt 2016). Expertise is one of the aspects that in most cases increases implementation of advice. Evidence or even quasi-evidence of good advice helps also including *explanations* of advice. An adviser can increase the perceived quality of their advice by presenting the reasons for any recommendation that they make. Perceptions of the power to reward by the adviser can enhance the perceived quality of advice, with those who control resources proving more credible (Mole 2002). Advisers themselves need to signal the confidence in their advice with more confident advisers being heeded more often in experimental studies (Snizek and Van Swol 2001). Reputations matter in this environment.

Second, the characteristics of the task moderates whether entrepreneurs heed advice. When tasks have been studied in experiments task difficulty predicts whether individuals act it (Gino and Moore 2007). Advice within entrepreneurship focuses on

non-routine strategic decision making. In experimental studies individuals act on more costly advice (Gino 2008) but for entrepreneurs costs are prohibitive.

Beyond the cost and quality of the advice, suggestions concerning the adviser's role are made in the literature with the suggestion of a sounding board role (Hjalmarsson and Johansson 2003) and/or a co-production role (Rice 2002). In the sounding board role the adviser adopts a coaching perspective, asks challenging questions and offers alternative solutions (Hjalmarsson and Johansson 2003), which provides a strategic space where entrepreneurs can re-consider their routines (Jones et al. 2008). Similarly, Chrisman and McMullan (2000) argued for a counselor role because the ultimate goal should enhance the ability of the entrepreneur to perform the tasks required. This, they suggested, would be easier if the adviser themselves only aided the entrepreneur to accomplish the task in hand. The co-production of solutions requires advisers and entrepreneurs to share solutions (Rice 2002) but at base the entrepreneur must share their business problems. Researchers have examined the conditions under which this sharing of problems and information will be facilitated. The issues concern delivery mechanisms, trust and challenge.

### ***Delivery mechanisms***

In an attempt to compare the effectiveness of delivery mechanisms, Sawang et al (2016) examined three different approaches to programme delivery: collective learning, tailored learning and practice-based learning. The key to collective learning approach is social exchange. Many entrepreneurship trainers comment on the impact of a cohort on training, where some of the best learning takes place in the breaks between sessions as the training brings together entrepreneurs with similar issues. This approach emphasises the interactions that create relationships. In learning collectively, experiences are shared and group decision-making is emphasised (Hoban 1999) to create learning communities or communities of practice (Wenger 2000). Learning communities focus on action learning where groups of

learners examine relevant issues within the business, reflect on their practice, share ideas and provide feedback on others responses (Hoban 1999). Through interaction, learners can consider new alternative perspectives, observe the successes and failures of other firms, share difficulties and problems and learn vicariously to develop critical skills (Meyers 1991, Roglio 2009). Collective learning requires participants to share similar needs and share know-how (Sawang et al. 2016). Collective learning business support programmes often conflate training and business advice; yet there are examples of business support programmes that are not considered training but are conducted within groups. PLATO, for example is a programme that brings groups of entrepreneurs together with a lead facilitator from a large multinational firm and with a structured programme (Keogh 2018). Recent work has re-iterated the underlying premise of PLATO, in China monthly meetings between groups of ten firms significantly boosted performance, particularly when the groups had asymmetries of firm size i.e. smaller and larger firms as part of the same group (Cai and Szeidl 2018). Therefore collective learning approaches can foster critical learning (Sawang et al. 2016).

The tailored approach mirrors the distinction made by Hjalmarsson and Johansson (2003) between operational advice which may be quite generic such as the adoption and implementation of various management practices considered to be best practice (Collins and Smith 2006) versus strategic advice which offers a more bespoke service. Where operational services develop their objective prior to the encounter with the business, arguably with the adviser in the role of expert (Sawang et al. 2016); the strategic service invites the adviser to take on the role of strategic 'sounding board' (Hjalmarsson and Johansson 2003). A tailored approach addresses the specific needs of the business, with an understanding of the business context to produce specific, timely advice (Lundstrom and Stevenson 2006).

A practice based approach attempts to develop a reflective practitioner (Cunliffe 2004, Schön 1983). A practice-based approach encourages participants to evaluate their issues and



context, to understand how to apply any proposed solutions (Marsick 1988). Participants theoretical knowledge is allied to practical knowledge. In a practice-based approach the programme instructs on best practice, then participants reflect on the practices in the context of analysing their own business and implementing change in the business. These types of intervention with a practice based approach encourage innovation because businesses need a practical aspect to adopt new technology (Brown and Duguid 2000, Sawang et al. 2016).

Whilst these approaches use face-to-face advisory processes including some training, many countries and support agencies have taken to the digital online world with both websites and in some cases online business diagnostics. Since the entry to business support programs can often come through websites, the challenge of these types of support have yet to be fully investigated which is important to help us to understand how this approach to advice can help to improve SMEs. This is another area where there are research gaps.

Research has shown that the peer-to-peer learning can be accentuated and supported through online connections (Kuhn and Galloway 2015). Even those ostensibly in competitive relationships can sometimes be great sources of advice because they have a detailed, nuanced understanding of the marketplace; perhaps even better than marketing experts who may possess greater overall knowledge but lack the specific detailed understanding of the context. The study of online peer-to-peer networks showed one-in -three have received advice from someone they had never met in person and the use of online advisors was associated with business growth (Kuhn 2016).

### ***Trust***

The relationship between an adviser and the business that they advise is often ongoing (Kautonen et al. 2010) particularly so in the case of family business advisers (Strike 2013). A great deal of work has established the role of trust in the advice process. For advisors to be taken seriously and acted upon the advice must be perceived as trustworthy (Feng and

MacGeorge 2006). Some psychology work shows decision-makers often evaluate the specific behavior of the advisor to assess the trustworthiness of the advice, since quality of advice is difficult to assess (Bonaccio and Dalal 2010, Gino, Shang and Croson 2009).

A number of researchers have started to research the role of trusted advisers as part of the decision-making process within the firms and not only for family firms (Arendt et al. 2005). The role of accountants and tax practitioners and their repeat business with small firms is associated with trust and cautious competent advice (Tan, Braithwaite and Reinhart 2016). Psychological studies have shown that when task uncertainty is low individuals will solicit advice from similar others (McPherson et al. 2001). Moreover experimental participants discount advice when they have difficulty trusting the source (Bonaccio and Dalal 2010).

Once an owner-manager has searched out advice they have another decision concerning whether to decide to act upon it. Most strategic decisions are often decided after consulting with others, with confidants, spouses and colleagues. Indeed some argue that the key decision-making unit in a small to medium sized firm combines the CEO with her advisers (Arendt et al. 2005). The tendency towards discounting others advice is a key finding from the judge advisor studies (Bonaccio and Dalal 2006). Accordingly, there is interest in the factors that encourage people to heed advice including rapport.

Building rapport between the adviser and entrepreneur is critical to the subsequent action. As in previous section the role of trust matters. In Mole (2016) one manager commented on the difference between two different advisers.

“...he understood that; think he may have been a bit more from that background or something, I don't know. We found him a lot more flexible I suppose. Whereas the other person, as nice enough as she was, if we tried to move an appointment, she seemed to think we were quite rude or unprofessional. So it took us a while to find the right person.”

A study bringing entrepreneurs and creative practitioners together found common attitudes predicted the rapport in the relationship (Bakhshi et al. 2015). The relationships were important because as the advisers gain more understanding of the business and the owner-manager they start to realize what might be reasonable for the owner-manager. Advice is more readily received from advisers who understand the firm. Family business advisers have a greater impact when they are 'embedded' in the firm (Barbera and Hasso 2013). Moreover, when advisers challenge their clients, they must maintain extreme politeness according to advice response theory (Feng and Feng 2013). Once again, advisers tread a tightrope between building rapport on the one hand and challenging the client to do better, after all without any challenge the role of the advisor become one of a supporter (Wright et al. 2012, Newman et al. 2018).

As the relationship between owner-manager and adviser develops not only does it enable the adviser to work more effectively it also bring in other dynamics that reinforce the likelihood of the owner-manager acting on the advice given. One process an entrepreneur labelled accountability (Mole 2016) and explained it thus:

“Accountability, yes, giving us some targets for different areas of the business... for the staff to work to. So you know, we are always looking for improvements. So the next time he comes in we've looked to have cleared up or discussed and finalised what we talked about last time. So every time I get him to come here, every time to my mind it is another step forward the business has made.”

In addition to the relationship, other aspects may reinforce implementation including psychological ownership, the nature of the recommendation and the capability of the business.

The psychological ownership of the advice can be a factor. Baer and Brown (2012) found simply the ability to name someone else's idea engenders psychological ownership. Thus an action plan jointly developed by adviser and entrepreneur which is named by the entrepreneur makes implementation more likely. One other implication of psychological ownership given entrepreneur's psychological ownership of their businesses are expected to be extremely strong since the entrepreneur's business and their identity are intertwined (Miller and Wesley 2010, Down and Reveley 2004). In consequence a business perceived to be failing can be very psychologically threatening to its entrepreneur, which potentially creates rigid behaviour (Staw, Sandelands and Dutton 1981). Businesses most in peril may be the most reluctant to seek help.

Another effect concerns whether the advice would add or subtract from business activities (Baer and Brown 2012). Advice that builds on one's business to expand it or to increase the reach of the business is seen as attractive and more likely to be accepted, advice such as suggestions to develop new products or develop new markets. When people are heavily invested in a business they are well disposed to taking *additive* advice which augments their business. On the other hand, advice that is likely to incur a sense of diminishing a business is quite likely to be disregarded. So, imagine the adviser who suggests the business reduces its emphasis in one market. It is quite likely that this suggestion be ignored.

Finally, in this section greater implementation of advice depends on the capability of the entrepreneur and their business. Firstly, the entrepreneurs ability to implement new processes and procedures may enable the business to take advantage of advice consistent with better and slightly larger firms being more likely to take advice (e.g. Alexiev et al. 2010, Cumming, Fischer and Peridis 2015, Cumming and Fischer 2012). An evaluation of a government program of advice concluded those who benefited more had a "management and organisational structure more conducive to absorbing and making use of external advice"

(Mole et al. 2008:331). In other words firms may need to develop the capability to benefit more from advice, to be ‘advice-ready’, which may focus on the firm’s leadership team (Koryak et al. 2015). Secondly, advice in challenging pre-conceptions can be heavily discounted by entrepreneurs (Yaniv 2004); yet effective advice must challenge the entrepreneur (McDonald et al. 2008). Consequently, the entrepreneur needs an ability to synthesize the challenges from advice with the existing routines and consider which to implement (van Doorn et al. 2016).

**Table 2 Boosting and inhibiting advice taking**

<b>Factors that boost advice taking</b>	<b>Factors that inhibit advice taking</b>
Expert power of advisers (Mole 2002)	Confidence in your task knowledge
Reward power of advisers (Mole 2002)	A judgment (such as % increase in the stock market index) rather than a choice (leave a job/stay in a job)
Evidence that the advice is good by either experience or by explanation (Bonaccio and Dalal 2006)	Routine decisions
More confidence expressed by advisers in their decisions	Personality i.e. low in conscientiousness
Face-to-face advice (Hedlund et al 1998)	Being offered unsolicited advice
Greater understanding of the firm (Barbera and Hasso 2013)	
Anxiety on the part of the recipient (Gino et al. 2012)	
Implementation capability (van Doorn et al. 2016)	

### **5. What is the effect of advice (exit)**

Evidence on the effectiveness of business advice varies leading some to question its real causal impacts on those businesses supported. Studies show evidence of benefits in the literature (e.g. Chrisman and McMullan 2000, Chrisman and McMullan 2004, Chrisman et al. 2005, Cumming and Fischer 2012, Cumming et al. 2015, Drews and Hart 2015, Martinez-Covarrubias, Lenihan and Hart 2017, Roper et al. 2001, Rotger et al. 2012, Wren and Storey

2002). In addition evidence supports a greater outcome from more intensive assistance, which disproportionately boosted the number of jobs created by the firms even accounting for its greater cost (Mole et al. 2011, Barbera and Hasso 2013, Cumming and Fischer 2012). Kusters and Obschonka (2011) measured program intensity in terms of the repeated contact between advisor and client. The must-trusted advisor work suggests more intensive adviser-client interactions improve the quality of advice (Strike and Rerup 2015).

Despite this evidence there are more sceptical viewpoints which need to be addressed particularly given the public support for advice and business development services in general. The first point made by the sceptic view of business advice concerns those who select into business advice programs. The firms seeking and availing themselves of business support do not constitute a random sample of the firm population. Benefits from business support, therefore may accrue because of the firm capabilities rather than the business support. Commentators from the University of Sussex in the UK argue better controls within the study lower the significance of the findings from business advice. Generally, this amounts to saying that business support policy encourages better businesses. Consequently, associative relationships exist between SME growth and support (Johnson et al. 2007). Other associations found in the literature include innovation and export record (Bennett and Robson 2003) and where the firms have absorptive capacity (Mole et al. 2008, van Doorn et al. 2016).

Assessments of business advice must account for selection in making any causal claims as to its effectiveness. In the UK the 'What Works Centre' highlighted good impact evaluation through an adaption of the Maryland scale (see Madaleno and Waights 2018), based on the classic book on quasi-experimentation by Cook and Campbell (1979). Good impact evaluation constructs a control group to match the treatment group so well that only the treatment differs between the two groups therefore differences can be attributed to this treatment.

Studies that control for selection bias do show positive impacts but the positive effects vary from study to study. The good studies the ‘what works centre’ identified suggest business advice positively impacts on at least one business outcome in 17 out of 23 evaluation studies, advice programmes show consistently better results for productivity and output than for employment, with mixed results for profits and exports, and that a ‘managed brokerage’ model performs better than a light touch delivery model (What works growth 2016).

However, the sceptic view might still question whether these studies are consistent with the business advice effectiveness due to the academic publication bias. Since journals want to publish positive results and academics publish or perish, researchers search for positive results and ignore negative results. If a dataset and analysis shows a positive effect from turnover but none for employment researchers will report the positive effect on turnover, although the research paper might concede the negative results also. Given a cornucopia of studies and datasets collected with only the positive results ever seeing the light; moreover, a positive effect is the case when we would expect it only 5% of the time. Hence with enough datasets collected many studies will report positive effects even when no ‘real’ impacts occur from a treatment. Under these circumstances the 17 out of 23 studies producing various positive impacts could conceivably be consistent with no impact from business advice. Since the outcomes are mixed having studies indicate their outcomes that they want to test before they analyse the study data as in some RCT studies would be recommended.

***However, it is possible to assess the amount of publication bias.***

In a Campbell Review of business support in developing countries, which also included matched funding, Piza et al (2016) produce a funnel plot to try to estimate the extent of publication bias. A funnel plot is a scatter plot of the outcome on the horizontal axis with precision on the vertical axis (such as sample size) a random scattering within the funnel indicates little bias (Light and Pillemer 1984). An Egger test analyses the funnel plot. Piza et

al (2016) suggesting publication bias effects for employment creation but not for other firm performance measures. Their review concludes that “Overall SME support has a positive impact on various measures of firm performance, but with some caveats.” (Piza et al. 2016 p.7). In another systematic review, Brody et al. (2015) found business and training courses boost the effects of self-help groups on women’s empowerment. In addition, systematic reviews suggest that SME interventions yield superior results in larger SMEs (Piza et al. 2016, Grimm and Paffhausen 2013). Further in developing countries, where firms face an array of constraints recommendations support a ‘big push’ (Piza et al. 2016) consistent with managed brokerage benefits from business advisory programmes (Mole et al. 2011, What works growth 2016).

Another solution is to develop more randomised control trials as a robust way to control for unobservables and at the same time to pre-register the outcome measure that the RCT is supposed to test. A truly random allocation within a randomised controlled trial should control for differences between the groups (see Madaleno and Waights 2018). With pre-registering the outcome formulation stops cherry-picking the outcome if the study finds positive turnover per person but no employment effects and the study tested for employment than it should report negative results.

Some randomised controlled trials have tested business advice, often in less developed countries, finding positive effects of changes in business practices across smaller firms (McKenzie and Woodruff 2017). In India, Bloom et al (2013) showed teaching comparatively rudimentary management practices to large textile firms boosted productivity. In Togo, teaching women entrepreneurs personal development skills was found to be more beneficial than traditional management training (Campos et al. 2017). In the Dominican Republic Drexler et al (2014) compared accountancy training for managers comparing ‘normal’ accountancy training with a more heuristic rules-of-thumb approach. Overall, McKenzie and



Woodruff (2014) suggest a positive although relatively modest impact of business advice – of course the cost of soft training is also relatively modest, particularly in comparison with financial programmes.

Although randomised control trials themselves can be problematic (Madaleno and Waights 2018). Contamination can occur within the programs, particularly in the developed world with perceptions of market failures in the demand for services, because the supply of alternatives is available. It might be possible to randomly allocate the supply of a programme but impossible to prevent the ‘control’ group members from seeking alternative methods to achieve the same objectives, particularly when their interest might have been piqued by an invitation to join a program. Secondly, whilst the RCT deals with internal validity the external validity is weaker. An RCT shows an impact in one context; yet even with field trials findings may not always translate to other contexts. Experimenting on humans who attach meanings to events muddies the water concerning how a program worked in the first place. Experiments in crime prevention have shown that what works in one context fails in another (Hope 1999). Tracey and Jarvis (2007) report how a franchised social enterprise worked in the original place but failed when it transferred to other cities. Perhaps more importantly the studies must pointing to mechanisms, the reasons why the programmes work, their theory of change (Parker and Hine 2015). More studies need to explain the program implementation because this may have a large impact on the outcomes (Piza et al. 2016).

Whilst evaluations typically focus on internal validity and whether programmes work, they can overlook the links in the causal chain; for example Cumming, Fischer and Peridis (2015) showed how publicly supported export promotion programmes increased the firm’s capabilities in internationalization. Attention may concern the ability of the firm to use the advice (Okhuysen and Eisenhardt 2002, van Doorn et al. 2016). Middle range theory is required (Hedström and Ylikoski 2010) where the programme logic can be tested. In this we

might need to look at a wider range of evidence including qualitative work to understand the mechanisms that surround the use of information and support.

In that respect what do we know about business support. First, those firms that avail themselves of business support and advice generally perform better than the average (Johnson et al. 2007). Second, the benefits of advice depends on the firm's ability to absorb new ideas and implement change (Okhuysen and Eisenhardt 2002, van Doorn et al. 2016). Third, market failures tend not be on the supply side but on the demand for advice (Mole et al. 2017). Fourth, in-depth interventions with a 'dosage effect' can boost the often modest impacts from business advice (Mole et al. 2011, Piza et al. 2016). External advisers need to challenge the entrepreneur (Wright et al. 2012) and provide a strategic space where entrepreneurs can re-consider their routines (Jones et al. 2008). Fifth, advice and support as an input into the business must be translated into various impacts through a complex process, much of which remains relatively undertheorised and underexplored. In some cases, business advice can be successfully transferred enhancing human capital but the vagaries of the context can inhibit any performance impacts. More than simply developing the theory of change (Piza et al. 2016), this calls for more research that takes a more configurational approach to the understanding of business advice (Santos and Eisenhardt 2005).

Nonetheless in economic terms business advice impact is positive but needs greater explanation and theorising, with some notion of a stages approach as taken in this review.

### ***Social impact***

How does the business advice make a social impact. Business advice is generally aimed at the leaders of organizations and its impact of advice strengthens bonds as in bonding social capital, shown by businesses return to particular advisers, which culminates in role of the most trusted adviser (Strike 2013, Kautonen et al. 2010).

The social impact of advice has largely been overlooked; yet taking and receiving advice produces social impacts. Two literatures speak to these social benefits, the social network literature and the psychological literature. The social network literature suggests people centrally embedded in their advice networks benefit from increased information, knowledge and resources but are also increasingly influenced (Bruning 2018). Obligations exist from occupying these types of positions that constrain agency from Simmelian ties, constraining as well as enabling the agent (Tortoriello and Krackhardt 2010). Nonetheless, central network positions and having one's advice sought boosts one's reputation socially (Rader et al. 2017); moreover advice receivers do not necessarily incur social costs rather this depends on the type of task and from whom people seek advice (Brooks 2015). Older entrepreneurs tend to seek advice for more social reasons (Newman et al. 2018). Work on cultural differences in advice seeking behavior suggest that East Asians display a higher level of concern with the relationship in whom they seek advice, with increasing perceived closeness between the advice seeker and advice giver (Ji 2017).

The psychological work on advice seeking suggests emotional reasons for seeking advice including anxiety (Gino et al. 2012). Advice given to those thinking of starting businesses responds to a lack of confidence in their knowledge or capabilities (Chrisman et al. 2005). Consequently, reduced anxiety may result from advice. Advice can increase confidence. Family businesses who had multiple advisers reported increased confidence in their businesses decisions (Strike 2013); moreover, multiple advisers agreement on a solution boosted the confidence of advisers in making their recommendations (Su and Dou 2013). As we have seen in the judge-adviser studies confidence can be transferred from adviser to client.

In a similar theme, advice networks can boost the psychological capital of the recipient (Newman et al. 2018). Work by Luthans and others developed a measure of psychological capital which combines hope, efficacy, resilience, and optimism (Luthans, Youssef and

Avolio 2007). In highly stressful situations such as entrepreneurship, psychological capital reduces stress, especially for older entrepreneurs (Newman et al. 2018); moreover, entrepreneurs' psychological capital positively relates to new venture performance, especially in dynamic industry environments (Walumbwa et al. 2010, Hmieleski and Carr 2008).

The researchers themselves argue that the motives for accepting advice need to be better understood. Motives may include developing relationships as in the social network aspect of advice giving and receiving, to build a network of support and create trusted advisers, to whom the business returns for advice (Reay et al. 2013, Strike 2013, Kautonen et al. 2010).

In summary, business advice produces three types of benefits. Firstly, the economic, which may take time to bear fruit and which may be absorbed more readily by companies possessing greater initial capabilities. Secondly, the subjective including confidence building and psychological benefits of advice. Social and psychological benefits from access to advice can protect the business from shocks and help the managers to develop both themselves as leaders and their businesses. Therefore, the value of advice can differ from entrepreneur to entrepreneur making its valuation subjective and opaque. Experimenters can prime recipients to value advice more highly through emphasizing the future rather than focusing on the past (Godek and Murray 2008).

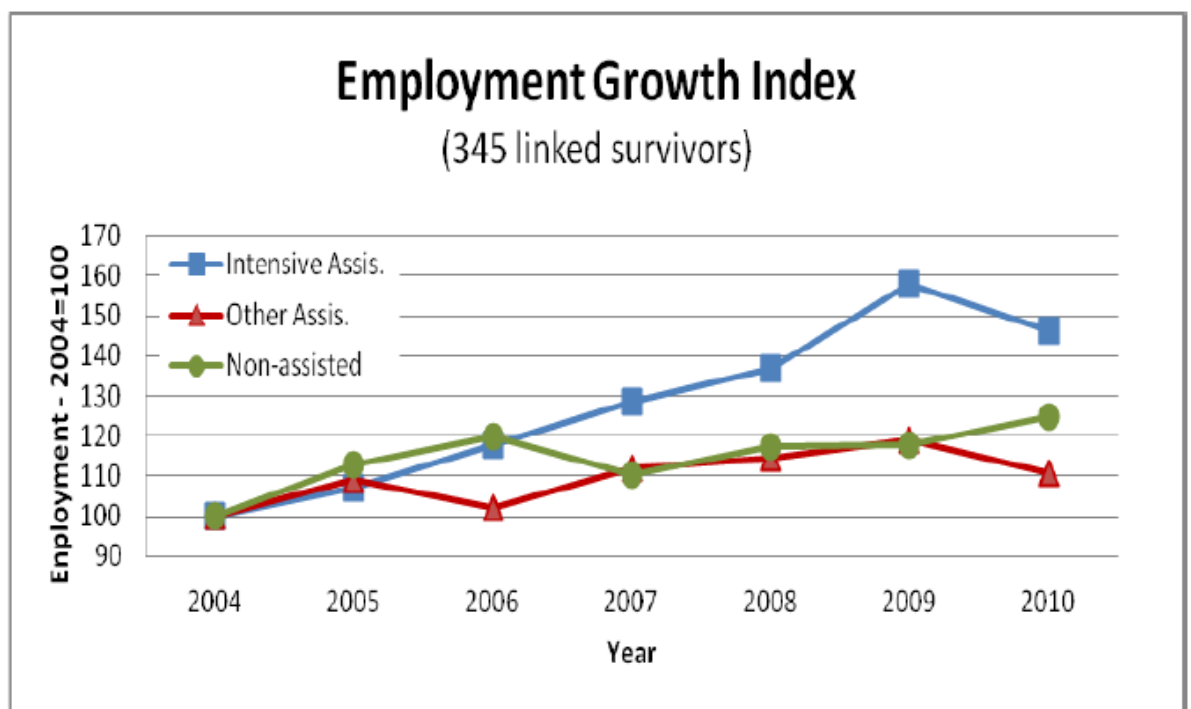
### ***6. How does the advice process change businesses (extension)***

If we can understand the reasons why people take advice and why they act on it we also want to understand more about the results of assistance. In discussing the longer-term benefits of external assistance, Kuhn and Galloway (2013) call for qualitative data to provide "A more nuanced assessment of the content of the soft support that small business owners seek and receive, rather than just classifications of the broad types of advisors or public sector

programs they consult, will be useful in determining when and how external assistance can be beneficial “ (Kuhn and Galloway 2013: 21-22). This highlights a research gap in the extension or longer term impact of advisory services on the business; nonetheless the little research available points to some tentative findings.

When advice develops the leadership team, it may shift the trajectory of the firm (Parker and Hine 2015). Matched comparisons of the assessment of business support in England demonstrated cumulative increases. An intensive assistance intervention in 2003 yielded its highest measured impact for the time periods to 2009 and 2010, six to seven years later, boosting the employment rate by about 24.5 percentage points (Drews and Hart 2015).

**Figure 1 Greater long run employment boost from intensive advice**



Source: Drews & Hart (2015)

The process of taking advice can lead to several extensions to shift the trajectory of firms (Vestal and Guidice 2019). As well as the confidence from outsider support, the expectation

of wider information associates with a more proactive approach to business development (van Doorn et al. 2016). Moreover, embedding a routine of reflection and priority setting can boost long-term performance. The entrepreneur's priorities and attention influence firm performance enormously (Ocasio 1997). Respondents to business survey repeat the point that advice enables time for reflection on the business consistent with previous work concerning the role of advice as a strategic sounding board (Mole and Keogh 2009, Hjalmarsson and Johansson 2003, Jones et al. 2008). Anecdotal evidence points to advice taking promoting a realization of the value of advice networks and an investment in their development. Consequently, advice may create behavioral change and guide attention culminating in the creation of more informal advisory groups.

### ***7. Reflections on the future of studies of business advice***

Taking stock of the advice literature this section explores what is known about business advice, where gaps in our knowledge exist and where controversies abound (see table 3). The section begins with what is known taken under the sections in the paper from the antecedence (attraction) of advice all the way to how advice extends the business operations.

#### ***What we know***

Several perspectives contribute to the antecedents of advice (attraction) including the psychological, the economic and management. Entrepreneurs take advice when they face nonroutine, complex decisions. The performance expectation and the challenges of both capability development and changes in the business environment fuel a demand for advice, although the poorest businesses do not take most advice since they may exhibit lower expectations and capability development. An 'organization development gap' exists where high expectations and attempts to develop capabilities exceed the perceived capability of the entrepreneur, as in an 'information-processing' theory of advice (Alexiev et al. 2020). Consequently, the attitudes of the entrepreneurs play a significant part with entrepreneurs

exhibiting greater confidence in their abilities and perceived power eschewing advice.

Entrepreneurs cite a number of barriers to advice-taking including market knowledge, and the uncertainty surrounding relationships evident in the advisory process leading to fewer firms taking advice than might be expected.

How entrepreneurs navigate the market is less understood. Access to the formal advisory services may depend on informal advice, which can often act as a stepping stone to the formal market as entrepreneurs realize benefits from their advice networks. Entrepreneurs tend to 'stick with' formal advisers indicating some market failure as entrepreneurs lack information concerning the most appropriate advice, rather like using a general builder who is known rather than a roofer to fix a leaky roof. Program evaluations paint a rather passive view of entrepreneurs' engagement with the advice market as marketing literature indicates a latent demand for advice. The Internet provides massively greater codified information knowledge and learning for entrepreneurs but no greater clarity in the market for advice. In addition, Internet searches favor those who can self-diagnose their team and business effectively. Overall, therefore navigating the market for advice remains underexplained.

We know more about the relationships between adviser and client. Potential tensions exist between the professionalism of the adviser and the sometimes more informal management style of the entrepreneur. Advisers need to signal their expertise for entrepreneurs to accept their suggestions. Trust is paramount. Greater experience of the business enables advisers to suggest appropriate support, including challenges to the existing business operations. The emotions, attitudes and states of the entrepreneur may reduce the ability to assess advice.

Although advice can improve business performance, its association with better businesses demonstrates selection effects. Controversy continues concerning the public support for business advice. Outcomes from advice depend on context and varying mechanisms making it

difficult to posit a consistent impact. The search for moderation effects such as absorptive capacity will help to understand advice's impact.

The impact of advice may be long term as decisions changes the firm's trajectory perhaps due to reflection and routines or greater use of networks for advice and support.

Overall our knowledge of advice around attraction and engagement appears stronger than our knowledge around navigating the market. The attitudes of recipients and nature of tasks where advice is valued is strongly evidenced in the literature. The impact of advice may vary from firm to firm because of the human influences, because of the different context, and because of the different capabilities and challenges the firm faces. Some knowledge demonstrates the barriers to taking advice and a large literature exists on advice networks.

### **Gaps**

Many gaps remain in our knowledge of business advice. First, much of the research considers business advice as a single input yet thinking about advice as a dynamic process can aid our understanding (e.g. Strike et al. 2018, Rader et al. 2017). The motives of advice-seekers need greater clarity including whether entrepreneurs frame advice positively or negatively. In addition, entrepreneurs may access multiple, potentially conflicting sources of advice. How entrepreneurs deal with this position, which is often the case within incubators is not well known (although see Sah and Loewenstein 2015). We know very little about how entrepreneurs search for advice. Theoretical differences between the power of advisers lack empirical testing. Whilst researchers reveal market failures in the market for advice, we lack knowledge concerning entrepreneur's methods to navigate this market, including the role of branding, franchising and pricing in the advice market. Few studies examine the sources of information for entrepreneurs (Alhassan and Van Belle 2019, Chiware and Dick 2008, Jorosi 2006). The role of signals in both the market and the relationship between advisor and entrepreneur is poorly understood, although some experimental evidence has shown the



ability to give reasons and show experience increases the credibility of advice. Little research exists on the styles of management advisors. Another perennial question in the advice literature is how to value advice, bound up with willingness to pay (Godek and Murray 2008).

We are not very well served by understanding who makes the best use of advice and how they do so, both in the immediate term in the long term save for some custom and practice suggestions (Garvin and Margolis 2015, Ciampa 2006). Some research theorizing the mechanisms within the advice process has begun (Ma et al. 2020).

### ***Controversies***

Within the economics profession, the effectiveness of advice remains controversial. Another controversy concerns how to assess the benefits of advice when outcomes vary so much. Recent work by business advice organizations showed the program's benefits accrued from 30% of the recipients<sup>1</sup>. In a discussion of place and entrepreneurial advice Capelleras and Mole (2018) adopted a heteroskedastic probit to assess the variation in take-up. Other statistical techniques also go beyond the average effect examining greater parts of the distribution in quantile regression (Koenker and Hallock 2001).

How the market for advice fails continues to divide researchers, although the prevalence of some trigger stories and events seems to support the partial failures view of the business advice market. Controversies abound in entrepreneurs' biases in subjective judgments of advice as cognitive dissonance means entrepreneurs judge existing advisers less harshly. Accordingly, evaluations of business support provision by government eschew subjective

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<sup>1</sup> Personal conversation with BDS supplier in England

evaluations. Policy dilemmas include whether to provide entrepreneurs with direct business support, teach them to navigate the market or manage the market.

Another open question concerns whether varying advice outcomes should caution some entrepreneurs from seeking advice. Urban versus rural areas contains a paradox where advice is routinely taken in rural farm networks (e.g. Hilkens et al. 2018) but rarely in rural entrepreneurship, and researchers cautioned against imposing networks (Phillipson, Gorton and Laschewski 2006).

**Table 3 What we know, gaps and controversies**

	What we know	Gaps	Controversies
(Attraction)Seeking advice	<p>Entrepreneurs take advice to fill a capability gap.</p> <p>Confidence and power preclude advice-taking.</p> <p>Advice may respond to performing below expectations.</p> <p>A number of barriers to seeking advice exist.</p> <p>Context of rapid change reinforces the demand for advice.</p>	<p>We have less information on the use of multiple sources of advice, which may be linked to more sophisticated users of advice.</p> <p>There is a gap in how SME managers and entrepreneurs frame advice-seeking including the impression advice seeking conveys.</p>	<p>Many stories from advice recipients appear to involve trigger events which may imply failures in the advice market.</p>
Navigating the market	<p>The knowledge of the market is a major barrier to taking advice.</p> <p>Informal advice seems to act as a 'stepping stone' to more formal sources.</p> <p>Evaluations of programs paint a picture of a passive response to advice.</p> <p>Business managers relationship to advisers are 'sticky'.</p>	<p>We have little information on how entrepreneurs gain information concerning from whom to take advice.</p> <p>What is the role of branding and franchises in the advice market?</p> <p>There is little on the role price plays in the advice market.</p>	<p>Do business owners choose advisers based on their legitimacy or can they gauge effectiveness?</p> <p>Does cognitive dissonance mean that the ability to judge advice is inevitably biased?</p> <p>Are programs that teach business owners to navigate the market</p>

	<p>The Internet has increased information but mainly for those who can self-diagnose effectively.</p>		<p>effective? Do firms satisfice in their choice of adviser?</p>
<p>The advice process and relationships (Engagement)</p>	<p>Delivery mechanism of advice make a virtue of social exchange.</p> <p>Adviser and client are locked in a dance between trust and challenge.</p> <p>There are ways to signal expertise.</p> <p>Anxiety can reduce the ability to assess advice effectively.</p>	<p>How do the SME owners interpret signals given by advisers?</p> <p>There is little knowledge on the digital advisory process.</p> <p>There is little information on the styles of advice giving from a more formal process to the 'fireside chat'.</p> <p>The extent to which rapport develops between adviser and client and the relative power of the adviser and client is not well understood.</p>	<p>How do SME managers choose between conflicting advice?</p> <p>Do SME managers value experience over theoretical knowledge and what advantages might this produce?</p> <p>Do some advisers have too much power?</p>
<p>The impact of advice</p>	<p>Advice can improve business performance, perhaps through moderators of advice include absorptive capacity – advice benefits better businesses.</p> <p>Selection effects are prevalent in advisory studies but publication bias less so.</p> <p>Grants and advice can work in tandem.</p> <p>Advice can increase the social support for entrepreneurs and may help with resilience.</p>	<p>The intermediate outcomes and mechanisms surrounding advice are poorly understood, for example advice may expose managers to alternative solutions to the problems that they face.</p>	<p>How can the great variation in advice outcomes be explained? Should some businesses be prevented from receiving advice until they are 'advice-ready'?</p>
<p>How advice changes the firm Extension</p>	<p>Advisory processes can lead to investments in the advice network.</p> <p>The impact of advice-taking may be long-term.</p>	<p>The longer-term impact of advice taking is not well known.</p> <p>The impact of advice taking on the recipient?. Are particular advisory processes likely to boost the longer-term impact?</p>	<p>Are firms in more remote geographical areas precluded from good advice?</p>

## **8. Conclusion**

This review examined the process of strategic advice to business. It began by considering major perspectives on the topic. Economists consider advice as an input, and analyses failures in the advice market along with its impact. Psychological studies focused on when experimental participants took advice highlighting the nature of the task and relationships to explain the ‘egocentric advice discounting’. Sociologists focused on advice networks and the relationships involved. For management, the impact on competitiveness and the upper echelon of the firm mattered. The review divided the process of business advice into attraction, engagement, exit and extension. Advice is not a simple input like a piece of capital machinery but a more complex, dynamic human process (Rader et al. 2017).

The review linked seeking advice to three elements: an identified capability gap, the business performance and the characteristics of the task and attitudes of the SME manager. Advice attracts those with disappointed expectations facing a non-routine challenge. Challenges include business development and growth, making advice the domain of improving businesses and making the causal attribution of the advice more difficult to identify. The attitudes of the entrepreneur influence seeking advice including anxiety, confidence and power of the entrepreneur.

Key pinch points in the advice process are also those where the literature is weaker too. Assessments of the market failures in advice are few, although the theory is strong. The implementation of advice is clearly critical to outcomes; since what is not implemented or poorly implemented will not improve a business. More sophisticated businesses with some challenges, perhaps due to their ambition with an ability to absorb the knowledge from advisers could benefit more from advice.

Next, the ‘engagement with advisers’ section sought three factors associated with acting upon advice. Firstly, the review underscored the purpose and characteristics of the adviser,

where the advice of more experienced and/or knowledgeable advisers heeded more often (Yaniv 2004). Advisers' explanations of the reasons for their advice fashioned quasi-evidence of good advice. Reputations matter in this environment. Second, with difficult tasks individuals act on advice more readily (Gino and Moore 2007) and when the *advice is costly to obtain* (Gino 2008). Entrepreneurs welcome additive advice promoting business expansion.

Exit concerned the effect of advice with three types of benefits outlined. First the economic, which may take time to bear fruit and be absorbed more readily by companies with greater initial capabilities. Second the subjective, including the confidence building and psychological benefits of advice. Social and psychological benefits from the ability to access advice can protect the business from shocks and help entrepreneurs to develop both themselves as leaders and their businesses (Newman et al. 2018). The value of advice can differ from entrepreneurs to entrepreneurs making it opaque. Psychological studies demonstrate influences from priming behavior on advice, such as emphasizing the future rather than focusing on the past (Godek and Murray 2008). Extension showed the longer-term influences advice-taking can induce, including a greater knowledge-base to draw upon or a recognition of routines to help work on the business, or investment in advice networks.

Business improvements from advice vary such that a minority of businesses may not benefit from advice but a minority may strongly benefit. Consequently, whilst advice offers the prospect of improving weaker businesses, the reality is the businesses need to be advice ready. Making a business advice ready and extending the impact from advice can push the business into an improved performance trajectory.

Business advice matters, but it is far from an uni-dimensional construct covering various relationships from the one-off discussion to an in-depth coaching relationship, where the latter is more likely to boost impact. Acting on advice depended on rapport, experience and

the challenge of the adviser. The value of advice depends on the subjective as much as the economic, with processes where entrepreneurs become ‘prepared for the advice challenge’.

### Limitations

The review takes a narrative approach which requires the extensive experience of the researcher in order to judge what is important in the literature and drawing on a breadth of knowledge. Other approaches available include the systematic review and meta-analysis which has been conducted on business development services (Cravo and Piza 2019, Piza et al. 2016) and entrepreneurial support (Ratinho et al. 2020) as well as advice generally (Ma et al. 2020). Where these studies are strongly focused with a wide range of literature they are clearly very helpful. Most reviews of the area point to the gaps in knowledge concerning the mechanisms that facilitate strategic change at the firm level within context.

The section on gaps and controversies highlighted areas where our understanding is limited including the navigation of the advice market, where perceived lack of access acts as a constraint on firm development. Greater theorizing of the advice process would improve the evidence and also more robust evidence on the longer-term impact of entrepreneurs taking and acting on advice, perhaps taking a configurational approach.

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