

(Seeking, Acting on and Appreciating) the Value of Business Advice

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ABSTRACT

Previous evidence shows that business advice helps businesses and that more advice is generally better [1-4]. Most firms will take advice from outsiders at some point in their development but fewer firms take advice than seems warranted by the evidence [5]. The reasons for the reluctance to take advice are varied and have been relatively intractable; moreover our understanding of the 'subtle processes' within advice has been hampered by the few inductive investigations [6] with recent exceptions [7-9]. These 'subtle processes' imply that advice is not a single process but is made up of a series of sub-processes.

With this in mind this report reviews the literature on taking business advice by owner-managers to examine the existing knowledge within the business support; then it combines this existing knowledge with the results from a series of interviews and a focus group of entrepreneurial advisers to discuss three research questions:

RQ1 What stimulates entrepreneurs and SME owners to search for external assistance?

RQ2 What encourages entrepreneurs and SME owners to act on advice?

RQ3 What are the results of assistance?

The report highlights:

- More educated managers and those facing greater challenges are likely to seek assistance;
- Although managers may perceive that they lack broad experience; it generally requires a trigger event to encourage them to actively seek assistance;
- Advisers work best when they have a good detailed understanding of the firm with which they are working implying that they need to build relationships;
- Advice includes the important value that an outside, external viewer

can add to legitimate the business's approach imparting more confidence for the owner-managers of the business;

- Strategic advice enables the firm to prioritise how they may implement their strategic aims; and
- Advisers' future visits can impose accountability on the company that enables improved future prospects for the business.

The costs and benefits of taking advice are more varied than we generally have previously considered. These are just focused on the economic but also on the social and psychological aspects of running a business. Advice can have economic benefits but it can also add to the social and psychological capacity within the business.

CONTENTS

ABSTRACT3

INTRODUCTION6

TYPES OF ASSISTANCE6

RQ1 WHAT STIMULATES ENTREPRENEURS AND SME OWNERS TO SEARCH FOR EXTERNAL ASSISTANCE?.....8

 Why owner-managers do not seek external assistance?.....9

 Empirical factors influencing the use of external assistance..... 10

 Research Findings..... 15

RQ2 WHAT ENCOURAGES ENTREPRENEURS AND SME OWNER-MANAGERS TO ACT ON ADVICE?.....17

 Judge-Advisor Studies..... 17

 Research Findings.....22

RQ3 WHAT ARE THE RESULTS OF ASSISTANCE?24

 Economic effects24

 Subjective benefits of advice26

 Advice networks can boost psychological capital26

 Research Findings.....27

 Setting priorities29

CONCLUSION.....30

REFERENCES33

INTRODUCTION

After the Second World War, the MacArthur government in Japan hosted Dr. Edward Deming to advise the Japanese members of the Union of Japanese Scientists and Engineers (JUSU) to whom he espoused his quality philosophy [10]. Deming told the Japanese that 85% of their problems in their industries could be traced back to the processes used. His advice was heeded. The JUSU instituted a quality movement through developing their engineers as advisers [11]. The subsequent Japanese gains in world trade share were based on process control. So business advice can have important and far-reaching consequences.

However, the positive impact of business advice at the aggregate scale does not necessarily easily transfer to the choices made by the owners and managers of small and medium sized businesses. This report reviews the literature to focus on three important but quite general questions about business advice. First, what stimulates entrepreneurs and SME managements to seek external advice and assistance? Second, what encourages entrepreneurs and SME managements to act on the external advice and assistance that they have received? Third, what benefits do advice recipients gain from the advice? We take each in turn to offer some results from the academic literature and especially on the burgeoning literature on advice taking within psychology. To situate the literature we first discuss what is meant by advice including the types of assistance. Advice is defined as a sub-set of assistance where assistance includes both advice and information.

TYPES OF ASSISTANCE

External assistance to owner-managers can take various forms and be delivered by a wide range of providers, operating within different market environments and interacting with clients in various ways [12]. We can distinguish between:

- informal assistance (i.e. gratis advice delivered in a more casual

setting such as that provided by friends, family, and business associates), such as through advice networks [13-15] and formal assistance (i.e. delivered by private sector consultants and professional organisations, normally for payment, or government sponsored business support agencies).

- generic codified knowledge available from business support agencies (e.g. information about government regulations and corporate taxation) and tacit knowledge that is highly context dependent (e.g. strategic advice relating to alternative paths of development) [16].
- transactional assistance, i.e. information to support the day to day operation of the business; and transformational support, i.e. strategic advice to help achieve a stepped change in the growth and development of the business [5, 13, 17].
- a continuum of services with operational services that are 'objective' and independent of the relationship between the client and service provider at one end; and strategic services that are 'subjective' and dependent on the relationship between client and service provider at the other [18].
- distinguishing five types of recommendation from a clear statement of (i) 'do this' or (ii) 'don't do that', to (iii) 'have you thought about this?' or (iv) 'why don't you do it this way' to (v) social support [19].

In practice, external business assistance involves varying degrees of both operational and strategic services. Whilst the initial contact between a business owner-manager and their adviser might be restricted essentially to the transfer of generic and codified knowledge, this could evolve into a more symmetric relationship involving tacit and contextualised knowledge as the level of trust and confidence increases to the extent that one of the key roles of advisers is to capture and direct attention to facilitate collective action [4, 20, 21]. This makes it problematic to simply talk about 'advice'. Indeed some work has suggested the advice process consists of four steps from the process of understanding the concerns, to systematic analysis, and arriving at a credible solution [9]. It is incumbent when reading the literature to understand the specific type of advice and the context within

which it is proffered and accepted. Having questioned any simple definition of advice the article turns to what stimulates the search for advice or external assistance.

RQ1 WHAT STIMULATES ENTREPRENEURS AND SME OWNERS TO SEARCH FOR EXTERNAL ASSISTANCE?

It is generally thought that there are competitive benefits to be gained from seeking and taking-up external business assistance. Bennett and Robson [22] cite various leading authors on business growth and competitiveness [23-25] in arguing that external sources of advice lead to increases in strategic knowledge bringing competitive benefits. External assistance can help overcome information and knowledge gaps, which Chrisman and McMullan [16] suggest can exist in any one of four areas: know-why; know-what; know-how; and know-who. Information and knowledge gaps may be particularly evident in the smallest and youngest businesses because of their resource and skills deficiencies, although this assumption is now contested [26]. First, firms that use more complex technology are more likely to report a gap between internal resources and resources required [26]. Second, with regards to seeking transformational assistance, it has been argued that because of the increasing turbulence of global markets and the pace of technological change, owner-managers are increasingly turning to the specialist expertise provided by consultants in order to make the stepped changes needed to respond to the pressures and take full advantage of new market opportunities available to them [27]. Thus more sophisticated businesses seem more likely to seek assistance.

Although evidence from a series of SME surveys in the UK undertaken by the Centre for Business Research (CBR) indicates that the majority (around 95 per cent) of businesses make use of external assistance at some point and that this has been rising over time [22, 28], at any one time only a minority of existing firms seek formal external assistance. A large proportion of SMEs do not appear to use formal external assistance, despite its likely benefits [13, 26].

Why owner-managers do not seek external assistance?

Various explanations have been put forward as to why SME owner-managers do not seek external assistance. First, SME owner-managers have insufficient information about the cost and availability of advice to make an informed choice. Bennett [29] for example argued that because of their smallness and limited market power, small firm owner-managers suffer from imperfect information, limiting the CEO's awareness of the provision of external assistance. Second, even when they have a good awareness of the provision of information and advice, owner-managers may harbour doubts about its value and reliability, since advice is an experience good [30] i.e. you can only really value the good once you have consumed it. This might include concerns about the expense of obtaining expert advice, doubts about whether it provides good value for money and concerns about the time that would be needed to fully implement and benefit from the advice. Owner-managers may be discouraged by their own previous experience or that of business friends [31]. Third, there may be various relationship concerns, as taking advice invariably involves personal interaction between business owners and external advisers as well as task interaction [12]. These could relate to possible power imbalances and disparate 'world views' between advisers and owner-managers [32]. Some owner-managers in the smallest firms may be unsure of their ability to deal with 'smart and sophisticated consultants' on equal terms. Fourth, there are moral hazard dilemmas, whether advisers can be trusted to provide impartial advice that will be useful to the business. Those consultants driven by transactions have an incentive to provide their solutions, whatever the problem presented [18]. Owner-managers may be concerned that advisers do not fully understand the needs of their business. For example, when financial advisers recommend alternative courses of action advisers instinctively communicate advice based on their own risk preferences, rather than those of clients [33]. Moreover, some small business owners are unlikely to engage with external bodies because they value their independence and distrust 'outside' influences [34, 35]. Therefore, when owner-managers are asked they present a coherent set of

reasons for not taking advice.

Empirical factors influencing the use of external assistance

Although owners may proffer many reasons, a second approach has been to focus on characteristics rather than reasons. Previous empirical studies have distinguished between the characteristics of the users and non-users of external assistance [15], although comparing 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 [2, 3]. 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, which may stem from the methodological idiosyncrasies of the studies as well as differences in the scope of external assistance included. To understand what induces advice a contingency framework can help to assess the factors influencing whether or not SMEs make use of external assistance to distinguish between four sets of influences: internal characteristics, management orientation, management attitudes and external influences.

1. 'Internal' characteristics

Internal characteristics represent the influences of internal business characteristics and the entrepreneur/business owner-manager.

Business characteristics:

Since the resource-based view of the firm suggests external assistance responds to the lack of knowledge of founders [36], we expect *younger firms* (particularly start-up and post start-up) to need of assistance, especially where founders have little previous business experience. Also, given public support for pre-start ventures in 'guided preparation' [36, 37], younger firms might make greater use of public providers [38]. Since *larger businesses* may be in a better position to be able to draw upon the required skills and professionalism internally, resource-based theory suggests a negative relationship between advice seeking and firm size [22, 26].

However, the evidence contradicts this assumption. For example, Boter and Lundstrom [39] conclude that arguments that small firms have a weak resource base and need external assistance do not translate into the smallest micro companies being the most intensive users of external assistance services. On the contrary, larger SMEs are likely to be more complex businesses and have a greater range of support needs (e.g. in relation to employing people, international trading and financing) than the smallest businesses. Moreover these resources needs reflect *more complex decisions*, with *higher stakes* both of which have been linked with increasing demand for external advice in psychological studies [40-43]. 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 [26]. Empirically, Bennett and Robson [38] found that the smallest firms made the least use of most private sector sources, with use increasing up to about 20-49 or 50-99 employees, and then either levelling off, or having an inverse U-shaped pattern. Previous evidence therefore indicates that the relationship between firm size and the use of external assistance is not as straightforward as a resource-based view might suggest – this develops a theme where a greater ‘challenge’ precipitates advice.

A burgeoning area of research is on advice towards family businesses, which are seen as challenging for two reasons. First, the top management team members are restricted, typically to family members, which with due respect to family businesses, can impact the level of human capital within the firm [20]. Second, the intersection between family, business and ownership dynamics makes for greater complexity [8]. Advisers need to understand the dynamics of the family relationships in addition to the issues at hand. Indeed recent work has suggested that advisers may be found within the family itself [44].

Owner manager characteristics:

There is some disagreement in the literature concerning the influence that characteristics of the entrepreneur and the management team have on

both seeking external assistance and the source and type of assistance used. In relation to the use of Business Link services, Atherton et al [45] ignored the personal characteristics of owner-managers, citing previous evidence that personal characteristics had little effect [2, 46]. Taking a contrary view Scott and Irwin [31] investigated the influence of gender, ethnic and educational differentials on obtaining external advice from different sources, highlighting the influence of *'human capital'* [31]. Their work suggests we would expect better-educated owner-managers to seek out sources of assistance more often and to be more confident to engage with external advisers, whereas those with fewer qualifications are likely to be less aware of sources of business assistance and the benefits of using them.

2. Management Orientation

Do owner-managers who pursue business growth make more use of external assistance? 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 and questions about it posed. Using data relating to owner-managers' objectives rather than actual business performance, Johnson et al [26] 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 [47], 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."

This lack of a clear relationship with business growth is perhaps because firms facing difficulties, which may threaten their very survival, are also 'pushed' into seeking outside assistance. For this reason, we might also expect *survival oriented* SMEs to seek external assistance, although the cost of obtaining private sector advice may push them more towards seeking advice from publicly subsidised or 'free' sources. Moreover, Heyden et al., [15] found that poor performance in large firms, though not a

threat to the firm's survival, was related to taking advice from internal sources rather than external sources.

3. Management Attitudes

The attitudes that owner-managers have to involving external advisers in their business are likely to vary because some see themselves as independent entrepreneurs, distrusting 'outside' influences [34] and are therefore unlikely to engage with external bodies. As discussed earlier, this is likely to include fears and doubts about the value and benefits of assistance.

To understand the low take-up of advice, economists advanced the notion that advice is subject to partial market failures based on asymmetries in information [48]. Advisers may know how they can benefit firms but owner-managers may be less aware of the benefits of advice and are concerned about the risk that the adviser may provide poor advice. When poor advice is a risk then the entrepreneur would reduce the price she was willing to pay for advice to 'price in the risk' [49], reducing the demand for advice compared with the situation that would have prevailed with perfect information [1].

The second key aspect related to whether or not an owner-manager 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 [50]. In laboratory studies, human participants who had their confidence undermined were more likely to take advice [40]. Conversely, as one gains greater confidence in one's judgment, people take fewer amounts of advice [51]. Although whether one is actually more accurate or have better judgment is more debatable, See et al. [51] posited that those who exhibit confidence tend to be overconfident; particularly when the same people considered themselves powerful.

The third key aspect is the role of informal advice. Informal advice captures the managers' active networks of advisers from various sources. These sources tend to change as the business matures. Informal advisers incorporate family and friends which are most important at the nascent pre-start time [52]. Informal advice also comes from business associates and members of the business' supply chain, customers and suppliers. These latter sources gain more influence after the business has started [52]. However, informal advice is not distributed equally. Those who hold more *social capital* are enabled to gain knowledge from their peers, since studies of advice networks stress the similarity within peer networks [53], peers may offer advice even when they are competitors [54], and there may also be place-based effects on the ability to gain knowledge from peers [55].

Given the availability of *informal sources* of advice, there are, perhaps, two effects: the first is a substitution effect and the second is an advice effect. The substitution effect may be considered as a competitive form of assistance to formal sources of advice. This is often the default position taken in the entrepreneurship literature [13]. In this case the availability of informal advice would reduce the seeking of formal advice. However, an alternative is an 'advice effect', when informal advice leads the owner-manager to realise the benefits that external advice can bring to the firm and their managers [15, 35, 56]. The latter case leads to greater subsequent seeking of formal advice and has been found empirically [57]

4. External Influences

Two major external influences on seeking advice are sector and location. An effect on seeking external assistance to be influenced by the *sector/business activity* that an SME is engaged in, reflecting the impact of different market environments on the support needs of SMEs [15, 26]. For example, Bennett and Robson [22] 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 related to those experiencing technological and organisational changes, such as publishing, the media, and business services [15], and those

affected by government regulations (e.g. food manufacture).

In addition, we might expect the type of *geographical environment* in which a business is located to have an influence on their access to external assistance. Not only can some problems stem directly from a business's location (e.g. rural firms may have more limited market opportunities or difficulties recruiting skilled workers), but also urban firms may have better access to both formal and informal networks of advice [58].

To summarize this stream of research that investigates the characteristics of businesses that use advice we might suggest that better businesses with more educated managers seek formal external advice; moreover proximate factors that represent challenges to managers, including complexity, encourage businesses to take advice rather than routine events in the life of the firm.

Research Findings

In our interview research we found that respondents stressed two elements. The first was that they may lack a broad knowledge of business since they have a sector-specific backgrounds and expertise. One owner manager connected their perceived narrow background with a lack of the knowledge of all the aspects of running a business:

My background, I've worked here all my working life, not a unique case, unusual case now. So I haven't got a lot of experience from working in different environments...although we are running the business for X number of years, there were quite a few things there that you have to be aware of.

However, when a business has been going for a few years businesses do not just take on advice because they perceive that they may have an underlying residual lack of knowledge. The customer journey may often involve a trigger event. The same company manager as above recounted that the supply chain triggered their involvement with advice.

...the route was, we were put in, a new customer was put in touch with us who was already using a Manufacturing Advisory Service. So they came to us because they were producing a new product, we worked with them on that, so they got that product to market and its been fairly successful for them...so we made contact with the Manufacturing Advisory Service, because there were one or two things that we wanted to do for the business and we found out that they would be able to support us in that and that's where it started really.

We asked about the attitudes and values that the business owners-managers who took advice. Many suggested that they had attitudes conducive to taking advice as one manager commented:

From a personal point of view I am always looking to learn.

Overall there seems to be an absence of pull-factors around business advice but one of those might be the issue of when a business hits a 'plateau'. As one niche construction firm managers commented.

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

He then went on to say that the advice had focused their attention on the way to move the business forward.

Overall the interviews suggested a two-step process towards taking advice. Trigger events were apparent in the stories that owner-managers tell when you ask about advice. There is always a reason for the specific advice taken and an underlying reason too. Two steps to taking business advice are:

1. The underlying reason which may be to do with comparative performance of the business and/or a lack of knowledge and/or

interest in learning

2. A trigger event due to a particular problem or a contact within the industry.

RQ2 WHAT ENCOURAGES ENTREPRENEURS AND SME OWNER-MANAGERS TO ACT ON ADVICE?

Once an owner-manager has searched out advice and received it, they have another decision concerning whether to decide to act upon it. Most strategic decisions are 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 can be a combination of the CEO with her advisers [56]. Accordingly we were interesting in what factors encouraged people to act on and take the advice that they are given. We start with the findings from judge-adviser studies.

Judge-Advisor Studies

Many psychological studies of advice have focused on the interaction of advisers and clients through setting up experiments with ‘judges’ and ‘advisors’. 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, perhaps including confidence intervals, before the judge makes up their mind. In these studies the recommendations are controlled and the tasks are also controlled so that only one element is manipulated. The subjects are randomly assigned to groups that have the ‘treatment’.

‘Egocentric advice discounting’

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’ [42, 59]. When judges are tasked to estimate an outcome and advisers give their estimates, judges shift towards their adviser’s estimates but not by the full amount only by approximately 20-30% - enough to show that they had taken the judges view into account;

but not enough to produce an accurate figure.

There are several factors that stimulate individuals to receive and act on advice which reduces the level of egocentric advice discounting. The first factor is the purpose and characteristics of the adviser. As can be seen in table 1 individuals weight the advice of more *experienced and/or knowledgeable advisers*, more heavily [42]. When the advisers have the power to reward their clients – where they are gatekeepers to resources for example, then they have more influence [60]. Evidence or quasi-evidence of good advice helps also where quasi-evidence refers to advisers giving reasons. When an adviser explains their advice, recipients weigh their advice more heavily. Second, the characteristics of the task moderates how likely individuals are to take and act upon advice. Individuals act on advice more readily when the *task is difficult* [41], advice is rarely sought to solve routine tasks, and when the *advice is costly to obtain* [61]. Third, aspects of the individual decision-makers internal state impact on her decision to act on advice such as the level of her confidence [62] or her emotions [63]. Fourth 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 [20].

Anxiety on the part of the recipient affects both the taking of advice and the ability to discern whether it is good advice [40]. Gino, Brooks and Schweitzer [40] studied state anxiety, a transient form of anxiety that is relatively short-lived and is 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 [40: 510].

Table 1 Factors to boost or inhibit advice taking

Factors that boost advice taking	Factors that inhibit advice taking
Expert power of advisers [60]	Confidence in your task knowledge
Reward power of advisers [60]	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 [64]	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 [20]	
Anxiety on the part of the recipient [40]	

“Not invented here” syndrome

Making important decisions, solving important but difficult problems, or developing new initiatives often require people to adapt and change their opinions or solutions in response to suggestions or comments from colleagues, co-workers or customers [61]. Whilst in some situations people seem ready to adopt and adapt to external feedback, other situations seem to engender resistance to change often labelled “not invented here” syndrome.

The circumstances under which people are more likely to accept advice and feedback may depend on two aspects: psychological ownership and the nature of the others' contribution. First is the psychological ownership of the idea. Psychological studies show that even naming an idea that is someone else’s will engender psychological ownership of the idea [65]. We expect that owner-managers to have high psychological ownership of their

businesses as the entrepreneur's business and their identity are intertwined [66, 67]. This may have a negative effect on failing businesses where, a business perceived to be failing can be very psychologically threatening to its owner-manager, in turn this often creates rigid behaviour [68]. So businesses most in peril may be the most reluctant to seek help.

A second effect involves the type of advice offered which is distinguished between whether the advice would add or subtract from business activities [65]. Advice that builds on one's business to expand it or to increase the reach of the business, such as suggestions to develop new products or develop new markets, is seen as attractive and more likely to be accepted. People who are heavily invested in an idea are well disposed to taking suggestions or advice when the advice is *additive* and augments their business. On the other hand advice that is likely to incur a sense of diminishing a project or business is quite likely to be disregarded. So imagine the adviser who suggests that the business reduces its emphasis in one market. It is quite likely that this suggestion be ignored.

Why the powerful don't listen

We know that when Chief Executive Officers (owner-managers) take critical decisions they often include a group of advisers. But one key elements of whether somebody takes advice might be their feelings of powerfulness. In short, do people who perceive themselves to be more powerful ignore, listen to, or receive advice including expert advice? Do people with a subjective sense of power discount advice even from experts?

This relates back to the concept of egocentric advice discounting [42, 59, 64]. Three elements would be 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 [69]. High-powered individuals enlarge their perception of what they can control personally [70].

Power increases an individual's confidence in their own opinion [71]. All in all, we would expect a high-powered individual to ignore or discounted advice. Individuals who have subjectively less power might quite sensibly discount advice from novices but take advice from experts and experienced advisors. However, high-powered individuals compete with the greater expertise in the adviser [72].

Why might power lead individuals to feel competitive against expert advisers? To answer this question it's necessary to consider what we mean by power. According to dependence theory [73, 74], "the power of an over b is based upon the dependence of b upon a" [74: 32-33]. Power is relative to the ability to control other others' behaviour rather than being simply a property which people may access [75]. An important determinant of the power of the adviser is the adviser's expertise [60]. A highly experienced adviser may increase the dependence of the decision maker on the adviser and therefore shift the balance of power to the adviser's advantage. A powerful decision maker who wants to preserve their power may seek to establish superiority to the adviser by refuting the adviser's expertise and advice.

To mitigate the tendency of high-powered individuals to discount expertise the experimenters induced them to feel more cooperative with their advisors. When they felt co-operative with advisers, high-powered individuals would accept advice from experts. This is one reason why it is often useful for advisers and clients to discuss a 'neutral' assessment such as that provided by a diagnostic tool. Over and above the impact of the diagnostic tool itself it use may induce a more co-operative and less confrontational ambience.

Feelings of powerfulness can have other negative effects

Power makes people overconfident with potential problems for performance [70]. 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!

Overall, the judge adviser studies have shown us some unsurprising effects but also some surprising aspects of advice taking. It is not a surprise when good advice is preferred to poor advice. Neither should we be surprised that the expert power of the adviser is often augmented if they are in the position of being able to reward – such as advice from bank managers [60]. More surprising is the tendency for those feeling themselves in positions of power to feel threatened by the expert power of advisers and therefore discount good advice! And optimism is generally considered positive within entrepreneurship because it encourages the entrepreneur to act, but a cost for existing businesses may be poorer performance because the powerful discounted advice. Yet the reverse is also true it is dangerous to take advice under highly anxious circumstances because it impairs your judgment. The importance of making the adviser process co-operative is one aspect that comes across as hugely important in this research. Making the process co-operative and managing priming issues in the face-to-face advisory process is a challenge.

Research Findings

Our research found that one of the key elements is the relationship between the adviser and the client. Building rapport between the adviser and owner-manager is critical to the subsequent action. 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.

The relationships were important because as the advisers gain more understanding of the business and the owner-manager they start to realise what might be a reasonable action or decision for the owner-manager to take.

“I mean she is aware that not everything she knows is going to work for us, though often, I am sure she doesn’t suggest everything she thinks of, because she thinks, - well that would work well for a certain company, but won’t work well for Chris and his company, so I won’t suggest that.”

This is not to say that advisers should be sycophantic because if advisers do not bring a different point of view and some degree of challenge then they do not contribute but there is a balance between the two approaches, as an owner of a growing retail business suggested about his coach:

I mean she does challenge everything. She’s not happy with me just saying I want to do it likes this, I have to explain why and she will then explain why she thinks that is better if she does, and we will then come to a decision.

As the relationship between owner-manager and adviser develops not only does it enables the adviser to work more effectively it also brings in other dynamics that reinforce the likelihood of the owner-manager acting on the advice given. One process was what a manager of a company manufacturing play equipment called accountability.

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.

So the research corroborated evidence that the developing relationship of the adviser and client deepened the relationship making the advisory process more effective. In this we see some mechanisms that can explain the statistical findings that show the depth of engagement to be more effective [2]. Several aspects were important including the ability to challenge effectively with greater knowledge of the business and their managers. Further having established this rapport there were accountability effects that were almost inevitable consequence of a longer-term engagement between owner-manager and adviser increasing the likelihood of acting upon that advice, which leads us towards the results of assistance.

RQ3 WHAT ARE THE RESULTS OF ASSISTANCE?

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. Qualitative data is useful in this as it help 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 “ [54: 21-22]. There are two elements that are clear in the extant research: the economic and the subjective, which are taken in turn.

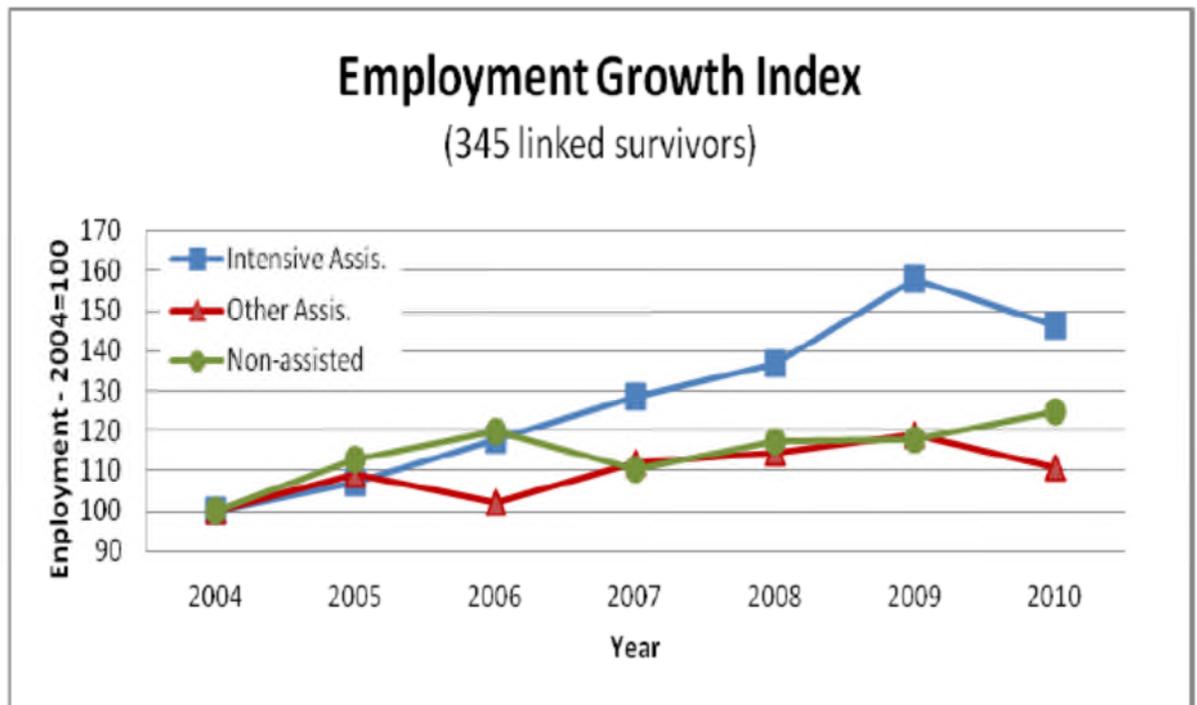
Economic effects

The first result is that overall advice provides positive economic benefits to the recipients. This is true even when researchers account for the fact that the people who take advice often represent better managed businesses [3, 37, 57, 76]. The evaluation of Business Link carried out by researchers at Aston and Warwick Business Schools showed that those who benefited more had a “management and organisational structure more conducive to absorbing and making use of external advice” [57:331]. In other words

firms may need to develop the capability to benefit more from advice, they may need to be 'advice-ready', a concept which may focus our attention on the firm's leadership team [77]. The second is that evidence supports a greater outcome from more intensive assistance. Researchers have found business assistance that was more intensive boosted the number of jobs created by the firm, making it better value for money, even accounting for its greater cost [2, 3, 20]. Recent assessments of the prospects for policy towards fast growth firms suggested that supporting sustained growth requires a holistic model, combining the development of the business with development of the capabilities of the firm's leadership team [78]. Moreover advice that builds capability within the firm is likely to require a face-to-face interaction because of its greater breadth of impact on a wider set of aspects of the firm's operations and behaviour [4]. Advice works - and more intensive advice works better.

Third, the impact of advice is long-lasting, particularly when it develops the leadership team, because it may shift the trajectory of the firm [79]. Matched comparisons of the assessment of business support in England concluded that the effects of advice were cumulative. Researchers found that an intervention in 2003 yielded its highest measured impact in 2009 and 2010, six to seven years later, when intensive assistance increased the subsequent employment rate by about 24.5 percentage points.

Greater long run employment boost from advice



Source: Drews & Hart [80]

Subjective benefits of advice

Aside from the evidence on the economic benefits of assistance there are several ways in which advice may add subjective and psychological value for small firm managers. The first is through increased confidence. Advice given to those thinking of starting businesses is sometimes seen as a response to a lack of confidence in their knowledge or capabilities [50]. Family businesses who had multiple advisers reported increased confidence in their businesses decisions [21]; moreover, when multiple advisers agreed on a solution it boosted the confidence of advisers in making their recommendations [9]. As we have seen in the judge-adviser studies confidence can be transferred from adviser to client.

Advice networks can boost psychological capital

In a similar theme advice networks can boost the psychological capital of

the recipient [81]. Work by Luthans and others has developed a measure of psychological capital which combines hope, efficacy, resilience, and optimism [82]. In highly stressful situations such as entrepreneurship, psychological capital reduces stress, especially for older entrepreneurs [83]; moreover, researchers have shown a positive relationship between the entrepreneurs' psychological capital and the performance of their new venture, especially when the ventures were in dynamic industry environments [84, 85].

The motives for accepting advice need to be better understood, even more so the motives for owner-managers giving advice. Motives to give advice may include developing relationships in the social network. Many argue that the motives for advising are to build a network of support to create trusted advisers, to whom the business returns for advice [8, 21, 86]. Nonetheless, there are only a few studies on this aspect of the advice network of entrepreneurs [87].

This article has outlined two types of benefits from business advice. The first is the economic, which may take time to bear fruit and which may be absorbed more readily by companies with greater initial capabilities. The second is the subjective including confidence building and the psychological benefits of advice. Social and psychological benefits from the ability to access advice can protect the business from shocks and help the managers to develop both themselves as leaders and their businesses. Again a consistent theme of this review is the effects of priming behaviour on the process and outcomes of advice. It is surprising that experimenters can prime recipients to value advice more highly through emphasising the future rather than focusing on the past.

Research Findings

The research interviews developed the theme of the subjective benefits of advice. The first aspect mentioned was the increase in confidence from advice. One of the ideas represented was that of validation which is described as a feeling that the owner-manager had not missed out aspects

that would be critical for their business. An interviewee put it succinctly:

validation “I was going down the right path, [followed with] then a direction of where to go next.

Several quotes from the interviews support this view of advice.

It gives me confidence that we are thinking of everything, as it’s not just me thinking of it now, she’s thinking of it too and suggesting things...we are thinking of most things, most of the time, but it gives you more confidence to know that you’re covering bases ...the confidence of knowing how to approach things.

And the confidence might enable the owner-manager to behave in a more positive and pro-active manner as this example from a firm involved in construction suggested:

In the early days there was so much outside my experience, that it was great to be able to pick up the phone, “this is where we are, we are thinking of doing this, what do you think?” Brilliant, absolutely.

At the same time as the validation there was an expectation that the advising process would change the business. With the next meeting with the adviser there would be a next step that would shift the business along the pathway that they were traveling. The phrase that owner-managers used for this aspect was accountability.

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.

Of course, in a closely held business it is sometimes difficult to be accountable, this is one of the reasons that people have called for

businesses to have non-executive directors. In response to this, one business commented that they knew what the adviser was being paid for whereas a non-executive director was on a retainer.

Setting priorities

Another finding that goes together with the existing points is setting priorities for the firm. What the senior managers of a firm pay attention to and what they prioritise has always been seen as a key to firm performance [88]. Again the way that firm's owner-managers prioritise is often underappreciated "it enabled us to reflect on the business," said one respondent, reflecting previous work concerning the role of advice as a strategic sounding board [18, 89, 90]. Others directly talked about the priorities:

...it's very much an issue of how are we prioritising what we are doing.

...really helped us to focus our attention on how we could improve our business. It was the marketing strategy that we didn't really have at the time, and that was what we were after really, some advice and direction in that element.

Finally, the upshot of the advice for one advisee was to develop their business relationships and advice network. This owner-manager had developed the informal advice network both receiving advice from it as well as giving advice.

I think one of the other things that I've learnt is to start sharing and talking about my plans, experiences and drawing on other people's knowledge and experience.

Although knowledge/capability gaps and processes were evident, the value of advice is a wider concept. Advisers were not only developing capability though tailored ideas that can fill a knowledge gap but also were providing emotional aspects that include validation and support. They were guiding

attention that creates behavioural change and may culminate in the creation of more informal advisory groups.

CONCLUSION

This review set out to use the literature to examine three questions. The first question focused on four aspects of those who sought advice. The first aspect was the internal characteristics of both business and their management, where better businesses with higher educated managers were more likely to seek advice. Second, the orientation of the management was linked to seeking advice particularly whether the management seeks growth, which is significant for business assistance programmes. Third, we linked the attitude of the management to seeking advice where the concerns within a business and the state of anxiety or confidence on the part of the management team. Fourth, advice seeking can depend on the environment including the sector and location of the firm. These four factors might help us to understand the request for advice but the underlying reasons or drivers of change that started the process are not as well-known as they might be.

Next the factors that helped businesses to focus on acting upon advice were sought and again three factors were found. The first factor was the purpose and characteristics of the adviser. The more *experienced and/or knowledgeable advisers* in comparison to the decision makers that they are advising; found their advice heeded more often [42]. Evidence or even quasi-evidence of good advice helps also including *explanations* of advice. Reputations matter in this environment.

Second, the characteristics of the task moderates how likely individuals are to take and act upon advice. Individuals act on advice more readily when the *task is difficult* [41] and when the *advice is costly to obtain* then when it's free [61]. Routine tasks are not usually ones where advice is sought.

Third, aspects of the individual decision-makers internal state impact on her decision to act on advice, such as the level of confidence and emotions

of the decision maker [62, 63].

Overall, the judge adviser studies have shown us some unsurprising effects but also some surprising aspects of advice taking. It is not a surprise when good advice is preferred to poor advice. Neither should we be surprised that the expert power of the adviser is often augmented if they are in the position of being able to reward – such as advice from bank managers [60]. More surprising is the tendency for those feeling themselves in position of power to feel threatened by the expert power of advisers and therefore discount good advice, even at the cost of poorer performance. Yet the reverse is also true; it is dangerous to take advice under highly anxious circumstances because it impairs your judgment. The importance of making the adviser process co-operative is one aspect that comes across as hugely important in this research. Making the process co-operative and managing priming issues in the face-to-face advisory process is a challenge.

As to the value of advice the report outlined two types of benefits. The first is the economic, which may take time to bear fruit and which may be absorbed more readily by companies with greater initial capabilities. The second is the subjective including the confidence building and psychological benefits of advice. There are more benefits than simply economic from advice. Social and psychological benefits from the ability to access advice can protect the business from shocks and help the managers to develop both themselves as leaders and their businesses. Although the value of advice can be eclectic and differ from manager to manager the valuation of the advice is not as straightforward either. Again a consistent theme of this review is the effects of priming behaviour on the process and outcomes of advice. It is surprising that experimenters have the ability to prime recipients to value advice more highly through emphasising the future rather than focusing on the past.

Business assistance matters, but it is far from a uni-dimensional construct. It can cover a myriad of relationships from the one-off discussion to an in-depth coaching relationship, which we know is more likely to boost impact.

Dividing advice into three phases enabled us to trace advice seeking to an underlying gap between the future business expectations and the present abilities available to the owner-manager. 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 owner-managers accounted for their action and advisers and owner-managers prioritised together supporting the owner-manager, suggesting that advice may be best where the owner-manager is 'prepared for the advice challenge'.

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