THE MARKET FOR EXTERNAL BUSINESS ADVICE SERVICES IN BRITAIN

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Abstract

This paper assesses the extent of use of external business advice by SMEs using new survey evidence from the Cambridge ESRC Centre for Business Research Survey of 1997. It analyses external advice by source and by main field. The chief focus is on the fields of advice sought which are shown to draw mainly from advice on taxation and financial management, computer services, advertising, staff training and development, new technology, staff recruitment and marketing. The main differences between firms in choice of advice source relate to their size and growth history; sector differences are statistically significant only for advice on public relations, new technology and product and service design. Size effects show a generally increasing pattern of use with size, rising from about 23% of respondents for firms of 1-4 employees to 44% for firms of 50-99 employees. After that size, the pattern of use either levels off, or for three main fields of advice it has an inverse 'U' shape. The impact of advice is also assessed. The main impact is 'moderate', highest in fields such as computer services, product and service design, taxation and financial management and staff training and development; and lowest in the fields of advertising, staff recruitment and market research. Impacts are most strongly related to growth history of the company and to business size; sector effects are at best weakly significant.

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1. Introduction

From the mid 1980s onwards the use of external advice and consultancy has increased dramatically (Keeble, et al., 1991). This is a period when small and medium sized enterprises (SMEs) have faced increased competition in the domestic and overseas arenas. The increased competition has sharpened SMEs' needs to develop new products and new markets and to produce goods and service characterised by higher levels of quality, whilst at the same time maintaining control of prices and expenditure. Against this background the use of external advice has been strongly linked to successful business growth (DE 1991a, 1991b; Bryson et al., 1997; Berry-Lound and Parsons, 1994). But at present the exact relationship between size of firm, business growth and external advice remains uncertain. Do small companies use more or less advice than large firms, do growing companies use increased amounts of external advice, and does the use of external advice contribute to enhanced growth? None of these questions has been satisfactorily resolved. This paper seeks systematically to explore the relationships between the fields of external advice which SMEs seek against their size and rate of growth using the latest 1997 Cambridge ESRC CBR survey.

The paper is organised as follows. Section 2 reviews the previous research on the fields of external advice used and the extent of their use. Section 3 reports the new survey assessment of the sources and fields of advice where firms seek outside assistance, as well as the range of fields of advice, the impact of advice in different fields, and the relationship with firm size and growth rates. The conclusion section 4, notes the implications of our research findings for the provision of advice by government and the private sector.

2. Extent and Fields of External Advice

There have been wide ranging estimates of the use of fields of advice and consultancy. Comparatively modest demand of 9% is found for advice on staffing matters by Barclays Bank (1994). Similar low usage of external advice is reported by DE (1991a, 1991b) for owner-managed companies. In contrast, other studies show that between 90% and 95% of businesses use external advice from one source or more (see e.g. O' Farrell et al., 1992, 1993; Birley and Westhead, 1992; Smallbone et al., 1993). The SBRC (1992) survey found 85.8% of firms using at least one area of business external advice in 1991, whilst the CBI (1995) found an 85% use and MORI (1994) found 60%, both in 1994.

This wide range of values of reported usage of external advice can probably be explained by the very different samples selected. Firstly, taking the Barclays and DE Surveys, these contain a very high proportion of micro businesses (under 5 employees) and self-employed, and may also include startups. In comparison, the other research cited tends to have a broader spread of sizes with a greater emphasis on SMEs above 5 employees, and established businesses. This indicates that the demand for external advice is strongly correlated with the size of the businesses surveyed.

Indeed, in a detailed statistical analysis of manufacturing businesses, O'Farrell et al. (1993) demonstrate that the two most crucial explanatory variables of the extent to which firms seek outside help are business size and the types of advice sought. The extent of use of external advisors increases from about 30% for firms of 1-50 employees to about 70% for 200-plus employee firms. This relative rate of increase is fairly consistent across all fields of advice analysed, but the extent of externalisation varies considerably by field, from an average by size of about 30% for users of external CAD/CAM, graphic design and export advice, to about 75% for external advice sought for advice on computer systems, quality control, training provision and advertising/marketing. Whilst firm size and field of advice are the most important influences on the extent of externalisation, O'Farrell et al. find that other significant factors are the firm's age (the older the firm the less it externalises), the ownership structure (where overseas subsidiaries and independent plants externalise least), growth rate (declining firms externalise more), production systems (continuous flow production system plants externalise more), exporting (exporters externalise more), and regional effects largely related to industrial structure.

Generally, the most frequently sourced external fields of supply of advice are taxation and financial management, computing, training, advertising and marketing, and business strategy (see e.g. SBRC, 1992; O'Farrell, et al., 1993; Keeble and Bryson, 1996; Hitchens, et al., 1996; Bryson et al., 1997) but there are major differences of emphasis for different types of firm, by size, sector etc., for each service field. For example, manufacturing makes much greater use of externally sourced production systems advice. In one of the few studies of the value of externally sourced services, Hitchens et al. (1994) for firms in Mid Wales, demonstrates that product design is the highest value field of external sourcing (28% of all externalisation by value), followed by advertising and exhibitions (15%), training (14%), computer software (13%), and production including CAD/CAM (9%). All other fields have less than 5% of value. The value of external sources by firm size increased approximately linearly, from £3250 for 0-10 employee firms, to £16,700 from 26-50 employee firms, to £74,200 for firms of 101 employees and over.

For individual fields of external service development, major differences between firms in the level of external demand are demonstrated particularly for the influence of firm size and technology, in studies of training and recruitment by Atkinson (1994), Engineering Council (1994), Barclays Bank (1994), Marshall et al. (1993); in studies of use of financial management and legal services by Barclays Bank (1994), Curran and

Blackburn (1994), Doggett and Hepple (1995), MCA (1997); use of management consultancy and market research by Wood et al. (1993), Bryson et al. (1993, 1997); and use of computing, advertising and a range of technical services by O'Farrell et al. (1993), and SBRC (1992).

Our analysis below also needs to be set in the context of the results of the similar survey by SBRC (1992). Using this survey Bryson et al. (1997) find that external "taxation and financial management" advice were most highly used (63% of respondents) followed by advice on "computer services", "marketing", and "business strategy". Bryson et al. also find some evidence of sector differences in externalisation, which vary in different directions for different service fields: higher for manufacturing SMEs for computer services for example, but higher for services SMEs for taxation and financial management, marketing and business strategy. The main reasons for increasing use of external advice appeared to be to aid growth and competitiveness, implementing technology and computerization, and increasing complexity. The main reasons for reduced use of external advice were its previous unsatisfactoriness or expense.

It is clear from these results that conclusions on the extent of externalisation need to be based on a detailed analysis of various determining characteristics of the business which relate to its individual circumstances, especially its size, as well as its specific needs which determine the field in which advice is sought. We seek to do this in our analysis below.

3. Evaluating the Market for External Advice

In the following empirical evaluation we use the 1997 ESRC CBR survey of SMEs (summarized in Cosh and Hughes, 1998). This survey is the most recent wave of large scale studies undertaken in previous years in 1991, 1993 and 1995. It is an important resource base for our analysis because of its size and care in sampling design, each of which we have noted are defects in a number of earlier studies. In addition, its structure allows measurement of all the significant differences between firms, which can then be used as controls in our assessment of the extent of externalisation.

The CBR survey is drawn from the sampling frame of Dun and Bradstreet (D & B). This derives from credit ratings of firms and is recognised to under represent sole proprietors, the self-employed, partnerships and micro businesses. However, for the main area of concern with SMEs, of firms of 5-200 or 500 employees, it is a high quality data base, kept up-to-date continuously, with the firm's address, SIC (based on main activity), and other important information. For the 1997 survey firms were contacted by mail and 2474 responded (25%). Tests of non-response bias show this to be a valid data base (Cosh and Hughes, 1998). The possible significance of non-response to each question is assessed in the text below. The survey covers two broad industrial sectors: (i) all manufacturing, and (ii) business services, both defined from SIC (1992) codes. Other details are given in Cosh and Hughes (1998).

In the 1997 survey the use of external advice is a significant addition to the methodology. Questions on this area had not been included before, expect in a rather limited form in the 1991 survey. Hence the 1997 results represent an important addition to the other dimensions of SME activity assessed in earlier CBR surveys.

In the 1997 survey, external advice is defined as being linked with meeting the business' objectives which are defined in the immediately preceding questions. It excludes basic information provision. Respondents were asked to identify each area and source of advice they had used over the previous 3 years and to rate its impact. The types of external advice investigated are wide: including the services of other firms, public agencies and external consultants. The range of sources specified is broad enough to allow assessment of the full range of external sources, ranging from private sector advisors and consultants, through collective and associative bodies such as trade and professional associations and chambers of commerce, to public agents such as Business Link. The analysis developed below covers firstly the sources of advice, and secondly fields of advice and lastly the impact of the fields of advice.

3.1 Sources from which external advice is sought

The list of sources in the Cambridge CBR survey is comprehensive and consists of 13 external suppliers of external advice. The suppliers of external advice can be categorised into the following 6 groups: (i) professional specialists of accountants, banks and solicitors; (ii) professional generalists of consultants (although they are composed of a wide range of highly specialised as well as general skills); (iii) contacts established though the supply chain - customers and suppliers; (iv) social contacts which consists of family and business friends; (v) business associations of trade and professional bodies, and local chambers of commerce and, (vi) government sponsored agents of Business Link, Training and Enterprise Councils, the Rural Development Commission, and Enterprise Agencies. These sources are comprehensively analysed in Bennett and Robson (1998, 1999). The purpose of this section is to place our main analysis of the fields of advice in context.

The specialist professionals dominate the provision of external advice (Table 1). Accountants are the most used source, by 82.8% of the sample. This is followed by banks and solicitors with 61.6% and 55.9%, respectively. The Cambridge CBR survey did not record the frequency of use of suppliers of advice, and it is possible that the use figures of the three specialist professionals are, if anything, underestimates.

The joint second most important group of sources of advice is that made through the supply chain or social contacts. Customers and suppliers are used by 47.2% and 36.4% of firms, respectively, whilst business friends or relatives record usage of 37.8%. Next in importance are consultants who are used by 31.9% of respondents. Taken together with the other previously mentioned private sector sources, the private sector appears to satisfy 75% of the use of external advice.

Trade and professional associations are the eighth most used source of outside assistance with 31.4%. Chambers of Commerce are ranked tenth and are used by 23.0%. Given that associations are mainly concerned with the provision of collective goods (such as lobbying, representation, collective marketing and purchasing, and training programmes) their role in the offering of advice is predominantly concentrated in a few specific niches. Aggregating these associations with the other private sector advice sources, the total private sector accounts for 86% of all responses.

Government backed schemes therefore provide 14% of the total responses. Additionally, it needs to be noted that the provision of advice from government is fragmented amongst the following agents and programmes, Business Link (in England), Business Shop (in Scotland) and Business Connect (in Wales), enterprise agencies, Training and Enterprise Councils (TECs), the Rural Development Commission (RDC), and other regional bodies. Business Link is the only government scheme within the top ten rankings, used by 26.6% of respondents. For Scotland and Wales, respectively, Business Shop and Business Connect report a use by 13.2%. Local TECs are used by 22.0% of firms in England and Wales, and the similar Local Enterprise Companies (LECs) in Scotland by 33.3% of firms. Next in order of importance are the local enterprise agencies and the RDC with 14.4%, and 4.7%, respectively. Given that the use of the RDC or other regional agency is greatly dependent on whether the firm is eligible for support, the 4.7% usage value needs to be treated with caution. Further work to geo-code the data to take account of eligibility is being undertaken to explore the use of the RDC.

3.2 Fields in which external advice is sought

Our chief focus in this paper is on the fields of advice used. Table 2 demonstrates that the use of external advice is substantial and that the demand is quite varied across many fields, varying from 16.6% to 56.2% of respondents. The fields of advice with the greatest use are taxation and financial management and computer services, which are used by more than half of the respondents. Advertising and staff training and development also report high demand and are used by 46.4% and 44.7% respectively of firms. Other fields of advice which are used by at least 30% are new technology, staff recruitment and marketing, whilst public relations, management organisation and market research are each used by less than 20% of respondents. Given that the non-response to this question is very low (3.2%) the results are believed to be reliable. These figures are similar to the other surveys quoted earlier, but do contrast slightly with the 1991 survey (SBRC, 1992) shown in the third column of Table 2. Although taxation and financial management are still the most heavily used, there has been a reduction from 62% to 56% in level of use. The most marked increases since 1991 are for advertising (a very large increase of 22% between surveys), new technology (up 8%), computer services (up 6%) and staff recruitment (up 11%). Use of advice on management organisation and business strategy has reduced. Not too much should be read into these changes because the two sample surveys are not comparable in all details. But the increases in advertising and staff recruitment may be accounted for by economic cycle effects, whilst increases in computer services and new technology advice may reflect continuing market shifts in the economic structures of production.

Table 2 also shows the proportion of all responses for each field of advice amongst those firms who seek outside help and assistance. This figure takes account of the multiple use of several sources and fields by most respondents. Taxation and financial management, computer services, advertising, and staff training and development predominate, with each of these fields accounting for more than 11% of all responses. Taken together these four fields of advice account for one half of all responses. The other eight fields vary greatly in importance from public relations with 4.1%, to new technology with 8.7%.

3.3 Fields of advice by firm type

In the rest of the paper we assess use by firm type in three main categories: firm sector, size and growth record. The sector is defined in two groups from the SIC, of manufacturing and services. Firm size is chiefly assessed in categories of micro (less than 10 employees), small (10-99 employees), and medium (100-499 employees). Growth record is defined with respect to the change in number of employees over the previous three years: stable and declining covers firms with employee numbers declining or not changing, medium growth is 0% to 40% change in employees, and fast growth is greater than 40% change in employees.

Tests of variation in the use of external advice by firm type show only limited sector differences (Table 3) and that is focused on the least used services, of public relations, product and service design, and new technology. Turning to the effect of the firm's growth record, there are significant differences in external sourcing for all fields of advice. Those firms with declining employee numbers are the least likely to seek external advice over *all* fields of advice. Growing firms are the most likely to seek outside help. 21.6% of stable and declining firms seek advice on staff recruitment which is less than half the usage by medium and fast growth firms. This result is itself not surprising given that declining firms would only be recruiting to replace workers who voluntarily exit the firms for jobs which are perceived to offer greater security and better prospects. However, the 21.6% of stable and declining firms who use outside assistance for staff recruitment is still higher than the corresponding usage of product and service design, market research, management organisation and public relations.

Other substantial differences between medium and fast growth firms and stable and declining firms is present for staff training and development, business strategy, taxation and financial management, and computer services. But it should be noted that computer services and taxation and financial management represent two fields of advice which are each used by approximately half of the stable and declining firms.

More important is variation by firm size, which is statistically significant for almost all advice fields. The extent of use of all fields of external advice increases with firm size, except for advertising. Advertising is used by 41.9% of micro firms, 50.5% of small firms and 47.3% of medium firms. The most marked differences by firm size are for public relations and recruitment advice, which are both more than three times as likely to be sought externally in the firms of 100-499 employees as in those of 1-9 employees. External sourcing of advice on management organisation, market research and staff training and development are approximately three times more likely in the largest firm category than for the smallest firms. In general, therefore, the survey shows, in common with earlier research, that the use of external business advice appears to increase significantly with firm size for almost all fields of service, but that external sourcing is more developed for some services rather than others. It is least developed of all for small firms in the fields of management organisation and public relations (used by less than 10% of the firms of 1-9 employees). The main market for external advice therefore appears to be among medium and larger SMEs, and is most weakly developed by micros.

The use of advice is also examined in greater detail for a larger number of size categories of firms in Figures 1 and 2. It is clear that the size of firm is of crucial importance in explaining the demand for external advice. Firstly, in Figure 1, attention is centred upon the fields of advice for taxation and financial management, and computer services, which are the two fields with the overall largest demand. Demand for both of these fields of advice increases within the two-micro categories of 1-4 and 5-9 employees, and then increases substantially for firms of 10-19 employees and above. In the case of computer services the percentage of firms who use this service continues to increase amongst larger firms.

Advertising and staff training and development represent fields of advice which are used by more than 44% of firms. Although demand for advertising increases with size of firm the increases are modest. Staff training and development shows more marked usage differences by size of firm than are exhibited by the field of advertising. For example, staff training and development is used by 50.2% of firms with 1-4 employees, 60.5% of firms with 20-49 employees, and 77.6% of firms with 150-199 employees.

New technology, staff recruitment and marketing represent the remaining fields of advice which are used by at least 30% of firms. Usage of these three fields increases with size of firm but is less marked for new technology and marketing. New technology increases from 27.9% of firms with 1-4 employees to 44.8% of firms with 150-199 employees, and 58.3% of firms with 200-499 employees, before declining to 28.3% of firms with more than 250 employees. A similar pattern is present for marketing. In contrast, the demand for staff recruitment increases substantially within the two micro categories and continues to increase to 62.5% for firms with 100-149 employees.

Finally, business strategy, product or service design, market research, management organisation, and public relations represent fields of advice with the least overall use. Variation in demand for product or service demand does not change substantially with size of firm, but this is not the case for the other fields with low levels of use. Indeed, business strategy, market research, management organisation, and public relations each exhibit a tendency to greatly increase in demand as size of firms increases.

Overall, the more detailed analysis of the use of fields of advice in Figures 1 and 2 suggests that there is a strong relationship between use and size of firm. For the firm sizes examined there is a general increase in use level in almost all fields, rising from 23% on average for firms of 1-4 employees, to 44% on average for firms up to 50-99 or 100-149 employees. After that point many fields level off in incidence of use. For the cases of advertising, new technology and marketing, however, there is fairly clear evidence in the survey of an inverse 'U' distribution, with the largest firms being low users of advice.

3.4 Range of fields of advice used

From the evidence contained in Table 4 it is clear that most respondents seek advice in several fields. The mean number of fields of advice is 4.0 and the mode is also 4. Table 5 allows a comparison of the patterns of use across the several fields of advice. Amongst firms who seek assistance in only one field, taxation and financial management accounts for 35.6% of advice. This is the highest percentage for sole field firms, followed by advertising and computer services with 20.7% and 16.2%, respectively.

In the cases where only two fields of advice are used, taxation and financial management is again the most common field of advice and is used by approximately half the firms. Computer services and advertising also dominate the results and are used by more than one third of the firms who use 2 fields of advice. Where 3 to 5 fields of advice are used, computer services becomes the most used field of advice with 62.4%. This is followed by taxation and financial management (60.5%), advertising (50.4%) and staff training and development (47.1%).

Similarly, for those firms who used 6 or more fields of advice, in rank order, staff training and development, computer services, and taxation and financial management are used by more than 80% of firms. Advertising, new technology, and staff recruitment are used by more than two thirds of this group of firms who are heavy users of advice.

The survey thus shows a heavy focus of sole, and the primary multiple, use on a fairly narrow range of fields of advice: chiefly taxation and financial management, computer services, staff training and development, and advertising.

3.5 Impact of advice in different fields

Table 6 records the assessed impact of advice in each field. There is some constraint in interpretation of this table because non-responses range from 9.8% to 19.0% between sources. It is believed that many non-responses may be those who experienced little impact and hence there may be an upward bias in the reported results. The scores for impact are: 1 no impact, 2 slight impact, 3 moderate impact, 4 important impact, and 5 crucial impact. The average impact over all fields is 2.93. For the sample as a whole only five fields have an average of 3 (moderate impact) or greater: new technology advice, computing, product design, taxation and financial management, and staff training and development. Even the highest rated field of advice, new technology, has only just over a moderate impact, with an average score of 3.28. Also only new technology advice has a score of more than 10% of respondents rating it as having a crucial impact. This suggests that external sources are not chiefly used in the most crucial areas of business needs, but perhaps are focused more on filling specific gaps where internal supply is unavailable.

There are few previous studies that have compared impacts from different fields of advice. In one of the few of these Hitchens et al. (1994) shows that no field exceeds 50% in effectiveness assessment (with 50% effectiveness for export advice), computer software and control systems achieve 30%, market research 25%, exhibitions 22% and training 20%. All other services range from 11% downwards. Generally therefore our impact assessments are in line with previous studies in revealing that impacts of external advice are generally rated as relatively low or moderate, and are used as supplements rather than crucial sources of inputs to the firm.

3.6 Impact by firm type

Analysing impact by firm type shows that sector differences are fairly small. Impacts are generally higher for services than manufacturing, but the only significant differences are for new technology, computer services, and staff training and development advice. The impact is lowest for services in the fields of advertising and market research.

Firms of greater size generally experience greater impacts, with differences significant for eight of 12 service fields. The smallest firms generally experience the lowest impacts. This may indicate that the gaps the larger firms seek to fill are more crucial and hence likely to have a higher impact, whereas smaller firms take lower risks in seeking advice or have a weaker perception of their needs. The differences may also indicate a greater ability of larger firms either to focus their use of advice to a greater extent on their specific needs, and/or to be able to make greater use of the advice, perhaps because of their greater experience on higher internal staff skills. The largest differences between firm sizes are for the impact of advice on management organisation, business strategy, market research, product design, and staff recruitment.

The differences between firms by age are generally small, although on average newer firms record higher impacts across all fields of advice. The most marked and significant differences are the greater levels of impact on newer firms of advertising, new technology and recruitment advice, with computer services and marketing having smaller and less significant differences.

Differences between firms in growth record in terms of employee numbers show that the declining firms generally have the lowest impact from external advice, with the highest growth firms generally have the highest impacts. Impact differences between firms are, however, fairly small, although they are statistically significant in seven out of 12 services.

Overall the analysis of the use and impact of different fields of external advice shows a wide spread of markets for different types of advice, with no strong dominance by any single field. The market is, therefore, a very broad one. The main influence on differences in the level to which advice is sought appears to be the size of the firm, and its rate of growth. The impact of advice is also chiefly affected by its size and growth. Sector and age differences are also present, but they are the least important differentiating characteristics between firms in most cases (as shown in Table 6).

An interesting point to note is that only one half of the fields with the highest level of use of external advice (Table 1) also have the highest levels of impact. These are taxation, computing, staff training and new technology. Otherwise the highest impacts are in the least used fields. This suggests that the demand for advice is quite segmented with some firms having highly specialised needs. However, these needs appear to be gaps in internal supply rather than core business activities since the average impact rating of business advice across all fields is only 2.93, with a strong clustering of the average impact in different fields between 2.6 and 3.3. Only new technology has a high proportion of 'crucial' impacts (and that at only 10% of respondents), although crucial impacts are also relatively higher for service firms and new firms for public relations, product and service design, new technology and computer services. The results suggest that there may be broader benefits to be gained from a wider group of firms making use of advice from the least used services, of product and service design, management organisation and business strategy.

4. Conclusion

This paper has analysed the results of the 1997 CBR survey of SMEs. It has demonstrated that the extent of external advice remains high, used by 95% of all firms, and is probably increasing since the similar SBRC survey of 1991 showed 85.8%. However, there has been some change in the relative emphasis between fields. Whilst taxation and financial management is still the most frequently used field, this has reduced from 62% to 56% of respondents since 1991. However, marked increases in use have occurred for advertising, new technology, computer services and staff recruitment.

The most significant feature of firms which influences the extent of use of external advice is their size, followed by growth record. Sector differences are usually more minor. The size effect shows a rapid rise in use of external advice for all fields, from 23% of cases of firms with 1-4 employees to 44% as we move to firms of 50-99 or 100-149 employees. After that size the level of use tends to either level off, or to follow an inverse 'U' pattern for the cases of advertising, new technology and marketing. The inverse 'U' may indicate that larger firms have a greater tendency to undertake more of these activities in-house.

Growth firms make more use on average of all external sources (at 94%) than stable or declining firms (at 86%). However, there is no simple relation between rate of growth and use of external advice. Moreover, from the results here we cannot conclude whether external advice increases firm growth, or *vice versa.* Further assessment of this issue is undertaken in subsequent research.

External advice has an average impact of 'moderate', with only a few instances in most fields recording the highest rating of 'crucial'. This may indicate that external advice is chiefly used as a supplement to internal sources, to solve specific tasks in line with management strategy, or to confirm particular internal views. This would be in line with earlier findings, e.g. on consultancy and market research firms (Wood et al., 1993; Bryson et al., 1993, 1997) and more general use of advice (e.g. Curran and Blackburn, 1994; Doggett and Hepple, 1995; O'Farrell et al., 1993; MCA, 1997). However, there is fairly strong variation in each type of firm's rating of impact, which is being explored in further analysis. From the results in this paper, impact is most strongly related to the firm's growth history and to a lesser extent to its size; no highly significant relation to sector is evident. Fast growth firms appear particularly to benefit from, or use to a higher extent, advice on marketing, advertising, new technology computer services, staff recruitment, staff training and development, and taxation and financial management.

The results of this paper focus on the fields of advice used. In Table 1 and in greater depth in other studies (Bennett and Robson, 1998, 1999) we have also analysed the sources of advice and their impact. It is clear from these results that the market for advice is dominated by private sector sources, with professional specialists as the chief sources, and market links to customers or suppliers and friends as the chief secondary sources. The role of consultancies, business associations and government agencies all appear to be used chiefly as supplements, usually as one of a large number of multiple sources rather than as primary sources. Our results for analysis of advice fields indicate quite clearly why this is. The demand for advice services is focused generally on specialist fields which in most cases are served by well established private sector sources: particularly true for all the most heavily used fields of service, of taxation and financial management (served by accountants and banks), computer services, advertising and staff training and development (which all have numerous specialist agencies and suppliers).

It is particularly noteworthy that there is a relatively small market for advice in business strategy and management organization which have been primary focuses for business consultants and many government agencies.

For example, enterprise agencies, and the Business Link core services of personal business advisors and diagnostic assessment, have made a strong focus on these two fields. In so doing they are seeking to fill a niche which not only has relatively small demand, but may also be decreasing, if the evidence of change since the SBRC 1991 survey is to be believed, reducing from 30% to 27.5% in the case of business strategy, and from 25% to 18% in the case of management organization advice. These are the fields sought for sole advice users in only 3.2% and 0.9% of cases, respectively (Table 5). These changes probably indicate an external market for business advice which is becoming more specialist, more segmented and probably higher value. Elsewhere we note that the primary demand for Business Link services is for information, grants and *specialist* consultancy (Bennett and Robson, 1998, 1999). This finding is very much in line with the findings of the present paper that specialists are sought with greater, and probably increasing, frequency than more generalist advisors. Our results therefore tend to confirm other analyses that external advice is used to solve specific tasks in line with internal management strategy, rather than focusing on strategic issues for the firm as a whole. This pattern of use tends to be stronger with increasing size firm, and for growth firms compared to stable/declining firms, with only a few significant sector differences.

TABLES AND FIGURES

Table 1: Use of private and public sector advice sources by source (% of respondents reporting use).

Advice Source	All
Accountant	82.8
Solicitor	55.9
Bank	61.6
Business Friend/Relative	37.8
Customers	47.2
Suppliers	36.4
Consultants	31.9
Chamber of Commerce	23.0
Trade/Professional Associations	31.4
Local Enterprise Agency	14.4
TECs	22.0
Scottish LECs	33.3
Business Link	26.6
Business Shop/Connect	13.2
RDC or Regional Agency	4.7
Use any external advice	95.0

Table 2: Relative importance of fields of advice amongst users of outside assistance (% of respondents and % of total users). Column three for 1991 from SBRC (1992, Table 3.4)

Fields of Advice	N	1997 % of respondents	1991 SBRC %	1997 % of all users
Business Strategy	671	27.5	30	6.9
Management Organisation	440	18.0	25	4.5
Marketing	735	30.1	30	7.5
Market Research	447	18.3	17	4.6
Advertising	1132	46.4	24	11.6
Public Relations	404	16.6	16	4.1
Product/Service Design	483	19.8	15	4.9
New Technology	849	34.8	26	8.7
Computer Services	1322	54.2	48	13.5
Staff Recruitment	833	34.1	23	8.5
Staff Training & Development	1091	44.7	N/A	11.2
Taxation & Financial Management	1372	56.2	62	14.0
N	9779	2440	2028	100.0

Table 3: Use of fields of advice by sector, size and growth (% of respondents reporting use use, multiple responses allowed) (* $p > 0.01$; ** $p > 0.05$; * $p > 0.1$) Using Mann Whitney test for two group comparisons, or the Kruskal-Wallis test for multigroup comparisons, between column entries. Types of business: micro-less than 10 employees, small business between 10 and 99 employees, medium/larger businesses between 100 and 499 employees. Employment growth of business during last three years: stable/declining businesses with zero or negative growth; medium-growth greater than 0% and less than 40%; and fast - growth 40% or greater.**

Fields of Advice	Manufacturing	Services	Micro	Small	Medium	Stable/Declining	Medium Growth	Fast Growth
Business Strategy	27.2	28.0	19.0***	32.9***	39.9***	22.3***	30.2***	37.2***
Management Organisation	19.2*	16.4*	9.1***	24.1***	29.9***	13.4***	23.2***	25.2***
Marketing	29.2	31.4	23.7***	34.1***	40.2***	25.8***	33.5***	34.9***
Market Research	18.1	18.6	11.4***	21.1***	33.8***	13.8***	20.4***	23.4***
Advertising	47.8	44.5	41,9***	50.5***	47.3***	43.5*	49.6*	47.4*
Public Relations	14.9***	18.9***	9.8***	19.4***	31.7***	12.7***	16.9***	22.6***
Product/Service Design	22.3***	16.2***	16.0***	21.9***	26.0***	16.3***	21.2***	22.8***
New Technology	32.1***	38.6***	28.8***	38.0***	43.4***	31.4***	38.9***	38.0***
Computer Services	55.1	52.9	41.3***	63.6***	69.4***	48.2***	65.9***	61.0***
Staff Recruitment	34.3*	33.9	18.1***	43.7***	60.1***	21.6***	48.6***	46.2***
Staff Training & Development	44.8	44.6	23.9***	58.7***	72.2***	34.1***	61.5***	57.3***
Taxation & Financial Management	54.8*	58.3*	52.4***	59.6***	60.9***	52.3***	60.5***	66.3***
Used any field of advice	89.5	90.6	84.0***	94.3***	96.8***	85.9***	94.8***	94.0***
N	1424	1016	1058	1073	281	759	496	513

Table 4: Number of fields of advice used

Number of Fields of Advice	N	%
0	246	10.1
1	222	9.1
2	334	13.7
3	377	15.5
4	325	13.3
5	271	11.1
6	209	8.6
7	177	7.3
8	100	4.1
9	76	3.1
10	47	1.9
11	16	0.7
12	40	1.6
Total	2440	100.1

Table 5: Use of fields of advice (*%* of users according to the number of fields of advice sought)

Fields of Advice	Sole field	2	3-5	6 or more fields
Business Strategy	3.2	8.1	22.3	63.2
Management Organisation	0.9	2.1	10.9	48.9
Marketing	4.1	12.0	26.4	64.5
Market Research	1.8	3.9	11.9	47.2
Advertising	20.7	34.1	50.4	72.5
Public Relations	0.9	4.5	10.3	43.2
Product/Service Design	0.9	6.9	18.2	42.3
New Technology	3.2	15.0	35.1	67.7
Computer Services	16.2	37.4	62.4	83.3
Staff Recruitment	5.9	13.5	33.6	67.4
Staff Training & Development	6.8	13.5	47.1	86.2
Taxation & Financial Management	35.6	49.1	60.5	81.2
N	222	334	973	665

Table 6: Assessment of the impact of the fields of advice (Mean scores). (* p > 0.01; ** p > 0.05; * p > 0.1)**

Fields of Advice	All		Manufacturing		Services		Micro		Small		Medium	
	Mean	N	Mean	N	Mean	N	Mean	N	Mean	N	Mean	N
Business Strategy	2.90	660	2.86	381	2.96	279	2.67***	198	2.99***	347	3.02***	111
Management Organisation	2.95	437	2.93	271	2.98	166	2.56***	96	3.07***	257	3.02***	83
Marketing	2.75	717	2.72	406	2.79	311	2.64*	244	2.82*	357	2.80*	111
Market Research	2.66	437	2.63	253	2.71	184	2.42***	116	2.70***	224	2.89***	92
Advertising	2.59	1086	2.61	650	2.56	436	2.53	424	2.61	522	2.66	128
Public Relations	2.81	392	2.74	205	2.90	187	2.69	102	2.84	201	2.92	86
Product or Service Design	3.16	463	3.20	304	3.12	159	3.04**	161	3.15**	228	3.41**	68
New Technology	3.28	814	3.22**	435	3.34*	379	3.20	287	3.29	397	3.42	118
Computer Services	3.19	1265	3.13**	748	3.28**	517	3.2	412	3.16	658	3.26	188
Staff Recruitment	2.64	808	2.60	472	2.69	336	2.4***	184	2.65***	456	2.86***	164
Staff Training & Development	3.00	1056	2.94**	618	3.08**	438	2.85***	242	3.00***	613	3.19***	197
Taxation and financial management	3.02	1306	3.02	736	3.02	570	2.90***	522	3.11***	612	3.09***	165
All	2.93	9441	2.90	5479	2.97	3962	2.82	2988	2.96	4872	3.05	1511

Table 6: Assessment of the impact of the fields of advice (Mean scores). (* $p > 0.01$; ** $p > 0.05$; * $p > 0.1$) (Continued)**

Fields of Advice	Stable/Declining		Medium Growth		Fast Growth	
	Mean	N	Mean	N	Mean	N
Business Strategy	2.84	165	2.85	148	3.01	189
Management Organisation	2.87	102	2.92	114	3.04	128
Marketing	2.62***	192	2.61***	161	2.90***	176
Market Research	2.61	102	2.63	98	2.84	118
Advertising	2.42***	316	2.45***	238	2.84***	236
Public Relations	2.83	92	2.76	83	2.84	113
Product or Service Design	2.99	118	3.11	100	3.24	116
New Technology	3.04***	226	3.23***	184	3.44***	190
Computer Services	3.08***	347	3.06***	314	3.31***	303
Staff Recruitment	2.33***	155	2.59***	236	2.91***	233
Staff training and development	2.83***	246	2.97**	298	3.07**	288
Taxation and financial management	2.89***	372	2.97***	286	3.16***	3331
All	2.79	2433	2.86	2260	3.07	2421

Figure 1: Proportion of respondents using different fields of advice by firm size.

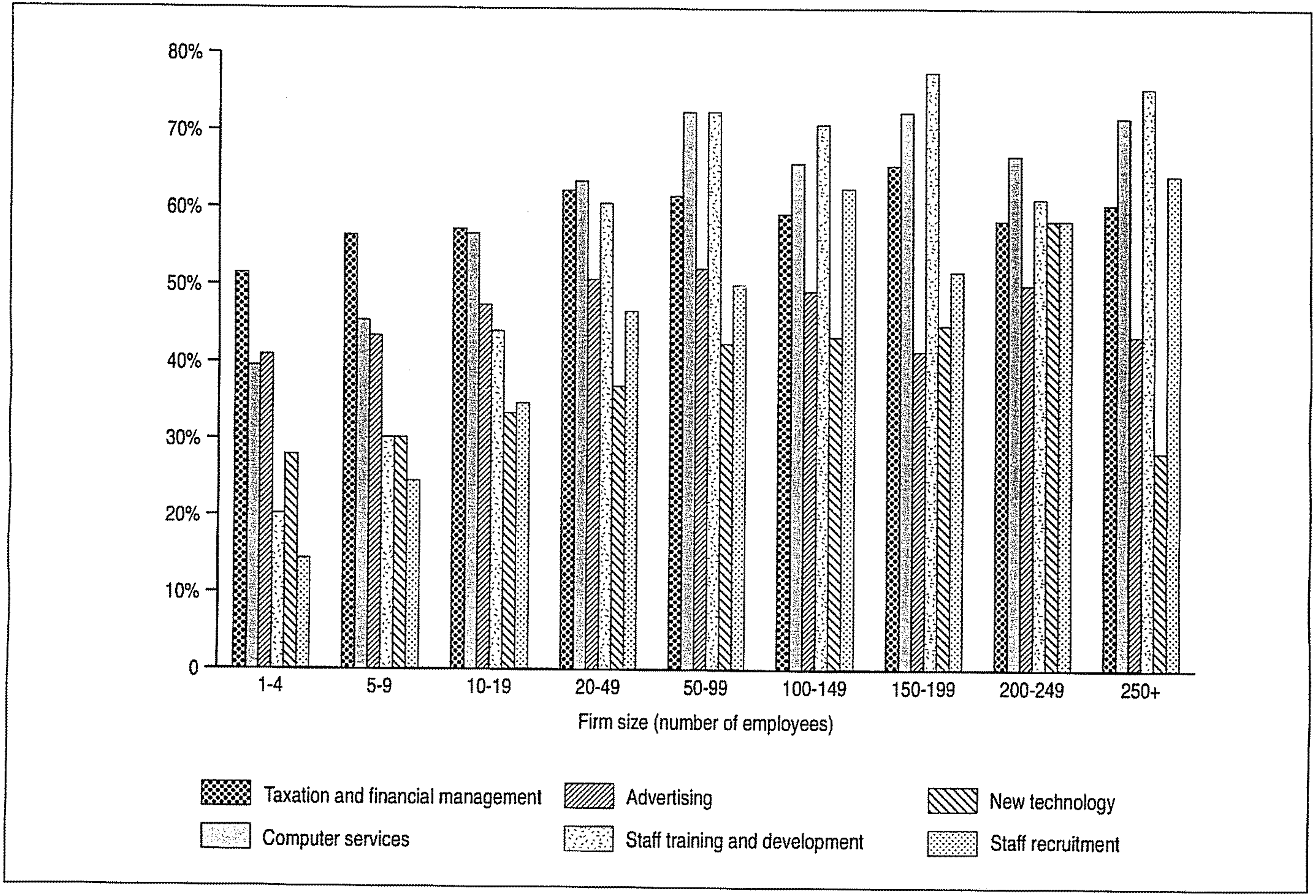
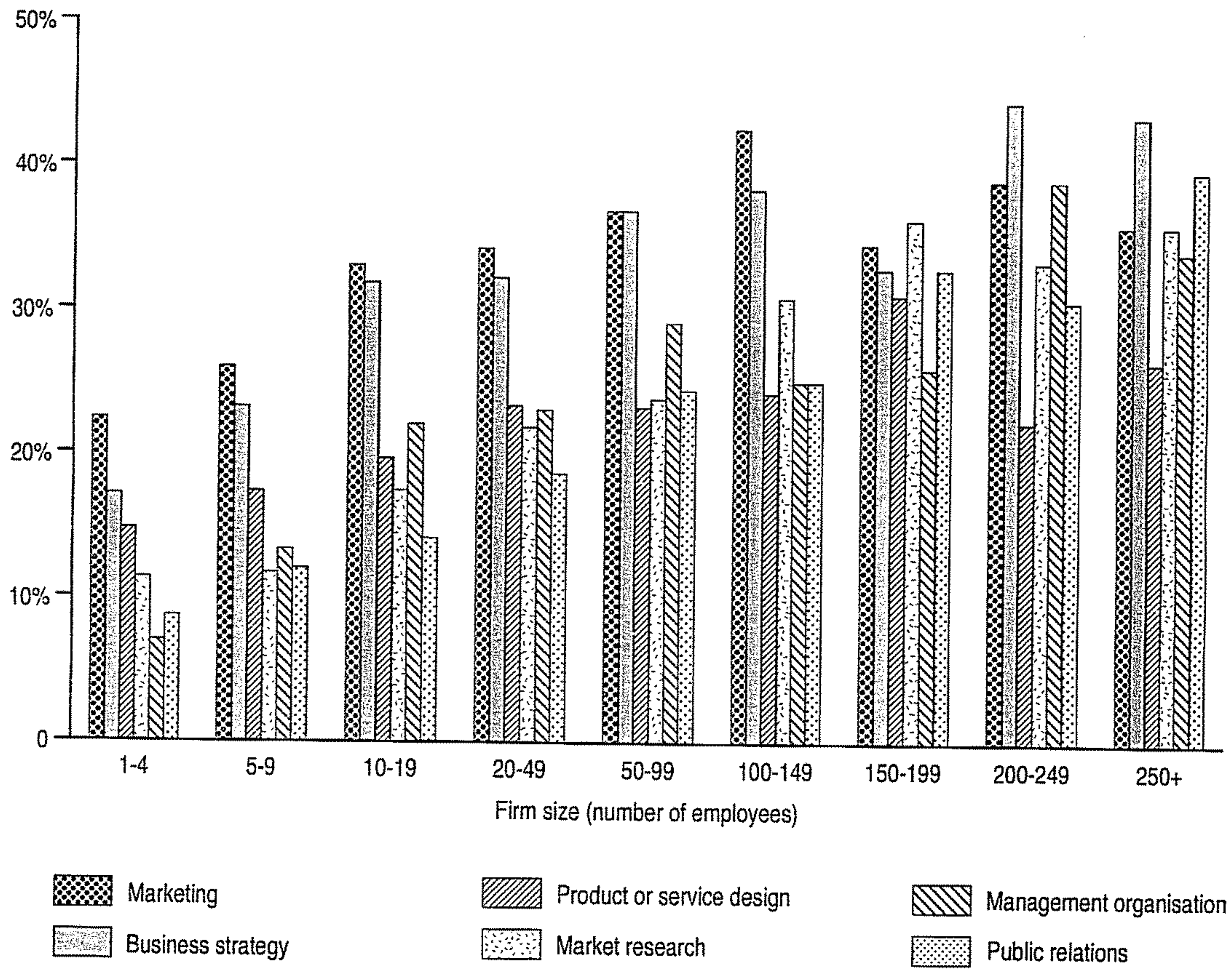


Figure 2: Proportion of respondents using different fields of advice by firm size.



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