

Utilisation of Business Advice in Small Innovative Firms: the Role of Trust and Tacit Knowledge

Katarzyna Łobacz, Paweł Głodek, Edward Stawasz, Piotr Niedzielski

ABSTRACT

Objective: The aim of this paper is to expand the understanding of the influence of trust relationship, as well as tacit knowledge on the process of business advice utilisation in small innovative firms.

Research Design & Methods: The analysis is based on empirical research conducted with the use of the explorative approach. The multiple case study methodology was used.

Findings: Trust relationships as well as tacit knowledge were identified as factors essential to the process of utilisation of business advice in small innovative firms. It was recognised that the significance of both factors is related not only to the process of advice, but also as a purpose of activities happening prior to advice. They are referred to as the initial phase.

Implications & Recommendations: The findings provide implications for further research of the structure of the process of business advice utilisation. It is related to the inclusion of the “initial phase”, as well as to the necessity to include both factors in further research. The paper also provides implications related to the measurement of business advice output, and recommendations on the construction of public policy instruments.

Contribution & Value Added: The originality of this work lies in using the process perspective and qualitative methodology in the field of the utilisation of business advice. It extends our understanding of the processes of business advice with regard to trust, as well as the use of tacit knowledge. The original contribution is to add the “initial phase” to the description of the business advice process.

Article type: research paper

Keywords: innovative firms; business advice; trust relationship; tacit knowledge; utilisation of business advice

JEL codes: C33, F21

Received: 7 February 2016

Revised: 13 May 2016

Accepted: 30 May 2016

Suggested citation:

Łobacz, K., Głodek, P., Stawasz, E., & Niedzielski, P. (2016). Utilisation of Business Advice in Small Innovative Firms: the Role of Trust and Tacit Knowledge. *Entrepreneurial Business and Economics Review*, 4(2), 117-138, DOI: <http://dx.doi.org/10.15678/EBER.2016.040210>

INTRODUCTION

As small firms have, by definition, limited internal resources, and as some of them have additionally limited managerial knowledge and business experience, they are likely to benefit from a wise use of external expertise (Hurmerinta-Peltomäki & Nummela, 2004; Hinton & Hamilton, 2013). Especially competitiveness of small innovative firms is regarded as dependent on the ability to access the resources of external knowledge effectively (Caloghirou, Kastelli & Tsakanikas, 2004; Kang & Kang, 2009). Recent research suggests that indeed the intensity of business advice is considerably high among small innovative firms (Stawasz, Głodek, Stos & Wojtas, 2004; Bennett, 2007; Johnson, Webber & Thomas, 2007).

It has been recognised that small innovative firms use a variety of external advisors, ranging from family and friends to government-provided services and private consultants (Ramsden & Bennett, 2005). However, in the literature and in practice, it is visible that firms – when they operate and develop – use also other sources of external expertise to enhance their final business offers, i.e. venture or seed capital shareholders, co-owners with a different background, employers or other entrepreneurs (North, Baldock, Mole, Wiseman & Binnie, 2011; Soriano & Castrogiovanni, 2012). Despite the fact that a considerable amount of studies is available on the issue of business advice, ranging from the impact of advisory services to the firm's satisfaction analysis (Bennett & Robson, 2003; OECD, 2004; Chrisman, McMullan & Hall, 2005; Johnson et al., 2007; Yusuf, 2010), the development of innovative business offers and the development of small innovative firms that follows, in conjunction with differently sourced business advice, remains poorly recognised. This has an impact on difficulties in measuring business advice for small innovative firms, starting from problems with the definition of business advice itself, its role and placement within the process of development, followed by difficulties in defining possible results of business advice, and comparing those results against different criteria.

Therefore, there is a need to understand deeply the business advice logic in the context of small innovative firms. For this purpose, the authors conducted a series of Europe-wide case studies on which they base their description of the advice process taking place within small innovative firms. They were studied based on a common diagnostic questionnaire which served as the basis for a semi-structured interview. The analysis conducted led to the observation that the presence of trust relationship as well as the tacit knowledge exchange and creation are present at subsequent stages of the advisory process. It is related particularly to the processes of the complex, intensive advisory relationship referred to as the utilisation of business advice (Głodek & Łobacz, 2015).

The aim of this paper is therefore to expand the understanding of the influence of trust relationship as well as tacit knowledge on the process of business advice utilisation in small innovative firms. The paper presents the theoretical background emphasising the interaction between the advisor and the entrepreneur, with special attention paid to establishing and maintaining the trust relationship between the entrepreneur and advisors, as well as to the kind of tacit knowledge. The analysis includes a dynamic perspective related to the differentiation of the initial phase, which precedes the advice process, and the process itself.

SMALL INNOVATIVE FIRMS IN THE PROCESS OF BUSINESS ADVICE

Small Innovative Firms' Behaviour and the Need for External Knowledge Advice

Small innovative firms are considered as especially important in today's economy (IDC, 2007; Gagliardi et al., 2013). Those are defined as firms which proactively seek new solutions in order to provide better market offers to their (potential) customers and therefore propose enhanced value in comparison to what is already available. Thus, they are looking for rents higher than typically established for the product line. Based on this condition, small innovative firms are regarded as growing enterprises managed by owners-entrepreneurs. As such, assuming possible venture financing typical for small innovative firms with a high growth potential, those are firms where the owner-entrepreneur holds the majority of shares. However, since this condition limits directly the size of the firm, the most important here is the entrepreneur's role in strategic decisions making, as well as the possible impact of third parties on those decisions (Łobacz & Głodek, 2015).

Due to their specific features, small innovative firms, as small firms in general, are considered as behaving strategically differently than bigger entities. They are described as 'emotional economic units', motivated more by 'doing' rather than by 'managing' (Dexter & Behan, 1999). Additionally, they create a very personal and idiosyncratic culture with a strong focus on informal communication (Storey, 1994; Cagliano et al., 2010; Mazzarol, 2011). Thus, they are described as making their decisions in the informal way, to a large extent grounded in trust and based on a holistic approach (Gibb, 2000). It is also said that small firms in general represent the 'culture' in which the decisions and, as a consequence, actions of the owner-entrepreneur are shaped by a motivation to be independent, an intuition and a desire for personal compatibility among the members of the entrepreneurial team (Dalley & Hamilton, 2000).

In terms of knowledge acquisition, it is highlighted that owners-entrepreneurs look for external knowledge which can be directly employed in their processes, thus, they avoid theoretical knowledge (Dalley & Hamilton, 2000). They also prefer to 'learn by doing' and stress that learning by experience is the most valuable way of knowledge acquisition (Dalley & Hamilton, 2000). External knowledge acquisition seems to be important whenever maintaining competitiveness of small innovative firms is considered. Some firms experience a critical knowledge gap resulting from relatively high complexity of technology and market exploration problems faced by innovation-focused entrepreneurs, or the erosion of innovation rent while implementing new market offers, which can be limited when more knowledge is used in the process (Bennett & Robson, 2003; OECD, 2004; Chrisman et al., 2005; Johnson et al., 2007; Mazzarol & Reboud, 2009; Yusuf, 2010). In both cases, it is crucial to maintain their competitiveness and profitability.

The development of small innovative firms also generates a need for the acquisition of external knowledge necessary to launch new products and to manage the process of expansion. It often requires exploration of new options and solutions that enable firms to deal with future and/or existing problems (Wren & Storey, 2002). This allows the firm to enter the next stage of its development in terms of the organisation of daily operations, configuration of resources and market interactions (Churchill & Lewis, 1983; Garnsey, 1996; Matlay, 1999; Łobacz, 2012). Thus, the use of external expertise is especially needed when new market offers are implemented. As innovative entrepreneurs are highly focused

on the introduction of new offers (Łobacz, 2012), their need for business advice is supposed to be of frequent nature (Łobacz & Głodek, 2015).

Delivery of Business Advice for Small Innovative Firms

Business advisors are perceived as market players who are able to provide knowledge resources for firms with limited access to those resources. As business advice has many different forms, ranging from the provision of general knowledge, through specialised trainings to coaching and mentoring, business advisors are variously defined in consecutive studies and in practice (Bennett & Robson, 2003; Johnson et al., 2007; Mole, Baldock & North, 2013). Therefore, from the point of view of support they offer to small innovative firms, they are broadly defined as individuals, whether self-employed or employed within a private or public organisation, who use their knowledge to add value to the firm's business activity through the provision of short or long term support at the operational or strategic level (Łobacz & Głodek, 2015).

In this context, advice may be considered as a resource available for the small firm (Bennett & Robson, 2003; Chrisman et al., 2005; Robson & Bennett, 2010). However, some small firms are not interested in reaching for it. North et al. (2011) indicate that 60% of British SMEs did not make any use of external formal assistance during the three years prior to being surveyed.

The subsequent authors stress, however, a huge differentiation of business advice provided specifically for small innovative firms. This includes not only the type of advice needed or the type of advisor chosen within the process (Bennett & Robson, 1999), but also the level of management which the advice influences (North et al., 2011), as well as the type of formal behaviour in relations with the advisor (Strike, 2012). In their broad study, Bennett & Robson (1999) indicate six types of business advice layers: professional specialists, professional generalists, market contacts, social contacts, business associates and government agencies. The list comprises professional private or public organisations as well as informal parties.

Although most studies focus on formal sources of advice, it was observed that owners-entrepreneurs tend to use informal ones more frequently (North et al., 2011; Soriano & Castrogiovanni, 2012). Those include friends and family or other inner-circle advisors, but also agents who are in a business relation with the firm, e.g. accountants, suppliers, bank employees, customers, and trade partners (Blackburn & Jarvis, 2010). Informal business advice is especially used by newly-established firms (up to three years from their foundation) and those in the course of the transformational process (North et al., 2011). Informal advice has been also observed to be especially important for family firms, which operate based on closer family and business relations (Strike, 2012).

While it is argued that firms which use informal advice subsequently tend to search for formal sources of knowledge (North et al., 2011), it is also suggested that the distinction between informal advice and formal assistance is not always clear cut, and formality is a function of the situation and the structure of the advice that is sought (Robson, 2008). This blurred border suggests that the categorisation of advisors based on their background may not constitute an important issue for small firms. Since the crucial issue for them is to find external knowledge ready to be directly employed in their internal processes, the differentiation based on the content of advice may be perceived as more influential.

North et al. (2011) used the content factor to differentiate between transactional assistance and transformational assistance. Transactional assistance relates to situations when support is provided at arm's length via a particular piece of information in order to assist with standard, day to day business operations. Transformational support, in turn, is observed when in-depth, diagnostic support is required in order to facilitate stepped change relating to business growth and productivity. Furthermore, Christensen & Klyver (2006) distinguish between the advisor's role on the basis of different business relations considered. They contrast the situation in which the consultant is assumed to 'know what' and also to 'know how' knowledge should be transferred to the firm with the case when the advisor acts as a change agent, acquiring knowledge about the firm and the context in which it operates, thus participating in the creation of unique new knowledge, which can be further used as a unique strategic resource specifically by this particular firm.

Business advice for small firms includes virtually all areas of business. However, it has to be pointed out that a substantial part of advisory activity refers to the provision of services focused on dedicated, narrow topics. It is determined by the entrepreneur and refers to isolated areas of company activity. The survey done by North et al. (2011) indicated that 83% of guidance in the UK SMEs is related to specified areas. Typical advice refers to the field of accounting and legal advice related to compliance issues. Sales and marketing, survival, finance, IT systems and websites were also indicated as the areas of SMEs' interest (North et al., 2011). Other business advice areas encompass, among others: conditions relating to market information (including international markets), technical solutions relating to new products, recruiting staff or management of cash flow. This may suggest that the use of business advice is related to the problems encountered by the company in its daily operations, or challenges of development processes.

In the research done by North et al. (2011) the minority of small businesses (17%) which were involved in business advice activity in the last three years benefited from advice related to more complex issues. Thus, taking into account that some form of advice is used by less than half of small businesses, it should be noted that comprehensive consulting is extremely rare. Chrisman et al. (2005) indicate that this type of advice can provide particularly high value to innovative firms at the start-up phase.

Trust

There is no single comprehensive definition of trust, and significant diversity exists even within disciplines (Walter & Smallbone, 2006). However, in terms of business behaviour, the trust concept is related to the perception of the probability that other agents will behave in a way that is expected (Gambetta, 1988). Williamson (1993) points out that, both in personal and commercial relations, trust is often based on a calculated risk. The person trusting is convinced that trusting is a rational behaviour because the risk associated with the bestowed trust that is not fulfilled is justified by the potential gains if the trust is maintained. One of the factors related to trust can be the risk of undertaking undesirable actions based on the acquired knowledge about the company. Some entrepreneurs may show distrust related to the quality of advice (Scott & Irwin, 2009, North et al., 2011), which carries the risk of no effect and the loss of resources involved (at this time).

Additionally, there are various concerns related to the inherent personal interaction between the owner-manager and the external advisor as well as the task interaction (Ramsden & Bennett, 2005; Dyer and Ross, 2007) suggest the existence of possible power

imbalances and disparate 'world views' between advisors and business owners. Some owner-managers simply may feel unsure of their ability to deal with 'smart and sophisticated consultants' as equal process partners. Some researchers claim that because small firm's owners tend to value their independence greatly, the acceptance of advice may be recognised as a symbol of dependence or even of failure (Curran, Jarvis, Blackburn & Black, 1993). To search for assistance, the owner-entrepreneur must see the need for advice, i.e. must be convinced of his or her own knowledge gaps and admit their existence (Chrisman et al., 2005).

Tacit Knowledge

Chrisman et al. (2005) indicate that the transfer of tacit knowledge is particularly recommended in the context of new companies. Tacit knowledge may increase the quality and value of the knowledge gained from advisors. Since the tacit elements of that knowledge are unique to the individual and the venture, those elements are likely to be rare, difficult to imitate, and only substitutable with other knowledge of similar quality (Barney, 1991; Labas, Courvisanos & Henson, 2015). Since tacit knowledge is not transferable separately from its context, it creates important constraints related to its transferability to other parties (Chaston 2010; Thorpe, Holt, Macpherson & Pittaway, 2005). With regard to business advice, we can assume that the transfer must be linked directly to the purpose of advice itself. Therefore, tacit knowledge related to a start-up company should be transferred with relation to the particular company, not as general information.

The limited ability to codify tacit knowledge makes its transfer an even more complex issue. The possible way to transfer tacit knowledge is to use a direct interaction of two or more entities. This is usually a time-consuming process and requires high involvement of both parties.

Business Advisors' Roles in the Development Process of Small Innovative Firms

The conducted analysis reveals that the delivery of business advice for small innovative firms has many different forms and dimensions and its impact is dependent on many different factors, which are approached and described separately in consecutive studies. Despite the fact that many authors touch directly on the problems faced by innovative entrepreneurs, it is necessary to include the attitude to externally sourced knowledge of proactive and self-confident firm owners as well as difficulties in specification of problems to work on for which the external advice is needed. The currently available models propose limited understanding of the nature of business advice for small innovative firms. As a consequence, the picture of business advice for small innovative firms remains blurred and its impact on firms' competitiveness is difficult to measure. Thus the process analysis reveals a different perspective on business advice, which seems to be providing a valuable insight into the phenomenon.

The understanding of current research on business advice leads to the separation of two distinctive roles of business advisors providing their services for small innovative firms: (1) the role of expert, and (2) the role of process participant. The typically defined role of expert is to be perceived as a source of external knowledge resources which should be temporarily supplemented, as they are not needed on a regular basis in day-to-day operations, but are necessary to proceed with particular actions and at the same time incorporation of those resources into the firm's structures would be cost-ineffective. In

contrast, the role of process participant is related to the transfer and creation of knowledge which is required to move forward (survive or develop) in particular circumstances; this type of knowledge is thus more intangible and in order to apply it in the firm's processes, it must be combined with knowledge embedded within the firm.

When looking at those two roles from the process perspective, two distinctive behaviours with respect to business advice are to be defined, which are called respectively (1) the use and (2) the utilisation of business advice (Głodek & Łobacz, 2015). The first one, the use of business advice, refers to the activity of an individual or a team of individuals who know frontier knowledge and best practices, and who transfer this knowledge to firms in a professional way (Christensen & Klyver, 2006). In this case, the specific portion of knowledge is delivered to the firm and the advisor is assumed to have the capability to decide what type of knowledge is in those specific circumstances required, and also how it should be implemented. The firm receives the knowledge and it may decide whether to make use of it and to what extent it will be actively engaged in its implementation. The relation may be thus described as a one-way knowledge flow. In this scenario, the outcomes of the advisory process are to some extent predictable and depend highly on the quality of knowledge which is transferred, on the one hand, and the level of involvement in the implementation of advised solution, on the other hand.

In contrast, the utilisation of business advice presumes a long term relation within the process, which involves a multidimensional combination of knowledge sourced from the background and experiences of the advisor or a team of advisors and the firm's owners. The advisor, from this perspective, is seen as a participant of the new solution development process. She/he is thus a participant of the creation process, who listens, observes, and identifies problems, but also their context (entrepreneurial, organisational, market, etc.), and then she/he actively takes part in the recurrent process of new ideas generation, selection and adjusting them to the context of a particular firm. An outcome of the process is new knowledge combined from internal (mostly the owner-manager) and external sources (the business advisor). Outcomes of this process are often unpredictable in terms of scope and time horizon, but often also spectacular and with a strategic meaning.

RESEARCH METHODOLOGY

The aim of this paper is to expand the understanding of the influence of trust relationship as well as tacit knowledge on the process of business advice utilisation in small innovative firms. In order to achieve the set objective, two research hypotheses were formulated:

H1: The creation of the trust relationship between the owner/manager and the business advisor before the onset of the advisory process determines the occurrence of business advice utilisation.

H2: Business advice utilisation results in the creation of new tacit knowledge.

The nature of the objective and the hypotheses formulated had an impact on the applied research methodology. The analysis is based on empirical research conducted with the use of the explorative approach. The multiple case study methodology was used (Yin, 1989), as this method has been recognised as a valuable approach to the study of small businesses (Chetty, 1996) because it offers a useful framework for analysing the real context,

in particular, when the phenomenon is influenced by a number of factors determining each activity (Yin, 1989) and its nature is not very clear.

The process of empirical data collection took place using the individual in-depth interview technique. The instructions for the in-depth interview shaped the measurement tool. The formula of narrative interview was adopted, hence communication techniques were used in order to focus the discussions on the issues related to the subject of the research, at the same time assuming the greatest possible freedom of expression of the interlocutor. This enabled the creation of optimal, natural and reproducible conditions to conduct a conversation, which is particularly important in terms of ensuring the accuracy and reliability of measurement.

The in-depth interviews were conducted personally by members of the research team with owners of small innovative firms. They were asked about the development context of the firm from the beginning of its foundation, and all aspects related to broadly defined advisors within the process. The interviews were recorded on digital media, which enabled their repeat use at the stage of data analysis. On the basis of each interview, a case study protocol was also prepared. The study was conducted in the years 2014-2015 on a group of forty small innovative companies located in three different regions of Europe. The provision of business advice to the firm, within the last three years before the interview, was one of the key case selection criteria. All the case studies were focused around the understanding of the participation of different types of business advisors in the process of small innovative firms' development. It was especially concentrated on the interaction between the entrepreneur and the advisor while operating on a daily basis and implementing changes and the outcome of the process. Within the analysis, the rationale for searching for external advice, as well as the advisor's motivation to participate in the process were specially considered. In the framework of the study, four cases of advice utilisation which are described and analysed in the paper were identified.

CASE STUDIES ANALYSIS

Case Study 1

The case concerns a small firm offering cloud-based management tools targeted at small and medium-sized enterprises. The firm was founded by three entrepreneurs with the support of public-private seed capital fund. The entrepreneurs have a technical background and approximately ten years' work experience in large companies, in the IT development and team management positions. The firm was established based on the implementation to the market of the innovative product in the form of software supporting administration of large companies. Although the product was technically well prepared for the market launch, the firm encountered a significant problem with the conversion of free beta users to clients willing to pay for the final product.

The idea of strategic change and conversion of primary logic was a result of advice which originated from the board of supervisors. The formation of the board of supervisors was one of the requirements stated in the investment agreement with the seed fund. The original composition of the board was the result of negotiations with the investor. Due to the nature of activities of public-private fund, some members of the board were employees of the investor - the regional development agency. The level of business knowledge of

its members was, however, not very highly rated by the entrepreneurs. For reasons independent from the firm and investment fund representatives, the regional development agency after a few months decided to withdraw its representatives from the board.

As a result, the entrepreneurs could propose to replace them with persons that they chose ("We looked for them intensively and established a range of different contacts. In Poland there are very few cloud start-ups which have succeeded"). Those who were eventually accepted to the board had been selected according to the criteria of business experience, and industry-specific experience had been especially valued ("At the moment, we have constructed the board of supervisors with the presence of great mentors who are experienced in cloud-based applications. (...) gradually we exchanged them [the members of the board of directors] for people who have experience in sales, in the development of start-ups and the board have become very, very valuable").

After the change of the board of supervisors (approx. 12 months after the foundation of the firm), the intense interaction between its members and the entrepreneurs started. The right questions began to be asked. Those questions initiated the debate on the nature of the business problems of the firm (the board of supervisors helped not to get distracted by issues that were not critical to the firm's core business).

In the beginning, the entrepreneurs were advised to focus more strictly on 'problems of tomorrow', and at the same time some urgent issues requiring intervention were neglected. Those were related, in particular, to marketing problems, especially advertisement and distribution channels ("At that time (...) we had a lot of ideas, for example: let's find a company in the neighbouring countries which will help us distribute our product, or we may find people to affiliate marketing (...) and maybe let's go to a few conferences". But "...we received [from the board of directors] a strong message that we needed first to learn to sell our product directly from the website. If it proves that the product is saleable, then it will be worth trying to start sequentially building the network of sales channels. Before doing this, it must be checked whether the product has to be tailored to the specific audience"). When the entrepreneurs adopted this approach, they realised that the firm could not follow the current strategy and stick to selling the product they had developed.

At meetings with the board of supervisors, actions that should be taken were gradually identified. First of all, the board members motivated the entrepreneurs to contact their customers directly, not through the virtual media but in person. This allowed them to learn how current customers use their product, and revealed that to a large extent the product was used for different purposes than it was designed because the customers valued mostly one additional feature of the product instead of its core function. The lessons learnt were analysed during the board of supervisors' meetings, and additionally the members of the board decided to test the product themselves ("...it also made it clear to us that we [the product] are not for everyone"). As the members of the board familiarised themselves with the product, they participated in the process of new product design, by giving suggestions for desired functionalities, but also by stressing the importance of end users' perspective ("... He [one of the board members] told us: if we make a product for marketing personnel, we cannot listen to engineers and IT people. They are able to generate thousands of ideas of new features that are not really needed. He said: Listen to everybody, not just programmers, if you do not make a product for managing software development"). That was a lesson crucially important to us and the future of the firm.

The summary of factors related to the trust relationship and tacit knowledge creation in Case Study 1 is presented in Table 1.

Table 1. Summary of advice process: Case Study 1

Trust relationship	Case 1
Initial phase (prior to the phase of advice)	Contacts were initiated during networking meetings. The entrepreneurs looked for people with sectoral expertise. It was not a process of looking for new employees, but rather a process of acquiring new sector-specific knowledge. The trust relationship was initiated during a range of meetings with each expert. It was a base for making the choice regarding experts. The length of the phase – 6-12 months.
Advisory phase	Consolidation of trust was achieved through (i) demonstrating professional competences – esp. indicating the problems crucially important for the business and thus preventing the entrepreneurs from spending too much time on secondary issues; (ii) demonstrating commitment to the business through, e.g. personal involvement in the process of product testing. The advisor's remuneration was not fixed in the process, it was based on the final success of the project. The remuneration model changed during the process of advice, with the investment decision of the advisory firm.
Tacit knowledge involvement – advisors' side	Case 1
Knowledge based on previously existing experience	Extended sector-specific knowledge, as well as business development knowledge. It was described by the entrepreneurs as asking typical questions related to the business and product development (including service design), but at the right moment of the advisory stage.
Newly developed knowledge	New tacit knowledge is developed through personal involvement of the advisors in the process of product redesign, followed by strategic change. They were involved in the product testing process, followed by a joint analysis of customer feedback during the meetings of the supervisory body.

Source: own study.

Case Study 2

Case no. 2 concerns the advice provided for an entrepreneur who owns a group of four IT microenterprises. All the companies were engaged in various IT operations, ranging from implementing complex IT systems provided by a large market player to developing individual IT systems customised to particular requirements. The entrepreneur separated businesses into different companies because this approach was necessary to build different corporate images in different markets. The owner can be described as a serial entrepreneur who started with the first of the current businesses seven years before the analysis. The entrepreneur had earlier experience in business – he had founded and run two service providing firms which had been liquidated (“I simply failed to manage those businesses.”). The crisis which prompted the need for advice was closely linked to the person of the entrepreneur.

Prior to obtaining the advice, the entrepreneur, who had founded all the firms, was heavily involved in management activities. He described the strategy as keeping personnel

costs as low as possible (“In the course of the year I hired the first employees - cheap and inexperienced”). However, as the scale of business grew along with the companies' development, some management obstacles as well as profitability issues appeared (“I realised that most of my working time I fought with my employees, and at the end of the day I had no reward”). Seven years after the foundation of the first firm, the entrepreneur decided to temporarily give up operational management. For approx. 8 months he was looking for a solution for himself. He took an MBA course, participated in various educational and networking events on management philosophy and management strategies. Those experiences caused changes in his perception of the management aspect (“I realised that only if you can measure something, you can manage it”).

One of the main benefits from participating in the MBA course was meeting new people, including those with considerable experience in business and in business advice. They changed his view on doing business. (“When I started doing business, I thought that there were very expensive guys (advisors) providing some advice, but when I met them personally and listened to them, I realised that their work could be very useful”). The entrepreneur built a trust-based relationship with the people he met, and they started acting as his informal advisors, providing their services during the discussions at the MBA course. After that period of very effective discussions, the entrepreneur took a decision to start the formal process of advice. The process began with the determination of general business objectives to be achieved. It allowed an initial indication of the scope of work. The entrepreneur pointed out his vision for the firm, especially as it concerned his role as the job supervisor, not the person solving operational problems. The key issue was also the management strategy, and especially the enforcement of capacity efficiency without direct supervision of the business owner.

The advisory process lasted six months. It was provided by a team of 3 to 4 people. In terms of the business content, it began with audits of all the companies in the group. The advisors focused particularly on human resource management, building objectives and their measurement, as well as marketing and finance issues. They worked full time in other firms (at different management levels of large and medium-sized companies) located in other cities, hence they worked as the firm's advisors mostly at weekends. The results of the analyses conducted by the advisors were broadly discussed and used as vehicles to look for a solution. The entrepreneur participated in most of the meetings, acting as a principal, but also as a team member with the most extended knowledge about his firms, their operations and markets. The advisors were employed on a part-time employment contract, which regulated payment for advice services, but did much more work based on the personal relationship. As a result, the advisors helped to develop the management system of individual teams, in particular the principles of defining targets, monitoring and controlling with the support of financial indicators. The implementation of the new management system resulted in an increase of turnover (twice) and of profitability (five times) in all the four firms. The entrepreneur also founded another company exploring a new market.

The summary of factors related to the trust relationship and tacit knowledge creation in Case Study 2 is presented in Table 2.

Table 2. Summary of advice process: Case Study 2

Trust relationship	Case 2
Initial phase (prior to the phase of advice)	Contacts were initiated during the MBA course attended by the entrepreneur and his future advisors. They had several informal discussions about doing business and, specifically, small company management issues. All this happened during long meetings – approx. 4/5 hours each. The length of the phase – approx. 6 months.
Advisory phase	The trust related to confidence in professional skills of the advisors was built during the initial phase. Building on that, the entrepreneur agreed that the design of the advisory process was subordinated to the advisors' time constraints (all the advisors worked full time in corporations). The adjustments were related to the timing (weekends), the process length (6 months), as well as the manner in which advice was provided (time consuming - frequent meetings and discussions with the presence of the entrepreneur). The advisors' remuneration was not fixed in a detailed way, it was based on the final success of the project. The remuneration model changed during the process of advice, along with the investment decision of the advisory firm.
Tacit knowledge involvement – advisors' side	Case 2
Knowledge based on previously existing experience	Company (large and medium-sized companies) based experience, mainly in human resource management, marketing, and finance management.
Newly developed knowledge	New tacit knowledge was developed during the six months of interacting between the entrepreneur and the team of 3 persons (for limited time 4 persons), with intensity of once every one/two weeks. As described during the interview – the meetings were crucial to building the common understanding as well as to developing the direction for advisory work.

Source: own study.

Case Study 3

Case no. 3 concerns the development of an initial concept and the start-up phase of a small firm providing telemedicine services. The first version of the project itself was created approx. 5 years before establishing the firm. The idea came from a group of 20 doctoral students and master students. They began to look for an investor, however, at that time the project was assessed as imperfect in terms of business feasibility. As a result, the project was abandoned for four years. Finally, the challenge was retaken by an entrepreneur who is also a scientist specialising in biotechnology. To start with the services, it was necessary to develop new solutions in the fields of electronics, IT and data transmission management. In the very beginning, the entrepreneur faced problems which could not be solved without external support. Those were related to the launching into the market of the first product and the construction of the business model for the newly established firm.

The advice was provided at the seed stage of the firm's development. The team of advisors consisted of experts working for a small consulting company which supported the project team at the seed stage of the project. Their aim was to prepare the project for

venture capital investments. The initial role of the consulting company was to provide advice, however, gradually, step by step, the advisors increased their engagement in the project. Finally, when the public-private vc fund at the last stage of pre-investment process decided not to invest in the project (the reason was not related to the project, but was connected with serious internal financial problems of the fund), the consulting company decided to invest the first round of capital investment.

Table 3. Summary of advice process: Case Study 3

Trust relationship	Case 3
Initial phase (prior to the phase of advice)	Contacts were initiated when the entrepreneur was looking for external support in the preparation of the business plan for a possible venture capital investor. The trust relationship was initiated by: (1) providing strategically important knowledge at the very first meeting, (2) demonstrating a high commercial potential of the project, as well as high motivation of the entrepreneur.
Advisory phase	Consolidation of trust was through demonstrating professional competencies of both sides, openness in discussing current problems and demonstrating the determination to work to achieve common goals. The trust relations were established between the entrepreneur and the head of the advisory group - based on this, some new advisors were introduced for short-term activities.
Tacit knowledge involvement – advisors' side	Case 3
Knowledge based on previously existing experience	Knowledge in the field of marketing, business models, and legal issues.
Newly developed knowledge	New tacit knowledge was developed during a series of meetings. The process of consultancy consisted of weekly face to face meetings. New knowledge was related, among others, to the service design adjusted to a very specific market segment. A number of changes in the business model of the developing company were one of the consequences of the new knowledge

Source: own study.

When the process of advice provision started, a direct person was delegated from the consulting company to work with the entrepreneur on the development of the project. They met regularly on a weekly basis. The support was focused around the customer profile, as well as the marketing and business model. The additional area of support was related to legal issues concerning the project. The entrepreneur stressed the importance of acquiring specific business knowledge. ("We learnt a lot and it was a really terribly active year in this respect", "We are more science-oriented", "They pay attention to digits, even those after the decimal, which for us were not significant...", "...we pay attention to other things, and thus complement each other in this work"). The entrepreneur highlights that the technical side of the project is completely based on the knowledge developed by the firm and its subcontractors, but the marketing strategies and (partly) the business model are an outcome of many consultations and mutually developed ideas. The relation is based on the assumption that decisions are taken by the entrepreneur, but they are based on solutions developed through mutual discussions. The advisor-investor's reward for work was covered by the shares in the venture ("Their role is to support (us), we have a common

goal, we are in the same team and it would not make any sense if the investor received funds from us"). For this firm, the advisor is a source of business knowledge that the initial founders did not have. The success of the firm is a result of strict cooperation between those who have technological knowledge with parties who add business expertise to the process of product development and marketing. Without this cooperation, this firm's success would be questionable.

The summary of factors related to the trust relationship and tacit knowledge creation in Case Study 3 is presented in Table 3.

Case Study 4

The case study concerns consultancy delivered to a company providing para-medical as well as analytical services in the veterinary field. The cooperation between the entrepreneur (research based experience, with limited business practice) and the advisors originated when the entrepreneur was looking for assistance in the preparation of the application for a public investment grant. At that time he was willing to receive public funding for the implementation of his invention (in the veterinary field) in a future start-up company. During the meetings with the advisors, he discovered that his case was not appropriate for the grant. However, because of a high business potential of the technologies which the entrepreneur possessed in the form of know-how, the advisors indicated a possibility to use venture capital investment during the start-up phase.

The main advisory process was related to building a complete business model for the new company with all strategic and formal elements. It was provided before formalising the firm's foundation by a group of persons cooperating with a public-private seed capital investor. The persons providing advice were partners in a consulting company focused on supporting the development of new innovative ventures. The process of advice in its basic phase lasted approx. 6 months. It included support for the process of building the strategic concept of the project.

In discussing the design of the venture project, the entrepreneur was encouraged and supported to gain a broader perspective on the project and the company. The advisory process was conducted by a team consisting of persons representing the consulting company (2-3 persons at the session) and the representative of the seed fund. The sessions during which the owner-entrepreneur, along with a team of advisors, discussed the development potential of the new firm, as well as the mutual relation of services and capabilities to achieve synergy, constituted an important component of the process. The result of the advisory process was a significant redesign of the scope of the planned portfolio of services provided by the company. They were designed in such a way as to start a business with a focus on non-innovative services, widespread within the target group, and then develop gradually to be ready to implement services which were to be highly innovative and thus highly profitable.

The meetings of the owner-entrepreneur with the advisors were long and complex. In this framework, business concepts were developed and therefore it was difficult to determine the authorship of individual ideas. ("It's hard to determine who the author of a particular idea is. We were sitting in this room, a few people. He asked: what else is on the market, what could be done? Someone thought: the German market is service-oriented (...) and the question [was addressed to the originator]: Can you do it? [answer:] Of course,

no problem”). A high level of interaction between the owner-entrepreneur and the advisors was underlined. Ideas were put forward by both sides, commented on, and then became the basis for the next ideas. It can be argued that to some extent the entrepreneur agreed to a certain restriction of independence. Nevertheless, in the course of the entire advisory process and after the founding of the company, he kept a dominant power. The end result was a thorough reconstruction of the new company’s business model (“The result of our work was a complete change in the design, from an initial concept of a kind of ‘local veterinary super-clinic’ to the idea of “a laboratory with a national scope”). The advice was provided without any upfront payment. The remuneration of the advisors was in the form of a minority stake in the company. According to the respondent, the entrepreneur was unable to pay for such extensive advice with his own money.

Table 4. Summary of advice process: Case Study 4

Trust relationship	Case 4
Initial phase (prior to the phase of advice)	The trust relationship was initiated during 3-4 meetings, initiated by the entrepreneur who at that time was looking for assistance in the preparation of formal part of an application form for a public investment grant.
Advisory phase	Consolidation of trust was through demonstrating openness during an intensive knowledge exchange process as well as demonstrating professional competencies of the advisors. Both sides of the process showed flexibility in terms of adjustment of the initial assumptions and ideas. Trust was essential to the business concept development process, which was built upon a number of joint meetings (including brainstorming sessions) with an open information exchange.
Tacit knowledge involvement – advisors' side	Case 4
Knowledge based on previously existing experience	Knowledge in the field of marketing, business models, and legal issues. Experience related to the development of new venture strategies.
Newly developed knowledge	The complete business model as well as the product-market portfolio were developed thorough the process of group work. The result of the process was fundamentally different from the initial idea of the entrepreneur.

Source: own study.

The summary of factors related to the trust relationship and tacit knowledge creation in Case Study 4 is presented in Table 4.

FINDINGS

The cases of the provision of intense and prolonged advice for innovative small businesses were analysed. Particular attention was paid to the two intangible factors, i.e. the trust relationship as well as tacit knowledge. Both of them were identified as factors essential to the process of utilisation of business advice.

The trust relationship was identified at every step of the advice process. However, the initial phase of the advice process seems to be of key significance. It encompasses initial

contacts between company owners and advisors. It is the process of a personal nature involving a number of face to face meetings. The belief in the capacity of the advisor to solve the problem is a key to establish the cooperation. It should be noted that no form of formal verification of knowledge has been applied. The entrepreneurs do not have the appropriate instruments and knowledge. None of the cases include activities that could be called "trial order" and that would constitute a kind of test before entering into the advisory contract.

The establishment of the trust relationship appeared to be necessary to go through the process of the advice utilisation. It allows the interaction between the entrepreneur and the advisor at the high level of intensity, which involves among others: (i) openness in knowledge sharing, (ii) openness in generating new ideas, (iii) elasticity related to implementing new ideas to existing solutions. Since advice is related to the basic foundations of companies (new or existing), it is necessary to reveal all or almost all the details of the firm's operations – which is consistent with H1.

In none of the identified cases of advice utilisation, a detailed formal contract was signed. A trust-based and long-term relationship assuming mutual benefits if the firm succeeds can be observed instead. Informal cooperation, which becomes formal when the results of the implemented change become more visible, is typical. Although formal contracts are sometimes signed, they are very general and a reward for the advisor's work is rarely defined at the beginning of the process. Nevertheless, the advisor is interested in working harder than agreed, which has its etiology in a deep, personal relation or a business relationship, and this is even more visible when the entrepreneur's determination to implement changes and agreed solutions is observed. The advisor must be also ready to share knowledge and resources when the reward is not assured, and thus he/she must perceive other sources of reward instead of direct benefits from the advice. The entrepreneur, on the other side, must be, first of all, ready for change, but also open enough to admit his or her own knowledge gaps and problems faced. Self-awareness and honesty constitute the key for success here.

The knowledge which is built as an outcome of the advice utilisation is strictly related to a specific case of the given company. Every solution is single-use, unique in its application, and takes into account a range of unique factors, including the personality of the entrepreneur and his/her personal and managerial features. Thus, an important part of the advisory process involves tacit knowledge – either at the stage of advisory process or as its outcome – which is consistent with H2.

The process of new knowledge creation is complex and requires the advisor's involvement not only at the problem solving stage but also at the stage of the problem formulation. Entrepreneurs are not able to precisely specify encountered problems. Additionally, these problems are of dynamic nature, i.e. they change in time as subsequent decisions are made and actions are taken. This is due to the fact that they appear in the strategic change context and relate to both the management of crisis and the transformation of the firm. They occur when the entrepreneur wants to change the firm significantly or wants to explore new opportunities, but his/her ability to do that is limited in terms of knowledge and experience.

In order to solve thus defined problems, the interaction between the entrepreneur (or a team of entrepreneurs) and the business advisor (or a team of advisors) is needed.

Thus the transfer of knowledge does not look like a typical one-way flow but is multidimensional and the process of advice is to be perceived as a complex process of constructing new, customised solutions involving the process of adapting them to the specific firm's context. From this point of view, the business advice is the process of constructing new knowledge combined from internal and external sources. In this interaction, the knowledge and experiences of the entrepreneur and the advisor are necessary for the process to be effective. Different backgrounds and different histories of both actors are valued in this respect as they create the potential for more creative and thus spectacular ideas for problem solutions. Therefore, they build a base for the creation of knowledge which is highly specific, and because of high intensity of personal interaction does not necessarily need to be encoded. Thus, a substantial share of the process outcome has a form of tacit knowledge.

CONCLUSIONS

The analysis conducted led to the description of the features of the process of business advice utilisation with particular respect to trust as well as tacit knowledge issues. Both elements are intangible in their nature and cannot be demonstrated and identified directly, therefore, the analysis involves a range of factors which indicate them indirectly. The adopted research method in the form of individual in-depth interview technique proved to be adequate to the highly complex phenomenon of the process of business advice for small innovative companies. However, a relatively small number of the analysed cases restricts to a certain extent the possibility of formulating broad generalisations.

Both analysed elements were identified in all the described cases as vital for the process. In the case of trust relationship, its role was indicated as a factor enabling the start of the process of advice. Thus, the importance of the initial phase should be highlighted. It involves a range of personal contacts, hence it is in line with a mixed perception of the process which involves professional as well as personal factors. Furthermore, the specific relation between the advisor and the entrepreneur (the individual relation) or a group of advisors and a group of entrepreneurs (the group relation) is very important for the process. The specification of such a relation was partly addressed in previous studies (Bennett & Robson, 2003), as well as by Kautonen, Zolin, Kuckertz and Viljamaa (2010). In particular, Chen, Sun, Helms and Jih (2008) indicate that the beginning of the relationship between the company and the advisor is initiated prior to commencing advisory activities. However, the rationale and options of such a relation must be further researched.

The trust relationship factor seems to be considered as one of factors that have a significant impact on the initialisation of the process of business advice utilisation in small innovative firms. It may also have implications related to public policies supporting business advice in SMEs. The presence of the initial phase of advice with all its consequences (e.g.: timing, nature of contacts, and the process of trust relationship building) influences the policy instruments which may be used in the process. It excludes the use of selection of advisory offer based on the price, which constrains the entrepreneur's choice to a limited number of (e.g.: certified) professionals. Furthermore, the solutions restricting the free extension or modification of advisory relationships with the same advisor are incompatible with the nature of the process. In practice, the indicated constraints refer to the use of solutions based on public procurement and rigid contracts.

Tacit knowledge was identified as an enabling factor as well as an outcome of the business advice utilisation process. When tacit knowledge is considered an enabling factor, it may be seen as an element allowing the provision of effective assistance for the company in the process of advice utilisation. This may highlight the importance of the initial phase of advice. Initial contacts are partly related to the analysis of the advisor's professional as well as interpersonal competences. The analysed cases have shown that establishing confidence on the part of the entrepreneur is not related to formal factors, but rather to the entrepreneur's perception of the knowledge base presented by the advisor, and because of informal nature of the initial contacts, it is mainly tacit knowledge which may be evaluated.

Tacit knowledge considered as an outcome of the process provides implications to measurement of business advice in terms of its impact on business performance and thus competitiveness. The distinction between the use and the utilisation offers a new framework in which variables common for all the cases are consistent and known. It also opens paths for a further process analysis, and thus the measurement of a short and long term impact, or even for distinguishing between the impact and the influence considering different time perspectives as specified by Łobacz and Głodek (2015). We may assume that an equally important effect of the advice is enlargement of the knowledge base of the small firm, which may be applicable to subsequent growth phases of the enterprise.

The presence of new tacit knowledge perceived as an outcome of advice is associated with close, direct cooperation between the owner/manager and the business advisor. Labas et al. (2015) recognise advantages that interactive cooperation provides for knowledge creation. In broader view it suggests that the concept of business advice utilisation contributes to advance the understanding of business advice for small innovative firms in the long and short term process perspective. It provides an explanation of the new knowledge creation process, which is associated with strategic change and takes into account a significant role of the entrepreneur-advisor combination and their mutual relations.

The analysis also raises some new questions which need to be answered. For example, it is not very clear yet whether outcomes of both the use and the utilisation of business advice differ considerably or which factors determine significantly the value of the final outcomes. However, what is already known provides clear guidelines how to approach these issues.

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Authors

The contribution share of authors is equal and amounted to 25% each of them.

Katarzyna Łobacz

PhD, Assistant Professor, Department of Innovation Effectiveness, University of Szczecin (Poland).

Correspondence to: Dr Katarzyna Łobacz, University of Szczecin, Faculty of Management and Economics of Services, Cukrowa St. 8, 71-004 Szczecin, e-mail: katarzyna.lobacz@wzieu.pl

Paweł Głodek

PhD, Senior Lecturer, Department of Entrepreneurship and Industrial Policy, University of Lodz (Poland)

Correspondence to: Dr Paweł Głodek, University of Lodz, Faculty of Management, Matejki St. 24/26, 90-237 Łódź, Poland, e-mail: glodek@uni.lodz.pl

Edward Stawasz

PhD Hab, Professor of UoL, Department of Entrepreneurship and Industrial Policy, University of Lodz (Poland)

Correspondence to: Prof. Edward Stawasz, PhD Hab, University of Lodz, Faculty of Management, Matejki St. 24/26, 90-237 Łódź, Poland, e-mail: stawasz@uni.lodz.pl

Piotr Niedzielski

Professor, Department of Innovation Effectiveness, University of Szczecin (Poland)

Correspondence to: Prof. dr hab. Piotr Niedzielski, University of Szczecin, Faculty of Management and Economics of Services, Cukrowa St. 8, 71-004 Szczecin, e-mail: piotr.niedzielski@wzieu.pl

Acknowledgements and Financial Disclosure

The article came into being within the research project financed by the National Science Centre; decision number DEC-2012/07/B/HS4/03019.

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