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WHERE EVERYBODY KNOWS YOUR NAME: EXTRAORGANIZATIONAL CLAN-BUILDING AS SMALL FIRM STRATEGY FOR HOME FIELD ADVANTAGE[1]

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ABSTRACT

Small firms are comparatively resource disadvantaged when it comes to competing against scale-oriented competitors. However, one area where small firms may have a differential advantage is in building and nurturing highly personalized customer relationships. Drawing on extant work in external market, internal hierarchical, and internal clan coordinating mechanisms, we conceptualize an additional coordinating mechanism -- the extraorganizational clan, and hypothesize its relationship to small firm performance. We test our hypothesis, linking extraorganizational clan-building and firm performance, on a sample of over 300 small retail firms. Our findings show that selected aspects of clan-building behaviors have a positive effect on small firm performance. We conclude by reflecting on what our findings suggest for sustainable small firm competitive advantage.

> Although the impression policy makers [of large retail chains] may wish to instill is one of a "friendly neighborhood store where the workers know the customers names," the reality is that *Safeway* and *Wal-Mart* are not small corner stores. . .
>
> - S. Schnoor (1998)

Small firms are resource impoverished entities (Welsh & White, 1981). This reality is not necessarily problematic, however, unless they compete against larger, resource-advantaged competitors. But what if this *is* the case? What can small firms do to create market offerings that are perceived by customers as sufficiently rare, valuable, inimitable and nonsubstitutable

(Barney, 1991)? Schoor's opening quotation suggests one point of contrast -- personal relationships. Such *social* capital (Burt, 1997) qualifies as neither a physical nor organizational resource, but can nonetheless be an important point for interfirm differentiation (Goodwin & Bremler, 1996). Given the unique conditions under which such friendship-enriched relationships evolve, they can also be highly resistant to superficial imitation. However, could such personalized relationships be a basis for superior small firm performance? This article considers this possibility. It begins by exploring how nurturing personal relationships contributes to a small firm's legitimacy and thereby contributes to its performance. We then report our study testing this hypothesis. After describing our instrument development and data collection methodologies, we explain the operationalizations of the variable set used in our regression analysis. We then report results from our analysis. We conclude with a discussion of what our findings suggest for small business researchers and practitioners alike.

THEORETICAL FRAMEWORK

Dimensions of Organization: Technical, Managerial, Institutional

In 1960, Talcott Parsons proposed a tri-dimensional conceptualization of organization. He asserted that every organization operates in no less than three dimensions: technical, managerial, and institutional. Whereas the first two dimensions are concerned with the advantages accruing from *intra*organizational expertise and *inter*organizational resource flows, the institutional level's focus is on the underlying legitimacy of the organization in its particular societal context. Parsons proposes that the institutional level is qualitatively different from both of the previous dimensions in two important ways. First, it operates at a more basic and fundamental level than either the technical or managerial. He writes,

> ...just as a technical organization (at a sufficiently high division of labor) is controlled and 'serviced' by a managerial organization, so, in turn, is the managerial organization controlled by the 'institutional' structure and agencies of the community. (Parsons, 1960: 64)

This suggests that the institutional dimension is foundational in nature; while the firm may be able to achieve temporary advantage based on technical expertise or managerial alliances, without adequate societal assent the firm will be unable to secure *sustainable* advantage. The second distinctive characteristic concerns the nature of the firm's accountability to its stakeholders (Freeman, 1984). Compared to the two previous dimensions, the institutional dimension is measured by far more implicit and subtle criteria. While the technical dimension is measured by the criterion of accuracy, and the managerial dimension is assessed by the standards relevant to resource procurement, institutional effectiveness is evaluated by the often less explicit, but potentially no less significant, criteria governing social exchange. While these include such concrete codifications as the rules of law, they are also heavily influenced by "standards of 'good practice' informally accepted" (Parsons, 1960: 65).

The Small Firm and Community Nichemanship

All businesses must satisfy institutional demands. While these have been shown to vary across different industry settings (Hirsch, 1975), all firms remain accountable within their particular environmental context. The context of the small firm is distinctive, however, because of its often more localized geographic domain. This suggests that the institutional challenge facing small firms consists of securing the support and approval of its immediate surrounding community. While such support may be secured by satisfying the nonrelational

needs of its community through offering technical expertise and realizing efficiency-enhancing network involvements, the consent of the local community of customers may also be fueled as much or more by social considerations. Thompson, Smith and Hood (1993) provide empirical support for this assertion. Their study documents the extent to which small firms seek to gain community approval through cash and in-kind charitable contributions and local involvements.

However, there is at present a discernible gap concerning the nature of community-based niche creation. Overlooking this aspect of a small firm's existence is understandable; compared to the more observable and codifiable dimensions of expert service and formal network alliances, social involvement seems comparatively vague and ill-defined. However it may be that small firm performance is determined as much, or more, by extraorganizational relationships than the impersonal attributes of *intra*organizational expertise or *inter*organizational efficiency. More specifically, to the extent the small firm has effectively institutionalized its vital interests in the social fabric of its surrounding community it has successfully realized a community-based niche from which to operate.

Conceptualizing Community Nichemanship as Extraorganizational Clan Building

Granovetter's work (1985) on social embeddedness focuses on the nature and importance of relational dimensions in interfirm transacting behavior. According to Granovetter, relationships aid in interfirm purchasing decisions because they provide cost-effective, trust-based information that is "richer, more detailed, and known to be accurate" (Granovetter, 1985: 490). The phenomenon of social embeddedness suggests that continuing economic transactions "often become overlaid with social content that carries strong expectations of trust and abstention from opportunism" (Granovetter, 1985: 490). Integration of Granovetter's insight with Williamson's (1975, 1985) work on the pursuit of transactional efficiency suggests the possibility of relationally enriched market transactions requiring more modal variation than allowed by simple spot contracting. Commenting on the inadequacies of traditional economic theory, Williamson notes that it "...misses such [relational] considerations because it assumes that individuals regard transactions in a strictly neutral, instrumental manner" (1975: 38). Lending further support to the need for variation in market contracting modes, Williamson also observed that:

> ...it may be more accurate, and sometimes even essential, to regard the
> exchange process itself as an object of value. Concern for atmosphere tends
> to raise such systems issues; supplying a *satisfying exchange relation* is
> made part of the economic problem, broadly construed. (Williamson, 1975:
> 38)

Clearly, a more inclusive perspective, more appreciative of the relational nuances inherent in market transacting, appears justified.

A suitable cornerstone upon which to conceptualize such a relationally-enriched contracting alternative comes from Ouchi's (1980) work on organizational clans. His effort extended Williamson's (1975) markets and hierarchies framework by proposing a third coordinating mechanism, the intraorganizational clan. According to Ouchi, clans are notably different from both markets and hierarchies in several important ways. Whereas markets rely on hard and formal spot contracting, the contracting process of the intraorganizational clan can be characterized as soft, informal, and perpetual. Collaborating with Williamson, Ouchi noted that:

> Under hard contracting, the parties remain relatively autonomous, each is
> expected to press his or her interests vigorously, and contracting is relatively
> complete. Soft contracting, by contrast, presumes much closer identity of
> interest between the parties, and formal contracts are much less complete.
> (Williamson and Ouchi, 1981: 361)

A second distinctive characteristic of the clan is its reduced emphasis on specific knowledge
and procedure and a concomitant increase in emphasis on shared value orientations. As
Alvesson and Lindkvist's (1993) conceptualization of economic cooperative, social-
integrative, and blood-kinship clans suggests, clans provide qualitatively different value-
oriented payoffs for its participants than impersonal bureaucratic structures. Rather, as
Barnard (1938) has argued, clan compensation comes in the form of relational affirmation
akin to comradeship and communion:

> The most intangible and subtle of incentives is that which I have called the
> condition of communion. It is related to social compatibility, but is
> essentially different. It is the feeling of personal comfort in social relations
> that is sometimes called solidarity, social integration, the gregarious instinct,
> or social security...It is the opportunity for comradeship, for mutual support
> in personal attitudes. (Barnard, 1938: 148)

If internal organizational structures can be more completely understood by the inclusion of a
relational component, examination of that component in the external linkages of organizations
may be equally illuminating. More specifically, by integrating a bi-modal conceptualization
of transaction mode (as relational or non-relational) with a correspondingly coarse-grained
conceptualization of transaction arena (as either internal or external to the organization) four
types of transactions emerge. Three of the four are readily familiar: the external market, the
internal hierarchy and the internal clan. However, a fourth, namely the external, or
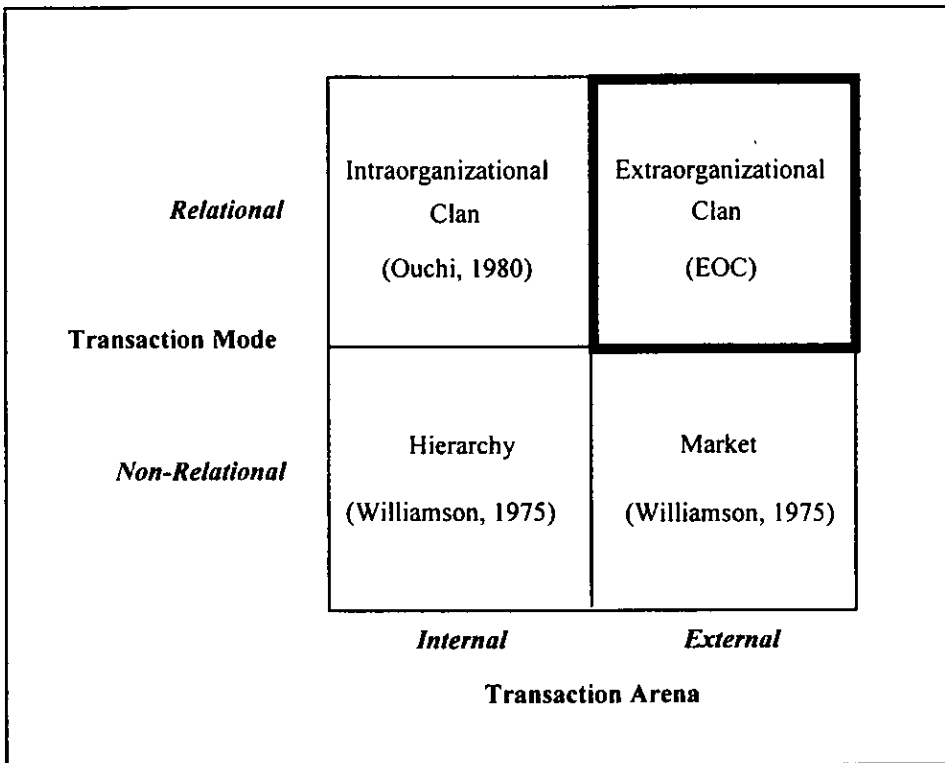*extraorganizational*, clan, also emerges (Figure 1).

The extraorganizational clan results from integration of Ouchi's appreciation for the soft,
informal, interactions motivated by subtle, but powerful, payoffs of intraorganizational
comradeship, with Granovetter's insights into interfirm relationship-based transacting
occurring outside the borders of the formal organization. The extraorganizational clan
represents transactions that occur between parties for whom trust is maximized and
opportunism is minimized.

Conceptual Support for The Extraorganizational Clan

Social theory on community (Weber, 1964; Bender, 1978) provides conceptual support for the
extraorganizational clan construct. While there is a substantial lack of definitional consensus
on the precise meaning of community, there is general agreement that it concerns "a network
of social relations marked by mutuality and emotional bonds" (Bender, 1978: 7). In addition,
there is also consensus that community is not inherently site-specific. Rather, as Bender has
written, community is better understood "as an experience than as a place" (1978: 6).

Community arises to provide social texture to the lives of those that participate in its
formation and ongoing maintenance. Community's conceptual distance from the impersonal
spirit of neo-classical spot market contracting was clarified by Weber (1964) who considered
a relationship *communal* if its orientation was predicated on "a subjective feeling of the
parties, whether affectual or traditional, that they belong together" (1964: 136). Communal
relationships stand in stark contrast to what Weber defined as associative relationships, that

FIGURE 1: THE EXTRAORGANIZATIONAL CLAN

		Internal	External
Transaction Mode	*Relational*	Intraorganizational Clan (Ouchi, 1980)	Extraorganizational Clan (EOC)
	Non-Relational	Hierarchy (Williamson, 1975)	Market (Williamson, 1975)
		Internal	*External*

Transaction Arena

were motivated by rational self-interest rather than mutuality and sentiment. The concept of community is relevant to the extraorganizational clan because the two share similar purposes and motivations, except that the latter realizes these aspirations in a firm-specific context. Integration of the literature on clans and communities therefore suggests the following definition for the extraorganizational clan:

> *An extraorganizational clan is a firm-specific network of informal extra-organizational relationships that result from the past and ongoing pattern of interactions between a firm and its members with its external social environment.*

Freeman's (1984) work on stakeholder theory suggests that the extraorganizational clan encompasses a wide and diverse array of external relationships that includes suppliers, regulators, competitors and customers. While this range of stakeholding groups may be inherent in the nature of the previous definition, it should be noted that the primary focus of this study is on the extraorganizational clan relationships that a firm proactively develops between itself and its customers. These theoretical perspectives also suggest the possibility of observable performance differences existing between those small firms that proactively engage in extraorganizational clan-building and those that do not. By recognizing and addressing the relational potential of the transacting experience the small firm is able to realize superior performance. Therefore, our study's central hypothesis:

> *Extraorganizational clan-building is positively related with small firm performance.*

METHODOLOGY

Industry Selection

The retail hardware industry (S.I.C. 5251) was selected for this study for two reasons: first, because of the fragmented nature of the industry (Miller, 1992); second, because of entry of several giant firms into this industry (Ehrenfeld, 1995); and third, because of a demonstrated tendency for small firms to get involved in the local community context (Thompson, et. al., 1993).

Instrument Development, Data Collection and Response Rates

We contacted 1,169 small hardware stores in seven major U.S. metropolitan areas (including Atlanta, Miami, Long Island, San Diego, Chicago, Minneapolis-St. Paul, and Kansas City). After participating in a short qualifying telephone interview, respondents completed a mail-administered survey that had been pre-tested and validated on a sample of Canadian hardware stores. The survey was designed in accordance with Dillman's Total Design Method (Dillman, 1978). Of the total sample of 1,169 stores, 340 (29.1%) were inaccessible (i.e., they had either ceased operations or were unavailable to answer the initial telephone call); 62 (5.3%) were incorrectly categorized as retail hardware stores; 110 (9.4%) were in operation and correctly classified as retail hardware stores but nonetheless refused to participate in the study. Of the 677 that were correctly classified as retail hardware stores, 370 (31.65% of the total sample) agreed to cooperate but failed to follow through by returning their completed survey, while 307 (26.3% of the total sample) followed through by sending back their completed surveys. In terms of the *total* sample, the 307 respondents represented a response rate of 26.3%; in terms of the 787 stores *eligible* to participate in the study, the 307 represented a 39.0% participation rate; in terms of the 677 stores that *agreed* to participate in the study, the 307 responses represented a response rate of 45.3%.

Dependent Variable: Operationalizing Small Firm Performance

Given the predominant focus on sales volume, the retail productivity measure of sales per square foot (Mason, Mayer & Ezell, 1988) was chosen as the dependent variable measure. To compute sales per square foot 1994 sales was divided by the store's inside selling space using scaled data. Scales on both measures were developed with the assistance of a *Cotter True Value Canada* retailing industry expert. Since exact sales and store square footage were only approximated from scaled responses the resulting distribution's skewness was exacerbated. In an effort to more closely approximate a normal distribution, we employed a logarithmic transformation (Glass & Hopkins, 1984).

Independent Variable: Operationalizing Extraorganizational Clan-Building.

Building on insights gained during the exploratory interviews, and subsequently refined during the pretest, the extraorganizational clan-building construct was operationalized in two basic ways that included both transacting behaviors and community involvements (Figure 2).

Transacting behaviors: Pre-, intra-, post- and extra-transactional. The first major operationalization of extraorganizational clan-building focused on different aspects of sale transacting. These aspects included behaviors before, during, and after regular transacting which encouraged firm-specific relational allegiance. In addition, given the "beyond the call of normal duty" nature of extraorganizational clan building, operationalization also considered extra-transactional behaviors, that is, behaviors occurring outside normal business hours (a full listing of all 14 items is found in Table 1). All 14 items, representing pre- (3 items), intra-

(5 items), post- (3 items), and extra-transactional (3 items) behaviors, employed a five point Likert scale; a score of one meant the behavior *never* occurred, while a score of five meant the behavior *always* occurred, given appropriate opportunity. In an effort to reduce the 14 items into a more parsimonious offering, factor analysis was utilized. In keeping with the advice of Kleinbaum, Kupper and Muller (1988) several different rotational techniques were considered in attempting to minimize factor misfit. Quartimax rotation was eventually selected as the most appropriate method of rotation given this technique's tendency to encourage individual items to load mainly on one factor (Stevens, 1992). Using the criterion of eigenvalues of at least one (Kaiser, 1960), three factors were identified (Table 1). Inclusion of individual items in a particular factor required the item to satisfy Guadagnoli and Velicer's (1988) loading criterion of .60 (excepting Item 1 in Factor 3 which loaded at .590). The three factors (accounting for 21.8%, 13.5% and 9.8%, respectively) together explained 45.1% of the items' total variance.

FIGURE 2: OPERATIONALIZING EXTRAORGANIZATIONAL CLAN-BUILDING: TRANSACTIONAL BEHAVIORS & EXTRAORGANIZATIONAL INVOLVEMENTS
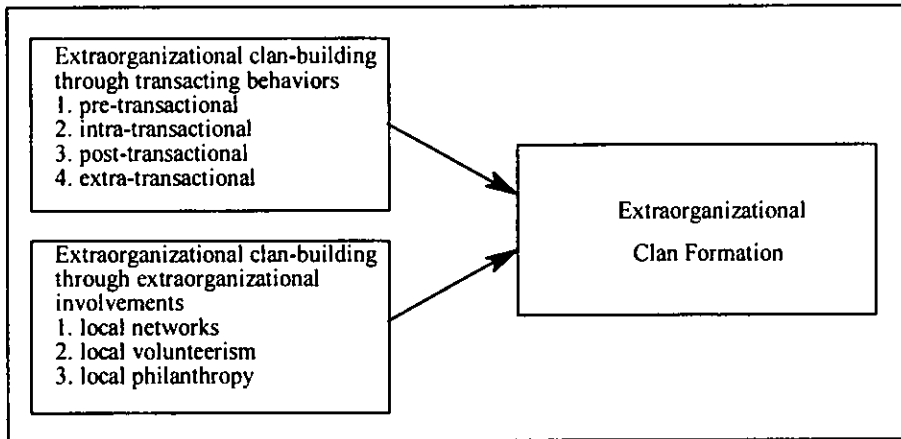
Community involvements: Networks, volunteerism, and philanthropy. A second major operationalization of extraorganizational clan-building focused on extraorganizational behaviors undertaken by the firm's members that encouraged the formation of relational ties between the firm and its surrounding community. As Figure 2 shows, operationalization included three different extraorganizational behaviors. These included involvement in *local networks*, such as business (such as the local Chamber of Commerce) and service (Kiwanis, Rotary and Lions) associations, and *local philanthropies* (Thompson, et. al., 1993) such as charitable (United Way), youth (Community Clubs and sport teams), and religious (church auctions) groups. A final operationalization of the extraorganizational clan-building construct involved *local volunteerism* with each respondent being asked to estimate the average number of hours spent during an average week on community involvements. Respondents were asked to estimate their store's degree of involvement in each of the five areas using a five point Likert scale; a score of one represented no involvement whatsoever and a score of five represented high involvement. Scores out of five were summed across the five areas to generate each respondent's score out of a maximum of 25.

Integrating the extraorganizational clan-building operationalizations. In the interests of parsimony, a principle components analysis was carried out of the five sub-operationalizations of extraorganizational clan-building (i.e., the three transactional factor scores, the network/philanthropy involvement score, and the number of hours spent each week on

community involvements).   By combining the factor loadings (of 0.694 for the Extra-transactional factor, 0.270 for the Post-transactional factor score, 0.398 for the Pre-transactional factor score, 0.709 for the average number of hours spent per week on community work, and 0.699 for the community involvement score) we generated a single score for each respondent in the extraorganizational clan-building niche dimension.

TABLE 1: EXTRAORGANIZATIONAL CLAN-BUILDING BEHAVIORS: QUARTIMAX FACTOR ANALYSIS OF 14 PRE-, INTRA-, POST- AND EXTRA-TRANSACTIONAL BEHAVIORS

Variable	Factor 1: Extra-transactional behaviors	Factor 2: Post-transactional behaviors	Factor 3: Pre-transactional behaviors
Open the store up in the middle of the night in order to help customers with an emergency (*Extra*-transactional)	0.831	0.006	0.052
Give out your home phone number to customers just in case they have an after hours emergency (*Extra*-transactional)	0.710	-0.006	0.121
Loan customers products to try out before they buy them so they get exactly what they need (*Intra*-transactional)	0.707	0.115	-0.034
Keep the store open past official store hours to help out customers (*Extra*-transactional)	0.613	0.189	0.162
Let customers rent equipment without putting down a deposit (*Intra*-transactional)	0.580	0.143	0.010
Take back products even if they're opened (*Post*-transactional)	0.182	*0.868*	0.009
Take back products even if they're used (*Post*-transactional)	0.156	*0.696*	-0.147
Take back products even if customers don't have a receipt (*Post*-transactional)	0.238	*0.695*	0.056
Try to develop friendships with customers while they're shopping in the store (*Pre*-transactional)	0.086	0.033	*0.699*
Make it a priority to be around the store during regular hours in order to get to know customers (*Pre*-transactional)	0.059	-0.031	*0.672*
Greet your customers by name as they enter the store (*Pre*-transactional)	0.212	-0.102	*0.590*
Hold merchandise for longer-than-normal lengths of time (*Intra*-transactional)	0.366	0.142	0.106
Extend credit to customers because of how well you know them (*Intra*-transactional)	0.363	0.145	0.097
Place special orders for customers without requiring deposits from them (*Intra*-transactional)	0.456	0.210	-0.006

Environmental Control Variables: Customer Affluence, Competitive Density, Residence Age

We also incorporated three external environmental control variables in our design.   In recognition of the dimension of environmental munificence (Castrogiovanni, 1991) we included measures for both customer affluence (operationalized as median per capita income) and competitor density (operationalized as number of retail competitors identifying themselves under the "52" S.I.C. category).   In respect of potential industry-specific effects related to neighborhood age, we also controlled for average house age.   To define each respondents' relevant geographic domain, we asked all respondents (during the qualifying telephone interview) to identify the zip codes accounting for the critical mass of their

establishment's trading area. We then integrated data for each of the zip codes from the most recent U.S. Census on each of the three dimensions to generate weighted values, with each zip code area weighted by its respective population.

Organizational Control Variables: Firm Size and Customer Service

In an effort to account for the possibility of different internal factors influencing the respondent's operations, two key intra-organizational dimensions were also controlled for. The first, firm size, was predicated on Aldrich and Auster's (1990) observation of size being a significant predictor of organizational strategy and performance. While the operationalization of size has included a variety of measures, including natural logarithm of sales, net assets, and number of employees in the organization (Singh, 1986), for the purposes of this study size was operationalized as the standardized log of each store's square footage (using scaled data). This selection was motivated by three considerations: the basic validity of square footage as a size control (Mason, Meyer, & Ezell, 1988), data collection limitations, and minimization of multicollinearity (Pedhazur, 1982). Regression diagnostics were carried out in order to assess whether the size measure's correlation with the dependent variable was problematic; no multicollinearity problem was observed.

In an effort to establish the discriminant validity of the extraorganizational clan-building construct from the more generic construct of "customer service," twenty-two items from the Parasuraman, Zeithaml and Barry (1988) SERVQUAL survey instrument were included in the survey. Reverse-scored items were reconverted by subtracting the reported score from eight. All twenty-two items were then summed and averaged for a mean customer service score. While direct customer involvement in the measurement process would have increased the measure's validity (Parasuraman, Zeithaml & Berry, 1985; Parasuraman, et. al., 1988; Nel & Pitt, 1993), resource limitations constrained the choice of data providers to only include store owner/managers.

RESULTS AND DISCUSSION

A summary matrix of the correlation coefficients of the variable set is found in Table 2. Our study's hypothesis proposed that extraorganizational clan-building was positively related to firm performance. Table 3 presents results from multiple regression models testing this assertion. In terms of descriptive statistics, respondents' mean 1994 sales were approximately $900,000. The mean establishment age was just under 38 years. Three models form the crux of our analysis; Model 1 reports the results of our basic model including control variables only; Model 2 adds the aggregated extraorganizational clan-building factor score; Model 3, utilizes the factor score's disaggregated data (that is, the three transactional factor scores, the number of hours spent per week on community involvements, and the community involvement score).

Our first model shows sales per square foot being positively related to resident affluence and competitive density. This suggests that small firm performance is influenced by environment; However, a finer-grained examination tells a somewhat different story. As Model 3 shows, further investigation of the role of the strategy's composite parts shows all five of the elements achieving statistical significance, albeit in two distinct patterns. Two of the three transaction factor scores (the extra-transactional and pre-transactional factors) and one of the extraorganizational involvement variables (number of hours spent each week on community involvements) were negatively related to firm performance, while the other two elements (post-transactional factor and total community involvement score) were positive predictors of firm performance.

TABLE 2: SUMMARY STATISTICS AND CORRELATION COEFFICIENTS (PROBABILITIES) OF PERFORMANCE, EXTRAORGANIZATIONAL CLAN-BUILDING FACTOR SCORE, AND SUB-COMPONENTS

	Mean (s.d.)	[1] Perfor-mance	[2] Extraorg. clan score	[3] Extra-trans.	[4] Post-Trans.	[5] Pre-trans.	[6] Comm. hours	[7] Comm. involve
[1] Performance	0.205 (0.162)	1.0 (•)						
[2] Extraorganizational clan-building score	20.553 (6.455)	-0.088 (.1673)	1.0 (•)					
[3] Extra-transactional)	7.278 (2.880)	-0.099 (.0856)	0.569 ($\leq$.0001)	1.0 (•)				
[4] Post-transactional)	7.875 (2.082)	0.039 (.5043)	0.173 (.0055)	0.271 ($\leq$.0001)	1.0 (•)			
[5] Pre-transactional)	7.592 (1.424)	-0.084 (.1476)	0.235 (.0001)	0.216 (.0001)	-0.024 (.6744)	1.0 (•)		
[6] Community hours	3.310 (4.790)	-0.055 (.3621)	0.812 ($\leq$.0001)	0.190 (.0014)	0.021 (.7282)	0.098 (.1043)	1.0 (•)	
[7] Community involvements	11.610 (4.411)	0.011 (.8518)	0.774 ($\leq$.0001)	0.228 .0001	0.022 (.7085)	0.069 (.2486)	0.443 ($\leq$.0001)	1.0 (•)

What might these findings mean? At the very least, they provide support, albeit limited, for our hypothesis. The bifurcated pattern of predictors also suggests that all forms of extraorganizational clan-building should not be seen as equally beneficial. Indeed, undiscerning and unfocused actions appear a rather unwise use of the scarce resource of management time. Rather, effective extraorganizational clan-building appears to involve focusing on those aspects of clan-building that do not detract from the core activities of the firm. This is suggested by the distinction between indirect, behind the-counter, versus direct, outside-the-store involvement; the former permits store managers to connect with their respective communities while remaining engaged in their firm's core activities, while the latter require an explicit tradeoff.

A second assertion is also hinted at in these results. Extraorganizational clan-building's linkage to performance may be most readily observed in those transactional behaviors that are most trust-intensive. This is apparent from the post-transactional factor score's positive test result. Given our earlier definition of the extraorganizational clan as "a firm-specific network of informal extra-organizational relationships that result from the *past* and ongoing pattern of interactions," giving customers the benefit of the doubt through a generous and unquestioning return policy may be an important and necessary route to encouraging their practice of social reciprocity (Gouldner, 1960).

CONCLUSION: IF YOU KNOW THEM, THEY WILL COME

The small firm must find some way to compete that alleviates its chronic condition of resource impoverishment (Welsh & White, 1981). Building on work in institutional legitimacy, we have argued that one strategy small firms can pursue is to develop deep and enduring clan-like linkages with customers. Our study offers preliminary support for this assertion with managers reporting selected efforts to foster and nurture customer friendship as enhancing their respective establishments' prospects for survival.

TABLE 3: SUMMARY OF REGRESSION ANALYSIS FOR EXTRAORGANIZATIONAL CLAN-BUILDING
DEPENDENT VARIABLE: SALES PER SQUARE FOOT
(Standardized Betas Reported with T-Ratio)

	Model 1	Model 2	Model 3
Control variables:			
Store size	-0.416 (-7.483***)	-0.431 (-7.165***)	-0.490 (-7.988***)
Customer service	0.004 (0.075)	0.046 (0.790)	0.057 (0.993)
Affluence	0.145 (2.574*)	0.126 (2.042*)	0.083 (1.327)
House age	-0.002 (-0.041)	0.048 (0.748)	0.071 (1.145)
Competition	0.091 (1.697†)	0.133 (2.271*)	0.097 (1.687†)
Independent variables:			
Extraorganizational clan-building		-0.083 (-1.411)	
Extra-transactional Factor			-0.143 (-2.262*)
Post-transactional Factor			0.098 (1.654†)
Pre-transactional Factor			-0.100 (-1.661†)
Number of hours spent per week on community work			-0.168 (-2.537*)
Total community involvement score			0.175 (2.688**)
Constant	-0.408 (-1.726***)	-0.394 (-1.529)	-0.268 (-1.017)
R^2	0.188	0.216	0.272
Adjusted R^2	0.174	0.196	0.241
df	288	238	234
F	13.30***	10.91***	8.731***

† $p < .10$ * $p < .05$ ** $p < .01$ *** $p < .001$

However, notwithstanding our study's results, several caveats warrant mention. A first limitation concerns our exclusive reliance on store managers. Due to methodological limitations, we were unable to include customer input to validate the extent to which the transactional behaviors *actually* occurred. Likewise, no community social agencies were solicited on respondents' actual involvements. Clearly, an important next step could involve expanding the circle of data points to include a more diverse set of stakeholders. Likewise, in consideration of Parsons' conceptualization of the technical, managerial and institutional dimensions of organization, additional work could explore the extent to which relational initiatives demonstrate an interactive effect with either technical and managerial actions.

In summary, small firms are fundamentally disadvantaged when competing against large competitors. However, the large competitor is not without its own Achilles' Heel. One point of apparent vulnerability arises from scale-oriented operations often being accompanied by

increasingly impersonal transacting behaviors. To reverse paraphrase Welsh and White (1981), while "a small business is not a little big business," neither is a large business a big small business. And at exactly this point a relational opportunity emerges for the alert small firm. By deliberately enriching its transactions with a relational overlay, small firms can foster personalized loyalty largely inaccessible to scale-advantaged players. While large firms may, as Schnoor's opening statement observed, attempt to instill a superficial veneer of friendly service as "a friendly neighborhood store where the workers know the customers' names" the reality remains otherwise.

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