Small Business Institute® Journal

An Official Journal of the Small Business Institute®

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Editors Shanan G. Gibson, PhD
Michael L. Harris, PhD

The Small Business Institute® is the premier organization dedicated to field-based student consulting and outreach to small businesses. Our members are actively involved with small businesses and entrepreneurial firms in their communities and regions.

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Letter from the President

The Small Business Institute® continues to be a leader in small business and entrepreneurship education through our innovative and highly effective models of experiential learning. We are quickly moving toward our 40th year as an organization, and one of the hallmarks of the SBI is that we continue to grow and learn through the sharing of ideas, research, and best practices. At our 39th Annual Conference which was held this past February, a consistent message was shared by many of our SBI members. That message was simply that their association with the SBI and the direction, information, and mentorship that they received from others within the organization helped to shape their academic careers. I recall more than one new attendee share how they wished they would have known about the SBI earlier.

The Small Business Institute® is committed to the mission of resourcing our members whether they be traditional academics, faculty leads, or even students with the necessary resources for success, and the Small Business Institute® Journal is one of our primary means of disseminating this information. In this edition, we have articles which can provide information for collaboration, research on small business franchises, information on the timely issue of health-care in small business, detailed research on the use of new marketing media for small businesses, and issues regarding uncertainty and information. Each of the articles in the journal can provide great information for you whether you are a program director, faculty lead, or even a practitioner.

We do hope that you will enjoy this issue of the SBIJ, but we also hope that you will begin making plans to attend the upcoming 40th Annual Conference that will be held February 11 – 13, 2016 in New Orleans, Louisiana. This special anniversary conference will include special Workshops on Thursday morning, keynote speakers on Thursday and Friday at lunch, and special workshops for program directors, researchers, experiential learning educators, and more. In addition, we continue to take great pride in the Project of the Year competition. Please check out our website at www.smallbusinessinstitute.biz for the call for papers and more information, or contact Program Chair John Batchelor directly at jbatchelor1@uwf.edu.

One final reminder, please remember to consider the Small Business Institute® Journal as an outlet for your research in the areas of small business and entrepreneurship. We depend on your submissions to continue to make this journal the quality publication that it is. Do not hesitate to contact either of the editors, Mike Harris or Shanan Gibson, for more information on the journal.

Enjoy your summer and make plans now for the 40th Anniversary Celebration at the 2016 Annual Conference!

William C. McDowell, Ph.D.
President, Small Business Institute®

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Letter from the Editors

Dear Colleagues,

Spring is in full bloom and summer is nearly upon us and along with the vibrant blossoms comes this new volume of the *Small Business Institute® Journal*. For many small business scholars and practitioners right now represents the perfect time of year as we finalize our courses and prepare for the "lazy" days of summer; we hope this means you have time to enjoy this issue thoroughly!

Reflecting the wide-ranging interests of the Small Business Institute® membership, this issue includes a variety of high quality articles that should appeal to our diverse and varied readership. Consistent with the mission of the SBI, we begin this edition with an examination of experiential learning and the synergies that can be found when SBI programs partner with Small Business Development Centers. We follow this with an article of interest to many small business owners – the issue of turnover and an examination of organizational climate issues associated with it. An ongoing issue of national prominence is health insurance; our third article examines the role of state health insurance subsidies and the self-employed. Social media continues to play a growing role in our personal and professional lives, as such an examination of practices among B2B enterprises is undertaken in our fourth article. Lastly, we tackle a global issue – uncertainty resulting from imperfect data – from an international perspective. While each of these articles is highly distinctive they share the characteristic of providing both practitioners and academics with insights into the practice and improvement of business.

Our thanks to all the authors and reviewers who have made this edition possible; it is a pleasure working with such a dedicated group of individuals. We genuinely hope that more of you will volunteer your time and become part of our team of reviewers! In the past few years we have made significant inroads to increase our readership and the quality of our journal; however, a journal's success necessitates the constant inflow of strong manuscripts. Please submit your small business research for consideration and tell your colleagues about us, too. The journal website www.sbij.org contains details and submission instructions.

Shanan G. Gibson & Michael L. Harris
Your *Small Business Institute® Journal* Editorial Team

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The Small Business Institute® and Small Business Development Center Network Collaboration: Student Experiential Learning Opportunities

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Research suggests that student experiential learning participation can benefit students academically. This approach to student learning develops creative and sometimes unorthodox solutions to problem solving, enhances the student's critical thinking skills, and refines communication skills as well as other high impact practices and skills. The Small Business Institute® (SBI) program provides students with opportunities to engage in internships and or team projects by working with the business community. In that regard there are additional opportunities for collaboration between SBI and the Small Business Development Center (SBDC) program to work collaboratively across university divisions and colleges to create student-centered programming which utilizes experiential learning both in and out of the classroom to promote and sustain student academic success. This paper discusses additional ways the SBI and SBDC can work together to prepare students to be life-long learners and successful citizens.

The call for greater community engagement on the part of universities and university students continues to increase (Cook, Campbell, & Kopp, 2013). Concerns about the quality of the education that students are receiving coupled with studies that demonstrate the great benefit that students, universities, and the communities they serve receive through experiential learning activities have all created a strong acceptance of the partnership between students, faculty, universities and local businesses (Bruning, McGrew, & Cooper, 2006). For universities, this clear call for more developed engagement has now created an opportunity and a demand for student engagement programs to be developed and to become an integral part of the opportunities offered to students (Cook et al., 2013).

Student engagement in this way is increasingly being referred to as experiential learning. As Cook et al. (2013) explained, experiential learning has been the subject of a great deal of research in previous years. Bringle & Hatcher (1995, p. 112) indicate that for a learning opportunity to be experiential, it must be "A course based, credit-bearing, educational experience in which the students participate in an organized service activity that meets identified community needs and reflects on the service activity in such a way as to gain further understanding of course content, a broader appreciation of the discipline, and an enhanced sense of civic responsibility." The Small Business Institute® has been a leader in a client based model of student team consulting, and many years of experience and development have created a successful working model of how best to operate a SBI program (Cook et al., 2013).

While there is a successful model for student based consulting for experiential learning, the purpose of this article is to outline a potential collaboration that can facilitate the opportunity for faculty and students to interact with small businesses. The similar missions of the Small Business Institute® and the Small Business Development Center can open up doors of opportunity that will benefit both organizations while jointly benefiting both students and small businesses. The following information discusses the mission of each organization, other avenues for collaboration between each avenue, and a summary of how this collaboration is taking place at a state university.

THE SBI AND SBDC MISSION

The mission of the SBI is to be the premier provider of professional development for those engaged in experiential student team consulting and related entrepreneurship education, research and activities (www.smallbusinessinstitute.biz, n.d.). The mission of the SBDC is to deliver through a nationwide network of service centers educational assistance to strengthen small/medium size business management, thereby contributing to the growth of local, state and national economies (www.sba.gov, n.d.). In carrying out these respective missions both organizations can and should explore opportunities to engage in a corporative effort to connect students with businesses to enhance experiential learning for students while also bringing additional resources to bear to assist business clients.

BACKGROUND

Since the inception of the SBI program in 1972 entry-level training has been provided primarily assisting nascent firms in need of expert level consulting (www.smallbusinessinstitute.biz, n.d.). This training is accomplished through colleges and universities that operate through locally created classes and programs. Students are utilized in this community outreach process lead by a faculty supervisor. The result affords the business owner with an unbiased and objective analysis and recommendations which could enhance business operations and sustainability while at the same time providing students an experiential learning opportunity that challenges critical thinking skills and demonstrates each student participant's cognitive abilities. Since the inception of the SBI over 163,000 businesses have been assisted involving over 408,000 students.

The SBDC program was established in 1975 as a partnership that includes the U.S. Congress, U.S. Small Business Administration (SBA), the private sector, higher education and state governments that manage SBDCs across the nation. In 2013, the Association of Small Business Development Centers (ASBDC) rebranded itself and the national SBDC network as "America's SBDC." According to the ASBDC, the SBDC program consists of nearly 1,000 services centers and over 5,000 employees providing management and technical assistance to an estimated one million small business owners and aspiring entrepreneurs each year. SBDC's provide the nation's small business community with high quality and innovative management and technical assistance programs. Program offerings are constantly evolving to meet the changing needs of a dynamic small business economy. Through directed learning and one-on-one counseling, the SBDC Network is able to also address the unique needs of individual businesses. Quality assurance and continuing professional development are the hallmark of the SBDC Network program. SBDC peer reviews were initiated in 1984 which became the forerunner of the modern day SBDC certification/accreditation program which is provided for by statute.

SMALL BUSINESS AND ENTREPRENEURSHIP STUDENTS

The primary mechanism for experiential learning through the Small Business Institute® has been though the vehicle of student team based consulting (Cook et al., 2013). While this experiential learning opportunity is of great value, there are additional experiential learning activities that fit well within the definition. One of these is the entrepreneurship student internship program. Student interns can work within an existing entrepreneurial firm and gain a great deal of information, knowledge, and skill related to starting a new venture. Thus, the internship as well as team consulting projects can both lead to a greater level of academic learning on behalf of the student.

University students who wish to engage in internships and faculty lead team consulting projects assisting small business must first have an understanding what it is to be entrepreneurial in order to better understand the business owner's mindset. According to Carland, Hoy, Boulton, & Carland's (1984: p.6) the definition of "entrepreneur" is an "individual who establishes and manages a business for the principal purposes of profit and growth." "Entrepreneurs are characterized principally by innovative behavior and employ strategic management practices in the business." In that regard students must possess certain entrepreneurial attributes that would enhance their learning outcomes in engaging in a business internship or team project.

An analysis of college students' entrepreneurial characteristics and attitude toward entrepreneurship was conducted after participation in a SBI program. Student participants' attitudes toward becoming entrepreneurs were rated on four sub-scales: need to achieve, innovation, locus of control, and self-esteem. Students' personality traits such as achievement motive, risk taking, and locus of control were part of the study. Results show that participants with a high locus of control, as well as younger students, were most likely to develop more positive attitudes to entrepreneurship, (Hatten & Ruhland, 1995). The study cited Brockhaus (1982) stating that entrepreneurs possess a greater internal locus of control than the general population. Further, the authors cited Carlson (1985) which noted that once a person's attitude was measured, a prediction could be made about the person's performing or not performing an act. Attitude and personality have been very closely linked when applied to the same goal--the prediction of behavior.

The study results by Hatten and Ruhland (1995, p. 5) indicated:

> "1. Students who possess an internal locus of control will develop a more positive attitude toward entrepreneurship after they participate in an SBI program than students who do not possess an internal locus of control."
>
> "2. Student age is a factor in changing attitude toward entrepreneurship. The SBI program has a more powerful influence on students in the 20-22-year age bracket in producing a positive change in their attitude toward entrepreneurship."

It was also shown "that there can be an improvement in entrepreneurial attitude of senior- and graduate-level college students through participation in an SBI program. SBI directors should recognize that program participants with an internal locus of control are likely to develop a more positive attitude toward entrepreneurship. Measuring locus of control at the start of the program will allow directors to balance teams between students who look within themselves for solutions to problems and students who seek external sources for solutions."

BASIS FOR SBI AND SBDC COLLABORATION TO MAXIMIZE STUDENTS INVOLVEMENT WITH BUSINESSES

With the adoption of a methodology to determine whether a student is a "good fit" for an internship position or as a participant in team business project, the faculty SBI representative can then collaborate with the SBDC service center director to identify prospective businesses willing to participate in the program. The SBDC is in a unique position in this regard as SBDC clients, during the counseling process, typically identify several issues for which they request counseling assistance. In addition SBDC's nationwide utilize one of two SBA approved Structured Query Language databases. These client information systems databases are used to register a client and thereafter record follow-along discussions and recommendations in the counselor/client relationship. Client demographics and geographic information are also gathered during the client intake process. These databases also have fields to enter economic impact data outcomes such as capital formation, jobs retained, jobs created and sales increases. The client then electronically certifies the economic impact data entries are correct.
This information is uploaded to SBA via their Entrepreneurial Development Management Information System (EDMIS).

SBDCs' client information systems are a means of not only identifying possible clients who may wish to participate in student internships or faculty lead team activities, but also provide a means of targeting specific business sectors or the client's subject matter request for business counseling. Utilizing the SBDC client database to contact prospective businesses as well as the research tools available to the SBDC will enhance students' abilities to provide the assistance sought by the client, especially in relation to a coordinated effort and guidance of a faculty SBI representative.

According to Chrisman, Nelson, Hoy and Robinson (1985), the results of two empirical studies of statewide SBDC programs in Georgia and South Carolina showed, on average, small businesses experienced improved economic performance (based on percentage increases in sales, employment, and profits) over non-SBDC clients. In addition an SBI study conducted by Weinstein, Nicholls, Seaton (1992) explored entrepreneurs' perceptions of the effectiveness of students as marketing consultants. The study stated that the majority of (business) clients were satisfied with the assistance provided, finding student reports important for the development of their marketing strategies. In addition, entrepreneurs viewed students' professionalism, business knowledge, practicality of recommendations, and their overall analysis favorably. Finally, a regression model indicated that client satisfaction could be predicted based on students' business knowledge and practicality.

IMPLEMENTATION OF THE INTERNSHIP PROGRAM

Recently the SBI faculty representative at Middle Tennessee State University and the university's SBDC service center director developed two programs utilizing students as interns with area businesses. One program facilitates the connections with business owners and students that results in student placement with a firm that is monitored by a faculty representative. As an SBDC client, the business owner coordinates the business counseling suggestion(s) along with the student's assistance in the implementation of the business counselor's suggestions evolving out of the client counseling session(s). Eleven firms participated in the first implementation of this program with twelve interns. The results of this collaboration have been that the students have gained real world working experience while working with the business, the faculty representative, as well as additional experience through work with the SBDC service director. The student intern was able to help implement some of the changes that the business was looking at making based on the suggestions and continued efforts of the SBDC service director. In addition, the student intern created a consulting report for the business following the engagement time that was passed on to both the business owner as well as the SBDC service director for further follow-up.

Thus, the benefits from this collaboration have been many. First, the student has the opportunity to be engaged in an active small business startup, they have the opportunity to consult on a regular basis with the SBDC representative about the small business, and they have the opportunity evaluate the small business through a semester long project to provide feedback and recommendations. Second, the business owner experiences the benefit of having the student intern throughout the semester, the opportunity for enhanced consulting from the SBDC, and the additional benefit of an onsite consulting report from the student. Finally, the SBDC receives the benefit of the student's efforts towards consulting of the small business.

Another program is a pilot project with a regional bank who has partnered with the SBDC. The partnership involves both assistance to the bank's business customers through the use of student interns from the local university, who partner with the local SBDC to provide help and assistance. In addition, customized business training sessions are also provided on a wide range of business development topics. The bank benefits from both a marketing perspective as well as via customer relations.

Students are engaged in both the counseling and training aspects of the assistance provided to the bank's customers through their assigned internship through this partnership with the SBDC. At the completion of their internship with the local business, the students provide the SBI faculty representative with a list of accomplishments based on outlined objectives, an interview report of the business owner, and a consulting report that outlines recommendations for the local business, all of which are requirements for course completion. The faculty representative and SBDC director evaluate the students' performance based on the business owner's response to a post student internship survey.

CONCLUSION

Students who wish to participate in the SBI and SBDC internship program at Middle Tennessee State University must demonstrate a positive attitude toward entrepreneurship and have an entrepreneurial personality, both of which are evaluated by the SBI faculty representative and the SBDC director. Armed with prequalified students, the SBI and SBDC can work together to identify SBDC clients who could benefit from an opportunity to participate in the internship program. Students are also given the opportunity of approaching businesses about an internship where the type of business is of interest to the student, in which case the SBI and SBDC representatives will interview the business owner before approving that business.

The SBI and SBDC programs all too often do not connect. The potential upside to a partnership between the two programs has been demonstrated in a relatively short time at Middle Tennessee State University, and the resources and history of both programs can be leveraged to assist both the business community and university students. There is no downside. New businesses are expressing interest in this program and students are eager to participate in these internships. As this partnership progresses it is hoped that quantifiable data as to the benefits to both business owners and student interns will result research outcomes which can be shared with all concerned.

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Reducing Turnover in Franchise-Based Small Business Organizations: The Role of Trust, Justice and Commitment

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Turnover is costly in any business, but even more so in a small business where employees wear many hats and often feel like part of the family. This is a study of a national franchise organization and eight of its small business franchisees to understand the roles of trust, organizational commitment, and justice on employee turnover. The results demonstrate that there are ways employers can limit turnover, and hence, reduce the costs of employment. Higher levels of procedural, distributive and interactional justice all are positively related to higher levels of employee trust in franchise management. Employee trust in franchise management is positively related to both normative and affective commitment. In addition, employees who report higher levels of empowerment also have greater organizational commitment in all forms. In turn, affective commitment and employee tenure are found to be negatively related to voluntary turnover. Overall, small business employers who work to build trusting relationships with employees through open communication and strong interpersonal relationships will reduce unwanted turnover in their organizations.

It is becoming a more accepted fact that one of the top reasons employees look for a new job is lack of trust in senior management (Sabatini, 2011). In fact, the most recent surveys of employees found that only 40% indicated that they had trust in management (Interaction Associates, 2014). Trust is a critical component for effective human resource management, and employees interpret human resource practices as proxies of an organization's trust and commitment to them (Zeffane & Cornell, 2003). Although trust, one's willingness to be vulnerable to others, is often the foundation of many of our perceptions and beliefs regarding the work environment, trust as a construct influencing individual commitment to an organization and related outcomes in the context of small business/franchising has received very little attention.

The Small Business Administration (2014) indicates that small businesses created 63% of new jobs from 1993 to 2013. Franchise organizations make up 2% of those new small businesses. The more than three quarters of a million franchise organizations in the U.S. provide more than 8 million jobs and produce more than $490 billion in GDP (IHS Global Insight, 2014). They are expected to have faster job growth and overall growth than the rest of the U.S. economy in 2014 as well (International Franchise Association, 2014).

We are interested in whether trust in a local small business franchisee, which operates within a larger global franchise system, will have an influence upon such commitment and related behaviors. This study examines organizational justice regarding human resources practices as a contributor to perceptions of trust, and the effect employee trust in the franchisee, empowerment and promotions have on organizational commitment and voluntary turnover.

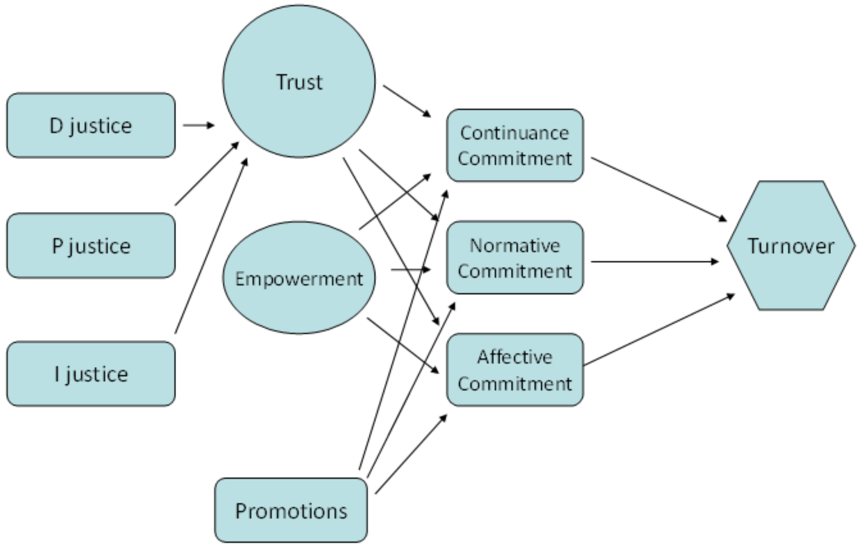
The context for our study is a sample of franchisee organizations that provide moving services to both residential and business customers. According to the Bureau of Labor Statistics, 80% of the non-farm jobs in U.S. are service-sector jobs as of 2014 (BLS, 2014). Bowen & Cummings (1990, p. 4-5) characterize service jobs as intangible and that provide "experiences that are rendered." Many service jobs are interactive in that they require the employee to interact with the public while they are "performing" their jobs, which can often be very demanding even if they are routine (Loscocco & Spitze, 1990). Highly repetitive, routine work can be very dissatisfying and can lead to negative behaviors such as absenteeism (Melamed, Ben-Avi, Luz, & Green, 1995). Both repetitive jobs (those with a work cycle of under one hour) and those in which an employee's skills are underemployed, termed *underload* by Coburn (1979) have both been shown to cause both psychological and physical stress (Melamed et al., 1995).

Service jobs such as moving appear to contain both of these characteristics, which may have negative implications for organizational commitment. The job of moving boxes and household goods from a home to a truck is very repetitive. In addition, the work is considered *underload* in that for many movers, it is a jumping off point to other work—driver, customer service rep, supervisor, even franchise owner. The low level of job security provided by such work may also contribute to attitudes such as lower employee commitment to the organization. Finally, when such work is accorded little value by society, lower commitment and higher turnover may result. As an example, Waung (1995) found a lower mean commitment level for employees in the fast food industry than in a hospital setting. In addition, Sonnentag & Zijlstra (2006) found that service employees with high job demands and low control required time for recovery. This study endeavors to understand how such attitudes and behaviors can be mitigated through trust and related human resource practices within the context of a franchise-based organizational system.

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

The present study is based on prior theory and research suggesting that the quality of the work relationship between an employee and employer will influence work-related attitudes and behaviors. Whitener (1997) noted that HR activities build trust based on several factors such as organizational justice and positive superior-subordinate dyads that lead to positive exchange relationships. Homans's exchange theory (1961) posits that individuals will reciprocate, either positively or negatively, what they receive in a work relationship. Trust may be necessary, however, to facilitate exchanges in the first place. Blau (1964) describes his social exchange theory stating that social exchanges are relationships where two parties exchange favors with each other in a way that creates some future expected obligations. However, trust between individuals is essential for these obligations to have some assurance of being fulfilled in the future (Blau, 1964, p. 94). Another basis for facilitating social exchange may be employee empowerment, as it reflects a personal sense of control as manifested in beliefs about the person-work environment interaction, including meaning or sense of purpose, competence, self-determination over work, and impact upon organizational outcomes (Spreitzer, 1995). Such empowerment beliefs increase the likelihood that individuals will believe the relationship is worth engaging in because it is embedded in a meaningful context, one that can be influenced, and in which the person can succeed. Empowerment may also reflect internalization of the organization's values, and thus a greater degree of alignment between managers and subordinates (Weibel, 2006). Trust and empowerment may be positively related to one another, as employees who have a greater sense of empowerment may also be more highly trusted by their managers. As Zeffane and Cornell (2003) point out, the level of trust that exists in an organization is indicative of its character and the way that it treats its employees. Employees' sense of trust and empowerment may thus be positively related to their intent to remain with such an organization, and even thrive (Spreitzer & Porath, 2012). We now discuss several factors that are posited to help reinforce trust and social exchange (see Figure 1).

Figure 1. *Predicted Turnover Model*



ORGANIZATIONAL JUSTICE AND TRUST

There are three main types of organizational justice (Greenberg, 1987), describing how people perceive fairness in organizations: distributive, procedural and interactional. For each type, an employee makes a decision about the fairness of the decision outcome, the fairness of the procedures used to determine the outcome and the fairness in which the outcome was communicated to determine whether or not in their mind justice exists for them in their work environment. Ultimately, what matters most to an employee is whether or not these decisions are deemed fair. Dirks & Ferrin (2002) suggested that a perception of fairness leads employees to be more trusting of the organization and its leaders.

Distributive justice (Homans, 1961) refers to issues of fairness with regard to how organizational resources are distributed, such as in our context, pay or promotions (Colquitt, Greenberg & Zapata-Phelan, 2005). In addition, employees will likely compare the fairness of their outcomes with those of similar employees based on their level of inputs, such as tenure within the organization to determine their perceptions of fairness. An employee will feel that distributive justice exists if pay and promotions are distributed equitably across employees within his or her organization relative to their inputs.

Procedural justice (Leventhal, 1980) refers to how decisions about those resources are made, e.g., how it is decided who gets which pay raise or which promotion. Procedural justice exists if employees deem that decisions are made fairly for all. Procedures are deemed to be fair if they are: made consistently, free from bias, made using accurate information, correctable, representative of the basic concerns of all parties involved, and are ethical (Leventhal, 1980).

Finally, interactional justice issues (Bies & Moag, 1986) deal with how employees are treated as the decisions are communicated. Further work by Colquitt (2001; Colquitt & Rodell, 2011) revealed that interactional justice might be further distinguished into subcategories including informational justice and interpersonal justice. Informational justice refers to providing employees with enough information to help them understand the outcomes and how they were determined. Interpersonal justice refers to perceptions of fairness based on being treated with dignity and respect (Colquitt et al., 2005; Aryee, Pawan & Chen, 2002).

Organizational justice has been found to be important in assessments of organizational trustworthiness (Lind, 2001). For example, Folger & Knovosky (1989) in their study of pay raise decisions found that procedural justice was a more significant predictor of commitment and trust than distributive justice. Sweeney & McFarlin (1993) in their two-factor model of justice found that distributive justice predicted pay satisfaction and procedural justice predicted organizational commitment. Even as waves of research over the years have pointed to one form of justice to be more important than another (Colquitt et al., 2005; Colquitt & Rodell, 2011), we expect that all three forms of organizational justice *will be* important in influencing organizational commitment and turnover, but through their effect on trust. A recent meta-analysis on social exchange and affect-based perspectives revealed that there are strong relationships between supervisor-focused justice and the quality of exchange relationships (Colquitt, Scott, Rodell, Long, Zapata, Conlon & Wesson, 2013). As trusting another involves making oneself vulnerable, it is reasonable to expect that perceptions of fairness reduce feelings of vulnerability in employees.

Fairness perceptions contribute to the formation of trust, enhance the perceived trustworthiness of authorities, and reduce fears of exploitation (Lewicki & Bunker, 1996; Lind, 2001; Colquitt et al., 2005; Colquitt & Rodel, 2011). Aryee et al., (2002) argued that in employment relationships, social exchange may be initiated by the organization treating its employees fairly and found empirical support for trust mediating all three forms of organizational justice on organizational commitment, turnover intentions and other job-related outcomes. As well, Fichman (2003) stated that there is a strong, positive value for fairness and reciprocity and argues that all other things being equal, employees will prefer living in a fair world and will both trust others and behave in a trustworthy manner when doing so promotes their self-interest.

Empirical research provides some support that trust mediates justice's influence on attitudes, behavioral intentions and outcomes. Aryee et al. (2002) found that all three forms of justice were important in influencing employees to feel that they were treated fairly and hence, trusted the organization and ultimately, influenced job satisfaction, turnover intentions, and organizational commitment. In addition, interactional justice was positively related to trust in a supervisor and trust in the organization, whereas only procedural and distributive justice were positively related to trust in the organization. Other research has shown that both distributive and procedural justice were related to trust in the organization (Pearce, Branyiczki & Bakacsi, 1994). Hence, we will expect employees' trust in franchise management will be positively related to their perceptions of fairness, and that fairness perceptions' influence upon their commitment to the organization will be mediated by their trust beliefs. Thus,

Hypothesis 1a: Employees who perceive the franchisee organization as more procedurally just will have higher trust in franchise management.

Hypothesis 1b: Employees who perceive the franchisee organization as more distributively just will have higher trust in franchise management.

Hypothesis 1c: Employees who perceive the franchisee organization as more interactionally just will have higher trust in franchise management.

Hypothesis 1d: Employees' trust in franchise management will mediate the relationship between justice and organizational commitment.

TRUST AND COMMITMENT

Trust is expected to facilitate social exchange in authority relationships because it has been posited as one factor that shapes cognitive assessments of threat or vulnerable situations (Mishra & Spreitzer, 1998). More specifically, trust in management minimizes the threatening categorization of vulnerable situations by helping individuals to understand and believe in management's intentions and expected behavior (Mishra & Spreitzer, 1998, p. 573). Here, trust is defined as a willingness to be vulnerable to others based on the prior belief that those others are reliable, honest, competent, and benevolent or concerned (Mayer, Davis, & Schoorman, 1995; Mishra, 1996; Mishra & Mishra, 2013).

The four dimensions of trustworthiness, reliability, openness, competence, and concern, are argued to contribute additively to a party's trustworthiness (Mishra, 1998, p. 574; Mishra & Mishra, 2013). Trust as an additive combination of these four dimensions has also been found to be positively related to organizational commitment (Spreitzer & Mishra, 2002; Brockner, Spreitzer, Mishra, Hochwarter, Pepper, & Weinberg, 2004). Further, trust in managers has been shown to increase perceptions of success, accuracy and fairness of the system (Whitener, 1997). Within franchise-based organizations these elements of trust may well act as a primary source of influence that helps shape many of the employees' thoughts and perceptions of the organization.

Franchise-based organizations provide a key referent in which franchise employees can place their trust: the management of the local franchisee who exercises traditional forms of direct control over its employees.[i] The franchisee or individual responsible for running the local franchise is the direct representative of the franchise system with whom franchise employees regularly interact, and as such is the key person who these employees will evaluate when it comes to trusting the formal organization. People in formal leadership positions behave in such a way that creates expectations that lead to the development of trust (Kramer 1999; Colquitt et al., 2004 p. 14). In the context of moving organizations, employees may be vulnerable for many reasons, and therefore trust will be a critical aspect of the employer-employee relationship. Vulnerability may take the form of possible injury on the job due to inadequate safety training, inconsistent work practices, or unrealistic productivity standards. Vulnerability may also be exemplified in not receiving sufficient employment (hours per week or month) to maintain a decent standard of living due to the variability and seasonality of demand.

For trust to have a lasting effect on relationships, it must influence both attitudes and behaviors. While trust is essential for the development of social exchange relationships, long-term relationships require commitment as well (Colquitt et al., 2004, p. 18). In the context of our study, such commitment is operationalized as employee commitment to the organization, or more succinctly, organizational commitment. As stated above, each of the four trustworthiness dimensions contributes additively to an individual's willingness to be vulnerable. In addition, each dimension of trust should enhance organizational commitment. Indeed, previous empirical research has found that trust is positively related to organizational commitment in a variety of contexts (Brockner, Siegel, Daly, Tyler, & Martin, 1997; Aryee, Budhwar, & Chen, 2002; Brockner et al., 2004). For example, if employees believe that franchise management will be reliable, perhaps in terms of keeping their promises, they will be more likely to reciprocate by committing to the organization. To the extent that employees believe that management will be open and honest, that should reduce their uncertainty about an inherently volatile business, further enhancing their commitment. If employees believe that management is competent, this should increase their willingness to commit to an organization that is in operating in a highly competitive and sometimes unsafe industry. Finally, employees who believe that franchise management cares about their best interests feel less threatened about their livelihood as management balances profitability and employee incomes in the face of variable demand. Thus,

Hypothesis 2: Employees who have greater trust in franchise management will have higher levels of organizational commitment.

EMPOWERMENT AND SOCIAL EXCHANGE

Empowerment is expected to be another factor facilitating social exchange because it has been posited to shape cognitive assessments of one's capacity to cope with vulnerability (Mishra & Spreitzer, 1998). In general, empowerment reflects a personal sense of control in the workplace as manifested in four beliefs about the person-work environment relationships: (1) meaning, (2) competence, (3) self-determination, and (4) impact (Spreitzer, 1995; Thomas & Velthouse, 1990). In this study's context, employees' sense of control is likely to be undermined given that many important decisions about how to perform work are either made by local franchise management, including how long work should take, how many employees are assigned to a moving job, or how much training is needed. Nevertheless, individual employees vary in their degree of empowerment within the same context. As specific examples, we have found that the lead employee on each moving job has made varying adjustments to the overall number of hours billed to the customer, decided how much employee break time to deduct from the customer's final bill, and how to account for property damages (personal experience with some of the franchises in our sample).

Empowerment is expected to facilitate social exchange because it provides the basis for individuals to cope with any fears or uncertainties inherent in even routine work, but especially work that is arduous and at times dangerous. People are generally anxious and tend to avoid situations they believe are beyond their ability to succeed and they are more likely to partake in activities confidently when they judge themselves capable and efficacious (Lazarus & Folkman, 1984). The beliefs about personal control represented by empowerment enable people to deal with job difficulties more actively (Frese & Fay, 2001). Because of their strong sense of personal control, empowered employees may feel more hardy (Wiebe, 1991) and engage in more proactive coping to reduce the potential for strain (Aspinwall & Taylor, 1997). In addition, with an enhanced sense of personal control, empowered individuals are able to actively cope with challenges, protecting them from strain (Wall, Jackson, Mullarkey, & Parker, 1996; Parker & Spriggs, 1999).

EMPOWERMENT AND COMMITMENT

Because empowerment facilitates social exchange, we argue that it will enhance organizational commitment. Indeed, feeling empowered may be a starting point for mending problems and building commitment (Niehoff, Moorman, Blakely & Fuller, 2001) because it leads to greater personal initiative (cf. Frese, Fay, Hilburger, Leng, & Tag, 1997). Each of the four empowerment dimensions provides a basis for viewing all social exchanges in the local franchisee organization as beneficial and thus worth seeking and continuing. Meaning reflects a sense of purpose or personal connection about work. A strong sense of meaning helps individuals cope by providing a sense of purpose in dealing with work that is often mundane and routine. Competence signifies that individuals believe they have the skills and abilities necessary to perform their work well (Spreitzer, 1995). Competence thus helps employees feel that they have the personal resources to cope with the constant need to meet work standards set by the franchisee. Self-determination reflects a sense of freedom about how individuals do their own work (Spreitzer & Mishra, 2002, p. 714). This self-determination helps employees to feel more in control over how they cope with difficult tasks and unpredictable customers. Impact describes a belief that individuals can influence the system in which they are embedded (Spreitzer & Mishra, 2002, p. 714). This impact enables employees to feel they can make a difference in improving the franchise's efficiency and safety. Thus, we argue that the four dimensions of empowerment should help employees feel more in control, should help them to cope with the demands of their jobs, and hence increase their organizational commitment.

Previous empirical research provides support for hypothesizing a positive relationship between empowerment and organizational commitment. Empowerment has been found to be positively related to loyalty (Fulford & Enz, 1995), positively related to affective commitment (particularly the self-determination and impact dimensions) (Kraimer, Siebert, & Liden, 1999; Wu & Short, 1996), and negatively related to propensity to quit (Koberg, Boss, Senjem, & Goodman, 1999). Moreover, research has found that personal control is positively related to affective commitment (Spector, 1986). Thus,

Hypothesis 3: Employees who feel more empowered will have higher levels of organizational commitment.

OPPORTUNITIES FOR PROMOTIONS

To identify possible additional factors shaping commitment and turnover, one dozen interviews were conducted with a cross-section of employees including movers, drivers, franchise owners, staff at corporate headquarters, and franchise system owners. These interviews were conducted in person and were transcribed prior to conducting the surveys in order to determine the issues facing the franchisees and their employees. Posavac, Dew, Tindale, Dugoni, Sheffey and Koch, (1996) noted that non-exempt employees who had aspirations for promotions and leadership positions were found to have higher levels of organizational commitment than non-exempt employees who had lower aspirations for promotions and leadership roles. Similarly, one of the themes that emerged from interviews with a cross-section of a dozen individuals who worked for either the franchisor or one of its franchisees is that opportunities for moving up within the franchise organization was a strong reason for remaining with a particular franchise. Given the relatively flat hierarchy within a given franchise, such opportunities may seem limited, but they do in fact exist, especially as franchises grow, and both individual franchises and the overall franchise system grows. Not only can mover/drivers or customer service representatives move into management positions, these management positions often become stepping stones for becoming a franchisee, either by buying out the existing franchisee or starting another franchise in the system (company archival documents; personal communications from franchisees and the franchisor).

Hypothesis 4: Employees who perceive greater opportunities for promotion will have higher levels of organizational commitment.

ORGANIZATIONAL COMMITMENT AND VOLUNTARY EMPLOYEE TURNOVER

We expect that higher levels of organizational commitment will be negatively associated with voluntary turnover. The relationship between commitment to the organization and voluntary turnover is well documented (Cohen, 1993; Cohen & Hudecek, 1993). Employees with strong organizational commitment have greater intentions to remain with their employing organizations (Mowday, Steers, & Porter, 1982). Although the relationship between different dimensions of organizational commitment and voluntary turnover has been mixed (Meyer and Allen, 1997), a meta-analysis (Mathieu & Zajac, 1990) has shown a consistent but negative relationship between one particular type of commitment, affective commitment, and voluntary turnover. Riordan, Weatherly, Vandenberg & Self (2001, p. 159) also found that a lack of behavioral commitment was enacted through higher voluntary turnover. Thus,

Hypothesis 5: Employees who have higher levels of organizational commitment will be less likely to voluntarily turnover than those who have lower levels of organizational commitment.

METHODOLOGY

Our sample consists of eight franchises of a national franchise organization involved in both residential and commercial moving. Franchises were selected by the co-authors and the franchisor to be representative of the franchisor's population based on size and proximity to the franchisor's headquarters. Size of the franchises ranged from 28 to 68 employees. Franchises were located in the Midwest, Southeast, and West (at the time of the survey, the franchisor had no Northeastern franchises).

Surveys were then administered to all 369 employees from these eight franchises. All surveys were completed on company time. In a standard letter accompanying each survey, respondents were assured of the confidentiality of their responses, but were informed that their surveys would be coded for matching with subsequent survey administrations. All surveys were mailed back directly to the researchers in individually sealed, pre-addressed and stamped envelopes. A total of 239 surveys were returned for a response rate of 65%. The employees who did respond were 92% male. On average, respondents were 26 years of age, had 1.3 years of service with the franchise, and had achieved some college education. Using a t-test of independent samples, we found no evidence for response bias based on gender, age, or tenure. Because level of education was only measured as part of the survey, differences between respondents and non-respondents on this variable could not be computed.

MEASURES

All survey measures were assessed with 5-point Likert scales ranging from very strongly disagree to very strongly agree. To the extent possible, we used already validated scales for each variable in the model. Justice was measured using Niehoff and Moorman's (1993) measures of procedural justice, distributive, and interactional justice. All three scales achieved very good levels of reliability (procedural justice, α = .88; distributive justice, α = .85; interactional justice, α = .94).

Trust was measured using Mishra & Mishra's (1994) 16-item measure of trustworthiness, plus one additional trust item, "I trust management," for a total of 17 items. A sample item for each of the four dimensions include: "I believe management communicates honestly with me" (openness); "...is competent and knowledgeable" (competence); "...does not try to get out of its commitments" (reliable), and "...cares about my best interests" (concern). Previous confirmatory factor analysis has shown that while distinct, the four trustworthiness dimensions can be aggregated into a single trustworthiness scale (Mishra & Mishra, 1994). We therefore aggregated the trustworthiness items and their respective dimensions as well as the single trust item for testing our hypotheses. (The single trust item did not emerge as a distinct factor in an exploratory factor analysis from the trustworthiness items, and was highly correlated with the original 16-item trustworthiness scale, $r = .82$, $p. < .001$.) We found the aggregated trust scale to have a very good level of reliability (α = 0.97).

We used Spreitzer's (1995) 12-item measure of empowerment. Sample items for each of the four dimensions include: 'The work I do is very important to me' (meaning); 'I am confident about my ability to do my job' (competence); 'My impact on what happens in my department is large' (impact); 'I have significant autonomy in determining how I do my job' (self-determination). Previous research has shown that the four dimensions can be aggregated into a single scale (Kraimer et al., 1999) or used individually (Spreitzer, Kizilos, & Nason, 1997). We aggregated all of the empowerment items into a single empowerment scale, which achieved very good reliability (α = .85).

Opportunities for promotion was a new scale consisting of two items, "there are promotional opportunities here for those of us who want to get ahead," and "if I wanted to take on more responsibility in this franchise, the opportunities are available here." This scale achieved very good reliability (α = .89).

Organizational commitment was measured using the affective, normative, and continuance dimensions of organizational commitment scales developed by Meyer and Allen (1997). Each scale also achieved acceptable reliability (continuance commitment α = .64; normative commitment α = .85; affective commitment α = .85).

Turnover was measured from company records for four years following the administration of the survey. Whether or not an employee voluntarily left the organization was compiled from employee records obtained from each franchise's accounting or human resources department. The turnover variable was given a score of zero if the employee was still with the firm four years after the survey data were collected and a score of one if they had voluntarily left the firm by that time. Employees who were fired for cause (i.e., involuntary turnover) were excluded from the sample.

CONTROL VARIABLES

Several additional variables (education, age, organizational tenure, and hours per week worked) were included as controls in the analyses because they may also have effects on organizational commitment and turnover. Educational level was measured as a seven-category scale ranging from less than high school to doctoral degree. Employees with higher levels of education should have greater opportunities to pursue employment elsewhere and so may have lower levels of continuance commitment and higher rates of voluntary turnover. A meta-analysis found education to be negatively related to affective commitment (Mathieu & Zajac, 1990) and positively related to voluntary turnover (Griffeth, Hom, & Gaertner, 2000). The age of the employee (measured as number of years) was collected on the survey and confirmed from archival sources. Younger employees have been found to be more likely to initiate turnover (Griffeth et al., 2000). A meta-analysis found age to be positively related to affective commitment (Mathieu & Zajac, 1990). During our interviews with employees, the amount of income that could be earned was often mentioned to be reason to work for and remain with the franchise. We use hours worked per week as a proxy for income, as all movers were paid approximately the same hourly wage within a given franchise. Gender was also included as a control given that the vast majority of mover/drivers were male and customer service representatives were female.

RESULTS

Regression analysis was used to test the hypotheses regarding organizational justice, trust, empowerment and organizational commitment. Two-tailed tests of significance were used for all OLS regressions. Table 1 contains the means, standard deviations, and correlations for the variables in the analyses. Table 2 includes the OLS regression analyses.

To test the hypotheses regarding organizational commitment we first regressed trust, empowerment, and opportunities for promotion and all of the control variables simultaneously on each organizational commitment dimension, treating each commitment dimension as a separate dependent variable. To test the hypotheses regarding organizational justice and trust, we first regressed trust in franchise management on all three justice variables, controlling for all of the control variables (see Table 2). All variables were entered simultaneously. The regression equation for the justice variables explained 74% of the variance in trust in franchise management. None of the control variables were significantly related to trust in franchise management. All three justice variables are associated with higher levels of trust in franchise management (procedural justice β = .20**, distributive justice β = .30**, interactional justice β = .44**). Thus, Hypotheses 1a, 1b, and 1c are supported.

Table 1. *Means, standard deviations and correlations. Listwise deletion of missing data was used in all analyses.*

Variable	Mean (Std. Dev.)	Age 1	Sex 2	Edu 3	Ten 4	Hrs 5	Trust 6	Emp 7	Opp Pro 8	DJ 9	PJ 10	IJ 11	CC 12	NC 13	AC 14	Quit 15
1. Age	25.92 (7.66)	1														
2. Sex	.92 (.27)	-.07	1													
3. Education	2.56 (1.06)	.05	-.09	1												
4. Tenure at Time of Survey	1.30 (1.59)	.24**	.07	.03	1											
5. Hours per week	38.56 (10.60)	.10	.00	.04	.30**	1										
6. Trust	3.87 (.86)	.02	.06	-.14*	.00	-.07	1									
7. Empowerment	4.03 (.61)	.33**	.05	-.14*	.18**	.17*	.54**	1								
8. Opportunity for Promotions	3.55 (1.11)	.09	.07	-.12	.00	.10	.59**	.46**	1							
9. Distributive justice	3.62 (.86)	.01	-.01	-.04	.08	.02	.73**	.52**	.60**	1						
10. Procedural justice	3.53 (.85)	.03	.05	-.11	-.03	-.01	.76**	.51**	.54**	.65**	1					
11. Interactional justice	3.80 (.85)	.04	.03	-.08	-.02	-.06	.81**	.51**	.51**	.65**	.81**	1				
12. Continuance commitment	3.11 (.68)	-.08	.08	-.23**	.14*	.13*	.31**	.33**	.33**	.29**	.31**	.23**	1			
13. Normative commitment	3.27 (.97)	.22**	-.04	-.20**	.15*	.16*	.66**	.63**	.52**	.56**	.55**	.54**	.38**	1		
14. Affective commitment	3.37 (.85)	.23**	-.02	-.16*	.21**	.18**	.61**	.65**	.46**	.53**	.46**	.51**	.25**	.70**	1	
15. Voluntary Quit	.79 (.41)	-.28**	.08	-.08	-.42**	-.31**	-.03	-.20*	-.10	-.11	.01	.01	-.14+	-.20*	-.27**	1

*=p<.05 **=p<.01 +=p<.10

Table 2. *OLS Regression Analyses*

Independent variables	Continuance Commitment	#	Dependent Variables Normative Commitment	#	Affective Commitment	#	Trust in Franchise Management	#
Control variables								
Age	-0.21	**	0.08		0.07		0.01	
Sex	-0.01		-0.10	*	-0.07		0.06	
Education	-0.17	**	-0.12	*	-0.09	+	-0.06	
Tenure	0.14	*	-0.06		0.12	*	-0.04	
Hours Worked/Week	0.05		0.09	+	0.09	+	-0.01	
Predictor variables								
Procedural Justice							0.20	**
Distributive Justice							0.30	**
Interactional Justice							0.44	**
Trust in Management	0.04		0.42	**	0.42	**		
Empowerment	0.26	**	0.30	**	0.34	**		
Opportunities for Promotion	0.13		0.11	+	0.07			
R2 Adjusted	0.19		0.57		0.58		0.74	
F	6.94	**	34.67	**	36.25	**	72.70	**

#Sig: +p < .10, *p <.05, **p <.01
Two-tailed tests. Standardized coeffficients are reported.

Additional tests indicate that employees' trust in franchise management and empowerment partially mediates the relationship between the three forms of justice and organizational commitment. First, each of the three types of organizational commitment were regressed separately on all three justice dimensions simultaneously, controlling for all of the control variables. Results (not presented in a table) indicate that procedural justice is related to higher levels of continuance commitment (β = .23+) and normative commitment (β = .23*), but not affective commitment (β = .04, N.S.). Distributive justice is related to higher levels of continuance commitment (β = .16+), normative commitment (β = .28**) and affective commitment (β = .29**). Interactional justice is only related to higher levels of affective commitment (β = .29**), and not significantly related to the other two types of commitment.

Even though all forms of justice were not significantly related to all types of organizational commitment, regression tests were then conducted in which trust in franchise management was added to the models containing the justice variables and the control variables, again with each form of organizational commitment as a separate independent variable. When trust is added to these regression models, justice becomes much less significant in its relationship to organizational commitment. Procedural justice is only marginally related to continuance commitment (β = .20+), and distributive justice is less strongly related to both normative commitment (β = .16*), and affective commitment (β = .14+). All other relationships between the justice variables and the types of organizational commitment become insignificant. Thus, strong but not absolute support is shown for Hypothesis 1d.

Partial support was found for Hypothesis 2. Trust in franchise management is found to be related to higher levels of normative commitment (β = .42**) and affective commitment (β = .42**), but not continuance commitment (β = .04, N.S.). Support was found for Hypothesis 3. Empowerment is found to be related to higher levels of continuance commitment (β = .26**), normative commitment (β = .30**), and affective commitment (β = .34**). Limited support was found for Hypothesis 4. Perceived opportunities for promotion are found to be related to higher levels of normative commitment (β = .11+), but not to continuance commitment (β = .13, N.S.) or affective commitment β = .07, N.S.).

Depending on the form of organizational commitment, control variables are significantly related with each form of commitment (see Table 2), with more education being related to lower levels of all three forms of commitment. More hours of work are related to higher levels of both normative commitment and affective commitment, although only at the p=.10 level. Longer tenure is related to higher levels of both continuance and affective commitment. Older employees have lower levels of continuance commitment. Females have lower levels of normative commitment.

All eight franchises provided us with turnover data. Of the 239 respondents with matching turnover data, 117 employees had voluntarily left the organization over the four year study period. Thirty-one were still employed, 31 had been fired for cause, and the remainder had left for other reasons (e.g., poor health). With this caveat, to test Hypothesis 5 we conducted a logistic regression (Table 3). Because a binary dependent variable like turnover (i.e., staying or leaving) violates the assumptions of ordinary least squares regression, we conducted log linear regression analysis rather than the more typical ordinary least squares regression. The error terms from prediction cannot be normally distributed nor are they homoscedastic (Lee & Mowday, 1987). Consequently, all estimates using OLS regression are statistically inefficient. In contrast, log linear models better meet the underlying assumptions and allow for meaningful probability statements and statistically efficient estimates (Cox, 1970). When log linear (logistic regression) analysis was conducted, we found partial support for Hypothesis 5, that employees with higher levels of organizational commitment would have a lower likelihood of voluntary turnover. When all predictor and control variables were entered, the -2 log likelihood function was 93.50, with a chi-squared improvement of fit (over the constant) equal to 41.96.

Table 3. *Results of Logistic Regression; Voluntary Turnover is the Dependent Variable*

Variable	B	S.E.	Wald #	Exp(B)
Age	-0.08	0.04	4.44 *	0.92
Sex	1.13	0.87	1.66	3.08
Education	-0.09	0.22	0.17	0.91
Tenure at Time of Survey	-0.41	0.17	5.86 *	0.66
Hours Worked Per Week	-0.06	0.03	3.82 *	0.95
Empowerment	0.31	0.72	0.19	1.36
Trust	0.34	0.69	0.24	1.40
Promotional Opportunities	-0.23	0.32	0.51	0.80
Continuance Commitment	-0.51	0.45	1.28	0.60
Normative Commitment	0.59	0.53	1.24	1.80
Affective Commitment	-1.07	0.62	3.02 *	0.34
Distributive Justice	-0.46	0.53	0.75	0.63
Procedural Justice	0.75	0.64	1.38	2.12
Interactional Justice	-0.32	0.64	0.26	0.72
Constant	7.76	2.94	7.00 **	2347.48
# Sig: +p < .10, *p < .05, **p < .01				
-2 Log likelihood	93.5			
Model Chi Square	41.96		***	
Chi Square df	14			
Cox Snell R2	0.28			

Two-tailed tests were used for these hypotheses. As hypothesized, affective commitment (β = -1.08*, one-tailed test) was negatively related to voluntary turnover. However, neither continuance commitment nor normative commitment was related to voluntary turnover. Thus, we found partial support for Hypothesis 5. When the commitment variables were included in the model, none of the other predictor variables (trust in management, empowerment, opportunities for promotion, or the three forms of organizational justice) were significantly related to voluntary turnover. Our logistic regression indicates that 86.2% of the cases were correctly classified as having turned over or having remained with the firm.

DISCUSSION

This research is among the first to examine trust and its consequences in franchise-based organizations. Such organizations are pervasive in daily life yet represent an understudied population in the organization studies literature. Moreover, the degree to which they attempt to standardize and regulate behavior while attempting to maintain entrepreneurial initiative and energy provides perhaps a unique context in which to investigate human resource practices and the flexibility and creativity that trust has been posited to promote.

In our study, we found that the degree to which employees are affectively committed to the franchise has a distinct negative effect on the likelihood of their voluntary turnover even after controlling for age, gender, organizational tenure, level of education as well as other forms of organizational commitment, and perceived opportunities for promotion. This demonstrates that managers who build a sense of affective commitment among employees can prevent turnover and its associated costs to the firm. These costs include the recruitment and training of new employees who must replace those who leave, as well as the lost training and knowledge that goes with those employees who leave.

Trust and empowerment had their hypothesized relationships with organizational commitment, but were fully mediated by affective commitment in their effects on voluntary turnover. A sense of personal attachment then, rather than cost-benefit calculations or other economic decisions, is critical to explaining voluntary turnover even in this service firm. This is particularly noteworthy given the degree to which service industries and this firm in particular, seek to reduce uncertainty by regulating employee behavior, for example through employee training. Providing employees with the security that is engendered by trust and personal control of empowerment then may be just as important in reducing costs as more traditional, hierarchical methods. This particular firm has worked hard to create a feeling of personal attachment at both the corporate level and the franchise level, as evidenced by the use of the word "family" in the organization's newsletters to all franchisees. Our research indicates that the words and actions taken by the managers of this organization achieve this goal of creating a sense of personal attachment with employees. A possible benefit for customers in this instance is that this sense of personal attachment is evident to customers in the care taken with their belongings in a residential or commercial move. Employees have a pride in their work that is evident to customers, building customer loyalty as a result of employee commitment. External evidence for this customer loyalty takes the form of being ranked "highest in satisfaction among customers using full-service moving companies" by J.D. Power & Associates.

MANAGERIAL IMPLICATIONS FOR SMALL BUSINESS OWNERS

A recent *Inc*. article (Lucas, 2013) showed that the cost of employee turnover can run as high as 150% of an employee's annual salary. Those costs include: lower productivity, an overworked remaining staff, costs of training and interviewing, and paying recruiters. This is one good financial reason for small businesses to work to build trust, empowerment and commitment among employees, in order to reduce such turnover.

Our research finds that to the extent that employees believe that their firm operates with greater fairness in its business practices, they have greater trust in the management of that firm. Such trust, and the degree to which employees believe that they are empowered, in turn, are both positively related to their commitment to the firm. Greater commitment in form of a personal attachment then is negatively related to leaving the firm. Thus, small business firms who make the effort to instill a set of business practices, including reward systems that are more equitable, consistent, and transparent will be able to increase commitment to the firm and reduce unwanted employee turnover. Such firms will also increase commitment and reduce such turnover to the extent that they can help their employees feel a greater sense of competence, autonomy, AND impact on the organization's bottom-line and personal meaning in their work.

LIMITATIONS AND DIRECTIONS FOR FUTURE RESEARCH

One empirical limitation of this research is the potential for common method bias among our predictor variables and organizational commitment. While it is ideal to have different referents providing different pieces of data to minimize the potential for common method bias, theoretically, the employee is the appropriate referent for the constructs in the model, as they are all perceptual variables that must be self-assessed (Spreitzer & Mishra, 2002). So it is not clear how to avoid the problem of common method bias when the variables are examined from the most appropriate referent (Spreitzer & Mishra, 2002, p. 723). The findings also indicate that common method bias is not the primary driver of the results given that not all variables using common methods are significant in the analyses. In addition, our archival measure of voluntary turnover provides additional, objective data supporting our model.

Although the research context involves franchise-based organizations, we believe that our results generalize to other small business organizations in the service sector. Franchising provides the structure and support for an individual to be a small business owner. It is just one of many small business types that the U.S. Small Business Association includes in its types of small businesses, including green businesses, home-based businesses, online businesses, among others (SBA, 2015). Any of these can be comparable to the organization here, especially those that involve a service such as cleaning, window washing, lawn care, etc. In those small, family-oriented businesses, founders rely on trusted employees to provide superior service.

Future research should consider how employees are recruited to the organization. Mobley (1982) found that turnover rates are much higher for newer employees than for those with a longer tenure (Wanous, Poland, Premack & Davis, 1992). Wanous (1992) found that "inside job sources had higher survival rates that were about 30% higher than those of outside sources." There may be higher likelihood that employees are brought into the organization through referral by current employees. Future research should also consider just how trusting relationships are *developed* so that organizations can train managers to build such relationships with subordinates, thereby increasing commitment and reducing unwanted turnover.

When organizations spend time and money investing in training employees in a service industry, it is in their economic interest to reduce turnover and increase commitment. It appears that human resource practitioners can do this by promoting trust and empowerment between employees and their supervisors so that employees choose to remain with the organization.

CONCLUSION

For these small business franchises, a sense of personal attachment (affective commitment) on the part of their employees, rather than an economic rationale (continuance commitment) is critical for retaining employee loyalty. This is somewhat surprising given that the moving business is prosaic, physically taxing work. But, this underscores the importance of providing training, and creating a sense of community in small businesses in order to build trust and loyalty, as well as reduce turnover. It proves that even within a global franchise organization, an individual small business owner can create a family business culture valued by employees.

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State Health Insurance Subsidies and the Self-Employed

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Many of the studies addressing the effectiveness of health insurance subsidies on the take-up rate of the self-employed have focused on either federal policies, such as TRA86 and OECSA, or the federal policies in combination with state policies. We are interested in isolating the effects of the state subsidy programs on take up rates. We are also interested in determining whether state health insurance subsidies have increased the probability that an individual would choose to become self-employed. Using a difference-in-difference-in-difference approach, this natural experiment isolates the effects of the state policies from the federal policy effects by comparing a group of states that subsidize the cost of health insurance with a group of similar states that have not implemented such policies. We find that a self-employed individual in the treatment states was more likely to be covered by private insurance after the state subsidized the cost of health insurance. However, we do not find that the subsidies increased the probability that an individual would choose to become self-employed.

INTRODUCTION

Two of the driving factors in the recent debate over a public health system are the number of uninsured and the high cost of health insurance. In 2009, over 50.6 million people in the U.S. were without health insurance (DeNava-Walt, Proctor, & Smith, 2009). The health insurance premium to cover an average family in 2009 was $13,770 and $5,049 for a single individual, as reported by the Kaiser/HRET (2010) annual survey. These unsatisfactory statistics exist in spite of policy changes over the past 20 years. During the health care debate, it was proposed that subsidies, mainly in the form of tax credits, were an effective way to decrease the percentage of the population that are uninsured and lower the cost of insurance. Before any new subsidies are implemented, it seems appropriate to determine the efficiency of previously introduced policies.

Nearly one-third of self-employed individuals have no health insurance compared to one-fifth of all workers (Fronstin, 2010). The Congressional Budget Office (2012) recently estimated that in 2016 those 30 million individuals in the United States will have no health insurance. Of these, approximately 24 million individuals will be given an exemption for things such as financial hardship. The 6 million remaining individuals will be assessed a penalty rather than purchase insurance. There is strong reason to believe self-employed individuals will choose pay the penalty because the marginal cost of paying the penalty is greater than the marginal benefit of purchasing health insurance or because they can demonstrate hardship (Auerbach, Holtzblatt, Jacobs, Minicozzi, Moomau, & White, 2010). Self-employed individuals are more tolerant of risk than employees which would reflect in a lower demand of health insurance (Shane & Trivedi, 2012).

This paper will focus specifically on the impact of state health insurance subsidies on the take up rate for privately insured self-employed. With many of the insurance programs used in the analysis offering subsidies for the purchase of private insurance, we did not include total insurance coverage rates, only the effects on the probability of being privately insured. The self-employed sector of the population is a driving force in lowering the private insurance coverage rates. In 2004, 77.9% of adults in employed families were covered as opposed to 47.9% of adults in self-employed families (Selden, 2009). A self-employed family includes the self-employed person, their spouse and other family members living in the same household. It was estimated that, using Schedule C filing as a proxy for self-employment, an increase of 5% in the number of self-employed could translate into a 1% increase in the uninsured population (Cebula, 2006).

The Tax Reform Act of 1986 (TRA86) allowed self-employed individuals to deduct 25% of the costs of health insurance from their taxable income on their federal returns. The Omnibus Consolidated and Emergency Supplement Act (OCESA) of 1998 gradually increased this deductibility, until finally in 2003, the self-employed were able to deduct 100% of their health insurance expenditures. Since these changes, some states have followed suit and implemented their own form of health insurance subsidies designed to lower the cost of health insurance for the self-employed and small businesses. Many of the current health insurance subsidy studies focus on the federal and state policies simultaneously or they only consider the effects of the federal policies. Here we present a different approach than the standard difference-in-differences approach (DID). A DID is an econometric method used when conducting a natural experimental analysis on a data set. It allows the researcher to compare a control group to a treatment group and determine if, after a given time, there exist differences in the behavior of the two groups that are not explained by other control variables. Trying to control for the effects of the federal policy changes, this paper uses a difference-in-difference-in-difference (DDD) approach in an attempt to isolate the effects of state insurance subsidies on the self-employed. The three differences are whether the person is self-employed (1), living in a state that implemented a subsidy (2) after the subsidy was implemented (3). We test the effectiveness of such state policies by addressing two research questions. First, have the state health insurance subsidies increased the likelihood that a self-employed individual will purchase health insurance? And second, have state health insurance subsidies increased the likelihood that a person will become self-employed?

LITERATURE REVIEW

HEALTH INSURANCE SUBSIDIES AND TAKE-UP RATES

The law of demand states that as the price of a good decreases (increases) the quantity demanded of that good increases (decreases). Assuming that health insurance is a normal good, then this property should hold. However, the amount by which the quantity demanded will increase depends on the price elasticity of demand. It is important for policy makers to be aware of the price elasticity of demand for health insurance when subsidizing the purchase of this good. Many studies find that the price elasticity for insurance is very low which leads to low take-up rates. However, there is no consensus on the true value of the take-up rate.

Some of the earlier work on this topic finds that health insurance demand is price elastic whereas more recent studies find the opposite. Feldstein and Friedman (1977) found a large impact of the price of insurance on the amount of insurance purchased, using simulations. Phelps (1973) estimated that the income elasticity for insurance coverage ranges from -0.4 to -0.7. If this is the case then a subsidy on the price of health insurance would dramatically increase the amount of insurance purchased. These large estimates were found and supported often in the literature and may have impacted the development of the TRA86. However, Holmer (1984) finds a price elasticity of -0.16 and believes that it is important to determine why the earlier studies find dramatically different results. He proposes that the theoretical framework for viewing this choice behavior could be Kahneman and Tversky's (1979) prospect theory as opposed to the conventional expected utility model. The previous studies used the expected utility model to explain how people made choices of health insurance plans under uncertainty and they overestimated the price elasticity, according to Holmer. More recently, Gruber and Washington (2005) estimated price elasticity closer to -0.02, which is even lower suggesting little response to changes in the price of insurance. Their study focused on employee premiums and they concluded that subsidies are not a cost effective way to increase coverage.

These elasticities measure the responsiveness of the amount of insurance purchased when the price of the insurance changes. Therefore, how low would the price have to be reduced to have a significant effect and how much would it cost to substantially decrease the number (percentage) of uninsured?

Gruber and Levitt (2000) evaluated a number of different tax policies and their potential impact on the number of uninsured. They conclude that even the most effective tax policy they evaluated would cost about $40 billion per year and would only cover about 30% of the uninsured. This is similar to the conclusion of Blumberg, Nichols, and Banthin (2001) that subsidies will have to be very large to induce uninsured workers to purchase insurance. Other studies have actually tried to estimate the effects of specific subsidy programs on the take-up of health insurance. Long and Marquis (2002) found that decreasing insurance premiums to only $10 would have a small impact and one-third of eligible adults would still remain uninsured. They used a conditional logit model to explain the choice of health insurance status including the existence of subsidies and public health insurance options. It was interesting that over 37% of the individuals below the poverty line were not aware of the public options that were available to them. Marquis, Buntin, Escace, Kapur, and Yegian (2004) showed that a 50% subsidy would only reduce the number of uninsured by 4-8%, specifically focusing on the impact of a state subsidy package in California. Auerbach and Ohri (2006) suggested that a 50% subsidy would only increase the purchased coverage by 4.4%. This study specifically focused on non-group health insurance.

Around 30% of the uninsured in 2009 had a household income of less than $25,000 (DeNava-Walt, Proctor, & Smith, 2009). Given this information, the behavior of low income households in response to a subsidy is important. Thomas (1994) suggested that a person's income must rise above 125% of the poverty line before the family is likely to purchase insurance. Thomas concluded that only families above the poverty line would be likely to purchase health insurance. This could be a result of public programs that are available and act as substitutes for private insurance, such as Medicaid. Therefore, many of the studies suggested that investing tax money in subsidizing health insurance would have a very small impact in the likelihood that an individual will decide to purchase insurance. However, policy makers continue to push for tax credit and deductions to cover the cost of insurance at both the federal and state levels.

HEALTH INSURANCE AND SELF-EMPLOYMENT

The previous studies reviewed here did not focus specifically on the impact of the health insurance subsidies on the self-employed but the effects of health insurance subsidies in general. Using CPS data and employing a DID approach, Gruber and Poterba (1994) took a closer look at the evidence from the self-employed and conclude that the self-employed are extremely responsive to the cost of health insurance. They suggested that a 1% increase in the cost of insurance coverage reduces the probability that a self-employed household will insure by 1.8%. You would assume that if the self-employed are this responsive to a price increase then they will be just as responsiveness to a price decrease. If this is not necessarily the case then it lends support to the prospect theory view for the purchase of health insurance by the self-employed.

The question of the effects of the subsidy on the behavior of the self-employed is difficult to answer because studies find differing results. Heim and Lurie's (2009) results suggested that changing the price of insurance had a moderate effect on the number of self-employed individuals who purchase insurance and the amount of insurance that they purchase, estimating a take-up rate of about -0.3. A much higher elasticity was estimated by Selden (2009), -1.9, which leads us to believe that an increase in tax subsidies will increase the coverage among the self-employed significantly. He simulated that the federal and state increases in subsidies after 1996 increased the number of self-employed with private coverage in 2004 by 1.1 million persons. With the recent increases in insurance premiums, subsidies have to at least increase by the same amount to be effective in reducing the after tax price of health insurance for the self-employed. On the other hand, Gumus and Regan (2009) concluded that the self-employed respond very little to reductions in the cost of health insurance.

Besides the take-up rate, it is important to identify whether such subsidies will entice potential self-employed individuals to start their own business. After examining the impacts of the TRA86 and the Omnibus Reconciliation Act of 1993 (OBRA93), Moore (2003) found that the reforms (including subsidies) had no significant effect on the decision to become self-employed. The self-employed have a significant impact on the percentage of persons not covered by health insurance (Cebula, 2006). With that being said, it is important to identify whether the potential self-employed individuals would respond to incentives such as tax deductions, credit or other forms of subsidies by deciding to start their own business. Holtz-Eakin, Penrod and Rosen (1996) found insured wage-earners to be no less likely to start their own business than their uninsured counterparts.

DESCRIPTION OF SUBSIDY PROGRAMS

Not every state has implemented subsidies of health insurance premiums for small businesses. And no two state policies are exactly alike. Among some of the policy differences are the sizes of small businesses that are eligible to receive the subsidy, employee income restrictions, level of the subsidy, date of implementation, minimum employee participation, and required employer contribution. Table 1 presents some information on the general restrictions and inclusions for each state with subsidies that were included in our analysis.

In the Health Insurance Premium Tax Credit program (Arizona), for a small business to be eligible to receive the subsidy, they must have: had 2-25 full-time employees during the last year, not offered health insurance for the previous six months, been operating in Arizona for the past year (Health Insurance Premium Tax Credit , 2010). Also, small businesses can participate in the program for a maximum of three years and can only change insurance providers on the day of annual renewal. The Insurance Coverage Affordability and Relief to small Employers (ICARE) in Kentucky began in 2007. As of now, they are not accepting new applications but are accepting renewals. Maine’s DirigoChoice plan of 2008 offers programs to small businesses with 2-50 employees and also has an option for sole proprietors. Maine offers three different plans for its enrollees that have different deductibles but the benefits are the same.

The proponents for the Working Families and Small Business Health Coverage Act of Maryland hope that over 100,000 uninsured will gain coverage. To be eligible a small business much have only 2-9 full-time employees, have average wages below $50,000 and have not offered insurance to their employees for the past 12 months (Working Families & Small Business Health Coverage Act, 2010). The self-employed in Massachusetts have to meet certain eligibility requirements to be covered by the Insurance Partnership including but not limited to: be between the age of 19-64, live in Massachusetts, have a family income that is no more than the standard income and, of course, be self-employed (Insurance Partnership for Employees, 2010). Insure Montana is a state funded program that can assist small business owners in two ways. One is through the Purchasing Pool Program (for businesses who do not currently offer a group plan) and the other is through the Tax Credit Program (for businesses who do currently offer coverage) (Insure Montana, 2010).

The State Coverage Insurance program in New Mexico covers small businesses with 50 or less employees and this includes the self-employed. The annual benefits are capped at $100,000 and are targeted towards the uninsured (State Coverage Insurance Frequently Asked Questions , 2010). Finally, CoverTN is a low-cost coverage plan for small businesses and individuals in Tennessee. Employers must: be located in Tennessee, have 50 or fewer full-time employees with 50% of them earning less than $55,000 per year, pay one third of the premium, and have not offered coverage in the past six months (CoverTN Eligibility, 2010).

As motivated by this literature, the current study intends to address two research questions. First, have the state health insurance subsidies increased the likelihood that a self-employed individual will purchase health insurance? And second, have state health insurance subsidies increased the likelihood that a person will become self-employed?

DATA

The data is from the 2002 and 2009 Current Population Survey (CPS), with 2002 representing the before policy year and 2009 representing the after policy year. The CPS is the primary data set, collected by the U.S. government, used first and foremost for labor research. It is useful for studies that would try to determine the effects of different factors on wages and unemployment rates. The data is collected monthly for some households and there are different supplements throughout the year that ask a wide variety of questions. For example, the March Supplement asks Health Insurance related questions, which is what was used for this study. The data is collected for each individual in the household but the labor data is only collected for those above 15 years or older (Technical Documentation Current Population Survey, 2009). The disabled and those not between the ages of 19 and 64 were dropped from the sample.

To answer the two questions of interest, we exploit a natural experiment. The treatment group consists of states that have implemented a subsidy for the purchase of health insurance by small businesses or the self-employed. These states are Arizona, Kentucky, Maine, New Mexico, Maryland, Massachusetts, Montana and Tennessee. The control group consists of states that have not implemented such policies but are similar to the treatment states with regards to their median income and industry mix. The control states for each treatment state, respectively, are Colorado, West Virginia, Ohio, Nevada, New Jersey, Rhode Island, North Dakota and Alabama.

Table 1. *Health Insurance Subsidy Characteristics by State*

State	Name of Program	Size of employer	Year Started	Level of subsidy
Arizona	Health Insurance Premium Tax Credit	2-25 eligible employees	2006	Lesser of: $1,000 for each employee (single coverage);
Kentucky	ICARE	2-25 eligible employees	2007	$3,000 for each employee (family coverage); or 50% of annual premium $40 per employee/month; Employee with a high-cost condition - $60/month
Maine	Dirigo Choice	2-50 eligible employees	2008	Premium discounts and cost-sharing reductions
Maryland	Working Families and Small Business Health Coverage Act	2-9 eligible employees	2008	Lesser of: $2,000 for each employee; or 50% of the premium
Massachusetts	Insurance Partnership	2-50 eligible employees	2008	$33.33/month (individual); $66.66/month (couple or one adult/one child); $83.33/month (family)
Montana	Insure Montana	2-9 eligible employees	2005	Premium assistance
New Mexico	State Coverage Insurance (SCI)	1-50 eligible employees	2005	Employers pay $75, and enrollees pay up to $35 depending on income
Tennessee	CoverTN	1-50 eligible employees	2008	Premium discounts

RESEARCH METHODOLOGY

A difference-in-difference-in-difference approach was used by estimating a logistic regression. The independent variable represents whether the individual purchased health insurance privately or not. The variable of interest for the DDD is the variable that interacts whether an individual is self-employed, whether an individual is from a state with a subsidy program or not and if we are looking at before or after the policy implementation.

Model (1) below was used to determine whether or not the policy was effective in increasing the probability that a self-employed individual will purchase health insurance. The variable of interest is *self_sub_after,* our DDD variable, which interacts *self_employed, subsidy,* and *after* multiplicatively. Model (2) was used to test whether the policy increased the probability that an individual would choose to become self-employed. The main variable of interest in this model is the DID variable, *subsidy_after*, which interacts –*subsidy* and *after* multiplicatively.

$$priv\_ins_t = \alpha + \beta X_t + \gamma Z_t + \delta self\_sub\_after \qquad (1)$$

X_t contains the covariates *age*, *male*, *married*, ethnicity variables (*white, black, native, asian,* and *hispanic*), *lninc*, occupation type variables[1] and *kids*. These covariates were included because of their impact on the choice to purchase private insurance. We would assume that individuals that are older, married, with kids and higher incomes would be more likely to purchase private health insurance. Z_t includes dummies (and all of the interaction terms) for self-employed, whether the individual was in a state that offered a subsidy or not and if we are looking at before or after the policy implementation. The coefficient δ is of the most interest. If δ is positive and statistically significant then self-employed individuals in states that have subsidized the purchase of health insurance after the start of the policy are more likely to be covered by private health insurance. The literature, as presented earlier, is undecided as to whether subsidies are effective but we assume that even if the effect is very small it will be positive and statistically significant.

$$self\_employed_t = \alpha + \beta X_t + \gamma Z_t + \delta subsidy\_after \qquad (2)$$

Once again, X_t contains the covariates *age*, *male*, *married*, ethnicity variables (*white, black, native, asian,* and *hispanic*), *lninc*, occupation type variables and *kids*. Z_t includes dummies (and all of the interaction terms) for whether the individual was in a state that offered a subsidy or not and if we are looking at before or after the policy implementation. The coefficient δ is still of the most interest. If δ positive and statistically significant then the health insurance subsidies increased the probability that an individual will choose to become self-employed. We do not expect to find this to be the case due to the number of other factors and costs involved in starting your own business.

RESULTS

Table 2 in the results section gives a description of the variables used and the summary statistics. The income variable was reported as a continuous variable representing the amount of income earned in the previous year. The occupation variable was reported by choosing from one of fourteen different categories of occupations. The years of education variable was estimated using the information given in the data.

[1]The occupation categories are as follows: 1) Management, business and financial occupations 2) Professional and related occupations 3) Service occupations 4) Sales and related occupations 5) Office and administrative support occupations 6) Farming, fishing and forestry occupations 7) Construction and extraction occupations 8) Installation, maintenance, and repair occupations 9) Production occupations 10) Transportation and material moving occupations 11) Armed Forces

In the sample, an individual was considered married if they reported themselves as married with civilian spouse present or married with armed forces spouse present. A person in the sample was considered self-employed if they reported themselves as self-employed incorporated or self-employed not incorporated as their class of worker. The variable representing the number of children only takes into account children that were never married and were under the age of 18 at the time of completing the survey.

Table 2. *Variable Descriptions and Summary Statistics*

Variable Name	**Description**	**Mean**	**Std. Dev.**
Private-Insurance	Dummy where if privately insured = 1 and if not = 0	.780	.414
Age	Age in years	40.356	11.944
Male	Dummy where male = 1 and female = 0	.472	.499
Married	Dummy where married = 1 and not = 0	.619	.486
White	White, Non-hispanic	.721	.448
Black	Black, Non-hispanic	.100	.300
Native	American Indian or Aleut Eskimo	.010	.102
Asian	Asian or Pacific Islander	.042	.201
Hispanic	Hispanic	.120	.325
Income	Annual Income from Previous Year in Dollars	$39,096	$49,222
Education	Number of years of education	13.615	2.860
Kids	Number of children	.914	1.123
Self-employed	Dummy where self-employed = 1 and not = 0	.083	.275
Subsidy	Dummy where if in subsidy (treatment) state = 1 and not = 0	.458	.498
After	Dummy where before policy (2002) = 0 and after = 1	.462	.499

Source: 2002 and 2009 Current Population Survey

The results from the logistic regression can be seen in Table 3. Of the covariates, age, gender, marital status, ethnicity, income, number of children and years of education were all statistically significant. The older the individuals were the more likely to be insured; males were less likely to be insured; married individuals were more likely to be insured; those with higher income and more years of education were more likely to be insured; and the more children you have the less likely you are to be insured. At first glance, it seemed strange that the probability of being insured would decrease with the number of children. But household expenses certainly increase with the number children and therefore, there may be less disposable income to purchase health insurance. Also, the price of health insurance increases with the size of a family and individuals may no longer be able to afford the health insurance premiums.

Table 3. *Logit Regression Results (Marginal Effects)*

VARIABLES	(1) *Private-Insurance*	(2) *Self-employed*
Age	0.0016*** (0.0001)	0.0034*** (0.0001)
Male	-0.0067* (0.0038)	0.0384*** (0.0028)
Married	0.1580*** (0.0044)	0.0199*** (0.0030)
White	0.0735*** (0.0224)	0.0199*** (0.0111)
Native	-0.2630*** (0.0194)	Not significant
Hispanic	-0.0543** (0.0085)	Not significant

Ln(Income)	0.0131*** (0.0006)	-0.0169*** (0.0006)
Education	0.0250*** (0.0007)	0.0044*** (0.0005)
Kids	-0.0081*** (0.0017)	0.0139*** (0.0012)
Subsidy× Self-employed ×After	0.0401** (0.0192)	
Subsidy×After	-0.0084 (0.0074)	0.0003 (0.0051)
Observations	70320	58217

Note: Standard errors in parentheses. Statistical significance: *** p<0.01, ** p<0.05, * p<0.1

DISCUSSION

Gruber and Poterba (1994), Heim and Lurie (2009) and Selden (2009) all find that the self-employed health insurance take-up rate increases with a decrease in the price of health insurance, even though the price elasticity they find differ. Gumus and Regan (2009) find that the self-employed are not responsive to changes in the price of health insurance. In this analysis, price data is not included and actual take-up rates are not calculated. The first question of interest is *have the state health insurance subsidies increased the likelihood that a self-employed individual will purchase health insurance?* The coefficient of the DDD variable, sub_self_after, which interacts s*elf_employed*, *subsidy* and *after*, had a value of 0.0401 and was significant at the 5% level. Therefore, the probability that a self-employed individual in a state that had implemented a subsidy would be covered by private insurance increased by about 4 percentage points after the subsidies were implemented when compared to the self-employed in the control states. This finding is consistent with some of the findings in the literature but the debate of the effectiveness of subsidies will continue. Model (1) was re-estimated with a redefined dependent variable as having private insurance in your own name. The results were different. No support was found on impact of the subsidies on take up rates. This lends support to the possibility that the take up rates increased because more people became insured by their spouse's insurance plans but there is no reason to believe this was the case.

Now for the second question, *have state health insurance subsidies increased the likelihood that a person will become self-employed?* The results suggest that the subsidies were not enough to increase the probability that an individual in the treatment states after the policies would decide to become self-employed. This is not surprising. The determinants of the choice to become self-employed involve much more than the cost of health insurance. Liquidity constraints have been found to be important in the choice to become self-employed, where those with insufficient funds are less to become self-employed (Evans & Jovanovic, 1989); (Branchflower & Oswald, 1998). Also, the social environment of an individual including exposure the other family members being self-employed or a close friend deciding to become self-employed have a statistically significant effect on the choice to become self-employed (Djankov, Qian, Roland, & Zhuravskaya, 2008). If individuals are already gainfully employed in a wage-earning position then often times the non-wage benefits from that employment option encourages workers to remain. Therefore, a financial incentive that solely focuses on the cost of health insurance may not provide sufficient incentive for individuals to move from wage-earning to self-employment, which is known as job-lock. We were able to control for the demographic information but did not have the necessary data to see if controlling for the social environment would have changed the results, but we do not assume it would have changed the coefficient of interest. It is possible that the economic situation during the before policy year (2009) could have impacted the results. The relationship between unemployment rates and self-employment rates has not been well established. There are reasons for the relationship to be positive, where the labor market is not presenting viable options for employment therefore individuals turn to self-employment. On the other hand, a negative relationship implies that as unemployment rates rise the demand for services often offered by the self-employed decreases therefore making wage-earning positions more attractive.

PRACTICAL IMPLICATIONS

Conventional economic theory leads us to believe that when health insurance is subsidized for the self-employed then more self-employed individuals will purchase health insurance. It is the goal of this paper to determine if this is the case but also to see if state health insurance subsidies have increased the likelihood that workers will choose to become self-employed. The proponents for such subsidies insist that they will decrease the number of self-employed that are uninsured and it will increase the number of potential self-employed individuals that start their own business. Also, if the goal of health policy is to decrease the percentage of uninsured in the population then concentrating part of their effort on the self-employed proves to be valuable due to the large percentage of uninsured being self-employed.

Besides reducing the percentage of uninsured, why else should we be concerned with supporting the self-employed? The self-employed sector of the population is a driving force for growth and innovation. A large percentage of the most innovative firms are small and medium sized enterprises. For this discussion, we will equate entrepreneurs with the self-employed. The study of the correlation between entrepreneurship and growth dates back to at least when Joseph Schumpeter (1934) wrote about it and discussed the relationship between entrepreneurship and capitalism, among other subjects. Entrepreneurship is now one of the recognized factors of production and determinants of economic growth. Entrepreneurs create markets, ideas, products, and employment, all of which contribute to growth. New business creation contributes to economic growth in many ways including converting ideas into new economic activities, increasing market competition, and creating a source for new employment and increased productivity (Kantis, Komori, & Ishida, 2002). Empirically, those countries that have introduced more support for entrepreneurship have experienced additional economic growth (Audretsch & Thorik, 2000). It has been argued that entrepreneurship should be included in growth theory because of its ability to incorporate human capital, knowledge externalities and increasing returns to scale (Holcombe, 1998). Therefore, it is in policymakers' best interest to create legislation that encourages growth of start-up businesses.

There are many other barriers, besides the cost of health insurance, to starting your own business including start-up costs, capital investment, payroll taxes, capital gains taxes, etc. With all of these other factors, lowering the price of health insurance may not play a major role in the decision to become self-employed. If start-up costs (and low capital gains taxes) are possible barriers to entry then researchers have asked if subsidizing (or decreasing) these costs (taxes) should encourage more self-employment. However, a capital gains tax has actually been shown to retard entrepreneurship and lead to a first-order welfare loss (Keuschnigg & Nielson, 2003). High start-up costs reduce the rate at which new businesses are started (Fonseca, Lopez-Garcia, & Pissarides, 2001). But subsidizing entry may reduce the revealed differences between less efficient and more efficient firms, which may lead to inefficient firms entering the market (Kösters, 2009).

CONCLUSION

Many of the studies addressing the effectiveness of health insurance subsidies on the take-up rate of the self-employed have focused on either federal policies, such as TRA86 and OECSA, or the federal policies in combination with state policies. This natural experiment isolates the effects of the state policies from the federal policy effects by looking at a group of states that subsidize the cost of health insurance as a treatment group and a group of similar states that have not implemented such policies as a control group. We were able to do so because there were no changes to the federal policy after 2003 and it applied to all states. We find that a self-employed individual in the treatment states after the state subsidized the cost of health insurance was more likely to be covered by private insurance. This finding adds to the debate as to whether health insurance subsidies are an effective approach to lower the amount of uninsured in the U.S. With the implementation of a public health care option, this body of research will continue to be important.

However, no support if found that the subsidies increased the probability that an individual would choose to become self-employed, which is not surprising due to the number of other factors involved in this decision. Subsidizing entry (e.g. health insurance costs) or start-up costs may cause an increase in the number of inefficient firms to enter the market. This could cause an increase in the failure rate of new businesses. However, it is hard to determine a "healthy" rate of business failure (Holtz-Eakin, 2000). A future avenue of research could determine if these types of financial incentives lead to longer periods of self-employment. During the early stages of a firm, resources and capital limitations can prohibit growth and lead to failure. It would be of interest to note if these types of subsidies reduced this resource load and lead to a better survival rate of small and micro businesses.

One weakness of this study is that the CPS data is not collected to represent the smaller U.S. states sufficiently and therefore may be underrepresented in our data. Also, this paper does not discuss any of the policy changes brought on by the recent healthcare reform. The reform increases some of the subsidies by increasing the type of deductions that can be made for health care costs for small businesses. Also, we did not have data on health status and that would have been useful in including in the covariates for explaining the purchase of health insurance. Further, the natural experiment could be compromised if the control states and the treatment states reacted differently to the recent recession. The after policy year is 2009, which is in the height of the recession.

With the recent discussions and implementations surrounding health care reform, it is important to identify how individuals respond to various incentive structures. The self-employed are a major contributor to the rate of uninsurance and the rise of health insurance costs. If insurance take-up rates remain low among the sector of the population then they become more dependent on emergency services and utilize preventative care options less frequently. This paper attempted to add a bit more clarity to this "fuzzy area" of research by determining if the self-employed are responsive to price changes in coverage options. The findings suggest that by essentially decreasing the price of coverage by offering subsidies states who implemented such programs saw an increase in the take-up rates among the self-employed. An important follow-up research study could focus on the specific aspects of the various subsidy programs had the most significant impact on this change. This information is valuable as the political discussions around health insurance coverage continue.

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Social Media Practices Among Small Business-to-Business Enterprises

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A national sample of business-to-business (B2B) small businesses was surveyed regarding their attitudes toward and usage of social media in their marketing efforts. Results from this descriptive study show that many B2B small businesses utilize social media in their marketing efforts (54%). The four main purposes for using social media reported by the B2B small businesses were: (1) improving company reputation, (2) increasing customer interest, (3) increasing customer awareness, and (4) promoting business to new customers. Among the 46% not using social media, a substantial proportion (81%) had no intention to do so in the near future. Further, nearly a quarter of those who do use social media report that they do not know the effectiveness of their marketing efforts. Clearly there is still a need among small businesses to gain more knowledge of how to most effectively integrate social media into their marketing plans.

INTRODUCTION

Today, the Internet has become an important tool in the business world. Organizations increasingly communicate with consumers and other stakeholders via various online means such as company websites, banner advertising, and search advertising. Recently, there has been a rise in adopting social media for business purposes (Reiss-Davis, 2013). The Forrester Research Report 2008 estimated that 75% of online adults in the United States used online social media regularly (Stephen & Galak, 2012). Further, Reiss-Davis (2013) reports that 100% of business decision-makers use social media for work related activities. This stunningly high number makes it critical to explore how social media channels are used and incorporated into marketing activities in B2B markets.

Research on social media mainly focuses on consumer interactions (Kaplan & Haenlein, 2010; Libai, Bolton, Bügel, de Ruyter, Götz, Risselada, & Stephen, 2010; Kietzmann, Silvestre, & McCarthy, 2011, 2012), word-of-mouth effects (e.g., Godes & Mayzlin, 2004; Godes, 2009; Trusov, Bucklin, & Koen, 2009), and how firms can use these media for marketing communications (Shankar & Batra, 2009; Winer, 2009). However, there is limited understanding of social media usage in B2B markets (Michaelidou, Siamagka, & Christodoulides, 2011); furthermore, the insights from social media usage of business-to-consumer (B2C) organizations may have different implications and applications in B2B contexts due to the heterogeneity of organizational buying processes (Wiersema, 2013). This paper aims to explore social media usage of small businesses in B2B space and provides practical recommendations.

This study focuses on small businesses because this sector is a driver of economic growth and job creation in the U.S. (LaPlace, 2011; DiGrande, Knox, Manfred, & Rose, 2013) yet little research has been done on the sector's social media usage for marketing purposes. Compared to traditional marketing communications, the relatively low resource commitment required for social media participation should make these tools attractive to small businesses. Social media provides inexpensive access to customers and a variety of ways to interact and engage them at different points in the purchase cycle. According to the American Marketing Association (2014), 29% of small businesses stated that social media marketing is the major spending area in contrast to 20% of large companies.

The next section of this paper presents a review of related literature. This is followed by the research method, analysis and results. Finally, we provide managerial implications and conclude the paper with suggestions for future research.

LITERATURE REVIEW

This paper builds upon the literature on social media and B2B marketing in the small-and-medium-sized business (SMEs) sector. In this section, we will review each of these streams of research respectively.

SOCIAL MEDIA AND SOCIA MEDIA MARKETING

Social media is a group of Internet-based applications that allow users to interactively participate in, create and exchange content (Kaplan & Haenlein, 2010). Various forms of social media have been used by consumers as well as businesses including social networking sites (e.g., Facebook, LinkedIn, Twitter), blogs, content-sharing sites (e.g., YouTube), collaborative projects (e.g., Wikipedia), and virtual worlds (e.g., Second Life), to name a few. As defined by Tuten and Solomon (2013), social media marketing involves the use of social media to create, communicate, deliver, and exchange information with organizational value. Here, social media not only facilitate information exchange between firms and their consumers but also among consumers themselves. With social media marketing, consumer interactions and engagement with brands are greatly enhanced (Tuten & Solomon, 2013).

Extant research on social media mainly focuses on consumer interactions, online word-of-mouth effects, and how to integrate social media into firms' marketing strategies. The literature on consumer interactions (Libai et al., 2010; Kietzmann et al., 2011, 2012) explores user motivations to participate in, and their behavior on, social media. Kietzmann et al. (2011, 2012) identify various motives of participants, including establishing identities, engaging in conversations, sharing content, creating presence, developing relationships, enhancing reputations, and joining groups. They argue that participants are driven by some or all of these motivations when joining a particular platform; consequently, organizations should focus on specific "community needs" when designing and/or selecting social media channels. For example, to facilitate consumer-to-consumer communication, Mangold and Faulds (2009) suggest that firms can establish sponsored online communities where consumers share a particular interest in the firm's offering; companies can further engage customers via feedback encouragement, sweepstakes, contests, and voting.

Regarding measurement, social media are often tracked in terms of volume (e.g., Facebook likes), valence (e.g., negative vs. positive tweets), and recently, conversational content in the B2C context. Pauwel, Stacey, and Lackmam (2013) show that content-specific word-of-mouth performed better than Facebook and Twitter volume and valence metrics in explaining store traffic and online traffic; more specifically, conversation topics such as "love for the brand" had larger long-term traffic effects, but "went there/purchased" drove traffic in the short run. Joshi, Ma, Rand, and Raschid (2013) use a dataset of music bands to illustrate that social media engagement has different effects on sales for new versus established brands. In particular, for new bands, they found that a tweet had about a 10% chance of engaging a follower, with emotional tweets doing slightly better than neutral tweets, compared to a 35% chance of the same for well-established bands, with a non-emotional, informational tweet.

As new marketing channels of communication, social media can be integrated into the promotion mix of the company. For instance, Stephen and Galak (2012) use media activity data from a micro lending marketplace website to show that although both traditional (e.g., publicity and press mentions) and social (e.g., blog and online community posts) earned media affect sales, their nature of impact is very different. The higher frequency of social media activity results in significantly larger sales elasticity than traditional earned media. Further, social earned media seems to have an important role in driving traditional earned media activity.

Research on word-of-mouth activities has important implications for marketing communications. With the decline of online advertising effectiveness (Dreze & Hussherr, 2003), along with new technological advancements and information availability, companies find that word-of-mouth, especially online word-of-mouth has been increasingly important in the consumer decision making process. Trusov et al. (2009) found that word-of-mouth referrals on a social networking site have (1) a strong impact on new customer acquisitions, and (2) a longer carryover effect than traditional forms of marketing used by the firm (21 days versus 3 to 7 days). Other empirical research also shows the positive impact of word-of-mouth in different product categories such as television shows (Godes & Mayzlin, 2004), movies (Liu, 2006), technology products (Putsis, Balasubramanian, Kaplan, & Sen, 1997), books (Chevalier & Mayzlin, 2006), and financial products (Duflo & Saez, 2003). As a result, many organizations have an interest in attempting to proactively manage marketing related information flow.

Godes, Mayzlin, Chen, Das, Dellarocas, Pfeiffer and Verlegh (2005) propose four generic strategies to manage such an information flow. First, organizations can collect data to learn about their ecosystem (e.g., via online communities, surveys). Next, they can foster consumer interactions under the form of online reviews, or recommendation programs. Further, the information dissemination can be actively managed using of reference accounts. Finally, organizations can participate directly in consumer-to-consumer conversations by creating word-of-mouth, and proactively building relationships as in B2B markets.

SOCIAL MEDIA AND B2B MARKETING IN SMES SECTOR

Previous research has shown that relationship marketing is particularly important in B2B markets (Bjorkman & Kock, 1995; Ustuner & Godes, 2006), especially for SMEs (Copp & Ivy, 2001; Pitt, van der Merwe, Berthon, Salehi-Sangari, & Caruana, 2006; McCarthy, Pitt, Campell, van der Merwe, & Salehi-Sangeri, 2007). Using social network theory, Pitt et al. (2006) and McCarthy et al. (2007) show how to analyze the links in a business network to uncover valuable entrepreneurial opportunities in the biotech sector. Copp and Ivy (2001) examined the positive impact of networks (e.g., social and formal networks) of small tourism businesses in helping them compete with larger corporations.

The advent of the Internet and social media can allow B2B organizations to leverage the associated benefit of networking in an online environment. Members of an online network exchange information and provide solutions from and to different locations across the world instantaneously, increasing the chance to build persistent bonds with various business partners (Lea, Wu, Maguluru, & Nichols, 2006; Brennan & Croft, 2012). There is of course another consequence of this information liberation. That is, organizational customers progressively gain access to product and market information from a variety of media sources, e.g., websites, Internet search engines, and online word-of-mouth, causing a major shift in communications in B2B markets. In particular, Schultz (2012) argues that there will be a movement from persuasion selling to negotiated purchasing; companies who once controlled the message distribution system will need to shift their focus to learning and facilitating consumer communication consumption.

There are indications that B2B firms increasingly aim to formalize the processes by which their customers give referrals to one another online. Godes (2012) formally demonstrates that the firm might benefit from fostering the flow of information from early adopters of its product to potential later adopters using reference programs. More specifically, his analysis uncovers two potential benefits of these programs. First, a reference program could serve as a credible commitment of exclusive use, as it allows the firm to commit to serving one customer per time period which could create more value for the first customer and also allow the firm to charge a higher price. Second, when the firm has private information about the efficacy of its technology, a reference program can serve as a positive signal to early adopters.

Tuten and Solomon (2013) propose a wide range of potential applications of social media in garnering customer attention, managing customer relationships, developing new product ideas, promoting brands, driving store traffic, and converting customers. Despite these benefits, compared to B2C organizations, B2B firms lag behind in the race to leverage social media for business purposes (Michaelidou et al., 2011). The newness of the technology and the nuances of effectiveness measures make it very challenging for small businesses to gain clear insights.

As recent technologies, social media adoption may depend on various factors including organizational innovativeness, management innovativeness and perception (Agarwal & Prasad, 1998), and firm size (Frambach & Schillewaert, 2002). Extant research on information technology adoption reveals that SMEs are less likely to make good use of emerging technologies than are larger organizations (Harland, Caldwell, Powell, & Zheng, 2007; Cragg & Mills, 2011). Using a sample of small businesses in retail, financial services, and manufacturing sectors, Nguyen, Newby, and Macaulay (2013) confirm five factors contributing to a successful technology implementation: (1) the organization including management, staff, their knowledge, acceptance, commitment, and contribution; (2) the internal information technology resources; (3) the external information technology consultants; (4) the suppliers; and (5) the customers who are the driving force of the adoption.

While often characterized by limited resources and capital access, small businesses play a critical role in the economy. They account for half of all sales in the United States and have created two-thirds of all net new jobs since the 1970s (DiGrande et al., 2013). There are few studies on social media usage by small businesses in the U.S. (Network Solutions, 2011; American Marketing Association, 2014) and reports dedicated to B2B contexts are scarce. Given the relatively low costs and higher levels of efficiency (compared to other communication tools), social media can be a promising communication tool for these organizations. Though the insights from previous research in the B2C contexts may be useful, Wiersema (2013) noted that the diversity of organizational buying processes requires more scrutiny and cautions when generalizing B2C results to B2B markets. Therefore, this paper examines social media usage in B2B markets.

METHODS

Data were collected via an online survey using Qualtrics Survey Software. A publicly available email list of small businesses in each of four U.S. regions (Northeast, Midwest, South, and West) was generated using the Lexis-Nexus database to provide national coverage and serve as the sampling frame. Eighty-one B2B organizations completed the questionnaire, yielding a response rate of just over 4%. The effective response rate is likely higher as not all invitees may have received the email invitation. This could be due to several potential factors such as the accuracy of the email addresses and the gatekeeper technologies that are frequently used by many businesses.

Among the respondents, thirty eight (46.9%) were business owners/co-owners, twenty five (30.9%) held managerial positions, thirteen (16%) possessed upper-level marketing related titles, and five (6.2%) did not indicate their titles. The sample was dispersed throughout the U.S. (Northeast: 11, Midwest: 23, South: 20, West: 27). The descriptive statistics of the sample are included in Table 1.

Table 1. *Sample Descriptive Statistics*

Variable	Frequency	Percent
<u>Respondents</u>		
Gender	54	66.7
Male	27	33.3
Female		
Age		
19-25	8	9.9
26-35	7	8.6
36-45	9	11.1
46-55	23	28.4
56-65	24	29.6
66-75	10	12.3
<u>Business Characteristics</u>		
Age		
<=15 years	10	12.3
> 15 years	71	87.7
Number of employees		
<= 50	52	65.0
> 50	28	35.0
Industry		
Agriculture	2	2.5
Construction	4	4.9
Energy Industry	3	3.7
Financial Services	3	3.7
Health Care	1	1.2
Manufacturing	11	13.6
Oil & Gas Industry	4	4.9
Pharmaceuticals & Biotechnology	1	1.2
Printing & Publishing	3	3.7
Telecommunications & Media	4	4.9
Transportation & Logistics	2	2.5
Others	43	53.1

RESULTS

This analysis explores the adoption status of social media in B2B markets and how small businesses employ social media for business purposes. Further, association tests (e.g., Chi-Square, Kendall's tau-b, Somers' d, and Gamma) and t-tests were conducted to identify any differences among B2B companies in terms of social media usage. The results are organized by users and non-users of social media, followed by comparisons between these two groups.

Social Media Users

More than half (54.3%) of the eighty one B2B companies included in the sample used social media for business purposes. The majority of them used LinkedIn (86.4%). Companies tended to use more than one social media platform; the most popular combinations were LinkedIn and Facebook (70%), closely followed by LinkedIn and Twitter (67.5%). Table 2 summarizes popular platforms used by B2B companies in the sample.

Table 2. *Social Media Platforms Used*

Social Media Platform	Frequency	Percent
LinkedIn	38	86.4
Facebook	33	75.0
Twitter	30	68.2
Blogs	20	45.5
YouTube	19	43.2
Others	9	20.5

Most of the B2B social media users had less than five years' experience of usage (86.4%) and invested no more than $10,000 annually for social media efforts (84.1%). More than half (59%) of respondents perceived their usage of social media either somewhat effective or very effective (see Table 3). However, nearly a quarter of them (22.7%) declared that they didn't know the effectiveness of their social media usage.

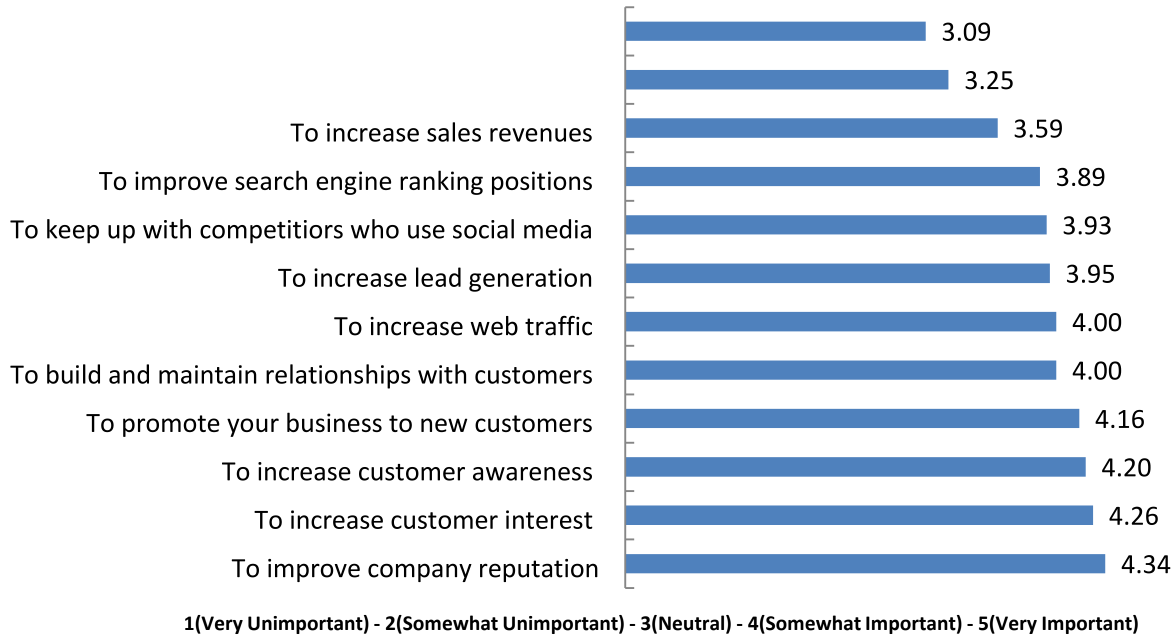
Table 3. *Perceived Effectiveness of Social Media Usage*

	Frequency	Percent
Very ineffective	1	2.3
Somewhat ineffective	7	15.9
Somewhat effective	24	54.5
Very effective	2	4.5
Don't know	10	22.7

Among thirty four respondents who were able to evaluate the effectiveness of their social media usage (77.3%), there was a statistically significant association between their perceived effectiveness and their experience with social media (i.e., the number of years of usage). In particular, higher levels of perceived effectiveness were associated with higher levels of experience (Gamma=.656, $p=.004$; Kendall's tau-b=.377, $p=.004$; Somers' d =.306, $p=.004$).

When it comes to purposes for social media usage, small B2B companies were inclined to use social media: (1) to improve company reputation, (2) to increase customer interest, (3) to increase customer awareness, and (4) to promote business to new customers. Meanwhile, relatively less emphasis was placed on increasing cost efficiency of customer support programs and converting followers or members into paying customers. However, the results indicate that social media usage is viewed as at least somewhat important in addressing the majority of these common marketing objectives. Figure 1 summarizes the perceived importance of social media usage for typical marketing objectives.

Figure 1. *Perceived Importance of Social Media Usage for Marketing Objectives*



SOCIAL MEDIA NON-USERS

Next, the barriers to adopting social media (see Table 4) were identified. Twenty of the thirty seven non-users (54.1%) perceived social media as not beneficial for their business; other reasons included not enough time (32.4%), and not enough knowledge (27%). Subsequently, the majority of non-user respondents (80.6%) indicated that they had no intention to integrate social media into their marketing plans in the next 12 months.

Table 4. *Reasons for Not Using Social Media*

Reasons	Frequency	Percent
Not beneficial	20	54.1
Not enough time	12	32.4
Not enough knowledge	10	27.0
Others*	8	21.6

* 4 out of 8 indicated that their target customers were not big users of social media.

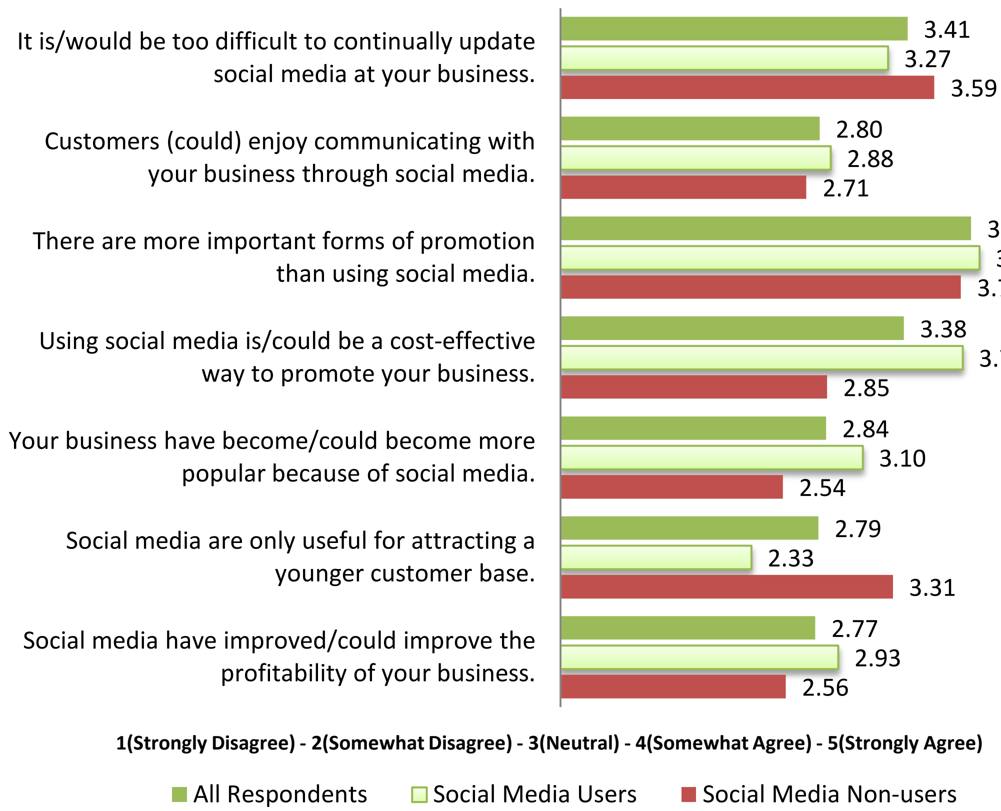
USERS VS. NON-USERS

Chi-square tests revealed that there was no difference between companies' social media adoption status regardless of their ages (χ^2=.086) or sizes as measured by the number of employees (χ^2=.001). Multiple t-tests were then performed to uncover the differences in perceptions between users and non-users on various aspects of social media (see Figure 2).

There was a consensus among all respondents that "There are more important forms of promotion than using social media" (Mean=3.85, Std.=.79), and "It is/would be too difficult to continually update social media at your business" (Mean=3.41, Std.=.98). On the other hand, respondents tended to somewhat disagree that "Customers (could) enjoy communicating with your business through social media" (Mean=2.80, Std.=.86) and "Social media have improved/could improve the profitability of your business" (Mean=2.77, Std.=.94).

A divergence was detected between users and non-users on three items. In particular, social media users tended to think that "Using social media is/could be a cost-effective way to promote your business" and "Your business has become/could become more popular because of social media." By contrast, non-users were inclined to disagree with these assertions (t=4.471, p <.001, and t=2.406, p=.019 respectively). Finally, while social media users seemed to disagree that "Social media are only useful for attracting a younger customer base," non-users were more likely to embrace this view (t=-4.276, p<.001).

Figure 2. *Opinions on Various Aspects With Respect To Social Media*



DISCUSSION AND MANAGERIAL IMPLICATIONS

The results from our study suggest that social media were underutilized by B2B small businesses. On average, respondents tended to believe that other traditional promotional channels were more effective (Figure 2). They also doubted the possibility of profit improvement through social media. These outcomes may stem from the perception that social media were not the primary means of communication used by their target customers. This is consistent with results reported by Nguyen et al. (2013) that customers are the driving force of technology adoption. Such a rationale helps explain why a majority of nonusers had no immediate plans to invest in social media in the next 12 months, validating the finding of Michaelidou et al. (2011).

It appears that small B2B firms do not fully recognize the benefits of social media in enhancing their brands, increasing awareness, and most importantly, the low costs and barriers to embrace social media. Perhaps providing training to small B2B owners and managers on the strategies to leverage the power of social media in the B2B context would change their perceptions. They also should be made aware of the low marginal costs of expanding their geographical reach and attracting new markets globally. They should be helped to recognize the ability of social media to target niche customers at a much lower cost than personal selling such as by using LinkedIn.

We also recommend that small firms, especially those with fewer resources, engage more deeply in relationship building and maintenance through social media. The retention and development of business customers is dependent on the relationships developed. Good relationships with customers lead to more frequent and high quality conversations with them which in turn lead to improved quality of the product, and higher productivity through transfer of knowledge. This subsequently leads to higher profitability (Gummesson, 2004). Traditionally, these relationships have been developed via face-to-face contacts through salespeople visiting customers frequently, which leads to higher costs, a luxury few small firms have. Using social media is an effective and low-cost alternative to foster and maintain relationships with the key personnel in the customers' organizations. Relationships are best fostered when customers are engaged and educated about the products. Honesty and transparency also result in strong bonds. Small businesses can achieve this through the use of social media tools.

Among social media users in this study, LinkedIn was the most used platform (Table 2). Most companies tended to employ two platforms such as LinkedIn and Facebook or LinkedIn and Twitter. However, considerable variance in the perceived effectiveness of social media exists among our respondents (Table 3). Paradoxically, more than half of the users thought their social media usage was effective, especially in improving the company reputation, customer interest and awareness (Figure 1).

The implication of this finding is that managers/owners perceive the effectiveness of social media as more indirect which may explain a significant portion of them reporting that social media usage is either ineffective or being unsure of its effectiveness (Table 3). These users need to be mindful of the long term benefits of social media, more specifically, increased sales and profitability will accrue through increased brand awareness, customer engagement, etc. Marketing objectives may need to be reconsidered when using social media compared to more traditional forms of communications.

As in the results, non-users did not view social media as a cost-effective way to promote their business (Figure 2); they erroneously believed social media were more useful for attracting a younger customer base. Perhaps they presume that their customers (i.e., organizational buyers) are more likely to be an older segment. It is worth noting that social media users did not share this perspective with non-users. They realize that the usage of social media is more widespread among the population. The perception that it is only useful for attracting younger customers is less true today than in years past. Contrary to non-users' beliefs, a quick examination of LinkedIn members indicates that most are professionals with considerable industry experience while the average age of Facebook users continues to increase. Thus, it would be quite effective for small businesses to engage in marketing activities through some social media avenues such as LinkedIn and Facebook.

Our study reveals that updating content is a challenge for both users and non-users of social media for B2B marketing (Figure 2). In other words, developing effective content marketing is a struggle for many B2B small businesses. When content is not updated, for instance, search engines will give lower rankings to a website, thus negatively impacting the return on social media investment. This implies content is a key to increasing the diffusion and effectiveness of social media usage for small businesses.

In fact, content updating is not as burdensome as perceived by small B2B firms. Empowering customers is a fast and easy way to have content updated on a frequent basis. For example, adding customer reviews of products and services, encouraging customers and prospects to ask questions, and allowing other customers to use their expertise in answering these questions are some of the ways content stays current and helps search engine rankings. Small businesses can also continually change content by creating weekly or monthly blogs educating their customers about product usage, maintenance, industry information, etc. that leads to conversations and engagement. Weekly or monthly blogs are less demanding in terms of time and effort for the managers or owners of small businesses.

Our recommendation above on "outsourcing" content management to their customers requires that small businesses relinquish some control on generating content by allowing customer participation. Small businesses must learn to give freedom to their customers to communicate with each other thus continuously generating fresh content. Social media platforms are perfect for accomplishing this. Though small businesses may fear the loss of control of their brand communications, the end results will in fact strengthen their brands as relationships and bonds with their customers become stronger. By increasing their presence in social media, small businesses can: (1) discuss the benefits of their products, (2) share feedback from users including any that is negative, (3) respond to feedback from customers, particularly to any negative comments, (4) post 'how to' webinars to educate prospective and current customers, and (5) upload YouTube videos of how customers can get the most out of their products and services. Social media should be a vehicle for greater customer engagement that in the long run will develop customer loyalty and retention.

In addition, there are implications for others beyond the owners and managers of B2B firms. Our implications also benefit social media consultants who can help grow small businesses using various social media tools, marketing practitioners to engage in deep conversations with customers, and scholarly academics to further investigate this area as enumerated in future research section.

FUTURE RESEARCH

The findings of this study extend the understanding of social media usage among B2B small businesses; however, like most empirical research, this study leads to more research possibilities. First, it is clear from this study that further research needs to be conducted to understand what drives the perceptions about the effectiveness of social media in B2B marketing. Future research enhancing knowledge about these drivers would shed light on adoption of social media in the B2B space of small businesses and thus help develop strategies to overcome any misconceptions.

Second, future research on the usage of specific tools of social media (e.g., Facebook, LinkedIn, Twitter, Blogs) is needed. This avenue of research would help explore how companies use these social media tools and compare their effectiveness. This research would inform practitioners regarding how they can incorporate these tools into their integrated marketing communication efforts and how specific tools complement (or substitute for) other traditional promotional tools, adding to the current knowledge base on marketing communications in B2B markets.

Third, in addition to understanding how businesses use social media, it would be instructive to comprehend how organizational customers approach and use information disseminated via social media. This stream of research has been conducted in B2C markets. However, due to the significant difference in the decision making processes between B2C and B2B customers, it would be helpful to devote similar effort in B2B markets.

Building upon this current study, these suggested research avenues will significantly expand extant knowledge in the discipline. This will help small businesses better capitalize on continuously evolving social media tools.

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Uncertainty, Information Practices and Accounting in Small Firms

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The question addressed is how small firms compensate for deficiencies in their accounting information systems and what other means they apply to handle uncertainty in their environments. Empirical data was gathered from six small firms representing two different branches of the service industry: craft and culture. A qualitative method was employed and data comes from in depth interviews with the managers and has been structured according to the framework of Simons (1995). Data indicates that most of the studied firms lack significant portions of a formal managing accounting information system. Instead, they rely upon external information, through strategic networks of competitors, customers, employees and branch organizations, to make pricing and development decisions. A practical as well as a theoretical implication is that management control frameworks need to explicitly take into account trust and trustworthiness both in relation to environment and to employees.

A way to handle and lessen uncertainty in the environment is through the use of accounting information systems. The primary aspects of a full formal accounting information system are external and internal accounting, budgeting, calculating, liquidity planning and periodic reporting. However, not all firms utilize the full system. In a comprehensive study of accounting information systems, Bergström and Lumsden (1995) assessed how these systems were used and what other factors influenced the economic decisions of firms. They found significant differences in the utilization of accounting information systems by firms of different sizes; more aspects of accounting information systems were used by large firms than by small firms. Other studies confirm that, in general, more aspects of the accounting information system are utilized by large businesses than by small companies (Laitinen, 2001). In their study of small firms, Johansson and Samuelson (1998) suggest that the primary reasons for this difference might be that small firms often lack traditions, time and knowledge. In fact, Collis and Jarvis (2002) found that small firms are often not particularly interested in traditional accounting. Instead, small firms appear to consider all-inclusive accounting information systems to be of limited value. Small firms primarily focus upon financial information that is directly related to the control of liquidity and cash flow. Sian and Roberts (2009) maintain that most small enterprise owners rely on their accountants to prepare their financial statements. Small firms seem to require other sources of information than the formal accounting. Information adapted to the individual needs of the firm and more clearly related to the uncertainty in its environment (Laitinen, 2009).

To compensate for their lacking use of accounting information, small firms seem to make heavy use of external information sources, in which social and business relationships are intermingled (Shaw, 2006; Hanna & Walsh, 2008). Generally, in situations with high levels of perceived task uncertainty, decision makers tend to seek external, non-financial information (Gul & Chia, 1994; Chong & Eggleton, 2003). Thus, the purpose of this study is to investigate how small firms compensate for deficiencies in their accounting information systems, and to determine what these firms actually do to handle uncertainty in their environment – and how they do it.

LITERATURE REVIEW

ENVIRONMENT UNCERTAINTY AND LEVERS OF CONTROL

According to Laitinen (2009) the primary factors creating uncertainty in the environment are changes in competition and/or changes in demand. Certain markets are mature and stable, whereas others are young and rather turbulent. However, over time conditions may change in any market. For instance, the entry of an entrepreneur into a stable market could produce sudden changes towards greater uncertainty. Similarly, shifts in market demand may abruptly occur due to a new fashion trend.

In principle, increased competition can be dealt with in two different ways. One method of addressing competition is to develop new products or explore new markets, whereas the other approach is to improve efficiency (and thereby lower costs). According to Simons (1995), strategic decisions related to changes in competition and/or demand tends to place new claims upon a firm's accounting information system. The introduction of strategic measurement systems like the Balanced Scorecard (Kaplan & Norton, 1996) and the Performance Pyramid (Cross & Lynch, 1988) are well-known attempts to address the issue of relation between strategy and management accounting systems.

SIMONS' FRAMEWORK

Another well-known framework for analysis of management control systems is the four levers of control proposed by Simons (1995). In this framework, he acknowledges the following four main control systems that work together: Belief systems (with core values), boundary systems (with behavioral constraints), diagnostic control systems (monitoring organizations) and interactive control systems (forward looking activities and devises).

The belief system is used to communicate the tenets of corporate culture to employees. It is 'the explicit set of organizational definitions that managers communicate formally and reinforces systematically to provide basic values, purpose and direction for the organization" (Simons, 1995, p. 34). For the beliefs systems to be an effective lever of control, employees must be able to see key values and ethics being upheld by those in executive positions.

The boundary system is based on the idea that it is easier and more effective to set the rules regarding what is inappropriate rather than what is appropriate and to allow employees to create and define new solutions and methods within defined constraints. The boundary system is meant to put some restraint on employees to advert too much risk – it "delineates the acceptable domain of strategic activity for organizational participants" (Simons, 1995, p. 39).

The diagnostic control system is essentially the same as the traditional formal accounting system with its financial performance measures. It can be very useful for detecting some kinds of problems, but performance measures might also induce people to behave unethically in order to meet some preset goal. The interactive system is thought to be forward looking through the use of non-financial performance measures and through analyzes of data from branch reports, internally generated productions reports, and professional journals.

Simons' framework specifies four important characteristics of this interactive control system. The focus should be on constantly changing strategic data and such data should warrants attention on a regular basis. Data should also stimulate regular discussions, and ought to be analyzed in personal meetings. The belief is that boundary, diagnostic and interactive control systems are interdependent in several ways. Both the boundary system and the diagnostic system act as constraints on employees' behaviour, while the belief system and the interactive system act in more innovative and expansive ways. Information and learning are generated by the interactive systems and can be embedded in the strategies and goals that are monitored by the diagnostic control systems. The interactive performance information also influences the diagnostic control systems to adjust to changes in strategy. In this way the four systems seem to work as an integrated wholeness, at least in theory.

However, the concept of the interactive system is, in reality not very well specified. For instance, Brisbe, Batista-Foguet, and Chenhall (2005) points out that Simons does not propose any operational definition of interactive control systems. In their studies on the interactive concept they found that most firms did not take into account features like information generation about strategic uncertainties or the frequent attention from operating managers, although those are features that Simons explicitly regards as necessary conditions. However, those "necessary conditions" might primarily have been just examples of what would be required because he also offers a much broader view. Simons makes it clear that the prime necessary feature of an interactive control system is that it collects and generates information that relates to the effects of strategic uncertainties that cannot be known in advance and emerge unexpectedly. Manifestations of this are the monitoring and making sense of changing conditions and the collection and communication of information about strategic uncertainties (Simons, 1995). This more general view is also in line with a study by Chapman (1998) who explores how differences in the degree of uncertainty affect accounting practices.

Simons' framework implies, that the choice of control system to be used depends on (or should depend on) the perceived uncertainty that the firm is facing, and on the strategy that the firm chooses to employ to counteract environmental changes. When there is a shift in demand, attempts to increase efficiency and lower prices may be a viable short-term strategy, and in that situation a diagnostic control system might be sufficient. However, the primary long-term response strategy typically involves the development of new products and/or the exploration of new markets, and the implementation of such a strategy would seem to require interactive control systems. Such a strategy may also be employed when changes in competition occur. Another feasible strategy might be to increase efficiency, a process that typically requires diagnostic control. It should be noted that these two control systems are theoretical ideals; in reality, a firm must find a balance between these two extremes (Simons, 1995). In fact, although formal accounting information systems are based on internal information, all information systems needs to be supplemented with external information to the degree which the external information is required will differ depending on a firm's strategic choices.

SIMONS' FRAMEWORK AS A META-CONCEPT

Chrisman, Chua, and Sharma (2005) maintains that, small firm research is best advanced by applying established mainstream management theories – and Simons' framework certainly can be perceived as mainstream. Therefore, in this article, Simons' framework is used as an analytic tool. This may seem an odd choice since small firms are known to use much less of the formal management accounting system than larger firms, less of what Simons refers to as the diagnostic control systems. However, although small firms seem not to require much besides the minimum of formal accounting needed to satisfy legal requirement, they need non-financial information from an interactive control system like data on supplier deliver reliability and customer satisfaction as well as information about customers' and competitors' future plans.

Hartmann and Maas (2011) adopt the view that budgetary control systems may play both a coercive role and an enabling role in organizations. Instead of the traditional view of budgeting as a mere technical tool to evaluate the outcomes of predefined action plans, budgeting might also serve to enhance flexibility and decision quality. Another mainstream concept is the 'balanced scorecard' of Kaplan and Norton (1996). This concept also provides a prescriptive framework for performance measures that covers four perspectives: the financial, the customer, internal business processes, and learning and growth. The financial perspective is similar to Simons' diagnostic control system, the learning and growth perspective and customer perspective are similar to Simons' interactive control system (where the customer is a major issue). The main differences between the concepts are in the internal business processes perspective. Small firms might be perceived as a direct continuation of an earlier system with masters and apprentices, and therefore, internal business processes would be directly supervised and, therefore, more formal devices are hardly needed. Furthermore, Simons maintains that an interactive control requires that it should be used by managers at all levels of the organization (Simons, 2000) and in small firms that requirement is usually met automatically since there is usually only one manager/owner. Simons' concept seems somewhat more appropriate for small firms as a kind of meta-concept, although there is actually no theoretical concept well suited as a framework for small firms, mainly because small firms usually minimize all kinds of formal control to reduce bureaucracy (Sharma & Irving, 2005).

SMALL BUSINESS CONTEXT

Research on management control systems has focused heavily on medium and large firms and there are few studies devoted to very small firms. One such study (Davila, 2005) is focusing on the transition point where a small firm is growing and starts to move from informal control to a full formal management control system. Davila (2005) studied 95 small young technology firms with 10 or more employees. He develops a frame of reference by identifying a few variables that tended to lead to the emergence of formal management control systems. These variables are the size of the firm, its age, CEO replacement, and outsider investors. About size he argues that in an early stage control and coordination is through frequent and informal interactions. As the firm grows, attention shifts to developing systems that anchor informal interaction into some formalized system. Size might mean increased complexity associated with new markets or new products. About age he argues that a certain number of years is needed to gain experience and to develop standard procedures. About the possible change of CEO he argues that a transition from founder and entrepreneur to manager of a steadily developing firm demands a more formalized management control system. In an early stage of a firm's development the entrepreneurial leadership charisma takes care of organizational culture but when that leadership eventually is replaced by some more traditional managing CEO there is need for some more formal system for control. Finally Davila (2005) argues that the introduction of venture capital might lead to demands from the (external) venture capitalist on the development of some more formal management control system. However, for very small firms Davila suggests that the cost of formalization might outweigh their benefits.

Dekker (2004) makes a further contribution to the accounting literature by stressing the importance of substituting formal control mechanisms in small firms by trust and the selection of trustworthy associates. He argues that the coordination of interdependent tasks might influence the structure. Although designing formal control mechanisms might be important, the selecting of "good" partner reduces the need for control. By "good" partners he means trustworthy partners as that reduces the control problem. A trusting relationship is built up over a long period so the age of the firm or the trustworthy relation becomes important as is pointed out by Davila (2005).

Dekker (2004) suggests a model where coordination requirements and trust should contribute to explaining structure. Although he primarily refers to alliances it is evident that he also means networks of very small firms in close cooperation and with a great variety of formal and informal control mechanisms depending on the size of the network. One of the main control components is the financial incentive system that must be designed to interest and motivate adequate performance (i.e. giving fair rewards). Another component is to reduce information asymmetry by regular information sharing, pre-action reviews, joint decisions making and joint problem solving. A third component is the coordination of the tasks and he distinguishes between two different types of tasks: supply task and innovative task related to different degrees of uncertainty. Supply task focuses on the delivery and is characterized by sequential interdependence and limited uncertainty. Innovation task is related to joint innovation and partners' pooled resources and is characterised by reciprocal interdependence and uncertainty. Because of the degree of uncertainty in the tasks they need to be handled differently.

ENVIRONMENTAL UNCERTAINTY AND EXTERNAL INFORMATION

A dominant source of external information is personal networks (Shaw, 2006; Hanna & Walsh, 2008). The salient features of networks are that the population of engaged actors is not fixed, and that the actors within the network freely improvise to create new relationships. Reliability is one of the foremost expectations within these networks, but as reliability is seldom possible to test, trust among the actors becomes vital. The ability to trust the information received from network sources is crucial, and this ability is normally based on feelings that develop over time. Trust is formally defined as the willingness of a person to rely on someone else in a manner that involves the trusting person's acceptance of a certain level of risk or vulnerability (Williams, 2001). Gradually developed trust is the primary factor in the establishment of personal networks because it tends to diminish uncertainty (Meyerson, Weick & Kramer, 1996). Trust also involves maintaining a degree of optimism regarding the trusted person, despite the risk of being fooled (Jones, 1996). The presence of trust vastly increases the opportunities for co-operation but such gradually developed personal trust it is also very vulnerable because it often just takes one minor disappointment to break it. Institutional trust is much more when you trust an unknown clerk at the bank with your money without questions; you do not need to trust the clerk because you trust the bank he represents (Hardin, 2002).

Information concerning the future will always be uncertain, but information that is provided by a generally trustworthy person tends to significantly decrease uncertainty (Möller & Svahn, 2006). Although networks might provide vital information, the implications of this information are typically not immediately obvious. Instead they need to be interpreted to make sense (Weick, 1995). This sense-making, or the creation of meaning from data, further reduces uncertainty and is an activity that most people primarily do through casual conversations with colleagues and friends. It is mainly through discussions with others, that intelligibility and meaningfulness are generated from data. Formal information is interpreted, reconstructed and often heavily modified to fit in with everyday reality. As a result of these interpretive processes, uncertainty is diminished (Stacey, 2001).

Sense-making is primarily personal. It is impacted by an individual's personal network; thus, a group of people might mutually influence each other (Stacey, 2001). Sense-making may, therefore, be perceived as both an individual and a social activity in which people enact their environment through storytelling and small talk. Through these interactions, participants may acquire knowledge (Tsoukas, 1997). Through sense-making processes, uncertain information is transformed into "certain facts." These constructed "facts" are often compared with ideas of what reality should be like. These ideas of reality are often not clearly thought out as conscious intentions; instead, they are often merely vague (tacit) ideas based upon gut feelings and intuition (Beach, 1998). Hence, uncertain information regarding the future might (through small talk and sense-making within networks) be transformed into something that passes for trustworthy information regarding the future.

METHODS

The above mentioned earlier studies demonstrate that networks of colleagues and social contacts appear to play a significant role in the acquisition of external information, particularly in situations involving high levels of environmental uncertainty (Gul & Shia, 1994; Shaw, 2006; Hanna & Walsh, 2008). In these situations, accounting information that considers historical data is supposed to be of little use. To find out what actually is used in reality a pilot study was conducted of small firms in the service sector where quantitative data was gathered (Emsfors & Nilsson, 2007). Based on those data the firms were classified into different groups according to value judgements. There were the "stars" who had all or almost all the instruments related to a full management information system (MIS) and there were those who were "careless" and had almost no parts of a formal MIS (just some simple form of cash-flow monitoring). In spite of this flaw the firms seemed to thrive and prosper and that gave the question of why they did not follow the common wisdom taught at every business school. A qualitative study was undertaken to uncover rich data as to better understand this complex environment.

THE PRESENT STUDY

The initial idea was to study small firms' use of financial information. Four of the primary business sectors include agriculture, production, trading, and service. Research on the use of economic information has been less extensive in service than in the other branches and service is often produced on a small scale, so it seemed to be the natural choice. Service might be further divided into craft and culture and to be regarded as small firms they would have to have no more than 50 employees.

In an initial quantitative pilot study a questionnaire was sent to all small firms within a community. The pilot study indicated that a further study was to be qualitative because it primarily involved some social interaction it seemed to require a qualitative methodology; in particular, personal interviews had to be conducted to obtain reasonably rich data regarding social information gathering. This approach meant that the number of studied firms would have to be limited to a few firms. A case study approach was employed to identify key factors (Strauss & Corbin, 1998).

The pilot study further indicated that the service industry would include small firms with varying degrees of perceived uncertainty. In accordance with the essence method (Enroth, 1984), six firms were chosen that represented two different branches of the service industry, namely craft and culture. Within each group, three firms from the craft sector and three from the culture sector were selected that were regarded to represent high, medium and low degrees of perceived uncertainty.

The chosen craft firms were a construction firm, a painting firm and an electric installation firm. The chosen cultural firms were an art exhibitions organizer, an orchestra and a theatre company. The number of employees within each firm varied between 5 and 49. The individual firms were chosen according to the essence method (Eneroth, 1984) meaning that they were likely to differ in as many (relevant) aspects as possible. At that time the six firms were not dominating or leading even in their local market – they simply had found a niche that was not taken – and they had been around for several years and had been relatively prosperous. From the questionnaire it seemed plausible that they would differ in their use of (at least) formal information systems and they were chosen on the basis of their perceived view about the degree of uncertainty in their environment. Of course, it later turned out that the firms had somewhat exaggerated their answers and, in fact, had quite small differences in their information gathering. Only one of the firms used all parts of a formal accounting information system (although somewhat superficially). The other five firms did not conduct internal accounting, and two of these firms had no budgets. Thus, all of these five companies lacked essential aspects of a traditional management information system. Eventually, it also became apparent that the firms also were very similar in their degree of environmental uncertainty.

Data was obtained from the firms' accounting information systems and through interviews with the managers/owners, as well as observations of behavior. A checklist of questions was used to guide the interviews with the managers. The checklist of questions was very detailed (5 pages) and not only account for the degree of perceived uncertainty but also the time horizon for relative certainty. There were general questions related to the degree of uncertainty in the immediate local environment such as relation to competitors and the probability for increased competition, the foreseeable planning horizon and uncertainty in the task or technology (including future new technology). Then there were the main questions about budgeting procedures (if any) in detail and when and why they actually made calculations and in what situations it was done (if ever) as well as about internal accounting models and measures. They were asked for a detailed account for how they performed liquidity planning and how they acquired information about the future and finally about the control process. There were also questions about the use of periodic reports (if any) and how information about possible future events were gathered. The managers were also asked to make a self-evaluation in relation to perceived competitors and strategic decisions about, for instance, new technology, new markets and new products as well as cost reductions. There were also questions about what financial information might be found in the manager's head and, of course, questions about their hopes and fears.

The small firms analysed included three craft firms and three cultural firms. The craft firms are in business to make money, whereas the cultural firms do not have profit as their primary goal. To cultural firms, money is merely the means to accomplish cultural projects. Even if ticket sales are essential, this income is seldom enough. The productions or projects generally also require additional sponsor financing.

THE CRAFT SECTOR

Paintura is a firm in the painting business with 25 employees and an annual turnover of 19 million Swedish crowns. The firm does all kinds of paint jobs, except on churches and castles because they lack the necessary competence and the risks involved are too high. They also have a shop that sells paint and wallpaper. There has been a moderate growth in the turnover and the number of employees during the last five years. The customers are mainly larger construction firms since Paintura has too much overhead costs to be competitive on small scale jobs. The chartered accountant is not consulted about the ordinary activities in the firm.

Constructa is a small firm in the construction business with five employees and an annual turnover of 3 million Swedish crowns. The firm mainly builds houses and does maintenance work. The work force is regarded as highly competent and all tasks are well specified in a manual put together by the branch organization. There is little variation in the utilised material or work methods, and little development in the branch (and in the firm). Customer complaints are taken seriously, and the firm puts great emphasis on the quality of its workmanship because work quality and customer satisfaction are regarded as the main competitive advantages for the firm. Employee satisfaction is not formally measured, but informally assessed because of the close work relations and small number of employees. The firm's chartered accountant is not used for counselling, but sometimes the bank is contacted as an advisor.

Electra is a small firm that supplies construction firms with electric installations. The firm has five employees and an annual turnover of 3 million Swedish crowns. Having five employees is considered the minimum that allows a full time administrator/manager. Work is primarily about repairs and maintenance on electric installations. The largest customer is the community and two large companies. There are also a number of temporary customers. The demands on the firm's services are great, but there is no intention to expand the business. Investments are discussed with the bank, but the firm's chartered accountant is never involved in discussions about the firm's future.

Table 1. *Summary of Management Control Systems for Craft Firms*

Firm	Paintura	Constructa	Electra
Competition	Moderate to low	Moderate to low	Low
Planning Horizon Task Uncertainty	A few weeks Low	3- 4 weeks Low	1 year Low
Calculation	Yes?	Only direct costs Target costing	Only direct costs Only after each project
Budgeting	Yes	No	No
Internal Accounting	Yes?	No	No
Liquidity Planning	Yes	Yes	Yes
Periodic Reports	Yes	Yes 3 - 4/year	Yes every month
Future Information Formal/Informal	Yes	Official documents Customers	Customer plans
Control Process	Diagnostic with some interactive control, experience	Mainly diagnostic control, experience	Diagnostic control. Memory, experience

Of the craft firms, Electra is in a situation with little competition and stable technology. The firm uses diagnostic control, as would have been expected given its perceived stable environment. Both Paintura and Constructa have stable technology and utilise diagnostic controls that focus on cost control and efficiency. In addition to general cost control, Paintura makes a plan for each order based on the manager's long experience in the industry, and for certain crucial orders, these plans are followed up by calculations based upon accounting data. There is generally no need for more formal planning procedures. The firm is quite small, and it is possible for the manager to keep the planning details in his head. Although Paintura and Constructa were in competitive markets and initially were classified as possessing fairly high environmental uncertainty. However, that the firms' managers perceived that uncertainty in reality is relatively low because of their position and reputation in the local market. They have established some kind of monopoly on the local market by reputation of trustworthiness and local social anchorage (Dekker, 2004). Peintura with its 25 employees is well established and markedly larger than the other small firm. It has come over the transition point (Davila, 2005) and now applies most of the tools used in a formal management control system.

THE CULTURAL SECTOR

Exhibita organises artistic exhibitions and installations. It is a non-profit foundation with the purpose to promote artistic and cultural ventures. It has started to develop its work to also be of interest to young people. It has nine employees and an annual turnover of 7 million Swedish crowns. Approximately 75% of the firm's revenue comes from sponsors. The ambition is to grow and get an international recognition for their exhibitions so there is a constant search for new ideas and new ventures. There is no profit motive. Efficiency is measured by the number of successful exhibitions and in the long run survival. Its chartered accountant simply supervises the accounts and has no advisory role.

Musica is a chamber orchestra that supplies concerts on demand. The firm has twenty-five employees and an annual turnover of 12 million Swedish crowns. Approximately 85% of its revenue consists of contributions from sponsors. If target revenue is not met, certain performances of the orchestra are cancelled to lower costs. Contacts play a significant role for this firm, and vital information is gathered through the networks of the firm's members. Musica judges their performance and success by how well they have achieved their artistic goal in chamber music. There is no profit goal, but an aim to be acknowledged as the "foremost chamber music orchestra in the Nordic countries". Daily accounting is done by an accounting firm, and the annual report is supervised by a very large firm of charted accountants (KPMG). The chartered accountant simply supervises the accounts and is not used in any advisory capacity.

Thalia is a theatre company with nine employees and an annual turnover of 5 million Swedish crowns. Approximately 85% of its revenue consists of contributions from its sponsors. The performances are mainly for children and youngsters. The aim is to give successful performances, and there is no profit motive (except earning enough for long time survival and a decent salary). There is a wish to develop new products (plays) and to expand to new markets (adults). The chartered accountant is consulted frequently, but his lack of knowledge about the prerequisites in the culture sector is perceived as a problem. The manager feels a need for an advisor with both economic and culture-related knowledge.

Table 2. *Summary of Management Control Systems for Cultural Firms*

Firm	Exhibita	Musica	Thalia
Competition	Few direct competitors, but high competition from other activities.	Few direct competi-tors, but high competition from other activities.	Few direct competitors, but high competition from other activities.
Planning Horizon Task Uncertainty	1 year or more, depending on sponsors High	1 year, depending on sponsors High	1 year, depending on sponsors High
Calculation	Partly	Target costing Only after a project	No, (but branch organization does)

Budgeting	Only liquidity	Yes	Yes (3+1 year)
Internal Accounting	No	No	No
Liquidity Planning	Yes	Yes (weekly)	Yes (weekly)
Periodic Reports	Partly (every exhibition)	2 a year	Every month
Future Information Formal/ Informal	Competitors advertising Social network Serendipity	Social networks and competitors Personal contacts of all employees	Branch organization Social network in close contacts with sponsors and competitors
Control Process	Interactive, Intuition and Experience	Interactive with some diagnostic control; Intuition and Experience	Interactive and diagnostic control; Intuition and Experience

The managers of these culture firms perceived their environments as constantly changing and uncertain and, thus, information from their personal networks is regarded as vital to the decision-making processes. Primarily, interactive control is used by all of the cultural firms investigated in this study, and their managers all perceived the uncertainty (related to competition) to be low in their own branch. However, they all regarded the competition to be high from various other branches of leisure activities. Exhibita primarily uses a vast social network to obtain information regarding strategic issues in the environment and uses interactive control to stimulate new ideas. Musica uses interactive control as well, although this firm's network is not as well-developed as the networks of the other two studied culture firms. Both Musica and Thalia utilise some (minimum) of the diagnostic control besides what is legally required. However, in each case, the calculations rely more upon external sources than upon formalised methods of control. Although the firms in the cultural sector employ quite a few people they do not use much of formal management control systems. Besides the number of employees (Davila, 2005) there are other factors deciding when formal management control systems might be needed. One such factor might be that production is intermittent and project based with high task uncertainty.

RESULTS

THE CRAFT SECTOR

Electra has weak competition and stable technology. This firm employs diagnostic control, as would be expected given its stable environment. Paintura and Constructa have fairly stable markets and technology and primarily use diagnostic control, although one of these firms (Paintura) also features aspects of interactive control. On the whole, however, the studied firms in the craft sector seem to primarily employ diagnostic control, and that appears to be reasonably consistent with the suggestions of Simons (1995). Customers and branch organizations appear to be of greater importance to the craft firms than to the cultural firms. Regarding the belief system (or culture), Electra and Constructa are very small firms and they are organized in the manner of the guild system with a master and his apprentices with direct and close supervision of subordinates. Although Paintura is a much larger firm it still has the same type of belief system but there is for obvious reasons not the same amount of close supervision. Still the manager is directly monitoring the work at the various work sights. The style of organizing the boundary system gives little room for discretion and the direct monitoring means that every initiative or move is communicated to the manager.

THE CULTURAL SECTOR

Exhibita and Musica appear to comply reasonably well with the suggestions of Simons (1995), as these two firms primarily utilize interactive control; although they both appear to lack explicit prognoses for their futures. Exhibita is somewhat extreme because it almost entirely lacks diagnostic control, whereas Musica utilises certain aspects of diagnostic control, while Thalia uses both interactive and (some) diagnostic control processes. The interviews revealed that for the cultural firms, external information was a much more important aspect of the control system than was initially anticipated. External information is used as a basis for planning, pricing and making decisions regarding developments, as well as for obtaining advance notice of changes in subsidiaries. The most useful external information is gained from carefully administrated personal networks. Formal competitors and rivals are the most vital members of these co-operative networks. The belief system in the culture sector is quite different from craft sector. Musica and Thalia are organizations with many participants and the internal culture allows for personal initiatives as co-workers instead of subordinates. The manager is not regarded as "the boss" but more like "the first among equals". Regarding the boundary system, the members of these organizations are regarded as experts and expected to use their own initiative and discretion. Although this might also be a valid description of Exhibita there is a difference in that Exhibita is very much driven by one person as an entrepreneur and each exhibition project is organized as an ad hoc network assembly.

The firms were originally chosen for their varying degree of environmental uncertainty and degree of assumed competition. However, the expected uncertainties did not coincide with the actual perspectives of the interviewed managers. Instead, when these managers expressed their views of perceived uncertainty, these views appeared to be related to the general conditions in the branch of the service industry in which their firms operated. The managers of the craft firms actually perceived the uncertainty in relation to their own firms to be relatively low, despite the high degree of competitors found within the craft sector in general. On the other hand, the managers of the cultural firms appeared to perceive relatively high competition and high uncertainty, even though there were few immediate competitors to the firms in the cultural sector.

FINDINGS IN RELATION TO SIMONS' FRAMEWORK

In this study, the framework of Simons (1995) was used as a starting point. Therefore, the main components in his model will be commented on in relation to the results related to the findings. Simons (1995) emphasises the role of the belief system and the importance to convey it to subordinates. However, Simons' framework is apparently designed for large firms with many employees that need monitoring. In the small firms studied, survival seemed to be the paramount and constantly expressed goal, and there seems to be little need for conveying that to the employees. The managers thought they could easily inform employees during social breaks (where work quality was often discussed), so there were no thoughts of introducing any formal information devices. At a more general level the organizational culture is obviously also relevant for small firms as there was a marked difference between craft and culture firms. The craft firms upholds the traditions from the guild with master and apprentices as subordinates. The culture firms have a much more democratic approach where the manager is regarded as the first among equals and co-workers are regarded as knowledgeable experts.

In Simons' framework, the boundary system is primarily a system to keep subordinates in order and help them refrain from partaking in activities that are too adventurous. All the craft firms are actually of the old fashioned type with masters and apprentices where the master runs his company according to his own ideas, and apprentices are not expected to take any initiative. In the cultural firms there are more of equality between members and although the appointed administrative person is coordinating the efforts all members might take some own initiative. In any case there is little need for any formal control systems, except the need for the monitoring of liquidity. So, the boundary system is in reality limited to the financial restrictions of the cash-flow, and that limitation is well known to all the co-workers.

The studied small firms do not generally seem to employ their formal accounting systems in their decision-making, as they often regard this type of accounting as a necessary evil only undertaken to appease external interest groups. In uncertain situations, the decision makers therefore tend to rely more upon visions and experiences rather than upon formal accounting information. There may be a good rationale for this tendency since most of the firms have little control of their environment, they have little need for either long-range planning or internal historical accounting data. To survive, these firms primarily need mechanisms to make sense of their environment as part of their struggle to find and fill the gaps left by other, larger companies that generally tend to dominate the business environment.

In their study of small craft firms, Bumgardner, Buehlmann, Schuler, and Crissey (2011) found that competitive small craft firms typically appeared to survive by working closely with customers. Thus, the craft firms' networking efforts not only promote increased business transactions, but also concurrently promote multiple forms of social values. Managing a small firm may be regarded as not only an economic task, but also a social phenomenon. The social interactions between the craft firms and their customers might eventually result in trust and loyalty to the firms and thereby reduce future uncertainty (Korsgaard & Anderson, 2000). However, the culture firms do not have such close relations to the customers and they also seem to regard their immediate environment as much more uncertain.

DISCUSSION

This study is based on six cases and although case studies are not supposed to allow for generalization they can offer tendencies worthy of further investigation. A salient feature is that there seems to be differences in what systems or devises are appropriate as management tools, depending mainly on the perceived degree of uncertainty in the firms' main undertakings. When the environment is perceived as uncertain and unstable, these small firms primarily utilize interactive control and rely heavily on the personal social networks of competitors and colleagues to obtain and interpret external information. Control through the formal accounting information system appears to be largely replaced by co-operation and the co-ordination of information through the exchange of experience with trusted competitors. Mutual sense-making processes may constitute the core of this network activity. It is not merely the information itself, but also the significance of the information in question that must be interpreted. These interpretations seems best be accomplished through small talk with others in similar circumstances.

In the studied culture firms, the respondents made frequent references to their need to make decisions on information that is only loose rumors acquired through informal social channels. In these decision-making situations, the managers had few facts to go on and they pointed out that they had to rely only on themselves and their "gut feelings" and an inner conviction regarding what seemed to "feel right." Although the managers did not specifically reference intuition, in reality their actions seemed to be based on scanty information that might as well be thought of as intuition guided by the construction of vague images of a preferred future situation (Beach, 1998).

When the environment is perceived as relatively certain and stable, these small firms utilized aspects of diagnostic control, but they also relied upon external information obtained primarily from customers. The managers also heavily relied on their own competence and tacit knowledge. The prime reason for the perceived stability (in the craft sector) seemed to be, that the core of the work competence provided by these firms is in the manual labour that they supply. The respondents seldom referred to other firms as formal competitors. It appears that other firms are not actually perceived as true competitors. A reason for this perspective might be, that firms in the craft sector typically have (or believe they have) a relative monopoly in the local market due to proximity and reputation. With time these firms expand their local market through their trust-based networks.

The managers of the studied craft firms frequently emphasized the value of trust and the security of being known and respected in their local community. However, they did not talk about any "gut feeling," thus intuition did not appear to be an issue. Instead, the respondents spoke of hard facts, such as competence, long experience and the knowledge of just 'how to do' tasks, which made them able to handle any work issue they encountered. Their external information largely appeared to originate from customers and potential customers in the form of facts and opinions. This finding also indicates that actions were not only based on explicit knowledge, but also required tacit knowledge (Polanyi, 1966). The idea that interactive use of non-financial measures might lead to the discovering of tacit knowledge, and thereby also make it explicit, has earlier been noted by Vaivio (2004) and its vital role as a resource is stressed by Seidler-de Alwis and Hartman (2008).

Trustworthiness and anchoring in the local community seem to be the mechanisms by which the firms in the craft sector survive. Any firm is (in a technical sense) just one in the crowd of competitors and might be exposed to intense competition. However, the craft firm managers did not experience their situation as particularly vulnerable because the firm enjoyed trust and anchorage in the surrounding local community and this trust and anchoring becomes the unique resources that enable long-term survival. This would be noted in the accounting records as goodwill assets.

Culture firms seem to be somewhat different because they seem primarily strive to build an institution around its business. However, to overcome competition from other recreational events culture firms also need some robust anchoring in the society.

IMPLICATIONS

The starting point was the main question about how uncertainty in the environment is handled in small firms with little or no formal management information systems to rely on. It was also stated that management information system always needs to be supplemented by some external information, especially related to the market and possible competition. It seems that besides the usual strategies to counteract competition there is also a strategy to avoid the uncertainty of competition as such.

In the theory section is stated that uncertainty in environment might be counteracted primarily by cutting costs or by the development of new products and/or by exploring new markets. A large corporation might have those options. It might have the financial means to develop new products or exploring new markets, but at a cost, and at the risk of financial loss. As the respondents pointed out, small firms do not have many options. At least firms in the craft trade can seldom influence the often heavily regulated market on their own accord and have generally too narrow competence and resources to find new markets. They might, however, be able to cut costs in the short run, but that would mainly mean that they would lower their standard of living. However, there is the option of still another market strategy. What these small firms actually can do is to anchor themselves and their firm thoroughly in the local society. By being active members of community organizations they establish some kind of local monopoly building on trust, or what might sometimes even be referred to as "friendship corruption".

It seemed evident from the interviews that local anchoring through gradually gaining personal trust was the foremost long term survival goal for the craft firm managers. They all talked very much about delivering quality as the main means for this anchoring but at the same time they had difficulties to express exactly what they meant by quality. Actually, through their examples it seemed that they tried to cut corners whenever they could just like any other firm and had no special ways to access quality. Eventually, it became clear that what they actually meant was that they would go to almost any length to take care of complaints from customers and then to compensate for unsatisfactory work. The conclusion is that outstanding quality in the handling of complaints seemed to be their main means to gain gradual personal trust as a competitive advantage in the craft firms' main strategy for the anchoring in the local society.

The culture firms did not express the same ideas on quality of handling complaints. The respondents pointed out that they could hardly mask bad performance by taking good care of complaints. They had to rehearse and to give quality in their initial performance. Of course, all the culture firms regarded sponsoring as their prime income and as necessary to diminish the financial risk involved in the production of a performance, but it was also clearly stated that the main idea behind the sponsorship or patronage was to create commitment to the firm and thereby contribute to the long term effect on the institutionalizing of the firm. Some even mentioned as a goal that they would wish for the same type of commitment that is felt for the local football club.

The culture firms' main strategy seems to be aiming at an institutionalization of their performances into the society by yearly or bi-monthly repeating events. They tried to acquire sponsors but also some more general patronage from influential persons in the local society. Managers of small firms were among the prime targets for patronage because of their vast personal networks. The conclusion is that the culture firms, besides the financial need for sponsoring the acquisition of sponsors or patrons, seemed to aim at acquiring some institutionalized trust in their performance events as a main strategy in the process of anchoring in the local society.

Simons' model does seem to give a fairly valid picture even of small firms. There is, however, an apparent shortcoming in the model – and that is the crucial importance of trust. Large and old organizations might have gained institutional trust (as e.g. banks) so the importance of trust might have been taken for granted in studies of such organizations. Still, all organizations (both large and small) have need for external trust and it has to be gained through gradual systematic work. All organizations also need internal trust. Not as a substitute to formal control as suggested by Dekker (2004), but as a necessary prerequisite to handle all those actions that cannot be anticipated or incorporated in any kind of formal system. When trust between members is lacking in large organizations things might go seriously wrong as is amply demonstrated by Jackall (1988). Although the boundary system (in Simons' model) is supposed to catch unethical or harmful actions it cannot handle deceit and fraudulent behaviour.

In the studied small firms internal trust might be easier to assess but it is still an important issue. In the local society a firm is judged not only by its formal actions, but also by the actions of its individual members. So, it seems that the issue of trust, both external and internal, must be a vital part of any management control system. So far it has mainly been regarded as a minor side effect in the design of management control systems.

This study indicates that research addressing small firms needs to be more focused on issues related to the exchange of experience and the process of gathering and interpreting external information. There is also a need for a better understanding of informal information systems and how these systems might be developed to make them an integrated part of an accounting information system. Furthermore, the perception and handling of various types of uncertainty and the role of trust seem to be ill understood.

Textbooks on accounting usually deal with the problem of controlling large industry firms and they also usually start out from a theoretical perspective. Those textbook recipes for control might need to be complemented with the reality experienced in very small firms. The widespread and popular MBA degree means that in most societies (even among self-made businessmen) there are "educated" people with firm expectations on what ought to be done if a firm should be considered as "well run". To implement a wide range of routines to monitor the activities is more or less generally expected and if they are omitted the manager would have to defend the view or facing accusations for being careless and sloppy for not living up to the general expectations of the business community. In fact, from the textbook literature, students of business administration often seem to get the impression that small firms are similar to large ones, only smaller.

Most ordinary large trading or manufacturing firms are fiercely competing for shares of the market with fairly similar commodities and textbooks often describe the market as a war between competing firms trying to outwit one another and behaving like predators. Of course, that is a valid description for such firms that try to expend beyond what a certain market can handle or if there are too many competitors. That is a strategy of survival of the fittest and an empire builder strategy. Managers of small service firms are generally in an altogether different situation. They are no empire builders and they do not fear competition as such, but they fear the predatorily empire builders and are constantly looking out for them. Their competitive advantage is to stay small and dig into the local niche, and let the larger firms fight over the market shares. Such firms might be called "marginal firms" because they have to survive on the crumbs left over by the larger predator firms. They are not about expansion and pursuing daring goals, but about avoidance of uncertainty. And they do it by staying small and dig in deep in the local society.

LIMITATIONS

One disadvantage of this methodology is that a case study provides little basis for generalization. However, the purpose of this study is not to prove anything, but rather to discover how uncertainty in the environment is handled in small firms. An alternative approach would have been to conduct a broad survey by sending questionnaires to a reasonably large number of firms. However, such an approach was not adopted because it would not provide sufficiently rich answers unless accompanied by personal interviews. The answers in the pilot study questionnaire also indicate that they might not be quite truthful but rather reflect the managers' guesses at what answers might be expected from them.

This study is based on six case studies of small firms. In all literature on method there is ample warning about trying to generalize from such material. However, when some kind of pattern seems to emerge from data those patterns might be clues to tentative hypotheses that can be tested by empirical data.

CONCLUSION

The initial question was to find out what small firms do to reduce uncertainty. Since they do not use much of formal management information systems they have to rely on other means and a number of studies demonstrate that personal networks play an important role (Laitinen, 2009; Shaw, 2006; Hanna & Walsh, 2008) as well as non-financial information (Gul & Chia, 1994; Chong & Eggleton, 2003). Such behavior is also confirmed in this study. But the study further shows that the firms use quite different sources depending on their perception of their relative degree of uncertainty related to competition. Actually, the main differences are that with low perceived uncertainty there is a tendency to rely on a network of mainly competitors while when there is high uncertainty they rely mainly on networks of (potential) customers. However, in both cases they tend to neutralize competition by trying to anchor the firm onto the local society and they do it mainly by creating trust. Managers in the craft firms are mainly "a one man show" and that implies an urge to create gradual personal trust while culture firms engage all its members to find sponsors and supporters to instigate some institutional trust into their performances.

In reality, small firms seem to have very few strategic options when it comes to counteract competition. Exploring new markets or developing new products means risk and financial commitment that might be unobtainable and adds to the uncertainty. Cost cutting in production in those mainly labour intensive firms might primarily mean a lowering of the standard of living. Anchoring processes and the creation of trust seem to be one of the very strategic few options available for small firms and this seems not thoroughly studied.

This study highlights what might be described as a conscious (or unconscious) but very clear strategy of anchoring to avoid the uncertainty from environment and especially to avoid predator competitors. To do that, they need to acquire trust. In the craft sector that primarily means to gradually acquire personal trust through quality, especially quality in their handling of complaints. That means that they need to be regarded as small, nice and friendly in the eyes of the local society and to be regarded as "one of us."

In the culture sector this strategy would not be very effective. Instead in the cultural sector there are expectations on impeccable performance and true professionalism. They are primarily collective organizations and although the manager/conductor might acquire gradual trust that is not their intended strategy. Instead they strive to acquire institutional trust in their performances. Of course, they need to obtain financial support through sponsors, but they also need to establish commitment in order to gain institutional trust. They have little use of being regarded as nice and friendly and certainly not as "one of us". Instead they need reputation and preferably some kind of international recognition to inspire local support.

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