



# Simply the best: An exploration of advice that small business owners value



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## ABSTRACT

While most networking research focuses on quantity and composition of contacts, this study explores factors underlying the advice and advisors most valued by small business owners. Owners ( $n = 528$ ) were asked to indicate the formal and informal sources they had relied on for advice during the previous year and to identify which was most beneficial to them, what types of advice they received from their best advisor, and how they communicated. Length of ownership and founder status influenced what type of advisor was most valued by owners. Overall network breadth, owner demographics, and business characteristics were significantly associated with the nature of advice and support this preferred advisor provided, even after controlling for advisor type. Gender, age, and location predicted the extent to which owners communicated with their preferred advisor online, which affected the level of emotional support received. Results suggest the importance of studying the perceived quality of external business advice, and practical implications for facilitating soft support for small business owners.

## 1. Introduction

Personal networks are critical factors in the launch of new ventures, business performance, and the growth of established ventures (e.g., Greve and Salaff, 2003; Gronum et al., 2012; Hoang and Antoncic, 2003). A number of studies have demonstrated relationships between network size and breadth and various performance outcomes of small and medium-sized enterprises (e.g., Stam et al., 2014; Watson, 2007). But there is a growing recognition of the need to consider the *quality* as well as the quantity of network relationships (Kautonen et al., 2010; Mole et al., 2011; Pollack et al., 2016).

Research on networking behavior among new venture entrepreneurs often considers economic exchange relationships, where entrepreneurs may both provide and receive referrals and assistance from network members (Ho and Pollack, 2014; Vissa, 2011, 2012). But for many small business owners the key networking motivator is to seek advice (Shaw, 2006), and networking is often operationalized as the sources from whom an owner has sought advice (Watson, 2012). Small business owners are encouraged to consult a wide variety of resources, including numerous government-sponsored agencies, professional business advisors, local chambers of commerce, networking groups, online resources, and industry trade associations. But there may be diminishing returns to extensive networking, or even negative effects associated with developing large networks (Semrau and Werner, 2012, 2014). Watson (2007, p. 853) suggests there may be “an optimal level of resources that an owner should devote to networking.” Thus owners need to identify quality network sources, i.e. those likely to be most beneficial for their particular goals and circumstances.

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In order to generate new insights into factors that promote beneficial advisory relationships, the current study surveys several hundred small business owners about their advice-seeking over the past year and asks them to identify and describe their *best* source. We examine three novel questions, using an exploratory approach informed by related research in social psychology and organizational behavior. 1) *Who* do they find most valuable an advisor? 2) *What* specific types of advice and support do these preferred advisors provide, and does this differ depending on individual owner and business characteristics? 3) *How* do owners communicate with their preferred advisor, and does a lack of media richness in online communication affect these relationships?

### 1.1. Background

Most SME owners receive external advice from informal sources such as friends or relatives and/or formal sources such as accountants (Bennett and Robson, 1999). While external advice can have demonstrable advantages for small businesses, and substantial public resources are devoted to its provision, owners are often dissatisfied with the advice they receive or fail to adopt it (Mole, 2016). Behavioral decision making research has shown that people systematically underweight or reject advice, leading them to make objectively worse decisions (see review by Bonaccio and Dalal, 2006). Important factors in whether decision makers judge an advisor positively are whether they believe the advisor is an expert, and whether they trust the advisor has positive intentions toward them (Bonaccio and Dalal, 2010). But entrepreneurship research most commonly studies whether and where owners seek advice, not their satisfaction or utilization (Johnson et al., 2007; Mole et al., 2017). A number of studies have investigated business characteristics and owner-manager demographics as influences, for example showing that highly educated owners and owners of larger firms tend to engage in more networking (Watson, 2012).

There has long been particular interest in possible gender differences in networking behavior (Aldrich, 1989; Cromie and Birley, 1992; Hanson and Blake, 2009; Henry et al., 2015), with some studies finding that men rely more on professional acquaintances and business consultants and women more on friends and family (Greve and Salaff, 2003; Renzulli et al., 2000; Robinson and Stubberud, 2009). Other studies, however, have found no substantial differences between men and women owners' use of advice sources after accounting for such factors as the nature of the business and its size (Robson et al., 2008; Watson, 2012). But there may be subtle but meaningful gender differences in the drivers and impacts of external advice for small business owners (Yusuf, 2015). Manolova et al. (2007) reported that the receipt of outside advice was significantly and positively associated with growth expectancies for men but not for women.

### 1.2. Types of advice

Some surveys of business owners' advice-seeking has asked them to indicate the general subject matter (e.g., personnel, technology), although responses may simply be summed for a single measure of outside advice received (as in Manolova et al., 2007). This limits theoretical development. For example, although a resource-based view of the firm would suggest a negative relationship between firm size and advice-seeking, evidence suggests a more complex relationship, which may be partly driven by changes in the type of advice sought (see Mole et al., 2014; Mole, 2016).

In the context of small business owners, some advice is context or industry specific. But across different kinds of businesses and industry sectors two types of advice are broadly generalizable: 1) advice which is geared toward supporting the day-to-day operation of the business, and 2) strategic advice intended to achieve growth; Mole (2016) describes the former as transactional and the latter as transformational. A great deal of business advice is also codified information in the form of government regulations, laws, and tax codes, which is also broadly relevant across different kinds of small businesses.

Owner characteristics are likely to affect the extent to which owners seek out and/or value these three broad categories of advice. For example, experienced owners who have managed the business for many years may have less need of day-to-day management advice compared to owners of newer businesses. Founders may be more overconfident than those who took over an existing business (Forbes, 2005), and thus less likely to want transactional advice and more interested in growth-oriented advice. Owners of growing businesses or those in more dynamic environments may especially value legal/regulatory advice.

### 1.3. Emotional support

Psychology and communications researchers have shown that emotional/social support is an important but understudied factor in how decision makers perceive advice and in their motivations for seeking advice (Dalal and Bonaccio, 2010; MacGeorge et al., 2004). In a laboratory experiment, Dalal and Bonaccio (2010) found that people evaluated advice more positively when it was accompanied by social support. Similarly, MacGeorge et al. (2017) found that the emotional support provided by an advisor influences the advisee's perceptions of the quality of the advice, and thus the likelihood of its implementation.

The degree of emotional support provided by advisors is rarely studied in the entrepreneurship literature, but encouragement in and of itself may be highly valued by some small business owners (Hanlon and Saunders, 2007; Kuhn and Galloway, 2015). Emotional support may be especially important to owners operating in dynamic or risky environments. Moreover, if an advisor provides encouragement and emotional support in addition to information and recommendations, the advisory relationship may also foster feelings of efficacy and resilience.

Research in other contexts suggests possible gender differences in emotional support. Cahill and Sias (1997) found that women employees received more emotional support in the workplace than did men, although men and women did not differ in their perceptions of its availability or the social costs of seeking it. Morrison (2009) found that women tended to value workplace

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