

## **THE SYMBIOTIC RELATIONSHIP: SMALL ENTERPRISES AND FINANCIAL ADVISORS**

**Maria Laine-Mäki**

School of Business and Economics, University of Jyväskylä, 40100 Jyväskylä, Finland.

*Abstract: Networking plays a pivotal role in the entrepreneurial journey, from inception to growth and development. Entrepreneurs cultivate vital social ties through networking, facilitating the exchange of resources and information. Building trust is essential in establishing and nurturing these relationships. However, little is known about entrepreneurs' readiness to enhance their existing cooperation with financial advisors. This study bridges this gap by investigating entrepreneurs' willingness to expand their collaboration with financial advisors to support enterprise growth and development. We focus on EU-funded small rural businesses, which often require EU funding and guidance from financial advisors to achieve their growth and profitability objectives. Understanding the dynamics of this cooperation can provide valuable insights for entrepreneurship research and the broader business development landscape.*

*Keywords: networking, entrepreneurs, cooperation, financial advisors, EU-funded firms, small rural businesses*

### **Introduction**

A substantial amount of the literature has addressed the concept of networking and has stressed the importance of networking across the stages of entrepreneurial development (Greve & Salaff, 2003). The literature has further described networking as being crucial in terms of the start-up and growth processes (Delmar & Shane 2004). Small rural businesses generally grow organically (Davidsson et al., 2005), and fast-growing firms use external resources for growth through networking (Jarillo, 1989). Through networking, entrepreneurs forge new social ties (weak or strong) that lead to information and resources (Pollack et al., 2015). Establishing trust is critical both personally and professionally in building and maintaining critical relationships (Welter & Smallbone, 2006) as well as developing strong collaborative ties that will support the intensive exchange of information and problem-solving that are required between actors (Shepherd & Zacharakis, 2001). Little is known about entrepreneurs' willingness to develop their existing cooperation relationships with financial advisors. We aim to fill this gap by examining entrepreneurs' willingness to develop their cooperation with financial advisors in terms of supporting the growth and development potential of their enterprises.

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## **Innovative Journal of Entrepreneurship and Business (IJEB)**

Volume 10 Issue 2, April-June 2022

ISSN: 2837-3960

Impact Factor: 7.33

Journal Homepage: <https://americaserial.com/Journals/index.php/IJEB/index>

Email: [contact@americaserial.com](mailto:contact@americaserial.com)

Official Journal of America Serial Publication

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EU-funded firms, such as small rural firms, may provide important insights into entrepreneurship research (Wren & Storey, 2002). Some authors have stressed that small- and medium-sized enterprises often have specific projects that require EU funding for which they seek assistance, i.e., they seek the guidance of financial advisors (Wren & Storey, 2002). By identifying small, rural EU-funded firms (often family run) that are willing to develop cooperation with financial advisors, our intention is not to directly investigate the growth and development of small funded firms, but to stress the fact that investment aid is required to attain the goals of a firm's growth and development goals, improve profitability and fulfil general business development objectives.

Furthermore, following the work of Delmar et al. (2003), growth is important for business survival and is of practical importance to policy makers because of the widespread belief that a growing business will create new businesses. It is also widely argued that steering governmental public funding to small rural firms entrepreneurs, whether they are starting new businesses or developing ongoing businesses, can affect rural economies, wellbeing and wealth creation for both individuals and their families (Carter, Ljunggren & Welter, 2011). Our study addresses this gap by investigating the willingness of financial advice user firms and financial advice non-user firms to develop their cooperative relationship with financial advisors in terms of supporting the growth and development potential of the enterprises, with a focus on the literature of entrepreneurial networking (Wiklund & Shepherd, 2003), resource dependence theory (Pfeffer & Salancik, 1978) and organizational trust (Mayer et al., 1995).

Accordingly, the main research question is: What differentiates funded rural enterprises that are financial advice service users and those that are non-financial advice service users in terms of their willingness to develop cooperation with their corporate financial advisors? More specifically, we want to examine whether the corporate financial advice user enterprises that are willing to develop cooperation with corporate financial advisors are younger and whether their attitudes towards corporate financial advice services are more trust-based and ability-based compared to non-user entrepreneurs.

By investigating these issues, we contribute to the entrepreneurial networking literature. We further develop the theories of entrepreneurial networking by integrating firm characteristics insofar as they help to explain the firmlevel behaviour of funded firms. We do so by using theories of resource dependence and entrepreneurial attitudes towards financial advice as well as theories of organizational trust in the context of a model of willingness to develop cooperation relationships with financial advisors in terms of their ability to support a firm's growth and development potential. Second, we demonstrate that different attitudinal antecedents can explain the willingness to develop cooperation relationships with financial advisors in terms of their ability to support a firm's growth and development potential. Third, we show that several of the more common approaches that have been used to determine entrepreneurial networking appear to only hold for financial advice user firms.

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We begin with a theoretical background of our research. We then describe our sample and the collection of primary survey data from 888 firms. After the methods section, we operationalize our constructs, present hypotheses for the empirical study and present the results of the empirical study. We conclude with a discussion of the key findings considering the previous literature and suggest recommendations for entrepreneurship educators, policy makers and future research.

## **Literature Review**

### **The focus on entrepreneurial networking**

Previous studies indicate that networking is positively related to desirable firm outcomes, such as legitimacy, information exchange and coordination, as well as business performance (Szarka, 1990, Johannisson & Mönsted, 1997). It has also been shown to be significantly and positively associated with firm survival and, to a lesser extent, growth but to have no return on equity (Watson, 2007). Entrepreneurs use their evolving network relationships to meet their demands as their businesses require new opportunities for growth and/or development (Granovetter, 1973; Ozcan & Eisenhardt, 2009).

More specifically, networks are important during the establishment, development, and growth of new and young businesses (Witt, 2004). They are said to be equally important to both young and old firms, insofar as the importance is not limited to new venture creation (Watson, 2007, 871). Individuals whose networks are primarily composed of family and friends (strong ties) are likely to have access to less information than individuals whose networks include many acquaintances (weak ties). Considering Hoang and Antoncic's (2003, 167) rather general definition of a network as "*consisting of a set of actors and some set of relationships that link them*", networking consists of the use of all personal relationships that obtain, for example, advice and financing (Birley, 1986). However, they also include the "dark side" of network relationships, such as failures and disconnections (Zahra, Yavuz & Ucbasaran, 2006; Zhao & Aram, 1995). Some authors have stated that knowledge-based entrepreneurs are more concerned with networking than traditional entrepreneurs (Johannisson, 1998). The resource dependence theory posits that the business environment can be considered to be a reservoir of resources for small business growth and views the organization as an entity that is dependent on its environment for critical resources (Pfeffer & Salancik, 1978). Networks enable individuals to gain access to resources and social support (Renzulli & Aldrich, 2005).

Small firms are vulnerable to resource shortages in their early growth and development stage and must acquire critical resources (labour, capital, knowledge, markets, raw materials) through collaboration and coalitions with organisations; the rest relies on their capability to obtain support from their environment and their ability and willingness to build partnerships and alliances (Garnsey 1998, Dossou-Yovo, 2015). Network theory states that the ability of owners to gain access to resources that are not under their control in a cost-effective way by networking can influence the success of business ventures (Zao & Aram, 1995; Jarillo, 1989). Some authors have stated that entrepreneurs seek to

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Volume 10 Issue 2, April-June 2022

ISSN: 2837-3960

Impact Factor: 7.33

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develop interfirm trust to build collaborative relationships (Nguyen & Rose, 2009; Niemelä, 2004). Previous studies indicate that trust is a socially constructed understanding and interpretation phenomenon that is almost impossible to define conceptually, and there are empirical consequences for its operationalization (Welter & Smallbone, 2006). Trust can be more accurately measured by questions that concern past trust behaviour (Glaeser et al., 2000). In terms of business behaviour, trust is based on the perception of the probability that other agents will behave in a way that is expected (Gambetta, 1988). Some authors have argued that trust-building behaviours are associated with the development of social dyadic ties (Scarborough, Swan, Amaeshi, & Briggs, 2013), emergence of trust in terms of “gradual and incremental process of signalling commitment” (Shepherd & Zacharakis, 2001) and in face-to-face interactions between entrepreneurs and investors (Maxwell & Levesque, 2011).

Mayer et al.'s (1995) trust framework explains how entrepreneurs can create the levels of trust that are needed with critical stakeholders in the context of a new business start-up, i.e., it identifies the perceptual factor of trustor propensity as well as trustees' ability, benevolence, and integrity as antecedents. The propensity to trust is a relatively stable factor and influences the trustor's level of trust in the trustee prior to gathering or analysing data on the trustee. *Ability*, in turn, refers to the knowledge, skills, and competencies within a domain. In our case, entrepreneurship and entrepreneurial networking allow a party to have influence in a domain. Establishing trust in ability and domain specificity is highly valued, and trust in ability is not inherited by other domains, i.e., trust in expertise does not transfer to another domain. *Benevolence* refers to the degree to which a trustor perceives that the trustee (in our case, a financial advisor,) will want to do good or create benefits for the trustor (in our case, an entrepreneur). *Integrity* refers to the mutual understanding of the “rules of the game,” i.e., that the trustor's perception of the trustee's behaviour is influenced by a set principles or guidelines that the trustor finds acceptable (Meyer et al., 1995). Furthermore, Zucker (1986, 60-61) identified three major modes of producing trust, specifically, institutionally based trust, which does not rest on personal characteristics or on a history of exchange but can be signalled by limited but specific information; characteristic-based trust, which requires only information that concerns social similarity; and process-based trust, which requires a considerable amount of person-specific information.

### **Approaches to the use of financial advice services**

Firms that have used business advice, whether from government agencies, professional service firms or research and educational organizations (Bennett & Robson, 1999), said that the impact of the advice was important rather than crucial. Again, the use of advisers reflects the institutional (from professional assurance) and personal (from relationships) trust that exists between firms and their clients, and lower levels of use of public bodies may be related to lower levels of (institutional) trust (Bennet & Robson, 1999). The use of financial advice may also be the result of trust on both individual and institutional levels of trust based on the participants' prior mutual networking behaviour experiences.

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Owner-managers of small- and medium-sized firms that are frequent users of a range of business advice are also those that grow the most quickly; hence, the contribution of advisers of many types makes a positive contribution to small- and medium-sized firms' growth (Bennett & Robson, 1999; Storey, 2002). The use of financial advice may also be related to the support of firm's growth and development. Some scholars have found that business advisers are drawn from nearby locations (Bennett et al. 2000) and that their role in business development networks and quality vary, i.e., an academic community that is linked to manager networks through collaborative learning was observed to produce development in small firms (Sadler-Smith et al., 2000); however, the quality of the consultants was considered by Tann and Laforet (1998) to need improvement. The use of financial advice can be understood in terms of an entrepreneur's ability to obtain support from one's environment and the ability and willingness to build partnerships and alliances (Garnsey, 1998; Dossou-Yovo, 2015). Considering business advice use from the enterprise development perspective, a lack of contacts with outside expert advisors has been identified as an obstacle to the expansion of small businesses (Larsson et al., 2003), and the more varied group of business advisors that a female business owner consulted, the more likely she was to succeed in securing equity financing (Carter et al. 2003).

It has also been argued that seeking advice from professionals (such as financial advisors in our case) on a regular basis may be critical to a firm. The complex procedures of obtaining funds from the EU constitute a barrier for firms that seek capital for growth, while consulting firms that offer assistance with the preparation of such applications will perceive this need as a market opportunity (Lisowska, 2015). We propose that small firms that have a specified need for EU money for which they seek the assistance of financial advisors (for example, technical experience and domain experience) are motivational factors that influence a firm's decisions to become financial advice users (Wren & Storey, 2002). There is a set of phases through which (Scarborough, Swan, Amaenshi & Briggs, 2013) funded entrepreneurs and financial advisors exchange resources, such as information, advice and aid, in pursuit of rural enterprise growth and development. Thus, the use of financial advice serves as a context for this study, and we consider financial advice to be a trust-based networking relationship between financial advice user firms and financial advisors as well as their varying dependencies on the joint goals of supporting the development and growth of the firms.

## **Research Methods**

### **Sampling, data collection and procedures**

Our sample consists of 95 rural firms in Central Finland. We obtained the contact information of 888 firms from the Information Centre of the Ministry of Agriculture and Forestry IACS's (Integrated Administration and Control System) support register for the period from 2007 through 2013. We collected the data through a questionnaire that was sent by email as well as mail to entrepreneurs whose email addresses were out of order or not mentioned in the IACS register between 28<sup>th</sup> April 2014 and

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Official Journal of America Serial Publication

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8<sup>th</sup> May 2014. One reminder was sent to the entrepreneurs who did not respond to our first survey questionnaire.

Our questionnaire included questions on the firms' industry, operating time (age of the firm), number of employees and turnover. We also included questions concerning entrepreneurs' experiences regarding the functioning of financial counselling services as well as their experience of cooperation with economic development organizations that provide financial counselling for rural firms (Niemelä, 2014; Dossou-Yovo, 2015). We tested the questionnaire on two entrepreneurs and four financial counsellors in March 2014. The questionnaire was sent to all of the firms in Central Finland ( $N=888$ ), of which 95 were returned, which reflects a 10.7 % effective response rate. This response rate is moderately low; however, it is consistent with other studies that have focused on small rural firms in Central Finland in Finland (Niemelä, 2015). An explanation for the generally low response rates when farm entrepreneurs are targeted is that entrepreneurs prefer to use their time effectively, avoiding non-useful paperwork, as the surveys might seem to be in their estimation (Carter, 1998).

We excluded some of the respondents' data from the analyses because of incomplete data or partially completed survey questionnaires. Non-responses ( $n=793$ ) were analysed further: not answered ( $n=760$ ), which included incomplete surveys ( $n=20$ ), refused to answer ( $n=4$ ), and other reasons ( $n=9$ ). In the category of other reasons, ( $n=9$ ), there were diverse explanations for non-responses, which are as follows: 1) owner has retired ( $n=6$ ) and 2) firm was sold (3). For this research, we defined a micro-firm based on the definition that is used in EU regulations for enterprise development as well as those firms that have applied and been granted public funds from the EU program (Bowler, Clark, Crockett, Ilbery & Shaw, 1996; Niemelä 2015). We employed a broad conceptualization of rural micro-firms that have received EU money (funds) from the EU programme. Because we are interested in publicly funded enterprises that have used financial advice services in applying for financial support, we divided the firms into financial advice users and non-users.

We are convinced that the research-based approach is a useful research strategy in our case (Pollack et al. 2017; Orser, Hogarth-Scott and Wright, 1998). We describe our data in more detail in the analyses and results section.

### **Measures**

To capture the theoretical constructs and examine the entrepreneurial networking of micro-firms, we relied

on self-reports and single tailor-made items that we developed in our first practice-oriented research report when we investigated the cooperation between funded firms and their financial advice services (Niemelä, 2014). Although previous research in entrepreneurship yielded support for the reliability and validity of self-reported measures (Lechner, Dowling, & Welpe, 2006), we are confident that our approach is valid because we addressed concrete attributes that can be measured using single items. Our data were collected (Table 1) on variable scales (scale, continuous) that restricted our choices of

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analytical methods. We then used variable specific and logistic regression analyses as research methods because they allowed us to use nominal scale variables. We used proxies as linkages between the constructs and measures to test our hypotheses.

**Table 1. Descriptive statistics of the explanatory variables and measurement scale items (with p-values for the full Sample (N=95, all firms)).**

Variables	Scale	Items	N=95
Industry	1-4	1 = Trade (n= 4) 2 = Service (n=40), 3 = Industrial (n=16), 4 = (Off-farm firms) n=28) N =91	.503
Firm’s Age	continuous	1 = under one year (n=8), 2 = 1-3 years (n=13), 3 = over 3 years (n=71) N= 92	<b>.039*</b>
Employees	1-4	1 = 1 to 5 persons (n= 10), 2 = 6 to 10 persons (n=37), 3 = over 11 persons (n=38) N=86 (1=over 11 persons, 0= Other)	.861
Turnover	continuous	Turnover 1= over 1 million (n=38), 2= 500 000-999 999 (n=37), 3=100 000-499 999 (n=10, 4=under 99 999 (n=3) N=95	.821
sum Benevolence	continuous	Statements regarding respondents’ relationship to financial advice: “Advisors’ understand our company’s development needs and practices” (n=58), “Benefit from counselling met our expectations” (n=58), “Our company has benefited from the company that we use for financial service” (n=58), “Advisors are ready to do their best to develop our company, and we also were able to obtain funding” (n=58), and “We believe that the financial advice is necessary for the project implementation and payment phases of the process” (n=58).	.092

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Volume 10 Issue 2, April-June 2022

ISSN: 2837-3960

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Journal Homepage: <https://americaserial.com/Journals/index.php/IJEB/index>

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Official Journal of America Serial Publication

sum Ability	continuous	Statements regarding respondents' relationship to financial advice: "Financial advice is inspired and increased our willingness to apply for business support" ( $n=33$ ), "Financial consultants helped us (start-up companies) to apply for funding" ( $n= 33$ ), "Financial consultants helped us (start-up companies) to hire more workers" ( $n=33$ ), "Our needs are answered quickly" ( $n=33$ ), "We easily find the services that are required by our region or our municipality enterprise services-producing organizations" ( $n=33$ ), and "Customer assistance is customer-oriented and there are enough contacts" ( $n=33$ ).	.299

$p < .001^{***}$ ;  $p < .01^{**}$   $p < .05^{*}$  statistical significance.

We were interested in the possible differences between corporate financial advice user and non-user firms. In general, we established the following hypotheses: H1) entrepreneurs' willingness to cooperate with financial advisors may mostly be explained by entrepreneurs' experiences with corporate financial advice; H2) corporate financial advice user firms that are willing to cooperate with a financial advisor are younger, and their employee rate is lower; and H3) other more detailed but very tentative hypotheses are possible with regard to firm characteristics and the willingness to cooperate with corporate financial advisors 'by accounting for prior results with regard to entrepreneurial behaviour, such as networking and the external resources of firms.

## Firm Characteristics

The characteristics of small firms influence the development and growth of their business activities. Small firms generally grow organically (Davidson et al. 2005). Internal factors, such as entrepreneurs' willingness to grow (Davisson, 1989; Kolvereid, 1992), are crucial in the growth process as are entrepreneurs' attributes, which are considered in terms of the entrepreneurial attitude towards opportunities or risk and propensity for innovation. External factors, e.g., financial assets, are key to the growth process in pursuing opportunities for fast-growing firms that use external resources, such as finance and networking, more often than their competitors (Jarillo, 1989; Wiklund & Shepherd, 2003) Accordingly, factors that are related to firms' resources, such as the size of the firm (e.g., number of employees and turnover), business sector (industry), age of the firm (e.g., how long the firm has operated in the market), networking or collaboration (ties), type of ownership and sources of capital,

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comprise a set of predictors that are crucial to a firm's success (Atterton & Affleck, 2010). In general, the turnover growth rate of a business has been associated with the use (and non-use) of external advice (Wren & Storey, 2002). Thus, we may suppose that entrepreneurs' willingness to network with financial advisors in terms of supporting firms' growth and development is influenced by the size of the firm (turnover) and firm's age (operating time in years) as well as the entrepreneur's willingness to grow as they acquire and are granted public funding and financial assistance.

### **Entrepreneurial networking and trust**

In studying networking relationships, we consider entrepreneurial behaviour (Shepherd and Zacharakis 2001) and adopt the idea of "signalling commitment and consistency" as well as obtaining a good fit with a partner and frequent communications and discussions. Previous studies indicate that satisfaction, investment and alternatives are the best predictors of commitment to groups, such as companies and universities (Rusbult et al., 1998). Focusing on networking groups, some authors (Hatcher et al., 1992) have suggested that satisfaction refers to the net positive feelings that can be derived from working relationships with the group, investments (time spent cultivating the relationships), and alternatives (the extent to which individuals' needs may be met by another networking group), which can predict the commitment to the group. As McEvily and Tortoriello (2011) have stated, trust is a contextdependent and tacit phenomenon that appears in diverse ways according to circumstances. According to Mayer et al.(1995), the trustor (in our case entrepreneur) and trustee (in our case financial advisor) are hypothesized to lead to trust in their ongoing social exchanges (networking) in the corporate financial advice process. Accordingly, our approach focuses on entrepreneurs' (trustors) and financial advisors' (trustees) propensity to trust in the process of financial advice.

We suppose here that a greater commitment predicts that greater financial advice will be generated from the networking between entrepreneurs and financial advisors. To address the role of trust in the empirical networking setting of the financial advice process, we adopted a loose approach that sensitized us to be able to interpret and understand the signals that are produced by the different models highlighted above as well measure the contextdependent nature of the trust. We also suppose that trust can be seen in broad terms of signalling commitment benefits and satisfaction, as well as ability and benevolence in the entrepreneurial networking process of entrepreneurs and advisors. Thus, we used attitudinal proxies, such as advisors' *ability* and *benevolence*, referring to trust in cooperation, to measure entrepreneurs' willingness to develop their ongoing relationship with advisors in terms of their firms' pursuit of growth and development goals.

### **Benevolence**

Benevolence can be characterized on both the firm and individual levels, and it assess how much good and/or benefit creation the trustee (advisor) is willing to offer to the trustor (entrepreneur) without

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short-term rewards and/or outcomes for the trustee. Furthermore, benevolence is not situation specific.

Previous studies have shown that benevolence has had a significant impact on employee and customer trust (Matuleviciene & Stravinskiene, 2015) as well as on entrepreneur and bank trust (Howorth & Moro, 2006).

### **Ability**

Ability can be characterized in terms of advisors' and entrepreneur's knowledge, skills and competences within a domain that allow them to have influence in that domain as well as to impact customer, employee and shareholder trust (Pollack et al. 2017, 16). We suppose that domain specificity is the key to establishing trust in the ability that one domain experience cannot transfer to another domain experience in the context of financial advice networking.

Next, we describe the measures that are used in this study. Because of the challenges of empirical data collection in our research setting, we also collected empirical data for the purposes of practice (rural policy makers and economic development organizations): Accordingly, we chose to collect data on independent and dependent variables in the same survey. We only controlled for the variable "use of advisory services". Considering the issue of common method variance as suggested by Chang, van Witteloostuing and Eden (2010), we used different scale types as is described in the measurement scale items (Table 1). We used entrepreneurs' attitudes towards financial advice, such as ability and benevolence, as proxy antecedents to assess entrepreneur's willingness to network with financial advisors in terms of the pursuit of growth and development of funded firms. To capture the attitude towards financial granted firms, our questionnaire consists of items on a 5-point Likert-type scale that ranges from 5= extremely well to 1=not well.

*Ability* was assessed using the sample items: "Financial advice is inspired and increased our willingness to apply for business support" ( $n=33$ ), "Financial consultants have helped us (start-up companies) to apply for funding" ( $n=33$ ), "Financial consultants have helped us (start-up companies) to hire more workers" ( $n=33$ ), "Our needs are answered quickly" ( $n=33$ ), "We easily find the services that are required by our region or municipality enterprise services-producing organizations" ( $n=33$ ), and "Customer assistance is customer-oriented, and there are enough contacts" ( $n=33$ ).

The reliability statistic (Cronbach's alpha) for this scale suggests that the scale is reliable at  $\alpha = .890$  (Nunnally, 1978). *Benevolence* was assessed using the sample items: "Advisors' understand our company's development needs and practices" ( $n=58$ ), "Benefits from advice met our expectations" ( $n=58$ ), "Our company has benefited from the company that we use for financial services" ( $n=58$ ), "Advisors are ready to do their best to develop our company, and we were able to obtain funding" ( $n=58$ ), and "We believe that financial advice is necessary for the project implementation and payment phases of the process" ( $n=58$ ).

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The reliability statistic (Cronbach's alpha) for this scale suggests that the scale is reliable at  $\alpha = .838$  (Nunnally, 1978). *Using the corporate financial advisory services* was operationalized by using a dummy variable that was coded as 0 if a firm is a non-user or 1 if a firm is a user, which reflects whether a firm has used corporate financial advisory services while applying for funding. *Firm's turnover* (continuous) was coded as follows: 1= under 99 999 euros, 2=100 000-499 999 euros, 3= 500 000 -999 999 euros, and 4= over 1 000 000 euros. *Firms' operating time* (continuous) was coded as follows: 1=less than a year, 2=1-3 years and 3=3 years and above.

*Industry* was coded as 1= Trade, 2=Services, 3=Industrial, and 4=Off-farm business. *Employment* was coded as 1=1 employee, 2=2-4 employees, 3=5-10 employees, and 6=11 employees or over.

### Analysis/Results

Our aim was to answer the following questions. First, what factors separate financial advice user firms and financial advice non-user firms regarding entrepreneurship and its prevailing and future domains? Second, what are the differences between financial advice user firms and financial advice non-user firms classified according to their willingness to develop a networking relationship in terms of the pursuit of growth and development? Before proceeding to testing our hypotheses, we examined the characteristics of our scale variables. Furthermore, we sought to test which factors influence whether a funded micro-firm is a financial user firm or non-financial user firm.

### Which factors separate financial advice user firms and financial advice non-user firms?

Among all firms, 58.7% were users (i.e., using a corporate financial advisory service) and 41.3% were nonusers, (i.e., not using a corporate financial advisory service). Our user and non-user firms sample showed that, among the industry, 58.2% were users, whereas 41.8% were non-users. More accurately, 71.4% of users come from Trade, whereas 52.5% come from Service, Industrial, 68.8% and 57.1% off-farm related industries. Among users, 87.5% had operated for under one year, whereas 38.5% had operated from 1 to 3 years. In turn, 59.2% of users had operated for more than three years. Furthermore, 59.5% of users employ one employee, 55.6% two to four employees, 70% seven to ten employees, and 66.7% eleven or over. Finally, among financial advice users, of 66.7%, turnover was under 99 999 euros; of 70%, turnover was 100 000-499 999 euros; 55.6%, turnover was 500 000-999 999 euros; and of 59.5 %, turnover was over 1 000 000 euros. The results of our full sample indicated that the age of a firm (operating time at the market place)  $\chi^2 (1, N=95) = 4.93 p < .039$  and benevolence ( $\chi^2 (1, N=58) = 17.58 p < .092$ ) were the only factors that seemed to have an influence on whether a funded small firm is a financial adviser user or not a financial adviser user.

The results of the firm characteristics were Employees  $\chi^2 (1, N=85) = 751 p < .861$ , Industry  $\chi^2 (1, N=94) = 1.78 p < .503$ , Turnover  $\chi^2 (1, N=88) = 751 p < .821$ , Ability  $\chi^2 (1, N=33) = 16.24 p < .299$  and Location  $\chi^2 (1, N=92) = .032 p < .984$ . Table 2 shows the means, standard deviations, reliabilities and correlations for every pair of variables.

We found a strong connection between development and cooperation and, to some extent, a connection between employees and turnover. Our findings may indicate that entrepreneurs are likely to have trust in ability but also in benevolence. Our findings with regard to ability and benevolence may refer to separate but correlated variables of attitudes towards financial advice, which are also predictors of the outcomes of the entrepreneurs' actual networking behaviour.

**Table 2. Means, standard deviations, correlations for the variables for the all firm granted financial support (N=95)**

Correlations	N	Mean	SD	1	2	3	4	5	6
1.Ability	33	3.29	0.80	1	<b>(.83)</b>				
2.Benevolence	58	3.01	0.54	.662**	1	<b>(.89)</b>			
3.Employees	85	1.67	0.67	.233	.281*	1			
4.Turnover	88	1.75	0.79	.350	.201	1.00**	1		
5.Industry	94	2.71	0.99	.045	-.045	-.137	-.188	1	
6.Firm's Age	95	2.67	0.67	.165	.092	.151	.175	.036	1

\*\* $p < .01$ ; \* $p < .05$ ; (two-tailed)

Pearson's ( $\tau$ ) correlation coefficients:

Note: Scale Reliabilities (Cronbach's alpha) **are on the diagonal in parentheses and bolded**

The Cronbach's alphas and reliabilities of all of the constructs exceeded the recommended threshold level of .70, which suggests satisfactory reliability for the ability and benevolence variables (Nunnally, 1978). We also examined the inter-item correlations between the items ability and benevolence to ensure discriminate validity and control for common method biases. After the chi-square and correlation tests, we conducted a sophisticated and robust multivariate analysis. By using multivariate analysis, we more accurately examined whether there were differences in the average of the measured variables, such as turnover and employees as well as ability and benevolence, between financial advice user firms and financial advice non-user firms. Table 3 reports the means, standard deviation, mean squares, F-values, significance, Eta-squared in corporate finance advisory services users and corporate finance advisory services non-users.

We found statistically significant differences in trust in benevolence between corporate financial advice users and non-users. Accordingly, entrepreneurs' trust in benevolence towards a corporate financial advice service explained 33% of the variance of the benevolence. Entrepreneurs, i.e., users, have a more positive trust towards cooperation. To summarize our findings regarding the differences between user entrepreneurs and non-user entrepreneurs, we found that user entrepreneurs seemed to be more trust-oriented than non-user entrepreneurs.

**Table 3. Means, Standard Deviations (SD), Means Squares, F-values, Significance and Eta Squared in Corporate Financial Advice Service User and Corporate Financial Advice Service Non-User (N=92)**

	N	Means	SD	Mean square between groups	F-value	Sig.	Eta <sup>2</sup>
<b>Firm's Age</b>				1.19	3.39	.069	.035
Non-User	41	2.71	.51				
User	54	2.65	.70				
Total	95	2.67	.62				
<b>Ability</b>				.27	1.24	.325	.045
Non-User	13	3.21	.70				
User	20	3.34	.88				
Total	33	3.29	.80				
<b>Benevolence</b>				.35	2.45	<b>.044</b>	.330
Non-User	20	2.86	.51				
User	38	3.09	.53				
Total	58	3.01	.54				

$p < .001^{***}$ ;  $p < .01^{**}$ ;  $p < .05^*$

$F > 1$

**Logistic regression analysis**

The conceptual model and hypotheses were tested using logistic regression analysis using SPSS (28 IBM). The factors separating financial advice users from the non-users were further used as independent variables. In entrepreneurship studies, smaller sample sizes are common (Short, Ketchen, Combs, & Ireland, 2010). The results of the logistic regression results are displayed in Table 4.

**Table 4. Logistic regression model of variables associated with willingness to develop cooperation with financial advisors in terms of supporting the growth and development of the firms.**

	Willingness to develop Cooperation with Financial Advisors in terms of supporting the growth and development of the firms		
Independent variables		Model $\beta$	Exp( $\beta$ )

<b>Firm characteristics</b>			
Firm's Age (1=over one year old firms)		-1.517	.219
<b>Attitude towards cooperation</b>			
Benevolence		<b>.2.867*</b>	17.58
Ability		-.947	.388
<b>Constant</b>		-3,750	.024
Model $\chi^2$		13.12	
Model significance		.046	
-2 log likelihood		32.38	
Overall predictive accuracy		66.7%	
Cox and Snell R <sup>2</sup>		.234	
Nagelkerke R <sup>2</sup>		.316	
Number of firms		95	

\***p < .05**; \*\*  $p < .01$ ; \*\*\* $p < .001$  Note:  $n = 30$

Hypotheses **in bold** are supported. 1=Users, 0=Non-Users.

To avoid issues of model fit that can be problematic with the use of structural equation modelling in small data sets, such as this sample of funded rural micro-firms, it is common to use logistic regression analysis. (Kline, 2005). We wanted to test whether younger (under 1 year of operating) micro-firms that are willing to develop cooperation with financial advisors in terms of the pursuit of growth and development are more likely to be financial advice user firms.

The significance of the individual variables was established by using the Wald test ( $\chi^2(1) = 4.39$ ). The overall goodness of fit of the logistic regression model was evaluated using a chi-square test, predictive accuracy of the estimated model, Cox and Snell r-square coefficient and Nagelkerke r-square. The coefficients of the independent variables, such as firms' age, ability, and benevolence, were entered into the model to test our hypotheses. Only benevolence was found to be statistically significant at the .05 level (95% confidence level). The overall model is statistically significant at the .046 level according to the chi-square test ( $\chi^2(3, N=95) = 7.99, p < .05$ ). The Cox and Snell is  $R^2 = .234$  and Nagelkerke is  $R^2 = 0.316$ . This means that the independent variables explain 31.6 % of the probability of belonging to the category "corporate financial advice users". The model predicts 66.7 % of the responses correctly.

Benevolence is statistically significantly and positively related to an entrepreneur's willingness to develop cooperation with financial advisors ( $\beta = .036; p < .50$ ), which supports the hypothesis (Cox and Snell  $R^2 = .234$ ). Our analysis shows that benevolence increases the probability of willingness to be a user of financial advisor services. This means that trust decreases with benevolence and the risk of

cooperation with financial advisors. Entrepreneurs who had benevolence (trust) in corporate financial advisors and who had a willingness to cooperate with corporate financial advisors were users of corporate financial advice services. For benevolence (trust), the probability of being a user of corporate financial advice services is one-seventieth ( $\text{Exp}(\beta)=17,55$ ) of that of non-users. The effect was positive and significant at the .50 level. Benevolence (trust) increases the probability of willingness to develop a relationship with financial advisors. This means that benevolence (trust) increases the probability of intention to develop a relationship with financial advisors.

Other variables seem to not be significant in this model. A replication of this study with larger samples of entrepreneurs who intend to develop relationships may reveal a greater number of significant relationships. The results of the model indicate that the corporate financial advice users ( $n=54$ ) were likely to have trust in the benevolence of entrepreneurs. Our logistic regression model confirmed our hypotheses because the regression coefficients were statistically significant and in the hypothesized direction ( $\beta=.036$ ;  $p<.50$ , respectively).

### **Conclusion**

The purpose of this study was to study the factors that differentiate enterprises that are corporate financial advice users and enterprises that are not corporate financial advice users as well as entrepreneurs' willingness to develop their relationship with financial advisors. More specifically, we aimed to examine whether corporate financial advice user enterprises that have the willingness to develop their relationship with corporate financial advisors are younger and whether their attitudes towards corporate financial advice services are more trusting in a benevolence-oriented and ability-oriented fashion compared to non-financial user entrepreneurs.

With respect to entrepreneurs' willingness to develop their relationship with corporate financial advisors, corporate financial advice users and non-user entrepreneurs had more distinct profiles, and our hypotheses were only partly supported. The financial corporate advice user entrepreneurs' willingness to develop their cooperation relationship with financial corporate advisors was explained by entrepreneurs' trust (benevolence) behaviour, i.e., (benevolence) trust in cooperating with advisors. Our results indicate that there are differences within financial advice user entrepreneurs who were more likely to be trust-oriented than non-active entrepreneurs. We also found that financial corporate advice users were more likely to have trust in benevolence-oriented firms than non-corporate financial advice users.

It seems to us that trust increases the willingness to develop the relationship with corporate finance advisors in terms of the pursuit of the growth and development of firms. However, the results are not conclusive, although our model predicted that the probability for a trust in benevolence oriented entrepreneur to be a corporate financial advice users will increase. The results of this explorative study may not be generalizable across regions, countries or cultures. Another limitation is the low explanatory power of the regression model. Our sample of funded rural microfirms may be too homogenous to make

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Volume 10 Issue 2, April-June 2022

ISSN: 2837-3960

Impact Factor: 7.33

Journal Homepage: <https://americaserial.com/Journals/index.php/IJEB/index>

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a distinction in differences among entrepreneurs who have used corporate financial advice services. This study establishes that benevolence for corporate financial advice user and non-user entrepreneurs are different. The constructs associated within and between trust vary, leading to an attitude regarding the development of an entrepreneurial networking relationship, such as benevolence and ability, that has a differential effect on entrepreneurial behaviour, and also act as determinants (or not) of the type of enterprise, i.e., whether the entrepreneur is user of financial corporate advice or non-user of financial corporate advice. Trust behaviour appears to only be related to the willingness to develop a relationship with financial advisors, whereas ability, which is generally supposed to be a strong driver of small firms development and growth (Bird & Jelenik, 1988; Howorth & Moro, 2006; Granovetter, 1973; Minguzzi & Passaro, 2000; Ozcan & Eisenhardt, 2009; Scarborough, Swan, Amaeshi, & Briggs, 2013; Welter & Smallbone, 2006), and the age of the firm were more likely to be non-significant with respect to the willingness to develop a cooperation relationship in terms of pursuing the growth and development of firms.

### **Acknowledgements**

I gratefully acknowledge the support and generosity of Yksityisyrittäjien Säätiö.

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