

State of the Art Review



What do we know about the effectiveness of business advice?

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This review considers the evidence on the effectiveness of business advice at the firm level. There is a sizeable market for business assistance delivered by both the public and the private sectors, although business advice to small firms is a very fragmented, opaque industry. Under certain circumstances advice can be a cheap and effective way to boost growth. Assuming that an SME manager can find a quality adviser whose style suits the business, then advice can be part of firm development, and more advice can enable the adviser and business to work together effectively. Yet, once they are established, many firms do not use external advice. Several questions might need to be answered as to why so few take advice. One, how coachable is the business, are the managers willing to engage with outsiders' suggestions? Two, how feasible is the advice for the firm? Firms may find it difficult to implement suggestions. Three, does the firm have the ambition to make firm development a priority? Thus, it is suggested that firms might need to be 'ready, willing and able' to take on board the advice available.

Background

In 2016 a study of Finland's NIY programme (a funding programme for Young Innovative Companies) demonstrated successful policy support to high growth innovative businesses. The programme was highly selective, staged support according to milestone completion, and actively solicited public-private collaboration (Autio and Rannikko 2016). Even for the most ambitious entrepreneurs, government business support programmes can boost outcomes; however, the outcomes from advice can be inconsistent.

There is a sizeable market for business assistance from both the public and the private sectors (Amezcuca, Grimes et al. 2013, Cravo and Piza 2019). In general, nine out of ten firms seek guidance before they start trading (Rotger, Gørtz et al. 2012, Bennett 2014),

with the hope that this will strengthen the capabilities of the business, usually through enhancing business management (Chrisman, McMullan et al. 2005). Once a firm is trading, taking assistance is less common with about 1-in-3 firms taking advice (Johnson, Webber et al. 2007, Mole, North et al. 2017). Given that advice can improve management, which is identified as critical for firm success (Kroeger 1974, Bird 2019), then government may retain a keen interest in the provision of business assistance. Advice might promote growth and development in the companies that make up the supply side of the economy, and it *may* also influence firm-level productivity.

This review considers the evidence on the effectiveness of business advice at the firm level. Although there is strong policy interest in the impact of advice on productivity in particular, few studies *specifically* focus on productivity and advice¹. Bearing this in mind, this review takes a broader focus, reviewing studies that shed light on the factors that might promote the more effective use of advice and thereby may influence productivity. Our suggestions from the recent literature focus on targeting advice and the degree to which advice is focused on firms that are ready, willing and able to utilise advice to good effect.

The review is divided into six sections beginning with some caveats around advice. First, the review considers the evidence on whether advice is effective. Then, it moves on to examine 'dosage' before discussing the targeting of advice on firms that are ready, willing and able to take advantage of it.

Overview of evidence

Beginning then with the caveats. There are several perennial issues with business support. The first relates to fragmentation. Since business support is a very fragmented industry, finding out what is available to an SME is a research exercise in itself, one that is beyond the bandwidth of many SMEs who, rightly, focus on more pressing aspects such as satisfying their customer's orders. Second, the quality of the advice is obviously important, and the advisor's skills will influence both the organisation receiving the advice's capacity for learning and its likelihood of having a positive influence (Cumming and Fischer 2012). Third, the style of advice can influence the outcome. Chatterji, Delecourt, Hasan and Koning (2019) found entrepreneurs who received advice from peers with an active approach to managing people - establishing regular meetings, setting goals consistently, and giving employees frequent feedback - grew 28 per cent larger and were 10 per cent less likely to fail than those who received advice from peers with a passive approach to managing people. Given these caveats, assuming that an SME manager can navigate the advice system and find a quality adviser whose style suits the business, then advice can be part of firm development.

Turning to the evidence on the impact of advice, there does seem to be reliable evidence that under certain circumstances advice can be a cheap and effective way to boost growth. The evidence on advice often has developed from evaluations of programmes such as small firm development centres in the US (Chrisman, McMullan et al. 2005, Buffart, Croidieu et al. 2020) or business support in various European countries (e.g. Lambrecht and Pirnay 2005, Van Cauwenberge, Bauwhede et al. 2013). These one-off evaluations tend to focus on rejecting the null hypothesis that the programmes have no effect. The programmes are often developed by policymakers using logic models based

¹ The UK's What Works evidence on business advice review What works growth (2016). Evidence Review 2: Business Advice London, What works centre for economic growth. for example found 9 out of 62 studies assessed productivity

on loose social science concepts. For example a study of internationalisation finds advice can help to boost capabilities for businesses that are developing new markets (Cumming, Fischer et al. 2015). The result is an array of different ideas supporting interventions, which often means that the literature does not accumulate insights even if systematic reviews support the positive impact of advice (e.g. Cravo and Piza 2019).

Nonetheless, this review attempts to reveal some cumulative aspects of learning from previous evaluations. The first area of learning concerns the extent of the advice, which might be termed 'dosage'. The idea of dosage is that greater amounts of advice increase its impact. With greater involvement with the business, the adviser can more easily tailor advice to the specific business situation and adjust it to the attitudes of the SME manager (Turok and Raco 2000, Strike and Rerup 2015). Moreover, factors such as accountability may be invoked, when an adviser returns to a business to check on progress since the last meeting (Mole 2021). The concept of dosage in advice has been supported empirically. Cumming and Fischer (2012) in a study of advice aiming to enable a business to become more investable, found greater mentor hours increased the likelihood that the business would gain angel finance. They suggested investments in tailored coaching and consulting for these businesses appear to be likely to benefit both the businesses themselves and the economies in which they operate. In a series of papers which evaluated a government programme, Mole et al. (2011) reported that different support providers were taking slightly different approaches leading to the concept of 'managed brokerage' (What Works Growth 2016), where more intensive support produced greater job growth by recipients. In a similar study, Chatterji, Delecourt, Hasan and Koning (2019) found that the mentoring advice with frequent meetings produced accountability and goal setting, and improved the outcomes from advice, a finding corroborated by Buffart et al (2020). Up to a point, therefore, greater hours of advice can enable greater effectiveness. One reason for this may be that those advisers which do not match well with firms are quickly discarded; and on the other side anecdotal evidence suggests those firms that do not adopt adviser suggestions might be dropped from programmes. So, we know that advice can be effective, and its effectiveness may be enhanced by greater dosage.

1. Being ready for advice

Whilst effective advice might be available for businesses if they can access it, we know that many firms do not use external advice. Reviewing the evidence on business advice and support, the first issue is the selection into advice-taking. Seeking advice is non-random. One theory is of 'problematic search' where firms are pushed to seek advice because their performance is below expectations (Cyert and March 1963, Posen, Keil et al. 2018). A stream of research suggests greater uncertainty in the environment pushes firms to seek advice (Alexiev, Jansen et al. 2010). When firm owners attempt to grow they are more likely to take advice (Johnson, Webber et al. 2007) leading to a 'capability-gap' explanation for advice taking (Mole, North et al. 2017). Mole, North and Baldock (2017) show firms who report less confidence in their abilities are more likely to take advice. By contrast, CEOs who have worked for their firms for a longer time and who have a greater need for cognitive closure consult with other company leaders less often (Vestal and Guidice 2019). Methodologically, this means researchers have to account for the selection issue in any assessment of advice, since advice tends to benefit firms that face challenges. Consequently, the provision of advice tends to benefit firms with greater growth prospects. This can extend to support for high growth firms (Autio and Rannikko 2016).

2. Being willing to take on advice

Once a firm has become ready for advice, the next point is whether they are willing to engage with the advice given. One of the tasks of the adviser is often to gauge whether the firm will be prepared and able to take on the advice (Buffart, Croidieu et al. 2020). The latter suggests that some firms will be 'advice-ready' and indeed 'advice-willing'.

Although the seeking of advice may indicate a business that has a greater interest in development, how advice impacts on the business is not clear cut. In the first place, firm managers may reject the advice. Founders with an MBA or experience in an incubator or accelerator are noticeably less impacted by peer advice (Bryan, Tilcsik et al. 2017). While formal management training positively impacts company outcomes on its own, it can also make founders hesitant to taking advice from others' experiences. A series of studies called judge-advisor studies have uncovered the phenomenon of 'ego-discounting' where judges discount the expertise of others (e.g. Gino, Brooks et al. 2012, Tost, Gino et al. 2012). Bryan, Tilcsik and Zhu (2017) assessed the degree of 'coachability' of businesses to find less coachable businesses have older and larger founding teams, which may indicate greater expertise within the business, or at least the perception of it. Buffart et al (2020) suggest that programmes need to assess the client's willingness to collaborate with advisers, which they argue is difficult to predict ex ante. Consequently, advisers need to make a judgement about the extent to which clients are willing and then drop those clients who do not show such a willingness.

3. Able to act on advice

Businesses have varying outcomes from advice which makes the modelling more difficult. It also suggests that there are moderators of the advice variable, one of which is absorptive capacity. Absorptive capacity refers to the ability of the firm to absorb knowledge from outside and to harness it to improve firm performance (Zahra and George 2002). Clearly, advice would be aided by a firm's ability to absorb the knowledge transferred, or even co-produced between the adviser and firm manager (van Doorn, Heyden et al. 2016). One of the issues raised by this point is whether the advice is couched in terms that are feasible for the firm. Many advice programmes involve business planning, but when firms are asked about their business plans fewer than half will claim to have a written, up-dated business plan (Sullivan-Taylor and Branicki 2011).

Table 1 The effectiveness of advice

Study Authors	Methodology	Type of Support	Significant impact on performance
Cummings and Fischer (2012)	Sample of 228 early-stage firms in Ontario, Canada	Business advisory services focused on helping companies secure 1 st rounds of financing and start generating revenues	Mentor hours are consistently positively associated with a greater percentage change in sales. Mentor hours significantly affect the probability of angel finance
Mole et al , 2008, 2009 2011	Sample of 2165 firms using quasi-experiment using Heckman selection	Government advice programme	Intensive advice improves effectiveness
van Doorn, Heyden and Volberda (2017)	Survey methods with 226 responses with a two stages approach, where the independent variables were surveyed in 2008 and the dependent variable in 2009	Various internal and external providers	Advice increases the entrepreneurial orientation but needs to be enhanced with absorptive capacity
Rotger, Gørtz and Storey (2012)	Sample 608 and 464 in two cohorts of the North	Guided preparation for new business creation	The programme contributes to the survival and size of new

	Jutland programme using quasi-experiment through propensity score matching		ventures, and growth in terms of sales, employment and productivity
Cummings, Fischer and Peridis (2015)	This resulted in a final sample of 100 completed surveys from clients of an advisory service	Government advice on internationalisation	how a significant relationship between receipt of advice and the development of internationalization-related knowledge and competence
Buffart et al (2020)	1700 businesses that visited SBDC in Southern California. Matching on propensity scores, Heckman selection and difference in difference	Treatment is advising effort	Sufficient quantity is required to led to positive innovation. Clear improvement driven by the client's willingness to collaborate with their advisers who need 3.4 times fewer advising hours. Programmes need to assess willingness to collaborate
Chatterji, Delecourt, Hasan and Koning (2019)	Randomised field experiment with 100 high growth entrepreneurs	Mentoring advice	Formal mentoring regular meetings, setting goals and frequent feedback to employees had greater impact
Autio and Rannikko (2016)	Analysis of growth impact delivered by a high-growth entrepreneurship policy initiative over a six-year period. Using an eight-year panel that started two years before the initiative was launched and propensity score matching to control selection bias	A high-growth entrepreneurship policy initiative over a six-year period	The high-growth policy more than doubled the growth rates of treated firms

The role of training

Some of the issues highlighted in the advice literature are also corroborated by evidence which has tried to assess the role of training in SMEs and to new firm founders (Chrisman, McMullan et al. 2005). In particular this evidence shows support for five elements which will be taken in turn in the section below. First, selection into the programme. Second, consideration of the ambition of the managers of the firm being helped. Third, the use of growth-catalyst tools (Kotha, Vissa et al. 2023). Fourth, to cover a range of topics, and finally, to encourage a community of learners.

Selection is evident in many programmes, and the ambition of the firms is often a key part of the selection. The 10KSB UK programme is very broadly based with topics from the entrepreneur, their leadership through to operations and marketing, with a focus on growth. This programme is selective. To get onto the programme the applicants must pass an interview as well as a set of criteria (business 3 years old, turnover of £250k, etc.). Whilst it is not the only reason, assessments using a regression discontinuity design to account for the selection show graduates of the programme experience a 28 per cent increase in productivity in excess of what they would have achieved without participation in the programme, five years after completion (Goldman Sachs 2016). Part of the selection for the 10KSB programme is the ambition of the manager. Kotha et al (2023) agree training is far more beneficial for business owners with ambitious growth objectives.

Topics of training may include growth catalyst tools. Kotha et al (2023) employed a randomised control trial to train a sample of Singapore-based entrepreneurs in three growth-catalyst tools of business model innovation, team structuring, and effective networking. Åstebro and Hoos (2021) discuss two randomised controlled trials of social entrepreneurship training where the second group showed impact. They suggested changes between the programme improved outcomes with less leadership training but greater analytical elements and applications using the lean start-up model and business model canvas.

The breadth of topics and treatment is highlighted in some of the training initiatives Eesley and Lee (2021) compare in their research on the different courses offered to Stanford University students from the School of Engineering and the Business School. Their suggestion is that the breadth of the courses facilitated greater impact through enabling potential entrepreneurs to better understand their entrepreneurial skills. The Goldman Sachs 10KSB programme also takes a wide-ranging perspective. Accelerators and incubators provide a breadth of advice often in intense bursts (Cohen, Bingham et al. 2018). In addition, participants often recognise the value of a more objective look at their business and the community of learners (Goldman Sachs 2016).

The cliché that the entrepreneur spends too much time working *in* the business and too little time working *on* the business appears in many entrepreneurs' responses to training programmes (Goldman Sachs 2016). Camuffo, Gambardella and Spina (2020) in a randomised controlled trial suggest that the 'scientific approach' to managing a startup business through developing hypotheses and then using data to rigorously test them enables the business to grow. Hence data-driven scientific management may help new firms.

Networking is an element which has been emphasised in training programmes, and is in some ways an inevitable outcome of face-to-face training for groups of firms. Nonetheless, some have incorporated effective networking as part of programmes themselves (Kotha, Vissa et al. 2023). In their assessment of the programme studied by Kotha et al (2023), entrepreneurs pointed to the combination of business model innovation tools and effective networking, which helped them to interact more effectively with external resource providers.

Table 2 When is advice and training effective?

Study Authors	Methodology	Type of support	Conclusion When is advice effective?
Goldman Sachs (2018)	Regression discontinuity design	Training programme	Five years after graduating, graduates of 10KSB UK had a 28% higher level of productivity than they would have had they not taken part in the programme
Hallen, Cohen and Bingham (2020)	Mixed methods - a quantitative sample of 235 accepted and almost accepted firms and a qualitative analysis of 70 semi-structured interviews	Accelerator programmes	Some accelerators work. through broad, intense and paced consultation
Kotha et al., 2022 Singapore	Randomised controlled trial with 103 entrepreneurs in the treatment group and 78 in the control group	Two-day training programme using business model canvas, and frameworks for diagnose social capital and to analyse the venture team's structure and dynamics	Training increases revenue (72.5%) versus the control (30.3%). The effect was more pronounced for those with ambition (100%) compared to the control group (10%)
Asterbro and Hoos (2021)	Repeated randomised controlled trials with 100 (50:50) in control and treatment groups in 2014 and 50 (25:25) randomly assigned in 2015	A 12-day tour of French cities and training that emphasised days of inspiration (4 days in 2014 and 3 in 2015) days of introspection (2 days in 2014 and 3 in 2015) and days of taking action (6 days in 2014 and 2015)	Changing the programme to reduce leadership training but to increase the analytical elements and application such as the lean start-up model, business model canvas and better individual coaching increased effectiveness
Eesley and Lee (2021)	6995 Stanford student alumni. with a difference-in-difference with instrumental variables.	University entrepreneurship programme	Participation decreases start-up failure rates and increases performance but has no impact on entrepreneurship rates. More general courses might be more effective
Camuffo, Gambardella and Spina, 2018	Panel sample RCT of 116 Italian startups with 16 data points over one year	Training on how to obtain feedback and feasibility for treatment and control but frameworks to test "scientifically" are taught to the treatment group	A 'scientific' approach improves precision and performance and 'scientists' are more likely to pivot

Summary

The impact of advice varies because it is a human interaction with all the attendant foibles associated with this (Harvey and Fischer 1997, Dyer and Ross 2007). This review has focused, therefore, on the targeting of advice at firms who are ready, willing and able to adopt techniques or management practices that can boost performance.

In addition to the research on advice some of the findings from training help to point to several elements that can improve the outcomes for firms including: networking, growth-catalyst tools, and the breadth of topics covered. Finally, training programmes can be enhanced through being combined with better individual coaching (Åstebro and Hoos 2021).

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