INTENSITY OF INTERACTION IN SUPPLY OF BUSINESS ADVICE AND CLIENT IMPACT: A COMPARISON OF CONSULTANCY, BUSINESS ASSOCIATIONS AND GOVERNMENT SUPPORT INITIATIVES FOR SMES

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Abstract

This paper assesses the supply of business advice using new empirical evidence from a large scale survey of SMEs. The chief focus of the paper is on a comparison of suppliers that operate in different environments of regulation, contract and reputation. The paper argues that interaction intensity varies with the level of information asymmetry of these different environments, between different types of service supplier and their clients. Interaction intensity between suppliers also varies as a result of the level of trust they enjoy: for example, the low trust enjoyed by consultants appears to encourage higher intensity of interaction which improves the tailoring of the service to the client's needs and enhances impact. The paper assesses interaction intensity using the existence of site visits and/or a written brief/contract as indicators. Although these measures have limitations, the paper demonstrates clear and significant differences between suppliers in terms of interaction intensity, use of contracts and impact in three broad categories: private sector consultancy (low trust, high intensity, high impact), business associations (high trust, low intensity, moderate impact) and government support agencies (moderate trust, moderate to high intensity, moderate or low impact). Multivariate estimation methods demonstrate that significant differences in interaction intensity, use of contracts and impact by client type are much less important than differences in supplier type. This indicates that suppliers generally develop more into niche service fields or groups of services rather than niches related to types of firm.

Keywords:
Business Services, Contracts, Business Link, Trust, Reputation

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1. Introduction

The use of external suppliers of business advice has become a major aspect of most firms' activities in both manufacturing and service sectors. A number of previous studies has argued that the supply of business services is different from other goods because they have mixtures of attributes, identified by Mills and Margulies (1980) and Clark (1995) as both task-interactive and personal-interactive, which require close interaction between client and producer. Furthermore, services have specific characteristics of intangibility, inseparability, heterogeneity and perishability that require interactions to be particularly intense, and often prolonged. This can require detailed on-site appraisals and continued client-supplier exchanges which other goods rarely need (see e.g. Wilson, 1972; Cowell, 1984; O'Farrell and Hitchens, 1990; Clark, 1995). Intense interaction can be viewed as a means of overcoming information asymmetries on both sides: of the supplier's uncertainty about the specific form of the clients demands; and of the client's uncertainty about the type of service that is needed. The extent of the market in any specific field will depend on the ease with which interaction can be developed and these information asymmetries overcome. This will be easier for some types of supplier than others; for example, where suppliers possess recognised quality assurance procedures or are regulated, which can generate higher levels of trust between the client and the supplier.

This paper concerns the supply of business advice to small and medium-sized enterprises (SMEs). The advice assessed in our empirical study focuses on the range of different suppliers used and their "impact on

meeting business objectives". Advice is explicitly distinguished from the provision of basic information. This empirical focus seeks to highlight two aspects: one, those situations where advice is delivered through more intense exchanges, and a second, where the differences between suppliers is brought to the centre of attention.

Our focus on a broad range of suppliers and advice processes follows from the widespread discussion in the literature on SMEs which has argued that SMEs often have a greater need than larger firms to buy-in external assistance, but a greater reluctance to do so (see e.g. Birley and Westhead, 1992; CBI, 1995; DTI, 1990; DE, 1991; Storey, 1994). This literature has also found that there are usually important differences between SMEs by size, with the smallest firms usually employing external advice to the least extent, with a rising level of use by size up to firms of 50-100 employees, after which point there may be a levelling off (O'Farrell and Moffatt, 1995; Bennett and Robson, 1999).

Because of a perceived general reluctance of SMEs to seek external advice, and a particularly strong reluctance identified among owner-managed businesses (DE, 1991; Storey, 1994), a number of government initiatives have sought either to stimulate the supply of advice or to encourage SME demand. In the 1997 period covered by our survey the main government approach has been developed through a network of local agents: Business Link, Training and Enterprise Councils and enterprise agencies. Each of these has sought to offer free or subsidized advisors, thus attempting to overcome supply constraints at a local level accessible to SMEs. By use of large scale local publicity campaigns, including mailing and local events these initiatives have also sought to stimulate SME demand.

Our focus on supplier types has the important purpose of establishing the character of the advice that these public sector agents offer and its impact on the client. To act as comparison groups we use two other

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categories of suppliers of advice: business consultants, and business associations.

Business consultants in many cases are involved with government's local agencies as subcontractors or to service SME clients. An important issue, therefore, arises as to whether the business consultants as accessed through government agencies differ in the client's perception of impact from those accessed through the general market. A further issue has been the extent to which the free or subsidized service provided by government agencies unfairly competes with the private sector. This has been a contentious issue for business associations. In the case of local chambers of commerce, the competition is on the same patch, but even sector associations have complained about unfair competition from Business Link (see e.g. Bennett, 1998; BPIF, 1997).

A primary focus of this paper is therefore on how advice differs between these supplier types. Because of this focus, and because we wish to establish whether there exist any large scale statistical regularities between supplier types, we adopt a large scale survey format and have to use a mail out methodology. Unfortunately this precludes detailed assessment of the process by which advice is delivered. Also because of the wide range of other questions that had to be included in the survey, it was not possible to include questions about prior use of advice sources, frequency of use, and a number of other characteristics that would have been desirable. This paper must be seen therefore as an assessment of advice intensity undertaken at a fairly extensive level, with advantages of breadth and generality, but with disadvantages of depth of how the advice process works. However, we seek to compare our interpretations against more detailed and smaller scale studies which we demonstrate, in general, to be in line with our conclusions.

With this approach in mind, the paper first examines the theoretical literature to determine the expectations of interaction intensity for

different types of supplier. This leads to a range of hypotheses. These are examined in the main contribution of the paper which is an empirical examination of the hypotheses using a new large scale sample from a survey of 1997 by the Cambridge ESRC Centre for Business Research (see Cosh and Hughes, 1998).

2.   Interaction Intensity

Business services have been shown to be quite different from consumer services and from the purchase of manufactured goods (see e.g. Hill and Neeley, 1988; Morris and Fuller, 1989; Dawes et al., 1992; Jackson et al., 1995; Clark, 1995; Brentani and Ragot, 1996). Our analysis of advice services focuses on the central element of professional services: that offer an increase in knowledge and expertise that is highly knowledge-based and intangible. They primarily "supply expertise and enhance the value of all other sectors' outputs, including that of other services" (O'Farrell and Moffat, 1991, p. 206). They are thus chiefly a *process* that produces change to the business customer (Dwyer, et al., 1987; Riddle, 1986) that requires an increase in the knowledge pool on both sides: 'production' of the service is in some senses a joint activity of the buyer and seller.

Professional business services require interactions based on relational exchanges (Clark, 1995; O'Farrell and Moffat, 1991) whereby the client's needs are established by the advisor, and advisor's ability and quality assurances are assessed by the client. In the information exchange process, personal relationships are important in allowing implicit assumptions and obligations to be explored, and trust to develop. This will usually combine task-interaction, where the client and supplier exchange information on problems to be solved and means to accomplish them, with personal-interaction, where the client's well-being is directly improved (by making internal tasks easier or by improving profitability and performance). As Clark (1995) argues, these

two interactions, identified by Mills and Margulies (1980), are not usually distinct. Clark (1993; 1995), reviewing earlier literature (for example Wilson (1972), Levitt (1981), Cowell (1984) and Marshall (1988)) has focused on four key differentiating but overlapping characteristics of business advice and consultancy services: their intangibility, inseparability of interactions, heterogeneity, and perishability. (i) Intangibility means that services do not take the form of a material product (see e.g. Walker, 1985). This makes them difficult to sample before purchase and difficult to reproduce. However, there are clearly degrees of intangibility so that some services are more intangible than others e.g. management training is highly intangible, but many mainstream banking services have product characteristics resembling tangible goods. Also it is important not to overemphasise intangibility since all services become tangible as part of final demand, whether that is in the form of a good or a service. (ii) The inseparability of services means that buyers and sellers must interact to refine the advice process, with a long series of stages to refine need, select the advisor and develop the actual delivery of advice. (iii) Heterogeneity of services means that they are not generally standardized. Advice services usually need to be re-tailored to each client with elements of uniqueness. This leads to problems of quality control and to the need for the customer to become closely involved with production to check appropriateness and fitness for purpose. Clark (1995) argues that a large part of the client assessment of appropriateness may depend on impressions and how they are managed by the advisor. (iv) Perishability occurs because services are destroyed during consumption and have to be repeated. For strategic advice the ownership of the service, including some of the intellectual property rights, transfer from the seller to the buyer, which the buyer may reproduce internally. This means that although repeat business often occurs, the new purchase will usually be for a service that is significantly different from previous purchases, requiring new tailoring.

Hill and Neeley (1988) and Lapierre (1997) argue that the key distinguishing characteristics of professional advice services are the high level of expertise required (requiring high education, knowledge and experience levels), group and self-regulating identity among the advisors that creates an impression or reality of quality, a history of professional ethics, and an emphasis on fields of advice that have high cost and high importance to the business.

All of these characteristics result in a high human asset specificness of the business service supply process, which in turn depends chiefly on knowledge-based technical skills which are exchanged with the client. The importance of this knowledge base in turn means that there is often an information asymmetry between buyer and seller. The intense interaction process necessary for successful advice and consultancy is chiefly aimed at overcoming this asymmetry. There are two aspects to this information asymmetry - ex ante and ex post (see Nayyar, 1990; Gallouj, 1997). *Ex ante* asymmetries derive from lack of information by the buyer of the seller's service quality or characteristics. This makes it difficult for a buyer to select a service supplier: all suppliers may appear to be the same, or are indistinguishable. *Ex post* asymmetries derive from the buyer's inability to assess fully the actions taken by the supplier. On the one hand, services are inherently difficult to define in a contract and therefore the supplier has considerable scope to cut costs or quality without detection by the seller. Therefore the buyer finds it difficult to be sure if value for money has been obtained. On the other hand, the outputs often pervade a wide range of management activities, including change behaviour or strategies of the managerial personnel, from which specific outputs are difficult to measure. Thus there are many difficulties of attributing increases in profit, turnover or productivity to the specific advice services received. The evaluation of outputs is particularly difficult for 'softer' (more intangible) fields of services such as advice, which are the focus of our empirical study, compared with more specific

or technical services such as repairs, maintenance, production line development, etc.

As Holmstrom (1985), Nayyar (1990) Milgrom and Roberts (1992), and Gallouj (1997) note, there are a number of remedies for these asymmetries, and each has a different level of relevance to different sources of advice. Clark (1995, Chapter 4) identifies the three main remedies for information asymmetries as: *contractual structures, regulation (and self-regulation), and reputation or ' brand'*. Clark emphasises the importance of the signals which these different remedies give, particularly in the selection process, of how an advisor is chosen. This is an important interpretation for our analysis because it allows us to draw out important distinctions between types of suppliers of advice.

Contractual structures seek to control the advice process by detailed product specification, contingent fees, post-delivery contractual holdbacks conditional on performance, and output-related bonuses or penalties. Dawes et al. (1997), and Clark (1995) find that the cost element of advisors is not usually a key selection criterion, being a 'moderate' issue in Dawes et al. study and being the seventh most important aspect of success in obtaining assignments in Clark's study. However, contracts in more general terms than cost alone have a somewhat greater importance, being used by 72% of O'Farrell and Moffat's (1995) sample of advertising and marketing, graphic design, computer/MIS and training advisors, and used by between 33-90% of recruitment consultants for different aspects of their services in Clark's (1993) study. Day and Barksdale (1992) find that important aspects of contracts to the client are on-time on-budget delivery, and up-front schedules that are stuck to.

Regulation by government, or self-regulation by industries bodies, is a second way to reduce asymmetries. Clark (1995) argues that because of the extremely low barriers to entry to the advice and consultancy market,

regulation of self-regulation might be expected to be important. In fact he argues that government regulation is "weak" and self-regulation is a "patchwork" (op. cit., p. 73) for the consultancy area. Some sources of the consultancy and advice are, however, highly regulated, as for example financial advice following IMRO and FSA rules. Other sources have a government framework of self-regulation that prevents market entry unless professional training qualifications have been attained and are routinely updated e.g. legal services via the Law Society, and accountancy and financial advice via the accounting bodies. The Government since 1997 is seeking to strengthen these standards further by separating the regulatory functions from representative functions of the accounting bodies. For government agencies themselves there are also extremely burdensome regulations defined by the parent government departments, although these are more often framed in terms of supplier performance on cost or activity criteria than client evaluations. For our analysis of suppliers, the extent of regulatory and self-regulatory frameworks, as an ex ante signalling of quality, is likely to be an important differentiating aspect between suppliers.

Reputation and 'brand' have been found to be the key selection criteria for advisors when studying most types of private sector consultants. Reputation derives from a range of elements: existing relations with clients, the reputation of the individual consultant, the reputation of the consultancy firm, the general image of quality, and third party recommendation (Clark, 1995, Table 4.2). These features account for 70% to 93% of client rankings of selection criteria is Clark's study of recruitment consultants, with prior experience the most important criterion employed overall. Similar findings are reported for other types of consultants by Day and Barksdale (1992), Wheiler (1987), Dawes et al. (1992), and Bryson (1997). Reputation and 'branding' are seen as key means by which *ex ante* information asymmetries can be diminished or overcome by Shapiro, (1983), Nayyar (1990) and Milgrom and Roberts

(1992), who argue that they will be more important the more imperfect the information in the market between suppliers and their clients.

However, reputation and branding do not guarantee quality, they merely limit the effects resulting from asymmetries: of adverse selection and moral hazard. Their role will also tend to vary with the type of service and type of supplier. Recognising the importance of service and supplier type, Clark (1993) argues that there will be different mechanisms of exchange and interaction in different service markets, and that the mechanisms depend on the extent of trust between buyer and seller. For different suppliers, trust has differential roles in determining the extent to which reputation and brand, or other more formal regulatory mechanisms are used to signal quality and hence reduce information asymmetries. This means that in our supplier comparisons we seek to place a high emphasis on the different signalling processes used by different types of supplier.

Trust is generally argued to depend on two dimensions (see Zucker, 1986; quoted in Clark, 1993). The first is personal trust. Personal trust draws on social similarity between people within a market, which is therefore firm, industry and context specific. The second dimension, institutional trust, derives from the broader social and regulatory context of each supplier, which is largely exogenous to a particular firm or industry. Zucker argues that the two types of trust depend on different sources. The first depends largely on the extent and the form of personal networks. Different types of personal networks encourage or discourage certain types of economic behaviour, as argued by Granovetter (1985). Zucker's second type of trust, institutional trust, draws on association structures, such as memberships of business and professional associations, and on intermediary mechanisms such as government regulation or third-party standards bodies (such as the British Standards Institutes BSI, or ISO). Suppliers with stronger development of these kinds of institutional structures may be able to signal a greater level of

quality or reliability, reducing ex ante information asymmetry, uncertainty, and stimulating a higher level of trust, which in turn can stimulate a greater willingness to seek services from these particular external suppliers. If this trust is well-founded, this should lead to higher quality assurance and hence impact levels. In practise the two types of trust overlap with each other and may be difficult to separate in empirical studies.

Because of the difficulties of separating different types of trust in practice one way of proceeding is to assess client responses to different types of suppliers of advice that operate within different networks of trust. In empirical investigation we use this way of assessing trust; i.e. we attribute differences between suppliers to the different trust and reputation producing mechanisms that exist for different supplier types.

3. Methodology and Hypotheses

The previous theoretical literature has focused on the exchange process needed to overcome information asymmetries and to achieve the desired quality controls for the buyer of business advice services. Different intensities of interaction are expected to produce different impacts on the buyer of services. Impacts in turn will depend on the networks that exist which relate suppliers to each other, and which relate buyers to sellers. Different suppliers operate in different environments of contractual relations, regulation/self-regulation, and reputation which have differing contexts of trust, some more strongly emphasising personal trust, others institutional trust, and some with mixtures of the two. We would therefore expect some systematic variations by supplier type and by buyer type, and particularly between government agencies and other suppliers, depending on the extent to which information asymmetries can be overcome by reliance on the different mechanisms of reputation, regulation, self-regulation or other forms of quality control external to the buyer. Interaction intensity is an outcome that reflects these

differences. Our central hypotheses which we investigate below are therefore twofold:

1. Interaction intensity will vary between types of suppliers depending on the extent of internal quality controls (such as reputation) or external quality assurance, regulation and trust producing mechanisms.
2. The evaluation of outputs by the client will tend to show higher impact the higher is interaction intensity.

To assess these hypotheses we focus on one measure of interaction intensity, of (i) whether or not the service was delivered through site visit(s). We compare service supplier outputs using impact levels assessed by the client, and assess the extent to which these vary with interaction intensity. We also measure the form of client-supplier relations using (ii) whether or not a written contract was used.

The role of written briefs/contracts has been examined before as a means to assess the control executed by clients over their advisors. For example, O'Farrell and Moffat (1995, Table 4), using a matched sample of 59 manufacturing plants in two regions (Scotland and SE England), demonstrated a statistically significant difference in satisfaction levels between clients that used a verbal agreement, a written brief or contract, or used neither. Satisfaction levels were 25% higher for advice delivered using written briefs compared to verbal agreements, and for different service fields were between 3 and 13 times higher for verbal or written agreement, respectively, compared to having no agreement at all prior to the service being provided. The positive effect of the use of a written brief or contract is interpreted by O'Farrell and Moffat (1995, p. 115) as diminishing the gap between prior client expectations and the actual service supplied, i.e. overcoming information asymmetries on both sides. However, O'Farrell and Moffat (1995, Table 5) found that there were important contrasts between services, with no statistically significant

differences between firms using a contract/brief and those that did not for four of the services examined: advertising and marketing, graphic design, computer software/MIS, and training provision. In a more detailed assessment, of the same survey data for five service fields, O'Farrell and Moffat (1991, Tables 1-6) find intensities of 'client involvement' to differ as a result of contrasts between service suppliers and between phases in the service creation process.

In a different analysis of 364 UK executive recruitment consultancies and corporate personnel directors, Clark (1993, Tables 6 and 7) found written and other contracts to be an important part of the quality control mechanism of service delivery. Contractual guarantees were used in 70-90% of cases relating to service quality specifications, although in only 34% of cases was a fee refund for poor performance built into these contracts. Clark develops an important argument, which we draw on below, for expecting significant differences to occur for different types of service and different types of supplier depending on the mechanisms of trust development and/or external quality controls. He concludes that contracts largely reflect prior levels of trust not interaction intensity. In the recruitment industry, informal and personal trust mechanisms underpinned by contracts are strongest, whilst formalised institutional or regulatory codes are secondary: "It is contractual guarantees, and the history of past transactions underlying reputation, which overcome the potential effects of adverse selection and moral hazard" (Clark, 1993, p. 250).

We are aware that in focusing on just two measures of intensity and control of exchange in this paper (written contracts/briefs and site visits) we cannot encompass the full variety of the interaction process that is examined by Clark (1995), O'Farrell and Moffat (1991) and other writers. However, because our work is based on a large scale survey format with the requirement for relatively simple self-completion questions it was not possible to examine every stage of the exchange

process. We have to trade off analysis of the depth of exchanges with the advantages of a very large sample size so that we can compare evaluations across a number of types of supplier and client which allow statistically valid generalisations to be drawn.

In the following analysis the survey focuses on small and medium-sized firms of up to 500 employees. This survey has 2547 respondents and was undertaken in 1997. It follows the same procedures as previous ESRC CBR Surveys. It is based on a prior telephone contact to check that size and other sampling criteria are satisfied by the randomly selected firms. Final contact is then made by mail. A 25% response rate was achieved. Tests of non-response bias show this to be a valid database (Cosh and Hughes, 1998, Appendix) for comparisons of response rates by age, employment numbers, turnover, pre-tax profit and legal status of the firm. The only potential for response bias was found in a slightly higher, but statistically significant, refusal rate for large manufacturing firms (over 200 employees). This was chiefly the results of a higher rate of refusal to participate at the telephone checking stage. Response variations between questions are generally low. For the questions analysed here the average non-response rate was 3.2%, with the main non-responses being for impact assessment. This averages 9.5% but does not have significant response bias between source type or firm type. The survey is a stratified random design which covers two broad industrial sectors: (i) manufacturing, and (ii) business services. Other details are given in Cosh and Hughes (1998).

In the survey, the use of external advice is defined as excluding provision of basic information and is assessed for its impact in meeting business objectives, which are defined in the immediately preceding questions. Respondents were asked to identify each area and source of advice they had used to pursue their business objectives in the previous 3 years, and to rate its impact in meeting business objectives. For the

sources of advice examined here respondents were further asked whether the advice *primarily involved* a site visit and/or a written brief.

We first examine eight sources of service supply and assess how measures of interaction intensity vary by firm type. Second, we examine variation in impact for different types of client firm and source as a result of varying intensities of interaction. The results at each stage combine survey tabulations with multivariate statistical estimation based on logit and ordered logit methods where respondent sample sizes permit.

The eight service suppliers examined contrast a major category of private sector supplier (business consultants) with two types of business association (sector and local-based), and with various types of government-backed delivery body (enterprise agencies, TECs, LECs, Business Link, and Business Shop / Connect). These different suppliers were selected to provide a range of interaction intensities and contrasts in the environments of trust expected to be present.

Supplier types

Business consultants cover a wide range of differing service fields with differing technical skill requirements. For some specialist fields external self-regulation and quality assurance systems exist, e.g. in the legal, engineering, surveying and accountancy sub-disciplines. The main motives for SME clients to use consultants are to manage change processes, gain specialist knowledge, obtain intensive temporary help and obtain an outside view (Clark, 1995; Bryson, 1997), so that the greatest demand is normally for specialist rather than generalist advice (Hill and Neeley, 1988; Wood et al. 1993; Fitzsimmons et al. 1998). The quality of consultancy primarily depends on the individual advisors and their specific capacities. Because the market for consultants is so varied and the entry barriers so low there is likely to be a relatively low

development of both personal and institutional trust. We would expect, therefore, that business consultants would experience a relatively high level of interaction intensity in order to tailor services, but that the buyer will make relatively high use of mechanisms for assessing and controlling quality, such as written briefs or contracts.

Business associations are private sector voluntary bodies in Britain. Business owners or managers therefore choose to join or not. Two types of bodies are considered: sector associations and local chambers of commerce. Membership gives SMEs rights to certain association supports and services often financed by fees. The choice of membership is itself a vote of confidence or trust in the body. Therefore users are largely a self-selecting group. This is reinforced by constitutions of self-regulation that seek to define the responsibilities of the association managers e.g. to act on behalf of their members. In the case of chambers of commerce, their main national body, the British Chambers of Commerce (BCC), has developed a relatively onerous accreditation and quality assurance system self-regulating and controlling the brand name "chamber". Such quality assurance and accreditation processes are much less common among sectoral bodies, and indeed quality assurance has been the focus for the launch of a government initiative by DTI (1996) for a "model" trade association with a standard charter offering a duty of care to members and a model governance structure. The services provided by associations vary considerably, and previous studies have shown that their services are predominantly low cost, low frequency and low duration, but with high interconnectedness between service transactions requiring high human asset specificity (Taylor and Singleton, 1993; van Waarden, 1991; Bennett, 1996, 1998). We expect association services therefore to be areas exhibiting a relatively high level of institutional trust but a low level of intensity of interaction. Chambers generally have a higher membership proportion from medium-sized SMEs, whilst sector associations are often dominated by large firms. As a result, trust levels may be higher in local chambers than

among most sector associations, because they have stronger self-regulation and are dominated to a greater extent by SMEs.

Enterprise agencies are a somewhat hybrid body. They are locally based, about 200 in number in 1998. Their financial backing is variable - most are sponsored and underwritten by local government, or TEC/LEC contracts, with large private companies giving significant in-kind and financial support in many cases (Bennett, 1995). Their predominant activity is advice and consultancy, particularly to micro SMEs and to start-ups, across a wide range of fields, but with business strategy, finance and government grants normally as their chief focus, requiring detailed business appraisal of a relatively intense kind. Their backing from sponsors tends to offer a fairly high level of institutional and sometimes individual trust; i.e. they are expected to behave in the interests of their clients and any fee income is a surplus normally ploughed back into the agency and not as a profit. They have also developed a self-regulation system of quality assurance and accreditation through the National Association of Enterprise Agencies, although this is not as yet very onerous. They can therefore be expected to be relatively high intensity and moderately high trust service suppliers.

Training and Enterprise Councils (TECs) and their Scottish counterparts of Local Enterprise Companies (LECs) are government-financed bodies with predominantly private sector boards of management. They provide advice, support and some grants/subsidies to business in two main business fields: (i) training, including the Investor's in People (IiP) programme, and (ii) advice and consultancy services chiefly focused on management development, diagnostic assessment, and consultancy. The Scotland LECs are integrated into the networks of Scottish Enterprise (SE) and Highlands and Islands Enterprise (HIE). This provides more substantial consultancy, larger grant aids, infrastructure supports, and export/trading supports than available from TECs (see Bennett et al., 1994). We would expect TEC/LEC supports to have a relatively high

level of interaction intensity and an intermediate level of trust. Institutional trust may be enhanced by the role of government regulation, but trust is undermined by perceptions of a rather chequered history of previous public intervention, particularly by TECs compared to LECs.

Business Link (BL) is an initiative developed since 1992 in England, but only fully in place covering the whole country from late 1996. In Scotland a similar system of Business Shop (BS), and in Wales Business Connect (BC), has been developed. These systems seek to provide a local advice and consultancy service to SMEs ranging from specialist consultancy (on exports, marketing, innovation and technology, or product design) to generalised consultancy based on personal advisors, and provision of grants, which all require high or very high interaction intensity (see DTI, 1992; Agar and Moran, 1995; Priest, 1999). Trust is likely to be intermediate and to be chiefly institutional with little personal trust. Like TECs and LECs, with which they are closely related as contracting partners, they gain some reputation benefit from government-backing and regulation, but they are also undermined by perceptions of the previous history of public intervention which may encourage clients chiefly to use them to access grants or subsidies or as a last resort (see e.g. HoC, 1996).

4.   Empirical Assessment

The assessment which follows focuses on two indicators of interaction intensity. The first indicator, the use of site visits, is seen as a measure of interaction intensity that should be particularly relevant to differentiating between advice sources in our sample, of consultants, associations and public sector sources. Site visits differentiate simpler advice, that can be given off-site or over a telephone/Email, from more detailed advice that requires on-site assessment, exchanges and two-way learning between the supplier and client. Clearly a site visit may also allow the development of a level of trust, but this will be *ex post* not *ex ante*. Site

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visits are therefore primarily aimed at overcoming *ex ante* information asymmetries, chiefly of the supplier, and to a lesser extent those of the buyer.

The second indicator used is the existence of a contract or written brief as part of the service delivery process. This is also an indicator of interaction intensity since it clearly distinguishes simple advice from the need for more detailed appraisal. But in our assessment we see its chief role, following Clark (1995), as an indicator of the selection process used, existence of trust, and the form of client mechanisms for control of the supplier. A high level of individual or institutional trust will reduce the need for client controls through a written brief or contract because *ex ante* signalling will overcome *ex ante* information asymmetries. In our case, associations for example, have a "brand" and constitution of self-regulation which suggests that a perception of a high level *ex ante* quality assurance may exist, particularly in relation to the expectation of their services having relatively low interaction intensity. Hence written contracts for association advisors are likely to be relatively rare. At the other extreme, business consultants will usually have a low level of both individual and institutional trust so that the incidence of written contracts is expected to be relatively high.

We are aware that neither indicator of interaction intensity that we use is perfect nor allows detail of the advice process to be fully examined. Our large scale sample and survey format did not allow this. To complement our analysis, therefore, we relate our large scale findings to more detailed studies where possible below.

4.1 Types of supplier

The extent to which site visits and written briefs/contracts are used for our eight different types of supplier[1] is shown in Table 1. This table shows the proportion of survey respondents who reported using a site

visit or contract/brief for each source of supply. There is a very close relation to our prior expectations in terms of interaction intensity and expected level of control by contract. High interaction intensity, measured by the level of site visits, occurs for nearly 4 out of 5 cases in the case of business consultants. This is in line with other findings, such as those by O'Farrell and Moffat (1991) or Fitzsimmons et al. 1998). It is also high for TECs, LECs, BLs, BS/BC and enterprise agencies, all of which use site visits in more than half of cases. This is in line with DTI targets for these bodies. It is lowest in business associations, and within these it is lowest of all for sector associations. This sequence is in line with our expectations of interaction intensity based on the nature of the service that each body is providing. Site visits are higher for local chambers than sector bodies, presumably because it is easier at the local level than for a sector body that normally has only one national office. Chambers, on average, in any case have larger staff and offer a wider range of advice services requiring higher levels of interaction than most sector associations.

The extent of use of a written brief/contract shown in Table 1 is also closely in line with our prior expectations about client mechanism for control of advisors and trust. Consultants have by far the highest incidence of written contracts, covering over one half of cases, which is indicative the need to have more intense exchanges to define objectives and to control quality. It is also indicative of a low level of personal and institutional trust. TECs, LECs, BL, BS/BC all have intermediate and relatively comparable levels of use of contracts, in the range of 35-40% of cases. This implies that a significantly higher level of trust applies to these government backed bodies than to consultants, as expected from the ease of consultant market entry and the general absence of strong forms of consultant self-regulation or accreditation mechanisms. However, the government-backed bodies all use contracts to a significantly greater extent than enterprise agencies or business associations. Government-backing and regulation of TECs/LECs and

BL/BS/BC therefore, appears to provide a lower level of both *ex ante* and *ex post* quality assurance than for the enterprise agencies with which they are closely comparable. The very low levels of use of contracts/briefs by business associations reflects their high trust position based on self-regulation and a self-selecting membership, and it also reflects the relatively low intensity nature of many of the services they provide.

The general level of use of contracts/briefs is lower than that found by O'Farrell and Moffat (1995) whose survey had 72% of their sample using a verbal or written brief for the services of advertising and marketing, graphic design, computer/MIS, and training. Clark (1993) found 50-90% use of contracts for different aspects of performance of recruitment consultants. The lower level of use found in our survey, even for consultants, probably reflects our focus on SMEs and the broader range of service types involved in our survey. Both O'Farrell and Moffat, and Clark, have large as well as small firms in their sample, and focus on a more limited range of specific consultancy services for which higher intensities of interaction are required, whereas our survey includes all advisor services.

The extent to which different client types develop different levels of contracts and interaction intensity with their suppliers is shown in Tables 2 and 3. Firstly, attention is focused upon the percentages of respondents reporting using a site visit. Statistically significant differences between types of firm are tested for each row sub-grouping. There are statistically significant differences for all sources by sector (except for SE/HIE LECs), in most cases by size, and to a lesser extent by growth history.

Manufacturing firms in all cases use site visits to a significantly greater extent than service firms (Table 2). This probably arises from the greater technical requirements of understanding their production processes and assessing them on site. It is, however, a somewhat surprising result since

the supply of advice services to service firms might be expected to require higher interaction intensity because of the greater effect of intangibility, inseparability, heterogeneity and perishability on both sides, of both the service provided and the outputs of the client supplied.

The use of site visits, generally increases with firm size, although firm size differences are not significant for enterprise agencies, chambers, SE/HIE LECs and BS/BC. Both categories of growing companies use site visits to a greater extent than stable/declining ones, although again there is not a statistically significant difference for enterprise agencies and BS/BC.

In the case of written briefs/contracts (Table 3), manufacturing companies use these to a greater extent in all cases, although this is strongly statistically significant only for the case of BS/BC. Written contracts increase for all sources with firm size, statistically significantly in all cases except BS/BC. For growth rates there are few systematic or significant effects, except for use of BL which increases strongly by growth rate, as to be expected given the targeting of BL on growth companies.

Clearly many of the features of sector, firm size, etc., interact and may be collinear with each other. To control for these interactions, the results of multivariate logit estimation of the influences of firm type on site visits and written contracts as response variables are shown in Tables 4 and 5. These estimates evaluate the influence of firm type for six of the service suppliers. The sample size for LECs and Business Shop/Connect in Scotland and Wales was too small to permit estimation[2]. Preliminary tests of a variety of alternative variables showed that profit per employee or profit per level of turnover produced indistinguishable results. The log of employee numbers is used to capture the strongly developed pattern of the rapid increase in use of external suppliers with size up to 50-100 employee companies, with a levelling off after that point (see Bennett

and Robson, 1999). The rate of growth used is rate of employee growth, as used in earlier tables. Firm sector (services, manufacturing) and exporters are defined by (0,1) dummy variables. Skill level is defined by the percentage of graduates in the firm's labour force.

For all suppliers the models are statistically significant predictors of having either a site visit or written contract, correctly classifying responses in between 59% to 86% of cases. For site visits (Table 4) the chances of having a visit generally significantly increase for manufacturing compared to services, and by employee size. Chambers of commerce, however, display a very different pattern with skill levels and age (weakly) leading to significantly decreasing chances of having a site visit, whilst being an exporter significantly increases the chance of having a site visit. Business Link is also different in having only sector as a major explanatory variable of having a site visit.

In general for interaction intensity we may conclude that, when estimated together, most firm type differences have only a limited influence or the chances of having a site visit. Size and sector are generally the two most highly significant explanatory variables. Age has little effect (although most of the firms in the sample are established, in the sense that most have been trading for at least 5 years). Profit per employee and exporting also have little effect, and rate of growth has no effect, on the chances of having a site visit. These results are surprising since it would be expected a priori that newer firms, more rapidly growing firms, exporting firms and less profitable firms might be expected to need more on-site interaction. However, these influences are only minor and only affect the interactions with one supplier at a low significance level. Skill levels were also expected a priori to be an important influence or interaction intensity since higher skill levels should allow the client better to specify their needs without on-site assessment. But this variable is significant only in the case of chambers

of commerce, where high skill levels do reduce the need for site visits, as expected.

In the case of written brief/contracts, the estimates in Table 5 show an even narrower range of firm type influences. Size of firm is a highly significant positive influence on the chance of receiving a contract from consultants, associations, enterprise agencies and (weakly) for Business Link. For Business Link the rate of growth, the skill level and to a lesser extent profitability are also of significance, respectively at the 95% and 90% levels. But in all other cases there are no significant explanatory variables at the 95% level or greater, other than the employee size of the firm. For chambers of commerce and TECs there is no significant firm type influence at all.

These results show that in the case of written brief/contracts it is supplier characteristics, and hence their 'trust' or brand/reputation, which is the main influence on the strong differences in the level of use of contracts evident in Table 1. In a systematic way, only firm size is a major influence which increases the chance of a written contract. This indicates that larger firms are generally better able to specify their needs and are also seeking to control their relations with advisors to a greater extent. In this sense larger SMEs rely to a much lesser extent on trust than smaller firms.

In the case of site visits, interaction intensity is more broadly related to firm type differences such as size and sector, but again most other variables are of little significance (except for skill levels for chambers of commerce). We conclude that it is supplier type that is chiefly accounting for the differences in interaction intensity evident in Table 1 rather than firm type. Where firm type influences are strongest, they indicate that intensity increases with firm size and for manufacturing, and for lower skill levels for chambers, suggesting that larger, more

complex and generally manufacturing firms need more detailed assessment by the service supplier.

4.2 Impact

We expect higher interaction intensity to produce higher impacts because a greater exchange has taken place between buyer and seller so that business needs shoud be better understood. The general level of impact in relation to site visits and written brief/contract is shown in Table 6. "Impact on meeting business objectives" is assessed by respondents on a 5-point scale from 1 (no impact) to 5 (crucial impact). The mid point is 3 (moderate impact).

Advice based on site visits has highest impact for consultants (mean impact 2.8) and ranks downwards to sector associations and BS/BC, TECs, chambers, LECs, BL and finally enterprise agencies. Across all suppliers, clients that had a site visit always have a higher impact measure than those that do not, on average. This is generally about half a point higher. The differences are greatest, exceeding one half a point, for TECs, BL and BS/BC.

Advice based on written contracts has a very similar rank order of impacts, although the impacts of BL, LECs and TECs is now relatively much higher. In all cases clients using a written contract on average receive higher impact than these that do not, except for BS/BC. The differences in ratings achieved by having a contract are a little lower than for site visits, but approach half a point in most cases, and differences are greatest for TECs/LECs, chambers and BL.

Tests of client type differences by simple cross tabulation show few very statistically significant differences, although manufacturing firms generally have higher impacts on average where they have contracts and/or site visits. To save space these tabulations are not shown, but in

Tables 7 and 8 we report the results of a multivariate analysis of impacts for different client types using an ordered logit model. In these tables the response variable is the five levels of impact assessed by the client, and the existence or not of a site visit or written contract appear as (0,1) dummy variables.

The results of Table 7 for the client impact of site visits show that in all cases, except trade and professional associations, the existence of a site visit significantly increases client assessments of impact of advice. This is a strong confirmation of the general expectation that stronger intensity of interaction increases the tailoring of a service to SME needs, therefore improving its quality and potential impact. The lack of relation of site visits to the impact assessment for trade and professional associations, and the very weak relation for chambers of commerce, suggest that the clients of these bodies are using site visits for a different purpose than tailoring of the advice service. Since both are forms of business collective activity, it is possible that the site visit is less concerned with tailoring the service than with recruitment or maintaining membership, the development of relational exchange, social relations, or development of trust.

Beyond the influence of site visits, few firm type variables are of major statistical significance in explaining the level of client impact assessment of advice. For consultants the size of the company, its profit levels, and whether it is an exporter, are of significance. For other suppliers, firm size is important only for the impact of TECs, and for exporters impact increases in the case of chambers and Business Link, but decreases for TECs. Skill levels inversely influence impact for trade and professional associations.

The major conclusion from these estimates is that interaction intensity derived through site visits for most supplier types is the main systematic feature explaining higher impact levels. As indicated by comparison of

Tables 6 and 7, firm type is a much less important influence on impact than supplier type. The exception is the case of consultants where firm size, profitability levels and whether it is an exporter are also strong influences on impact. This conclusion suggests that businesses tend generally to choose their suppliers of advice in line with their perceived needs, tailoring the service through site visits in different intensities, receiving impacts related chiefly to supplier characteristics for the different services they supply, though in all cases (except trade and professional associations), clients receive a higher impact as a result of higher intensity of interaction. The exception of business consultants suggests that larger firms, more profitable firms and non-exporting firms receive higher impacts as a result not only of the higher interaction intensity of a site visit but also because these types of firms exert a stronger control on intensity of interaction because of their specific needs. For consultants, therefore, firm type as well as supplier characteristics are strong influences on the impact of interaction intensity. This is in line with findings by Jackson et al. (1995) and Brentani and Ragot (1996).

Table 8 shows the client impact assessment of written brief/contracts. Similar though less strong results are indicated as for site visits. Written briefs/contracts increase impact significantly for most cases, but not for trade and professional associations or enterprise agencies. Firm type variables of significance are again chiefly relevant for consultants where again it is the larger, more profitable and non-exporting SMEs that receive higher impact. Firm size is also a significant explanatory variable for the impact of TECs, and exporting is an explanatory variable of significance for chambers and Business Link. Skill level again has an inverse influence on impact levels for trade and professional associations.

The key conclusion to be drawn from these results is that supplier type is the most important influence on impact levels. Impacts are also

significantly increased by the existence of a contract. But differences between firms are generally of little significance compared to supplier differences (compare Table 6 and 8). The chief exception is consultants. Their predominantly low trust relation and low levels of repeat business indicate the greater need for clients to control outputs. Our findings are that consultants generate higher impacts, the more that a contract is used, the larger the firm, the higher its profitability and the greater the extent to which it is a non-exporter. This confirms the greater ability of consultants to fit their marketing and services better to their clients, features which were found to be the key determinant of consultant impact in the study by Brentani and Ragot (1996). Our results also suggest that large SMEs are better able to use and control consultants than smaller SMEs.

5.   Assessment and Conclusion

This paper has compared different suppliers and types of clients using a measure of interaction intensity based on site visits, and the degree of control exerted by the client over the advisor, based on written briefs/contracts. Although there are certainly constraints on the level of detail of our analysis which makes it impossible to examine the variety of transaction characteristics, or details of each stage of the advice process, the large sample survey does allow the benefits of generalisation across a wide range of businesses which permits large scale comparison of suppliers and firm types through statistical analysis. We have confirmed our two key hypothesis; (i) that interaction intensity varies between types of suppliers and appears to depend on both client-supplier intensity and formality of relations, and on contrasts of external mechanisms for controlling quality, developing reputation and producing trust; and (ii) that outputs are evaluated by SME clients as having higher impact the higher the interaction intensity in service delivery, and the higher the level of control by contract.

Between our eight types of service supplier we find considerable variation in interaction intensity and the use of a written brief/contract. A summary of the main findings is shown in Table 9. Consultants, enterprise agencies and all the government-backed agencies have a high interaction intensity chiefly derived from their delivery of tailored services requiring extensive exchanges on-site between client and supplier. As anticipated from the predominantly low cost, low frequency, and low duration of services provided by business associations, interaction intensity is generally relatively low with a smaller proportion of service delivered through use of site visits.

A different situation applies to the existence of written briefs/contracts, used here as an indictor of reputation and trust. Contracts are most important for consultants, used in over one-half of cases. This certainly reflects the individuality and tailoring required of the service by consultants, but it also suggests that clients recognise their strong dependence on an individual or a small group of individual consultants as the supplier, the ease of their market entry, and the low level of professional self-regulation or government regulation of the consultancy sector. These factors mean that clients seek to exert a high degree of control on consultants through contracts, indicating a relatively low trust requiring closer prior agreement to control ex ante information asymmetries. Contracts are used to a lesser extent for all other suppliers, ranging from 36% to 29% for the public agents, to 28% for enterprise agencies, and 16% for the business associations. We interpret this as being an inverse relation to the extent to which an institutional trust exists deriving from either self-regulation or government regulation.

Interaction intensity and reputation based on trust appear to interchange with each other in terms of impact. Our results indicate that high interaction intensity, and a low level of reputation and regulation leading to a written contract, result in a service with highest impact being received from consultants. Their services have the highest mean impact

scores overall, and the highest incidence of both the highest rating of "crucial" and of "important". All the other suppliers have significantly lower impact assessments. However a variety of other mechanisms appear to be at work. Where business associations tend to produce medium impacts through low interaction intensity but have high reputation or trust, government agencies produce medium impacts through high intensity with medium trust. This suggests that government agents tailor their services chiefly through interaction and contracts, whereas business associations can draw on a higher level of previous experience of related transactions and tacit knowledge from the self-selecting members. This in turn confirms the conclusions of Bennett (1996, 1998) that both local and sector associations rely on high human asset specificity drawing on tacit knowledge and the high interconnectedness between related and/or repeat transactions for the fields of advice that they offer.

In general, therefore, although the measures we use limit the interpretations that can be drawn, our results confirm the suggestions made by Clark (1993, 1995), of contrasts between suppliers in terms of a trade off between *ex ante* and *ex post* information asymmetries on the one hand, and levels of reputation, regulation and trust between client and supplier on the other hand. Perhaps the surprising result is the rather ambiguous position held by enterprise agencies, Scottish Business Shop, and Welsh Business Connect. These suppliers each tend to have high interaction intensities and comparable levels of use of written contracts. Yet they have some of the lowest impacts overall. More detailed analysis in each case is clearly required. It is probably the case that Business Shop and Business Connect differ from Business Link and TECs/LECs because their design seeks them to be chiefly first stop shops referring the client to other suppliers. The advice they result in giving, therefore, may be focused on fields where impacts are more diffuse, assessments more preliminary, or in fields where there is lower value added. Since BS/BC is designed chiefly as an information, referral and gap-filling

service its low impact may be acceptable to its designers. However the low impact of enterprise agencies is a more uncomfortable finding. They offer a high interaction intensity service with a moderately high use of contracts, yet their delivery appears to have one of the lowest impacts overall. This suggests that their accreditation and quality control systems may be in need of tightening and review.

The analysis also shows how service impacts, use of contracts and the levels of interaction intensities vary by client type. One of the main benefits of the large scale survey is the ability to assess the effects of these client type differences. Use of logit and ordered logit multivariate estimates has allowed a range of the explanatory variables normally used to measure differences in client type to be explored. In general these estimates show that firm type is a much less important distinguishing characteristic than supplier type. This is itself a major finding indicating that clients choose suppliers chiefly for the bundling of their advice characteristics rather than their specific focus on particular types of firm. This in turn suggests that suppliers of advice appear to develop more into niche markets of particular services or bundles of services rather than markets filled with particular types of client businesses. This is in line with the suggestions by Nayyar (1990) and Clark (1995) that suppliers can overcome some information asymmetries by transferring their reputation to a range of services, provided that clients see this as legitimate and that the services are compatible.

There are exceptions to this general pattern. Higher interaction intensity and use of contracts is generally more likely with larger SMEs and manufacturing firms. Among suppliers, business consultants also appear to be an important special case. Their low reputation and trust appears to lead to a significantly higher intensity of interaction, resulting in a higher level of control through contracts, with a greater level of tailoring exerted by large SMEs, the most profitable firms and non-exporting firms. The benefit of this extra commitment to tailoring the service by

both supplier and client is a significantly higher impact for business consultants than for other suppliers. This suggests that between SMEs there are important size differences between firms in how effectively they can use consultants. For the other suppliers of advice assessed here size influences on impact are less important, although still significant.

Notes

1. In the tables we report the use of sector associations and chambers of commerce separately. Many respondents combined the two sources because of the design of the survey. The responses tabulated relate to respondents using only one or the other of these sources, not both.

2. Note that the samples for estimation for the TECs applies to England and Wales, for Business Link to England only, and for the other suppliers to the whole sample.

Table 1. Percentage of respondents reporting using a site visit and/or written briefs/contracts

Supplier	Site Visit	Written Brief/Contract
Consultants	78.6	50.6
Trade or Professional Associations	20.8	16.4
Chambers	29.9	16.4
Local Enterprise Agencies	54.9	28.0
TECs	64.5	39.0
SE/HIE LECs	74.5	36.2
Business Link	72.9	36.9
Business Shop & Connect	60.0	36.7

Table 2.   Percentage of respondents reporting using a site visit by firm type, size, and growth. (*** p < 0.01; ** p < 0.05; * p < 0.1) Tested using Mann Whitney test for two group comparisons, or the Kruskal-Wallis test for multigroup comparisons, between column entries. Types of business are defined as: 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.

Supplier	Sector		Size			Growth		
	Manufacturing	Services	Micro	Small	Medium	Stable/ Declining	Medium Growth	Fast Growth
Consultants	83.8***	71.5***	64.7***	82.9***	87.8***	72.8***	85.3***	79.3***
Trade or Professional Associations	26.0***	16.1***	15.3**	24.4**	27.9**	17.9	26.7	19.8
Chambers	34.3**	18.8**	31.3	30.0	23.1	27.7	32.2	35.8
Local Enterprise Agencies	61.4***	45.1***	48.6	60.5	54.3	51.0	52.9	59.8
TECs	68.7***	56.0***	55.9**	66.1**	74.0**	60.8	69.0	72.7
SE/HIE LECs	84.0	63.6	64.7	84.0	60.0	50.0**	72.7**	100.0**
Business Link	77.3***	62.8***	61.7***	79.6***	68.8***	62.7***	76.2***	79.6***
Business Shop & Connect	76.5**	38.5**	69.2	50.0	100.0	42.9	100.0	72.7

Table 3. Percentage of respondents reporting using a written brief/contract by firm type, size, and growth. (*** p < 0.01; ** p < 0.05; * p < 0.1, tested as in Table 2)

Supplier	Sector		Size			Growth		
	Manufacturing	Services	Micro	Small	Medium	Stable/ Declining	Medium Growth	Fast Growth
Consultants	52.1	48.6	39.1***	52.2***	64.9***	52.9	56.0	48.3
Trade or Professional Associations	12.6	11.4	8.9*	12.4*	19.7*	12.4	11.6	12.8
Chambers	17.1	14.5	13.1	19.2	15.4	20.0	15.3	18.9
Local Enterprise Agencies	31.6*	22.5*	20.7***	29.9***	45.7***	27.0	30.0	31.0
TECs	41.2	34.2	34.6**	37.2**	52.1**	40.8	44.4	44.7
SE/HIE LECs	40.0	31.8	17.6	44.0	60.0	50.0	27.3	46.7
Business Link	37.2	36.1	29.5**	39.6**	44.2**	31.4**	36.1**	45.1**
Business Shop & Connect	58.8***	7.7***	30.8	41.7	66.7	42.9	66.7	45.5

Table 4. Estimates of a logit model of the expectation of having a site visit, by supplier source (*** p < 0.01; ** p < 0.05; * p < 0.1). Note that the samples for estimation for the TECs applies to England and Wales, for Business Link to England only, and for the other suppliers to the whole sample.

	Consultants	Trade or Professional Associations	Chambers	Local Enterprise Agencies	TECs	Business Link
Age	0.00099	-0.00419	-0.02297*	-0.00944	-0.00583	-0.00099
	(0.00470)	(0.00598)	(0.01248)	(0.00641)	(0.00395)	(0.00451)
Log no. of employees	0.91556***	0.64839**	-0.70436	0.64433**	0.65589***	0.39123
	(0.22232)	(0.30107)	(0.47184)	(0.29169)	(0.24025)	(0.24483)
Profit per employee	0.01681	-0.01787	-0.01732	0.04002*	0.01070	0.00839
	(0.01053)	(0.0196)	(0.02565)	(0.02232)	(0.01881)	(0.01128)
Rate of Growth	0.00017	0.00034	-0.00206	0.00154	0.00241	0.00120
	(0.00073)	(0.00213)	(0.00273)	(0.00126)	(0.00169)	(0.00119)
Manufacturing/Services	0.69360**	1.02427**	0.56937	1.00204***	0.86619***	0.93449***
	(0.27741)	(0.40271)	(0.67479)	(0.36486)	(0.31314)	(0.33754)
Exporter	0.11044	-0.46116	0.80216*	-0.15395	-0.08819	-0.50885*
	(0.25541)	(0.35183)	(0.44303)	(0.31446)	(0.26004)	(0.27526)
Skill levels	-0.00002	0.00361	-0.03143***	0.00530	0.00618	-0.00220
	(0.00414)	(0.00639)	(0.01021)	(0.005517)	(0.00511)	(0.00498)
Constant	-0.41911	-2.55066***	0.83242	-1.57229***	-1.06426**	0.14936
	(0.41341)	(0.64214)	(0.96644)	(0.58911)	(0.52906)	(0.52378)
N	531	271	138	222	348	394
Log-likelihood	-241.91	-130.59	-75.38	-142.72	-211.41	-215.19
% Correctly Classified	80.23	78.23	70.29	62.61	67.53	75.38

Table 5. Estimates of a logit model of the expectation of having a written brief/contract, by supplier source (*** p < 0.01; ** p < 0.05; * p < 0.1).

	Consultants	Trade or Professional Associations	Chambers	Local Enterprise Agencies	TECs	Business Link
Age	-0.00392	-0.01772*	-0.00673	-0.00029	-0.00521	-0.00092
	(0.00325)	(0.00917)	(0.01065)	(0.00651)	(0.0040)	(0.00398)
Log no. of employees	0.72472***	1.08497***	0.45828	0.90236***	0.29550	0.43640*
	(0.17672)	(0.36628)	(0.47790)	(0.32068)	(0.22346)	(0.22339)
Profit per employee	0.00624	0.01745	-0.01975	0.01215	-0.00779	0.02030*
	(0.00758)	(0.01522)	(0.02944)	(0.02350)	(0.01791)	(0.01148)
Rate of Growth	-0.00116*	0.00034	-0.00274	0.00202*	-0.00015	0.00207**
	(0.00062)	(0.00232)	(0.00386)	(0.00109)	(0.00093)	(0.00099)
Manufacturing/Services	0.29416	0.29992	-0.19256	0.59080	0.20171	-0.05492
	(0.22691)	(0.44993)	(0.62645)	(0.41284)	(0.30045)	(0.32014)
Exporter	-0.29741	-0.71562*	0.43646	-0.33868	-0.01302	-0.34411
	(0.19769)	(0.42846)	(0.47440)	(0.33875)	(0.24164)	(0.24035)
Skill levels	0.00421	-0.00352	0.00824	0.00120	-0.00143	-0.01164**
	(0.00350)	(0.00736)	(0.00893)	(0.00624)	(0.00491)	(0.00487)
Constant	-0.94278***	-2.88105***	-1.88800*	-2.60750***	-0.69503	-0.69268
	(0.35770)	(0.72170)	(1.00706)	(0.67929)	(0.50327)	(0.49359)
N	531	271	138	222	348	394
Log-likelihood	-355.06	-100.72	-68.26	-125.54	-233.63	-252.70
% Correctly Classified	58.57	86.35	79.71	72.07	59.48	62.18

Table 6. Mean impact assessments by source of supply. (* p < 0.01; ** p < 0.05, tested as in Table 2)**

	Site Visit	No Site Visit	Written Brief/Contract	No Written Brief/Contract
Consultants	2.80***	2.48***	2.89***	2.57***
Trade or Professional Associations	2.67**	2.42**	2.64	2.49
Chambers	2.54***	2.09***	2.60***	2.14***
Local Enterprise Agencies	2.48***	2.03***	2.58***	2.16***
TECs	2.59***	2.00***	2.69***	2.20***
SE/HIE LECs	2.51	2.55	2.86	2.54
Business Link	2.51***	1.96***	2.66***	2.18***
Business Shop & Connect	2.67	1.91	2.27	2.44

Table 7. Multivariate estimates of an ordered logit model of the client assessments of the impact of site visits (* p < 0.01; ** p < 0.05; * p < 0.1).**

	Consultants	Trade or Professional Associations	Chambers	Local Enterprise Agencies	TECs	Business Link
Site Visit	0.49543**	0.24441	0.68765*	0.77158***	0.89643***	1.05814***
	(0.20931)	(0.29383)	(0.36867)	(0.26620)	(0.21881)	(0.22018)
Age	-0.00045	-0.00082	0.00912	0.00013	-0.00283	0.00168
	(0.00295)	(0.00446)	(0.00796)	(0.00480)	(0.00331)	(0.00336)
Log no. of employees	0.53004***	0.34731	0.01478	0.24075	0.44264**	0.12747
	(0.15789)	(0.21952)	(0.35839)	(0.25196)	(0.20255)	(0.18725)
Profit per employee	0.01414**	0.01412	-0.02741	-0.03209*	-0.02094	0.00672
	(0.00691)	(0.01015)	(0.02140)	(0.01832)	(0.01629)	(0.00898)
Rate of Growth	0.00056	0.00035	0.00147	0.00183*	0.00040	-0.00003
	(0.00046)	(0.00167)	(0.00203)	(0.00098)	(0.00098)	(0.00085)
Manufacturing/Services	-0.02801	-0.20551	0.04943	0.32173	0.40532	-0.28817
	(0.20323)	(0.28263)	(0.49148)	(0.31897)	(0.27233)	(0.28343)
Exporters	-0.45349**	0.05303	0.860649**	-0.25065	-0.38023*	0.54179**
	(0.17711)	(0.26554)	(0.36387)	(0.27122)	(0.21992)	(0.21076)
Skill levels	0.00221	-0.01085**	-0.00504	0.00440	-0.00002	-0.00643
	(0.00312)	(0.00427)	(0.00723)	(0.00483)	(0.00449)	(0.00416)
N	521	267	133	216	339	385
Log-likelihood	-739.06	-325.95	-156.19	-290.15	-457.72	-527.45

Table 8. Multivariate estimates of an ordered logit model of the client assessments of the impact of written contracts (*** p < 0.01; ** p < 0.05; * p < 0.1)

	Consultants	Trade or Professional Associations	Chambers	Local Enterprise Agencies	TECs	Business Link
Written Contract	0.36447**	0.18321	1.10010***	0.34933	0.76076***	0.84477***
	(0.16340)	(0.34304)	(0.40618)	(0.29084)	(0.20375)	(0.19628)
Age	0.00012	-0.00079	0.00825	-0.00156	-0.00307	0.001930
	(0.00297)	(0.00447)	(0.00808)	(0.00475)	(0.00330)	(0.00339)
Log no. of employees	0.53490***	0.35341	-0.15734	0.27276	0.48141**	0.14668
	(0.15787)	(0.22017)	(0.35841)	(0.25404)	(0.20148)	(0.18644)
Profit per employee	0.01534**	0.01332	-0.02406	-0.02490	-0.01722	0.00541
	(0.00676)	(0.01022)	(0.02149)	(0.01797)	(0.01624)	(0.00901)
Rate of Growth	0.00071	0.00037	0.00158	0.00187*	0.00059	-0.00009
	(0.00046)	(0.00167)	(0.00206)	(0.001)	(0.00094)	(0.0008)
Manufacturing/Services	-0.01113	-0.17075	0.17281	0.45459	0.52871*	-0.06680
	(0.20261)	(0.27868)	(0.49867)	(0.31286)	(0.27229)	(0.27965)
Exporters	-0.40857**	0.04392	0.81654**	-0.22845	-0.40312*	0.44639**
	(0.17715)	(0.26550)	(0.36360)	(0.27109)	(0.22028)	(0.20866)
Skill levels	0.00156	-0.01050**	-0.01051	0.00486	0.00096	-0.00435
	(0.00312)	(0.00428)	(0.00724)	(0.00483)	(0.00449)	(0.00419)
N	521	267	133	216	339	385
Log-likelihood	-739.38	-326.15	-154.19	-293.71	-459.21	-529.90

Table 9. Summary of research findings comparing sources of business advice in level of use of site visits and written contracts, and possible interpretations of the relation between interaction intensity, level and source of trust and impact

Supplier	Use of site visits (used to infer Interaction intensity)	Use of written contracts (used to infer level of trust)	Source of trust	Impact
Consultants	high	low	some branding by larger firms, and some professional self-regulation and ethical codes	high
Sector associations	low	high	constitution, membership self-regulation	medium
Chambers of commerce	low	high	constitution, membership, self-regulation & accreditation	medium
Enterprise agencies	high	medium	self-accredition, and contract structure with TECs/LECs	low
TECs	high	medium	government regulation	medium
LECs	high	medium	government regulation	medium
BL	high	medium	government regulation	medium
BS/BC	high	medium	government regulation	low

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