

**FOUNDATION EVIDENCE OF THE RELATIONSHIP BETWEEN ENTREPRENEURS,
FINANCIAL ISSUES AND FINANCIAL ADVISERS**

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ABSTRACT

In this study financial advisers' *relative* influence on entrepreneurs' decisions have been investigated. Financial advisers are advisers, included in entrepreneurs' discussion networks, with whom entrepreneurs discuss financial issues. The concept of financial adviser includes a range of different people with different functions, irrespective of whether these people provide the entrepreneur with finance or not. It may include people such as venture capitalists, business angels, bankers, accountants, advocates or management advisers. Based on follow-up surveys completed in relation to the Danish participation in Global Entrepreneurship Monitor (GEM), it was found that financial advisers only play a minor role in the two early phases of the entrepreneurial process before the venture is actually started. Entrepreneurs might have relationships with financial advisers in these stages, but only few of them are included in the discussion network. It was further revealed that the ties between financial advisers and entrepreneurs often are weaker than the ties entrepreneurs have with others in their discussion network. Two practical implications for financial advisers emerged from the study. First, they need to re-consider their role in the early phases of the entrepreneurial process in order to increase their influence and benefit from the co-operation. Second, they need to find a way to create a closer relationship with the entrepreneurs they advise.

INTRODUCTION

This study sought to investigate, from a social network approach, the *relative* influence from financial advisers on entrepreneurs' decision making compared to the influence of other people. We explored both the *frequency* of financial advisers' participation in the discussion network – a network consisting of people with whom entrepreneurs discuss their decisions - and the *nature* of the relationship between entrepreneurs and those financial advisers involved in the discussion network.

Previous research shows that entrepreneurs have relationships with various kinds of formal and informal investors (e.g. Binks, 1996; Bygrave et al., 2003; Parhankangas and Landström, 2004), and that entrepreneurs, besides finance, obtain resources including knowledge, coaching, operating service, moral

support, legitimacy or networks from these relationships (e.g. Barney et al., 1996; Shepherd and Zacharakis, 2001). These financial advisers come from both the public and private sectors. Accordingly, financial advisers – including actual investors and lenders as well as people with whom entrepreneurs merely discuss financial issues – affect the totality of entrepreneurial decision making through discussions and interactions with entrepreneurs.

Most previous research has investigated the *dyadic* relationship between financial advisers and the entrepreneurs (e.g. de Clercq and Sapienza, 2001; Kelly and Hay, 2003), whereas the role of financial advisers as part of a *whole* network is neglected. It is still unknown how influential financial advisers are compared with other people with whom entrepreneurs discuss their venture.

In this study, we explored the *relative* importance of financial advisers compared to other people in entrepreneurs' social networks. The aim was, to compare the influence from financial advisers with the influence from other people who are involved in the entrepreneurial decision making. In order to fulfil this aim, three research questions were raised.

1. When do financial advisers participate in entrepreneurs' discussing networks?
2. What is the nature of the relationship between entrepreneurs and their financial advisers compared to the relationship with other people involved in their entrepreneurial decision making?
3. How do entrepreneurs' characteristics influence involvement of financial advisers?

Empirical data on these issues were collected through a follow-up survey in relation to Danish participation in the international Global Entrepreneurship Monitor project (GEM) (Hancock and Bager, 2004; Minniti et al., 2006). Entrepreneurs in different stages of the entrepreneurial process, initially identified in the GEM study, were subsequently asked questions about whom they discussed their venture with, including their discussions with financial advisers. A business life cycle approach (e.g. Beverland and Lockhin, 2001; Hanks et al., 1993) was taken in this study. The entrepreneurial process was divided into four phases. They were a discovery phase (where entrepreneurs search for an opportunity to pursue), a start-up phase (where

entrepreneurs actively are trying to start a business), a young business phase (where entrepreneurs are running a business younger than 3.5 years) and an operating phase (where entrepreneurs are running a business older than 3.5 years). This *social network approach* (see Hoang and Antoncic (2003) and O'Donnell et al. (2001) for comprehensive reviews of the entrepreneurial network literature) enabled investigation on the *relative* importance of financial advisers. The following section of the paper presents hypotheses based on previous research. The next section briefly describes the study's methodology. Then empirical results are presented, followed by interpretation, discussion and conclusions derived from the empirical results.

ENTREPRENEURS, FINANCIAL ISSUES AND FINANCIAL ADVISERS

The Concept of Financial Advisers

The concept of 'financial adviser' adopted in this study includes advisers with whom entrepreneurs discuss financial issues, irrespective of whether these advisers provide entrepreneurs with finance or not. Accordingly, two basic types of financial adviser exist. There are outsiders who bring capital into the venture and outsiders who do not. The first group might include people from government associations, venture capitalists, banks, or business angels (e.g. Buttner and Rosen, 1988; Sapienza, 1992; Fried and Hirich, 1995; Harrison et al., 1997; Warhuus, 1999; Bygrave et al., 2003;).The second group might include advocates, accountant, management advisers and so forth (Bennett and Robson, 1999; Johansson, 1999; Chrisman and McMullan, 2004; Damgaard et al., 2004; Berry and Sweeting, 2006; Christensen and Klyver, forthcoming).

Several previous studies have investigated the relationships between entrepreneurs and financial advisers. Most of these studies are focused on the dyadic relationship between either: entrepreneurs and venture capitalists (e.g. Fried & Hisrich 1995; Barney et al. 1996; De Clercq & Sapienza 2001; Cable & Shane 1997; Sapienza & Gupta 1994; Sapienza 1992; Sapienza & De Clercq 2000; Shepherd & Zacharakis 2001; Parhankangas & Landström 2004); between entrepreneurs and business angels (e.g. Bygrave et al. 2003;

Harrison et al. 1997; Sørheim 2003; Kelly & Hay 2001); between entrepreneurs and bankers (e.g. Warhuus 1999; Binks & Ennew 1997; Zineldin 1996; Butler & Durkin 1998; Buttner & Rosen 1988; Young 1996; Binks 1996); between entrepreneurs and employees in innovation centres/government associations (e.g. Bøllingtoft & Ulhøi 2005; Sherman & Chappell 1998; Allen & Rahman 1985; Bollinger & Hope 1983; Hansen et al. 2000; Chrisman 1999), or between entrepreneurs and accountants, advocates or management advisers (Johansson 1999; Johansson 1997; Mønsted 1985; Storey 1994; Chrisman and McMullan, 2004; Damgaard et al., 2004; Christensen and Klyver, forthcoming).

Empirical studies on the dyadic relationship between entrepreneurs and their financial advisers have applied different theoretical perspectives including agency theory, procedural justice theory, theory on interorganisational learning or knowledge-based theory. The basic question all these approaches try to address is, how partners can benefit from their involvement. Some approaches predominantly concentrate on a one-partner perspective, whereas others mainly view the relationship as from the perspective of the mutual benefits and obligations involved in the relationship.

Agency theory, in which a principal delegates work to an agent, emphasises the importance of common goals and risk aversions in order to create a cooperative and beneficial relationship (Sapienza and Gupta, 1994). In contrast to agency theory, the procedural justice theory emphasises the importance of trust in relationships between financial advisers and entrepreneurs (Sapienza & Korsgaard 1996; Korsgaard et al. 1995). According to procedural justice theory, trust and commitment is developed in a relationship when partners in the relationship feel the procedures used to make decisions are fair (Korsgaard et al., 1995; Sapienza and Korsgaard, 1996). In the interorganisational learning or knowledge-based approach, it is assumed "... that people's actions are not solely guided by self-interest, but also by reciprocity, i.e. individuals' tendency to treat others as they are treated" (de Clercq & Sapienza, 2001: 109). Here, both partners benefit from each others' experience and knowledge when they work mutually to serve the relationship as a whole.

From an entrepreneur's perspective, all financial advisers are expected to add resources to the venture, although the nature of these resources varies depending on the type of financial adviser. Some financial advisers mostly provide finance, whereas others might provide entrepreneurs with knowledge, coaching, operating service, moral support, legitimacy, networks and so forth. In the literature, some studies have a strong focus on the financial resources that entrepreneurs may obtain from their financial advisers (e.g. Shane and Cable, 2002; Bygrave et al., 2003), whereas other studies have a strong emphasis on the knowledge they gain from interacting with financial advisers (e.g. Sapienza and Korsgaard, 1996; Shepherd and Zacharakis, 2001).

Whatever focus previous studies have taken, a common theme is that empirical results strongly indicate that financial advisers are important and that they influence the decisions taken by entrepreneurs. However, what is still unknown is *how influential* financial advisers are compared to other people with whom entrepreneurs discuss their ventures. From entrepreneurial network theory it is known that entrepreneurs discuss their decisions regarding their venture with people in their discussion networks (e.g. Aldrich and Zimmer, 1986; Jenssen 1999; Davidsson and Honig, 2003; Hoang and Antoncic, 2003). These discussions influence entrepreneurs' decision making. The question remaining is how frequent and how involved financial advisers are in these discussion networks compared to other involved people?

The Discussion Network

The discussion network involves people with whom a focal entrepreneur has direct relation and who are *active* in the context of the actions and decisions the entrepreneur confronts (Burt, 1984). Those people might have activated themselves or might have been activated by the entrepreneur. Often discussion networks have been identified using the name-generator approach (Burt, 1984). In order to investigate an entrepreneur's decision making, the discussion network must be considered. People included in discussion networks are people who influence entrepreneurs' decision making. In order to explore the *relative* influence

from financial advisers on entrepreneur's decision making, one needs the foil of understanding obtained by examination of the entire discussion network.

Most previous research has focused on the dyadic relationship. The research is important, but it can not answer the question of relative importance. The questions raised in the study are:

- who are involved in entrepreneurs' discussion networks?
- how do entrepreneurs relate to these people?
- and what mechanisms control the inclusion of people in discussion networks?

In order to answer these questions, hypotheses were developed and are presented in the next section.

HYPOTHESES

Entrepreneurial network literature contains the knowledge base for developing the hypotheses (Hoang & Antoncic 2003; O'Donnell et al. 2001). Here, the basic idea is that entrepreneurs obtain various resources from different network relationships and that relations develop according to the resource needs of the entrepreneur. Thus, differences in entrepreneurs' discussion networks are due to different challenges in the entrepreneurial decision making.

In entrepreneurial network literature, discussion networks are viewed as dynamic (e.g. Johannisson, 1996; Larson and Starr, 1993; Greve and Salaff, 2003). People active in discussion networks vary according to the decisions and activities that entrepreneurs confront. It is also indicated in the literature that knowledge concerning financial issues becomes increasingly important as entrepreneurs move forward in the entrepreneurial process (e.g. Terpstra and Olson, 1993; Brush and Manolova, 2004).

Hypothesis 1: The inclusion of financial advisers into the discussion network increases as entrepreneurs move forward in the entrepreneurial process.

Financial issues might be perceived as less emotional than more personal issues such as entrepreneurs' dreams and life visions. In fact, financial issues involve the most vital aspects of the economic reality of the business opportunity. These issues, compared to more personal issues, are often discussed with people less close to the entrepreneur (Birley, 1985; Johannisson, 1988; Brüderl and Preisendörfer, 1998; Jenssen and Koenig, 2002; Jenssen and Greve, 2002; Davidsson and Honig, 2003; Shane and Cable, 2002).

It may be assumed that entrepreneurs receive the preponderance of their emotional and moral support from closely connected role-relations such as family members, whereas people with whom they discuss financial issues more often provide criticism (Birley, 1985; Foss, 1994; Brüderl & Preisendörfer, 1998; Jenssen, 1999; Davidsson and Honig, 2003). Discussions on financial issues call, by their very nature, for facts, and a critical approach to confronting reality.

Hypothesis 2a: Financial advisers are more weakly connected to entrepreneurs than other role-relations

Hypothesis 2b: Financial advisers more often provide criticism rather than encouragement compared to other role-relations.

Entrepreneurs have different motives and possess different knowledge and experience. The resources they try to obtain from the discussion network are, thus, different (Renzulli et al., 2000; Greve and Salaff, 2003). Therefore, the involvement of financial advisers varies with the characteristics of the entrepreneur.

Hypothesis 3: Involvement of financial advisers is dependent upon distinguishable characteristics of the entrepreneur.

METHODOLOGY

Every year 2000 Danish adults are telephone-interviewed about their engagement in entrepreneurial activities as part of the Danish participation in the Global Entrepreneurship Monitor project (GEM). From these telephone interviews, a random sample of adults having an intention to start a venture (discovery phase), a random sample of adults engaged in the process of starting a venture (emergence phase), a random sample of people running a venture younger than 3½ years old (young business phase), and a random sample of people running a venture older than 3½ years old (operating phase), are identified.

People who were identified as engaged in one of the four phases under investigation were contacted subsequent to their initial interview and their *discussion networks* were identified with the following question using the name-generator approach (Burt, 1984): “Identify five persons with whom you have discussed your venture, and if you have discussed your venture with more than five persons, then the five persons who have influenced you the most.”

For each relation within the discussion network, the role they played (role-relation) to the entrepreneur (family, friend, colleague, adviser ect.) and the subject under discussion between the entrepreneur and the relations (business idea, organizing, or financing situation), were measured. This information was used to create the specific variable of interest in this study: the financial adviser, defined as an adviser with whom the respondent had discussed financial issues. In addition, information for each relation regarding gender, the strength of ties, and the emotional support obtained from the people, were measured as well as basic demographic information on the entrepreneurs themselves including age, gender and educational background.

EMPIRICAL RESULTS

Introduction to and Presentation of Data

The findings were based on 264 completed questionnaires made up of 239 returns in 2003 where respondents in all four phases were investigated and 25 returns in 2002 where only those respondents in the firm emergence phase were investigated. In total, the combined returns identified 1,103 instances of relationships between entrepreneurs and advisers in their discussion networks. Fifty-one entrepreneurs were identified from the Global Entrepreneurship Monitor population survey in 2002 and, of those, it was possible to re-contact 47, giving a response rate of 92 per cent. Unfortunately, upon completion of control measures applied to the follow-up survey, it was established that only 25 out of the 47 were actually entrepreneurs operating in the firm emergence phase (which, as stated above, was the only phase under investigation in 2002). Of the 22 discounted returns, the rejected respondents represented people either operating in other phases (the discovery phase, the young business phase or the operating phase) or respondents who proved to be not entrepreneurs at all. Also some respondents refused to participate. In 2003, 329 people were identified from the Global Entrepreneurship Monitor population survey as entrepreneurs in one of the four phases. Out of the 329, identified, 239 respondents were interviewed, giving a response rate of 73 per cent. Respondents not interviewed included those not wishing to participate, those it was not possible to contact, and those who were discovered to have been misclassified as entrepreneurs in the first round. Thus, all in all, the response rate is acceptable compared to rates generally achieved in the social sciences. For example, Yo and Cooper (1983) found an average response rate of 49 per cent in their study of response rates within the field of social science. Within management Baruch (1999) found an average response rate of 56 per cent in leading journals, whereas Bartholomew and Smith (2006) found an average response rate within entrepreneurship research of 27 per cent - a review that includes *Entrepreneurship Theory & Practice* and *Journal of Small Business Management* from 1998-2004. And finally, within the area of entrepreneurial networks, the response rates are normally lower than the one obtained in this study (e.g. Greve and Safaff, 2003; Anderson et al., 2005).

In contrast to many other studies within the entrepreneurial network literature, the study used a representative sample consisting of people who were demonstrably entrepreneurs. The samples that were investigated were drawn from a random population survey of Danish adults. Thus, the research design enables quite wide generalisation of the results, at least in terms of Danish entrepreneurs. The fact the respondents were interviewed as contemporaneously, in the very acts of entrepreneurship and business creation, avoided hindsight and memory biases. This further strengthens validity of the results.

In table 1, the distribution of role-relations between family, friends from educational institutions, friends from elsewhere, colleagues, adviser/consultants, and others, are shown with respect to several issues (including financial issues) under discussion between entrepreneurs and their counterparts.

Table 1: The distribution of role-relations and issue under discussion

| | Issues under discussion | | | Total |
|------------------------|-------------------------|------------|-------------------------------------|-------|
| | Financial | Organising | Opportunity and life considerations | |
| | % | % | % | % |
| Family | 38.6 | 30.6 | 28.9 | 30.8 |
| | 25.4 | 17.4 | 57.2 | 100.0 |
| Friend from education | 3.0 | 4.7 | 9.3 | 7.2 |
| | 8.7 | 11.6 | 79.7 | 100.0 |
| Friend from else where | 13.2 | 25.3 | 28.5 | 24.8 |
| | 10.9 | 18.1 | 71.0 | 100.0 |
| Business relation | 15.8 | 28.2 | 27.2 | 25.0 |
| | 12.9 | 20.0 | 0.67 | 100.0 |
| Adviser | 27.9 | 10.6 | 4.9 | 10.6 |
| | 53.9 | 17.6 | 28.4 | 100.0 |
| Anything else | 1.5 | 0.6 | 1.2 | 1.1 |
| | 27.3 | 9.1 | 63.6 | 100.0 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 |
| | 20.5 | 17.7 | 61.7 | 100.0 |

Source: GEM follow-up survey 2002/2003

Note: Chi-square = 0.0005 (two-tailed)

Table 1 – in which a chi-square analysis shows a significant difference between role-relations and the issue under discussion - reveals that discussions concerning the fundamental business opportunity and life considerations are the most frequent issues in the discussion network, whereas discussions concerning financial issues are less frequent and only count for 20.5 % of all discussions between entrepreneurs and their counterparts. The tabulated results further indicate that financial issues are mostly discussed with family members or advisers, and that financial issues are the most frequent issue under discussion when entrepreneurs discuss with outside advisers.

The Changing Involvement of Financial Advisers

In table 2, hypothesis 1 is tested. In hypothesis 1, it was argued that inclusion of financial advisers in the discussion network increases as entrepreneurs move forward in the entrepreneurial process.

Table 2: Changing involvement of financial advisers

| | Phase in the entrepreneurial process | | | | Total |
|----------------------|--------------------------------------|-----------------|----------------------|-----------------|-------|
| | Discovery phase | Emergence phase | Young business phase | Operating phase | |
| | % | % | % | % | % |
| Financial advisers | 3.1 | 3.2 | 7.0 | 10.3 | 5.6 |
| Other role relations | 96.9 | 96.8 | 93.0 | 89.7 | 94.4 |
| Total | 100 | 100 | 100 | 100 | 100 |

Source: GEM follow-up survey 2002/2003

Note: Chi-square = 0.0005 (two-tailed)

Table 2 supports the hypothesis that financial advisers become increasingly involved in the discussion network as entrepreneurs move forward in the entrepreneurial process. Only respectively 3.1 % and 3.2 % of the role-relations are financial advisers in the two early phases of the entrepreneurial process. However, after the venture is established, financial advisers become a more frequent part of entrepreneurs' decision making. In young ventures, 7.0 % of the role-relations are financial advisers, and this frequency increases to 10.3 for ventures older than three and half years. Table 2, thus, lends strong support to the proposition that financial

advisers are increasingly involved in entrepreneurs' discussion network as entrepreneurs move forward in the entrepreneurial process. The step from the emergence phase to the young business phase involves the most pronounced increase in the involvement of financial advisers. Accordingly, hypothesis 1 has received support and can not be rejected.

The Financial Adviser Relation

Table 3 presents linear regressions¹ testing hypothesis 2a and hypothesis 2b. In hypothesis 2a, it was hypothesized that entrepreneurs are weaker connected to financial advisers in contrast to other role-relations, whereas hypothesis 2b hypothesized that entrepreneurs more often receive criticism rather than encouragement from financial advisers in contrast to what they receive from other role-relations.

Table 3: Linear regressions: The financial adviser relation

| | Strength | Moral support |
|--|--------------------------------|--------------------------------|
| Financial adviser (0 for other role-relation; 1 financial adviser) | 0.655**** | 0.220**** |
| Strength (1 for strong; 2 neutral; 3 weak) | | -0.013 |
| Moral support (0 for encouragement; 1 for criticism) | -0.63 | |
| Constant | 2.026**** | 1.221**** |
| N relations | N=915 R ² =0.026 | N=915 R ² =0.015 |

Source: GEM follow-up survey 2002/2003

Notes: Note: (one-tailed)

* p = 0.05

** p = 0.01

*** p = 0.005

**** p = 0.001

Table 3 supports hypothesis 2a and 2b. It reveals that the strength of ties is influenced by functional nature of role-relationship. If the role-relationship is that of financial adviser in contrast to other role-relations (such as family member or business acquaintance), this increases the likelihood that the tie is weak (p=0.0001). Thus, financial advisers are most often weakly connected to entrepreneurs in contrast to other role-relationships in

¹ Linear regression estimates the joint relationship between the dependent variable and two or more independent variables, minimizing the error sum squares.

the discussion network. Moreover, table 3 also indicates that financial advisers provide more criticism than other role-relations ($p=0.0001$).

Entrepreneurs' Characteristics and The Involvement of Financial Advisers

In hypothesis 3 it was hypothesized that involvement of financial advisers is dependent on the characteristic of the entrepreneurs, which is empirically tested in table 4.

Table 4: Logistic regression: Entrepreneurs' characteristics and involvement of financial advisers

| | Full model B | Final model B Exp(B) | |
|--|--------------------------------|--------------------------------|-------|
| CHARACTERISTICS OF THE ENTREPRENEUR | | | |
| Age (reference is less than 30) | | | |
| Mid (30-49 years old) | 1.351* | 1.431** | 4.183 |
| Old (50 or older) | 1.625** | 1.742*** | 5.709 |
| Gender (male is 1; female is 2) | 0.024 | | |
| Education (reference is no higher education) | | | |
| Vocational education | 0.253 | | |
| Higher education - less than 3 years | -18.153 | | |
| Higher education - 3-4 years | 0.211 | | |
| Higher education - more than 4 years | 0.210 | | |
| Constant | -4.263***** | -4.180***** | 0.015 |
| N relations | N=988 R ² =0.019 | N=988 R ² =0.011 | |

Notes: Note: (two-tailed)

* p = 0.05

** p = 0.01

*** p = 0.005

**** p = 0.001

The logistic regression² in table 4 partly supports hypothesis 3. Neither entrepreneurs' gender nor their education levels have any significant effects on the involvement of financial advisers. However, the entrepreneurs' age is associated with the involvement of financial advisers. From table 4, it is suggested that age has a positive influence on involvement of financial advisers. Entrepreneurs between 30 and 49 years old, in contrast to entrepreneurs younger than 30, have 3 times higher odds of involvement with financial advisers (p=0.01). For entrepreneurs over 50 years old, their odds increase with nearly five times compared to entrepreneurs younger than 30 years old (p=0.005). Accordingly, hypothesis 3 has received partial support and can not be rejected.

² A logistic regression estimates the joint relationships between a dependent variable (here, the involvement of financial adviser as a dichotomy) and a series of independent variables.

INTERPRETATION OF THE EMPIRICAL RESULTS

Previous research has investigated the relationship between financial advisers and entrepreneurs in different stages of the entrepreneurial process (e.g. Binks, 1996; Fried and Hisrich, 1995; Bygrave et al., 2003). From this research a picture on this specific relationship emerges, but it is unknown how influential and important this relationship is compared to other relationships that influence entrepreneurs' decision making. This lack of knowledge is due to the often dyadic approach taken in most previous studies (e.g. Bygrave et al., 2003; Harrison et al., 1997; Shepherd and Zacharakis, 2001). This study has indicated that financial advisers only play a minor role in the two early phases of the entrepreneurial process before the venture is actually started. Entrepreneurs might have relationships with financial advisers in these stages, but financial advisers are but rarely included in the discussion network. To most entrepreneurs, other role relationships are more important first, to their ability to recognize opportunities in the discovery phase (Singh 2000; Ardichvili and Cardozo, 2000; de Koning, 2000) and second, in the emergence phase, to actually make the decision to start or not (Neergaard et al., 2005; Anderson et al., 2005; Davidsson and Honig, 2003). This study indicates that the activities and decisions that dominate the two first phases – recognizing opportunities and making the committed decision to start or not – are not decisions supported by the involvement of financial advisers. Instead, entrepreneurs find their support in other places and from other sources. They may search for opportunity through their discussions with earlier or current colleagues or other business associates (Singh, 2000) and they may obtain emotional support to make the final decision to start or not from more close role relations such as a spouse or other family members (Anderson et al., 2005).

In the extant literature on relationships between financial advisers and entrepreneurs, the importance of close and mutually obligating relationships has often been emphasised (e.g. Buttler and Durkin, 1998; Fried and Hisrich, 1995; Harrison et al., 1997). In order to benefit from the relationship, both partners have to trust each other and be committed to co-operation. Otherwise, the benefit from interactions in the relationship

decreases or disappears. This study has revealed that the tie between financial advisers and entrepreneurs often are weaker than the ties entrepreneurs have to other in the discussion network. Clearly, and perhaps surprisingly given the importance of financial resources to every stage of venture development, as a matter of entrepreneurs' choice, financial advisers only have minimal influence, compared to people with whom entrepreneurs are more closely connected. However, since many financial advisers provide essential resources – not just advice - so, their influence may often force its way into entrepreneurial decision making and they may play a major role although they are only loosely connected to the entrepreneur. The results of this study therefore indicate that the building of close and trusting relationships between financial advisers and entrepreneurs is an area worthy of much deeper investigation.

This study also reveals that the inclusion (or not) of financial advisers in an entrepreneur's discussion network is significantly influenced by differing characteristics that distinguish one entrepreneur from another. In particular, older entrepreneurs have a higher tendency to include financial advisers in their discussion networks. It might be that these older entrepreneurs have had businesses for several years in which they have used the same financial advisers. Through time the relationships to these financial advisers may have developed into proven, trusted relationships, which might have increased both the perceived and actual utility of the relationship. This study reinforces the findings of many others that developing trusted relationships with financial advisers is a long-lasting, continuously evolving process.

IMPLICATIONS AND CONCLUSION

Several implications can be drawn from this study. We have demonstrated the value of investigating the relationships between financial advisers and entrepreneurs from a non-dyadic, broader perspective in the context of an entrepreneur's discussion network.

For future research we need more sophisticated information on the power structure that pertains between different role-relationships. The power structure (influence adhering to different role-relationships) in this study was measured by the frequency of inclusion in discussion networks, but power arises from a lot of

other sources, such as the nature of dependency. It is also likely that a study which was able to categorise different subcategories among financial advisers would improve ability to draw inferences from the data. A division that separated financial advisers who are economically involved in the business and financial advisers who are not would be especially valuable.

A practical implication of the current study is that different financial advisers need to consider how to strengthen their generally weak role in the early phases of entrepreneurial development. A lot of important decisions are made in these phases – decisions that might endure for years.

Furthermore, financial advisers might consider how to become more closely related to entrepreneurs in order to increase mutual benefits from early and later stage co-operation. Previous research indicates the importance of close relationships, but this study has revealed that financial advisers have relatively weak ties to the entrepreneurs compared to others in their discussion networks. Such a position in the discussion network decreases entrepreneurs' commitment to the relationship with the financial advisers and the benefits they both gain from the relationship..

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