The Value of Social Control in Small Medium Firms' Partnerships

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Small-Medium Enterprises (SMEs) build relationships with other firms to achieve greater external economies of scale, market strength, or exploit new opportunities. Frequently these relationships rely more on social constrains than on formal controls to avoid opportunistic behaviour. The aim of this study is primarily investigating the functioning of SME's long-term partnerships. In particular this research analyses the most widespread forms of SME's partnerships and the use of the main elements of formal and social control. The general conclusion of this study is that partnerships are an important issue for small medium enterprises. Considering the general control configuration related to each type of partnership, social aspects prevail. In particular, the findings of this suggest that the use of social control in SMEs' partnerships is positively correlated to a good evaluation of the relationship.

Introduction

The inter-firm networks have been an important topic for many disciplines that have studied the firms' relationships through different perspectives. The different approaches have defined a wide range of forms of relationships and their mechanisms, using different social and economic dimensions. These varied studies have focused on the strategy field (Dyer and Singh 1998; Daboub 2002), entrepreneurship area (Dubini and Alrich 1991), industrial districts research (Brusco 1982; Beccattini 1987) and lately in the field of innovation theory (Freeman 1991; Schilling and Phelps 2007).

All the types of partnerships can be seen as a particular form for regulating interdependence relationships between firms, which is an alternative of the aggregation of these entities within a group.

In this realm, particularly relevant is the collaboration among small- and medium-sized enterprises (SMEs). SMEs build more and tighter relationships with other companies to achieve greater external economies of scale, market strength, or exploit new opportunities (Rosenfeld 1996).

Furthermore, SMEs relationships with external individuals who are capable to provide information credibility and access to resources may be vital for the survival of the single firm (Human and Provan 1997). Frequently these relationships that are created through SMEs networks, rely more on social constrains than on formal controls to avoid opportunistic behaviour (Saxston 1997). The managers of SMEs rely on unwritten social contracts in order to govern partners' behaviour in these networks. These categories of relationships based on social contracts, are more dependent on trust than those regulated by high-formalized agreements. At the inter-firm level, trust is a key factor in cooperative

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relationships (Ring and Van de Ven 1992). Trust is an important issue considered by the researchers as it can be effective in reducing concerns about opportunistic behaviour, better integrating the partners, and reducing formal contracting (Das and Teng 2001). Moreover, social pattern of SMEs partnerships supports trust over opportunism (Ghoshal and Moran 1996).

Referring to these studies, the research tries to analyse the relevance of the factors that influence the evaluation and the control in different types of firms' partnerships. In particular the focus was placed on the relevance of formal control elements and the social control ones.

Theoretical Framework

Inter-firm Relationships

Small medium firms often recourse to networking activity to compensate for their own lack of resources and expertise in several fields, such as innovation processes (Zeng et al. 2010), international activities (Saxton 1997; Nakos and Brouthers 2008) or accessing to bank financing (Le Ngoc and Thang 2009). Research in SME area has widely discussed the effects of such relationships on firms' performance and development.

The inter-firm collaborations range from an immaterial dimension to a physical one (Havnes and Senneseth 2001), whereas a firm, establishing any single alliance, probably pursues more than one single aim.

According to the notion that the type of partnerships created by a firm depend upon the firm's dimensions and growth (Delmar, Davidsson, and Gartner 2003), a rich literature suggests that SMEs rely basically on the owner-manager's personal relationships (Sawyerr et al. 2003; Butler and Hansen 1991; Daft and Weick 1984). Lechner and other authors (Lechner et al. 2006) define such relationships as a social network. The key element of a SME's social network is the access it gives to different resources, above all information, since the members of the network can be considered as valuable information sources (Dollinger 1985).

The literature distinguishes between personal and social networks on one hand and organizational or inter-firm networks on the other hand (Podolny and Page 1998). The first ones are based on information exchanges through inter-personal relationships; the second ones are relations between organizations that can have various functions. A further type of relationship established by small-medium enterprises are long-term partnership with suppliers and clients. Part of the literature considers a high degree of closeness to the client as an advantage for the SME, since it enables more personal relationships to develop (McAdam 2000). Yet, an excessively tight partnership can drive to a limited customer base and consequently to a kind of submission towards the main buyers (Oakes and Lee 1999). Relationship marketing provides a different view of long-term supplier-clients relationships. According to this paradigm, "to be an effective competitor (in the global economy) requires one to be a trusted cooperator (in some network)" (Morgan and Hunt 1994). From the point of view of the client, several authors highlight the strategic importance of attracting, developing and retaining customer relationships, both with intermediate and final clients (Berry 1983; Anderson and Narus 1990). According to commitment-trust theory, in order to engender cooperation with clients, suppliers and all the other firm's stakeholders, commitment and trust are key (Morgan and Hunt 1994).

The implementation of long-term partnerships with clients, suppliers or competitors can meet organizational needs of a firm, in particular learning needs. For example, Hamel (1991) found that there is a current shift "from traditional cost driven alliances to knowledge-intensive alliances, where inter-partner learning is a major objective". Therefore alliances can also be used as a chance to learn new market and technological skills and, in general, to acquire a partner's know-how. Once firms have identified their technological competencies and developed the appropriate organizational structure and processes to support these, alliances can be addressed to obtain competitive advantages inherent their own marketplace. From this point of view, alliances can be created to get several goals, as reducing the risk of development or market entry, reaching new markets by leveraging co-specialized resources or reducing the time to market. Moreover, greater international reach is a common related motive for alliances between competitors, in order to develop a market presence in foreign countries.

Another key reason underlying the implementation of alliances is the reduction of costs, related both to technological development of products and to the marketing and growth-market-share activities. In this case, the typical objects of the inter-firm alliances are achieving scale economies in production or scope economies through the combined production of goods in order to saturate the production capacity.

A wide literature is dedicated to the study of outsourcing activity, often linked to the phenomenon of downscaling which leads up firms to improve productive specialization or to achieve market niches. A firm can in fact decides to outsource part of its own production to reduce scope or costs, or to focus on the most strategic aspects of its business activity. As Suarez-Villa (1998) states, outsourcing has commonly been conducted in two ways: "the competitive mode, relying on hierarchical arrangements, minimal cost objectives, and on rigid or preordained performance expectations, and a cooperative mode, relying on tacit performance agreements, trust, and reciprocal adjustment". This second type of production outsourcing is typical of small firms which, creating outsourcing networks with other small firms, reduce the risks connected to inter-firm disparities.

Finally, all the illustrated goals underlying the implementation of inter-firm alliances can be reached through the creation of *ad hoc* projects. In fact, firms can enhance partnerships which are limited in time since are linked to specific projects, as the creation of a temporarily common distribution network or the development of innovative products. From the point of view of the exploration-exploitation framework, we could affirm that such projects tend towards the exploration dimension when they precede the establishment of long-term alliances and regard basically the up-stream activities as the development of new products. On the other hand, the projects dedicated to downstream activities, as the provisionally sharing of marketing, distribution and sales resources, tend towards the exploitation.

Therefore, even if a predominant motivation is detectable, behind every single partnership implemented by a firm there are several reasons which can be strongly interrelated one other.

Moreover, it is possible to identify three hierarchical levels of collaboration: relationships, alliances and networks (Tomkins 2001). Several bilateral relationships form an alliance; alliances and relationships create in turn a network, in which all the firm's partnerships are nested. This study focuses on the intermediate level of collaboration: the alliances, also called partnerships. This choice has been adopted for methodological reasons, due in particular to the extension of the sample. In fact, given the high number of cases, the unit of analysis is the single firm and its main dyadic partnerships: therefore the point of view is that of the single focal firm.

Formal Control in Inter-firm Relationships

Based primarily on the organizational studies and on the theory of transaction costs, a rich literature on control mechanisms in inter-organizational relationships (IORs) is flourished in the last decades. The main control models proposed by such literature are hierarchy-based and market-based.

In market-based models, the key element of inter-firms' control is the price, through which any firm communicates its own level of productivity and efficiency (Van der Meer-Kooistra and Vosselman 2000; Håkansson and Lind 2004).

Instead, hierarchy-based models are established on formal contracts defining the partner's expected performance, the rules and standards which frame the partnerships, and possible hostage clauses in order to enhance the partner's compliance to the contract. Therefore the contract defines the control areas in which firms carry out partner's performance measurement through different techniques. The principal aim of such techniques is gathering information concerning the technical end economic aspects of the activities performed and the use of the resources (Håkansson and Lind 2004).

In the last years some scholars have yet denounced the transaction cost theory's inadequacy to explain the mechanisms of control in inter-organizational relationships (Larson 1992; Dekker 2004). There are mainly two reasons behind this statement. On one hand, the phenomenon of IORs cover a wide range of heterogeneous forms which can pursue a great variety of goals, not necessarily just the reduction of transaction costs. On the other hand, this theory mainly focuses on contractual forms of control in IORs, lacking the examination of other important mechanisms, as the behaviour control and social control.

According to Caglio and Ditillo (2008), there is in fact a third theoretical paradigm underlying inter-firm control. Even if a unique key element is not detectable in such paradigm, it is possible to affirm, generally speaking, that a common aspect is the recourse to informal-social mechanisms as trust or intense communication.

With regard to these considerations, a typical division operated by the literature is between formal and informal control. Formal control consists of explicit mechanisms based on outcome and behaviour control. A typical mechanism of outcome control is measuring and monitoring the economic performance of the partnership, while behaviour control consists of elements such as reporting activities, cost control or quality control (Das and Teng 1998). Informal control relates to implicit mechanisms of control, such as "reciprocity norms, reputations, trust, personal relationships and the embeddedness of relationships in a social network of current and prior types" (Dekker 2004).

This study focuses on the concept of trust, whereas it seems to be the hyphen between formal and informal dimensions. In fact, trust is both the output of informative exchanges proper of formal control and an important issue of social control.

In the final analysis, even if the literature has essentially studied if formal control and informal control were substitutes or complements (Yuan Li et al. 2009), it is possible to affirm that this is not the point. For example, Caglio and Ditillo (2008) state that there is not agreement about the nature of the relation between control, expression of formal control, and trust, one of the main dimension of the social control: results show both a positive correlation in some cases and a negative correlation in others. In particular, Dyer argues that the formal control is effective just in the short-term since the environmental uncertainty implies repeated adjustments in the long-term, arising the amount of transaction costs. As a consequence, social control mechanisms will be more convenient in the long-term since they entail a minor investment (Dyer 1997).

Social Control in Inter-firm Relationships

As mentioned before, in inter-firms relationships, trust and control are used for managing the risk of opportunistic behaviour, environmental uncertainty and achieving cooperative relationships (Das and Teng 1998). The two variables jointly stand out against the perceived risk of the partners and are used in their overall management control system. Social control, which includes solidarity, information exchange and shared values and norms, becomes easier and more effective if there is trust between partners (Sengun and Wasti 2009). Trust is an important issue to which scholars have paid particular attention referring in particular to the IORs. It is a complex phenomenon that can be individuated at the personal, organizational, inter-organizational, and even international levels. Referring to the inter-firm level, trust is considered a key element for the cooperative relationships (Das and Teng 2001). Many studies argued that minimum levels of trust are essential in inter-firm relations (Birnberg 1998), as trust reduces the possibility of opportunistic behaviour and can increase the predictability of mutual behaviour through each partner.

In particular, in this study we consider trust not as an alternative of control, but as an outcome of the relationships social control mechanisms that reinforces trust generating a virtuous circle of trust and social control. This happens generally in the long-term relationships where trust is formed also based on “emotional bonds” generating the so-called *affected-based trust* that promotes the belief that the partners care about the relationship and each other (Dooley and Fryxell 1999). As confidence in a partner’s good intention increases, there is closer cooperation, a more open information exchange, and a deeper commitment between the partners (Fryxell et al. 2002).

Cultural Similarities

One of the central mechanisms of social control is firm’s culture viewed as a system of shared values and norms that delineate right and proper attitudes and behaviours (O’Reilly and Chatman 1996). Firm’s culture is a source of control as it individuates the process through which organizational members elaborate information and react to the environment. These elements outline and enhance the predictability of future behaviour of people that voluntary perform actions that are required by other members with the same shared values and norms. Another variable to be considered in firms’ partnership is similarity between partners, in terms of similar capabilities and processes related to those of the partner. For realising successful synergies, firms’ must have similar organization processes such as human resource policies and administrative systems. This kind of organizational fit, can determinate the level of fruitful synergies, critical for the transaction’s success (Saxton 1997).

Reputation

In relationships with informal contacts where partners communicate their expectations, reputation for non-opportunistic behaviour can be an important mechanism for the exchange partner’s satisfactory performance. A positive reputation can compensate the relational risk of opportunistic behaviours by functioning as a substitute for direct experience with a partner. In the cost-benefit analysis, a firm can reduce search and monitoring costs associated to operating jointly with a specific reputable company. Asset specificity is a good indicator for the firms' behaviour but it can't stand alone as firms exist in a system of markets (Saxton 1997). The benefits deriving from a good reputation, are generally supposed to be extended beyond the conclusion of the single transaction and influence the forecast of the relationships' overall level of satisfaction.

Trust dimensions

Given the importance of trust in interorganizational studies, although numerous definitions have been offered in the literature, the issue of delineating trust remains unsolved. First of all, can an entity like an organisation act as if it exhibits trust? If one can talk sensibly about an organisation having a culture, one can talk as if an organisation has a degree of trust intensity towards different other organisations (Tomkins 2001).

Many studies argued that certain minimum levels of trust are essential in inter-firm relationships, as trust reduces the possibility of opportunistic behaviour (Birnberg 1998; Lanfield-Smith and Smith 2003). Hosmer in his study makes a complete review of trust definitions from various approaches investigating the consistencies and differences and proposes that trust is based upon an underling assumption of an implicit moral duty. Precisely the trust definition proposed as a result of the analysis, declaims:

"Trust is the expectation by one person, group, or firm of ethically justifiable behaviour, that is morally correct decisions and actions based upon ethical principles of analysis, on the part of the other person, group, or firm in a joint endeavour or economic exchange" (Hosmer 1995).

In firms' relations dimension, trust is not a tool that can be introduced voluntary in transaction, but it can be build up in long-lasting relationships through identifiable partners. One of the principal vehicles considered for developing trust among partners, is communication and information exchange (Das and Teng 1998). Firms need to gather evidence about their partner's credibility and trustworthiness and experience and communication enhance this process. For this reason only the durable relations between firms were included in the present study.

Few studies have investigated trust variables empirically. Butler (1991) in his studies provides five specific components of managerial trust used for achieving cooperation in relationships. In particular these five specific variables of trust individuated were: integrity, competence, consistency, loyalty and openness. In particular:

- integrity – defined as the result of honesty and fairness of the partner;
- competence – as technical knowledge and interpersonal skill required to achieve the objective of the relation;
- consistency – coherence to the tacit agreement through all the duration of the relationship;
- loyalty – benevolence or willingness to protect, support and encourage others;
- openness – tendency to share ideas and information with others.

Four out of these five variables are based on moral values, which are the main mechanisms of social control and precisely – integrity, consistency, loyalty and openness (Hosmer 1995).

Furthermore, another variable that can be considerate as a component of trust is tolerance toward the partner. Operating in partnership can raise complexity of the management process and tolerance against possible partner's inaccuracy is an important element in the relationships based on trust.

Research Design

The general aim of this study is primarily investigating if Italian small medium firms establish long-term partnerships, in other words repeated transactions with other parties over an indefinite length of time. Succeeding to this first explorative goal, the second aim is analysing the types of the partnerships and the main elements considered in the control as a whole.

In particular the studies tries to answer to the following issue: in long-term relationships, given the object of partnering, which are the types of control that small-medium firms adopt to govern their partnerships?

With regards to these considerations, operatively two research hypothesis has been investigated empirically:

Hp_1: *different kinds of partnerships are supported by different types of controls;*

Hp_2: *the use of social control mechanism can enhance general evaluation on partnership and reduce the conflicts between partners.*

It is important to highlight that this study is focused on a precise moment of the partnership that we could call t_1. T_0 could be defined as the initial moment in which a firm establishes a relationship after having individuated the main purpose of the partnership and after having chosen the distinguishing features of a proper partner (among others: professionalism, integrity, economic convenience). Instead T_1 is the moment in which the relationship can be defined as medium or long-term since it is based on frequent and lasting relations and the standards framing the formal and informal control processes has been already set.

Sample

In order to achieve the empirical purposes of this study, a questionnaire of ten multiple choice has been elaborated. The sample of the study is composed by 582 Italian small medium firms, all located in Modena, a province in Emilia Romagna which is famous for industrial district. The firms have been selected from a database of firms' balance sheets on the basis of the last declared amount of sales: from 10 to 50 millions of euro in 2008. From the starting sample, formed by 582 firms, 219 of them have not been contacted since it was not possible to retrieve a mail contact in internet. Therefore the final sample is composed by 363 SMEs. The sample is composed by a wide range of economic sectors which are represented as follows:

- Industry (51%)
- Commerce (29%)
- Food (7%)
- Services (5%)
- Transport (4%)
- Agriculture (2%)
- Energy (1%)
- Healthcare (1%)
- Information technology (less than 1%)

Methodology

The firms were asked to fill-in an online questionnaire, initially through a mail and, in a second moment, through a phone reminder. The respondents were 70 therefore the answer rate is 19%. Yet 13 out of 70 respondents have been deleted since they gave incomplete answers. Out of a first group of 57 accepted respondents, 4 declared their companies were not engaged in long term relationships at the moment of the survey. As a consequence, just 53 firms were analysed, for a total of 106 relationships (2 partnerships for each respondents).

The composition of the respondents' set is representative of the sample, since the distribution among the different sectors is similar to the entire sample's distribution:

- Industry (33%)
- Commerce (31%)
- Food (13%)
- Services 11%)
- Transport (4%)
- Agriculture (4%)
- Energy (2%)
- Healthcare (2%)
- Information technology (0)

The questionnaire was composed by 10 questions investigating the following topics:

1. respondent's characteristics (sector, legal structure, organizational structure, number of employees, sales);
2. the establishment or not of partnerships (as a minimum one-year-relationship);
3. some characteristics of two principal partners (A and B) of the respondent (sector, legal structure, organizational structure, localization, duration and frequency of the relation);
4. the reasons underlying the relationships with each partner (for all the reasons individuated the respondents had to give a score of relevance on a five-point Likert-type scale, whereas 1 = no relevant, 2 = scarcely relevant, 3 = relevant on average, 4 = relevant, 5 = very relevant);
5. the elements of control considered in each relationship (for all the elements individuated the respondents had to give a 5-scale score of relevance);
6. a general evaluation of both the partnerships, (whereas 1 = negative, 2 = unsatisfactory, 3 = acceptable, 4 = more than satisfactory, 5 = excellent);
7. the frequency of conflicts in each relationship, (whereas 1 = almost ever, 2 = often, 3 = sometimes, 4 = rarely, 5 = never).

With regard to the fourth point concerning the motivations of the relationship, an explanation is necessary. Being this research an explorative study, the partnership's reasons proposed in the survey are quite general and comprehensive. The reasons' categories reflect the initial theoretical framework and are the following ones:

- establishment of common projects, both productive and commercial (for example,innovative products and/or innovative processes development, common distribution retail);
- outsourcing;
- access to common funding;
- technological alliances;
- cost reduction;

- acquisition of competitive advantages;
- acquisition of common competences;
- long-term supplier partnership;
- long-term client partnership;
- sharing of information based on interpersonal relationships.

From now on, partnership's reasons will be called just partnerships or relationships categories.

Also the point concerning the elements of partnership's evaluation needs to be deepened. The elements which have been proposed in the questionnaire refer basically to three dimensions: formal control, social control and cultural control. It is important to note that such elements are the foundations on which control instruments are implemented. In other words, this study aims to investigate the elements of control rather than the control techniques. Moreover, as already said, the attention is focused on a precise moment of the relationship rather than on the entire process of construction of the partnership. The units of analysis are in fact long-term partnerships (at least one-year-relation), so it could be assumed that the norms and the elements on which the control processes are grounded have been already framed and adapted to the relationship's circumstances.

The elements of the formal control are:

- economic performance;
- quality of the output;

Therefore, even if formal control mechanisms rely basically on formal contract, the study considers more informal elements in order to embrace a wider range of real situations. The economic performance is the key element of the formal control and can be measured through different techniques, ranging from the inter-firm cost management to the inter-firm allocation of the partnership's economic results. The control of the output quality is another element of the formal control and is based on several processes as goal setting or performance monitoring. We did not explicit such several techniques since it was not the aim of the study.

The key element of the social control is trust which encourages desirable behaviour (Dyer, J.H., Singh, H., 1998). In line with the review of the literature, the concept of trust in the partners has been broken up in several components:

- partner's competence;
- partner's integrity (honesty and fairness);
- partner's openness (towards collaboration and information sharing);
- partner's loyalty;
- partner's tolerance towards partnership's difficulties and hitches;
- partner's reputation;

Actually, studying the relationship at the moment $t_{1,}$ reputation is seen more a criterion of selection than a source of trust. Similarly to formal control, the components of social control consider only the elements of control and not the social control mechanisms, as joint problem solving, participatory decision making, thorough information exchange, and fulfilment of promises (Fryxell, Dooley, and Vryza 2002).

Finally, the study distinguishes between social control and cultural control since, even if such terms are often used synonymously, Ouchi (1979) affirms that cultural control requires social agreement on the range of shared beliefs and values. In fact "social controls can exist when there is agreement on purposes or outcomes, without there necessarily being shared belief systems" (Langfield-Smith 1997). In the light of these considerations, the components of the cultural control are:

- shared social values and norms;
- cultural similarity.

In order to verify the coherence between the variables division in the three types of control, a factor analysis was performed with SPSS. The results as reported in table 1, confirms the grouping of the control variables in the same three categories individuated by the literature.

Table 1
Factor Analysis of the Items Operatizing the Concept of "Control"

Rotated Component Matrix[a]

	Component		
	1	**2**	**3**
Integrity	,831		
Openness	,795		
Loyalty	,711		,325
Tolerance	,665		,404
Competence	,651	,327	
Reputation	,575		
Social Values		,934	
Cultural Similarity		,929	
Economic Performance			,875
Output Quality			,859

[a]Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.

Factor analysis of the items, operatizing the concept of "control", produced three distinct factors. First, a main factor of six items was associated with social control mechanisms (factor 1). A second factor included two items and was associated to cultural control (factor 2). The third factor comprised two items and was associated to formal control (factor 3). This result is consistent with the theoretical assumptions presented in the literature review.

In conclusion, every respondent individuated its own two main partnerships and, for each partnership, gave a score of relevance inherent to the reasons of the relationships. Subsequently, the respondents assigned a score of relevance also to the elements of control underlying each partnership. Therefore some partnerships can rely on different reasons, which, in turn, can be matched with different elements of control.

The data was first gathered then processed in the following way:

1. descriptive statistics aimed to individuate the more relevant relationship's reasons categories and the related components of control;
2. correlation test between each type of relationship and the three types of control;
3. correlation test between types of control and relationship's performance.

Data Analysis

General Considerations

In order to verify the partners' similarities as a source of informal control, the data were analysed according to the legal structures of the partners.

Most of the respondents have corporation's legal structure. They mainly set partnerships with other corporations (91%), followed by cooperatives that also collaborate mostly with other cooperatives (90%) and finally limited partnerships that mainly set relationships with other firms of the same category (56%) and with corporations more than cooperatives. From this analysis an important issue that can be underlined concerns the cooperatives. For the growth and development of co-operatives, networking represent not only an opportunity among many others, but it is the normal way of operating as a result of their solidaristic dimension. The use of networks by co-ops has been very intensive as a result of the Italian co-operative umbrella organizations. In fact the building up of large co-operative corporations was often the result of networking (Menzani and Zamagni 2009).

Table 2
Partners' Legal Structure

Respondent	Partner	Data
Cooperative	Cooperative	90,91%
	Limited Partnership	9,09%
Corporation	Cooperative	4,88%
	Corporation	91,46%
	Limited partnership	3,66%
Limited partnership	Cooperative	11,11%
	Corporation	33,33%
	Limited partnership	55,56%

Test of Hypothesis One

The literature recognizes that IORs may use a wide range of transactions forms and can serve a great variety of functions. In the following section the correlation between relationship's functions and implemented types of control is analysed.

Table 3
Correlations: Types of Partnerships - Types of Control

Types of relationship		Formal control	Social control	Cultural control
Common projects	Pearson Correlation	,230*	,290**	,443**
	Sig. (2-tailed)	,025	,006	,000
Outsourcing	Pearson Correlation	,320**	,298**	,200
	Sig. (2-tailed)	,002	,005	,057
Technological Alliances	Pearson Correlation	,304**	,422**	,284**
	Sig. (2-tailed)	,003	,000	,006
Cost reduction	Pearson Correlation	,318**	,329**	,167
	Sig. (2-tailed)	,002	,002	,115
Competitive advantages	Pearson Correlation	,249*	,474**	,403**
	Sig. (2-tailed)	,017	,000	,000
Common Competences	Pearson Correlation	,143	,349**	,446**
	Sig. (2-tailed)	,176	,001	,000
Suppliers' Partnerships	Pearson Correlation	,131	,399**	,441**
	Sig. (2-tailed)	,217	,000	,000
Clients' Partnerships	Pearson Correlation	,074	,215*	,442**
	Sig. (2-tailed)	,484	,048	,000
Information Sharing	Pearson Correlation	,187	,404**	,382**
	Sig. (2-tailed)	,072	,000	,000

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

Common Projects

Considering the correlation between the relationships with the aim to develop common projects and the control variables, the most significant control for this partnership was individuated for the cultural one. In fact, this factor can be considered as a fundamental criterion for the achievement of the common objective set by this category of relationships. Moreover, also social control emerges as a highly correlated factor. This result can be explained thinking of variables as partner's competence that can outline and enhance the predictability of future behaviour of the partner that performs the actions that are required.

Outsourcing

Outsourcing is highly correlated primarily to formal control and secondly to social control. This result can be clarified thinking of outsourcing as a form of alliance strongly linked to the firm's and partner's operations. As a consequence, in outsourcing cases the main elements of the inter-firm control refer to the operative dimension, in particular to the output quality. This result is consistent with other studies on outsourcing alliances which demonstrate that “a firm may gain control over the function being outsourced through ongoing monitoring of work performance, as…customer satisfaction, delivery responsiveness, product quality and cost…” (Langfield-Smith and Smith 2003). The correlation with the social control can be explained focusing on some items of this factor, as for example the importance of the partner’s tolerance towards possible hitches. This result can be explained thinking of the timing of the outsourcing process, which is embodied in the firm’s workflow as a whole. As a consequence, the outsourcing of some firm’s activities requires a great coordination between the outsourcee and the outsourcers. A lack of this coordination can imply delays or misunderstandings among partners, therefore partner’s tolerance results to be a key element of the relationship.

Technological Alliances and Competitive Advantages Alliances

It is noteworthy that these kinds of relationships are both correlated with all the types of control. The probably reason is that an unambiguous definition of technological and competitive alliances has not been established. In fact, the acquisition of competitive advantages is a wide aim of inter-firm partnerships which can range from the productive dimension to the commercial ones. While, as Nueno and Oosterveld affirm, technological alliances can aim to the “integration of technology and marketing; increasing the efficiency of the technology function; improving the linkage between R&D and manufacturing, and so on”. Probably also the respondents have detected these relationships in different ways, assigning different types of control.

In particular, both these alliances can be based on the sharing of sensitive information between partners. This characteristic can explain the prevalence of the use of social control in this trust-based relationship.

Cost Reduction

This type of partnership is supported by formal control and social control. The relevance of the latter type of control can be ascribed to the original items composing this factor. These items, as partner’s competence and loyalty, refer basically to instrumental trust which is required in this kind of relationship.

Common Competences

The relationships that have the objective to create common competences between firms are correlated with social and cultural control. These factors can determine and improve further learning embedded in the relationship when partner firms have the same cultural frame. In particular, the social control’s item of partner’s tolerance plays a key role in this type of relationship. In the case of the creation of common competencies, tolerance against the greater complexity caused by the operating in partnership (Tomkins, 2001), can test the predisposition of the partner to sacrifice its interest on behalf of the achievement of the joint result.

Partnerships with Clients and Suppliers

Partnerships with clients and suppliers show a higher correlation with cultural control, followed by the social one. This result is consistent with other studies which state that “close relationships with suppliers may involve the sharing of information, joint product and process development and joint cost improvement activities, and trust allows such alliances to flourish” (Langfield-Smith and Smith 2003). Since the observed partnerships are based on long-term relations, an established level of familiarity may have generated affected-base trust.

Information Sharing

The aim of information sharing is predictably correlated to social and cultural control. This type of relationship is based on inter-personal ties which are embedded in a common cultural context.

Test of Hypothesis two

Generally speaking, social control emerges as a prevalent factor across the several analysed partnerships. In order to verify the impact of this type of control on partnerships' performance, each type of control was correlated to the partnership's general evaluation and the level of conflict between partners.

Table 4
Correlations: Types of Control – General Evaluation and Level of Conflict

Types of Control		**General Evaluation**	**Conflicts between Partners**
Formal Control	Pearson Correlation	,130	,088
	Sig. (2-tailed)	,183	,372
Social Control	Pearson Correlation	,320**	,154
	Sig. (2-tailed)	,001	,114
Cultural Control	Pearson Correlation	,217*	,244*
	Sig. (2-tailed)	,025	,012

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

The correlation test shows that the social control fits with the highest performance rated by respondents. Also the cultural control plays a crucial role in mitigating the level of conflict between partners.

Conclusions

The general conclusion of this study is that partnerships are an important issue for small medium enterprises, since 93% of the respondents declared their companies were engaged in long term relationships at the moment of the survey. These partnerships are based on frequent contacts and are maintained in the long-term.

The SMEs establish IORs to pursue several functions, which involve different management issues and then imply different control frameworks. The results confirm the theoretical assumption that formal control mechanisms are relevant when the relationship implies a high level of coordination, as in outsourcing, technological and cost reduction alliances.

Yet, considering the general control configuration related to partnerships, social aspects prevail. The importance of social control in SMEs' partnerships is confirmed by its significant relation with a good general evaluation of the partnership.

In conclusion, it is possible to affirm that social control and formal control are not substitutes. In fact, in the long-term, social variables are more relevant since the economic targets are supposed to be already consolidated. On the other hand, being the social elements the catalyst of long-term relationships, they are continually used and monitored in order to support the relationship.

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