

4. SMALLER BUT NOT NECESSARILY WEAKER: HOW SMALL BUSINESSES CAN OVERCOME BARRIERS TO RECRUITMENT

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INTRODUCTION

For small firms, one of their most difficult but important goals is locating and hiring new qualified employees that enable them to offer products and services. In fact, despite the currently slowing economy, a recent Conference Board survey of leaders of small and mid-size firms identified scarcity of qualified employees as the most often cited threat to business growth, identified by almost 50% of those surveyed. By contrast, less than 25% of the sample saw the slowing growth in the economy as a threat to firm growth, and only 10% were worried about a collapse in stock prices (Muson, 2001). Consistent with these findings, in a recent National Federation of Independent Business (NFIB) survey of small businesses, 35% reported having difficult-to-fill job openings, a record

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high since the NFIB began conducting the survey in 1973 (Small Business Economic Trends, 2001).

Small businesses dominate the landscape of the United States, representing over 99% of all employers, creating two out of every three new jobs, and producing 39% of the gross national product (SBA, 1999a), but very little research has examined the issues they face when recruiting employees. Past small business research on recruitment has largely focused on simply describing what recruitment practices are utilized, without developing a theory about why these practices may be successful (e.g. Bartram, Lindley, Marshall & Foster, 1995; Windolf, 1986). Within the human resource management (HRM) literature, research on recruitment has almost exclusively focused on large firms (Barber, 1998; Williamson, 2000). This focus on large firms is problematic because there are theoretical reasons to suggest that small firms may face different barriers in the recruitment process than larger firms. Specifically, relative to large businesses, small firms face at least two unique challenges: lower levels of external awareness of their existence and image, and greater pressures to conform to institutional norms.

For example, past recruitment research indicates that organizational awareness is an important predictor of job seekers' early job search decisions (e.g. Cable & Graham, 2000; Gatewood, Gowan & Lautenschlager, 1993; Schwab, Rynes & Aldag, 1987). However, unlike larger, well-known firms, small businesses often cannot rely on their name, their reputation in the industry, or their market share to attract new employees (Aldrich, 1999; Aldrich & Von Glinow, 1991). In addition, when evaluating the attractiveness of prospective employers, job seekers' preferences are likely to be influenced by the system of specific norms, values, and beliefs within a particular industry (Salancik & Pfeffer, 1978). Such industry norms are largely shaped by the actions of large organizations, to the disadvantage of smaller firms (Hannan & Freeman, 1984). As a result newly formed or small organizations may be constrained in their recruitment activities when competing with large organizations (Aldrich & Auster, 1986; Stinchcombe, 1965). Unfortunately, past small business and HRM research has neglected to examine differences between large and small organizations, and has not considered how these differences may influence recruitment success (Barber, 1998).

This chapter attempts to address these limitations of past research by drawing on marketing and sociological principles to discuss small business recruitment issues. We argue that small businesses face various unique barriers that may limit their ability to compete successfully with large organizations for talented employees. Based on this assumption, we suggest that research and writing in both the recruitment and small business literatures would benefit from a multi-disciplinary investigation of small business recruitment.

For the purposes of this discussion, we define small businesses as all firms employing 500 or fewer employees, which is consistent with the standard used by the Small Business Administration in most industries (SBA, 1999b). This definition encompasses small firms without regard to their growth orientation, as well as young and old small firms, because effective recruitment is important to the performance and survival of all small businesses. In addition, our discussion specifically focuses on the efforts of small businesses to recruit job seekers who are skilled professionals (e.g. MBA's, CPA's, and IT workers). We focus on this segment of the labor force because skilled professionals tend to be in high demand, increasing the likelihood that small organizations will be in competition with large firms for their services. Additionally, norms and standards tend to be more established in this segment of the labor pool due to central organizations such as universities, professional association, or trade associations that both create and disseminate information about industry employment norms (DiMaggio & Powell, 1983). Thus, institutional pressures are likely to constrain organizational efforts to recruit skilled professionals (Williamson, 2000).

Finally, in this chapter we are mainly concerned with those recruitment strategies small firms use to recruit "strangers." Strangers are defined as job seekers with whom founders and managers of small businesses do not share existing personal relationships (Baker & Aldrich, 1994). Because organizational growth and performance are closely linked with the ability of organizations to recruit non-family members or friends, a better understanding of how small organizations can successfully compete with large firms to recruit strangers has implications for organizational survival.

The first section of the chapter discusses disadvantages small firms face in the recruitment process relative to large organizations, focusing specifically on two issues: job seekers' organizational knowledge and organizational legitimacy. *Organizational knowledge* refers to what job seekers know about a prospective employer. *Organizational legitimacy* refers to job seekers' perceptions or assumptions that an organization is a desirable, proper, and appropriate employer, given the system of norms, values, and beliefs within an industry (Suchman, 1995). We argue that small firms tend to have lower levels of organizational knowledge and legitimacy, relative to large organizations. As a result, small businesses may be disadvantaged when competing for recruits with large organizations. The second section of the paper considers strategies small businesses can use to overcome these barriers. First, we suggest that small businesses may be able to improve job seekers' organizational knowledge by utilizing brand-marketing strategies. Second, drawing on institutional theory, we suggest that small businesses may enhance their legitimacy through the

strategic imitation of established and culturally accepted human resource (HR) practices and the development of interorganizational linkages. Finally, we discuss the interactive and potentially conflicting effects that brand-marketing and institutional theory strategies may have on small business recruitment efforts and the how the concept of strategic balance point can be utilized to manage this tension.

SMALL BUSINESS RECRUITMENT BARRIERS

Job Seekers' Organizational Knowledge

Job seekers must rely on their beliefs about an employer when deciding whether or not to apply for a job, to sign up for an interview, or to accept a position with a prospective employer. Thus, fundamentally, what job seekers know about employers, or their *organizational knowledge*, determines whether employers will be successful in recruiting. In this section of the chapter, we review two different types of knowledge that job seekers have about employers: the *familiarity* of an organization to job seekers, and job seekers' beliefs about an employer's *image*. We then use these two types of knowledge to consider how small businesses are often handicapped during the recruitment process.

Organizational Familiarity. Job seekers cannot be attracted to an organization, or apply for one of its jobs, unless it is salient to them. *Organizational familiarity* is defined as the likelihood that an employer comes to a job seeker's mind, and the ease with which it does so (Keller, 1993). Two ways to operationalize familiarity are through recognition and recall. Recognition refers to a job seeker's ability to confirm prior exposure to an employer when primed with the organization's name (e.g. "yes, I'm familiar with a company called InterLan"). Measuring recognition captures the ease with which an organization's name can be retrieved from a job seeker's memory. Recall, on the other hand, refers to a job seeker's ability to produce an employer's name when cued with some attribute of the organization (e.g. an employer in the internet hosting industry). Thus, recall gives insight into an employer's position in job seekers' beliefs, relative to competing employers.

For an organization to remain competitive in recruiting, organizational familiarity must be high among a targeted market of job seekers. Otherwise, an organization will not enter job seekers' consideration sets (Roberts & Lattin, 1997). A *consideration set* refers to the subset of the total group of options that meets a decision maker's most basic evaluation criteria. Job choice research suggests that an organization must enter a job seeker's consideration set before

it is considered as an employment option (e.g. Power & Aldag, 1985). In fact, organizational familiarity may be the most important predictor of *early* job search decisions, when job seekers otherwise have little information about recruiting organizations (e.g. Schwab et al., 1987). Thus, when they lack adequate information to discriminate meaningfully between organizations on other criteria, job seekers make early decisions, such as whether to apply for a job, based largely on organizational familiarity.

Perceived Organizational Image. Awareness that an organization exists is eventually accompanied by *content* information about the organization (e.g. what type of organization is it?). Thus, after an organization is known and recognized as a potential employer, it develops an image as being a certain type of employer with a certain image (Gatewood et al., 1993). *Organizational image* refers to job seeker's beliefs about an employer's characteristics, such as its culture, industry, history, the type of people that work there, geographic location, and HR policies. Job seekers' beliefs about organizational image are important because they allow job seekers to differentiate between employers. Moreover, beliefs about organizational image also allow job seekers to judge the fit between different employers and their own personal attributes, such as their values, personality, and needs (Cable & Judge, 1996; Turban & Keon, 1994). Thus, job seekers' beliefs about organizational image affect their willingness to consider becoming an employee and also their assessment of whether they would fit in (Kristof, 1996; Rynes, 1991).

Small firms face obstacles that limit their recruitment success relative to large firms, given that job seekers' reactions to employers are governed by their familiarity with the firms and knowledge about their images. First, smaller firms are generally less familiar to job seekers because they make far fewer investments in recruitment marketing than larger firms because of financial constraints (Rynes & Boudreau, 1986). Small firms also are less likely than large firms to be part of job seekers' everyday experiences, because they attract less media coverage, have fewer customers, and have smaller product and service distribution networks than large firms (Aldrich & Auster, 1986). Given that employers must be known before they are even considered as employment options, lack of awareness or familiarity can doom small firms to recruitment failure.

Small firms also may lag behind larger firms in recruitment because it is more difficult for job seekers to acquire credible information about small firms. Research suggests that job seekers place more trust in information from informal word-of-mouth sources (such as friends and family), rather than in formal recruitment sources (such as brochures, advertisements, and recruiters). Sorenson, Rhode and Lawler (1973) found that the most credible sources of

information about accounting jobs were professors and other accounting students, rather than organizational representatives. Likewise, Fisher, Ilgen and Hoyer (1979) suggested that sources outside a company might be the most trusted by job seekers because they are seen as sources of information rather than persuasion.

Thus, job seekers appear to rely heavily on company information that they obtain from informal sources, which are generally more available from larger than smaller firms. About 60% of the U.S. workforce is employed in firms employing 100 or more people (Aldrich, 1999), making large organizations more salient than smaller ones to most people. Likewise, because they hire fewer people and have fewer open positions, smaller firms generally have difficulty establishing recruitment networks with high-volume sources of employees, such as colleges and job placement agencies. For example, at the University of Maryland, College Park, no small businesses recruited through the MBA program placement office in 1999 or 2000. Thus, representatives from small firms are less likely to have formed ongoing relationships with professors, career office advisors, and alumni. Correspondingly, there are fewer informal sources to help job seekers learn about the organizational images of small firms, compared to large ones.

Organizational Legitimacy

Successful organizational recruitment requires not only that job seekers be aware of a small business and its image, but also that they also view the firm as a desirable or attractive employer. Thus, it is understandable that most of the research on organizational attractiveness in the HRM literature has adopted a congruence perspective and has focused on how job seekers' individual attributes or preferences, such as personality, values, and demographic characteristics, influence organizational attractiveness perceptions (Brass, 1995). From this perspective, job seekers will be more attracted to organizations with images that are congruent with their individual preferences (see Barber, 1998; Kristoff, 1996 for reviews).

Job seeking does not take place in a social vacuum, however. Small business recruitment efforts take place within a social environment where established norms of behavior guide external constituents' evaluations of organizations (Scott, 1998). Small business recruitment success is therefore based not only on the preferences of individual actors, but also on industry norms (Deephouse, 1996). Institutional theory provides an alternative to congruence models for understanding why and how societal norms may influence small business

recruitment. Specifically, institutional theory suggests that *organizational legitimacy* strongly influences the ability of small businesses to acquire sustained support from external constituents (Meyer & Rowan, 1977).

In a broad sense, organizational legitimacy represents an overall evaluation of a firm, based on its activities or characteristics (Suchman, 1995). Constituents evaluate organizations by comparing their practices to established and culturally sanctioned practices within an organization's industry, rather than solely to their own individual preferences (Suchman, 1995). Thus, those firms displaying practices that have a strong similarity to industry norms are perceived as more legitimate than organizations using non-institutionalized practices (Meyer & Scott, 1983).

Acquiring legitimacy influences the level of support organizations receive from external actors (Parsons, 1960; Pfeffer & Salancik, 1978). Organizational legitimacy enhances efforts to garner resources because it bolsters an organization's perceived credibility and strengthens expectations that it can carry out constituents' objectives (Rao, 1994; Suchman, 1995). For example, in their examination of mental health centers, D'Aunno, Sutton and Price (1991) found that health centers utilizing institutionalized mental health practices garnered greater legitimacy from parent organizations, resulting in greater resource support for operating and payroll expenses, staffing, supplies, and office space. They suggested that parent organizations were more likely to support health centers adopting standard industry practices because they perceived that such health centers would meet their expectations for how mental health care should be provided. Another benefit of legitimacy is that external constituents may be motivated to develop more favorable exchange relationships, in terms of financial rewards, with legitimate firms. Developing a tie with an organization that has a high level of legitimacy may enhance the legitimacy of an external constituent, thus increasing its credibility (Deephouse, 1999; Pfeffer & Salancik, 1978).

Organizational legitimacy may influence organizational recruitment success to the extent that job seekers view firms with higher levels of legitimacy as more predictable, meaningful, and trustworthy employers than firms with lower levels of legitimacy (Suchman, 1995). Job seekers face a great deal of uncertainty in discerning whether prospective employers will be able to meet their employment goals, such as salary, advancement, work/life balance, and job security. High levels of organizational legitimacy can be a signal to job seekers that an organization treats its employees well, thus dampening their fears concerning employment prospects at the firm. In addition, job seekers may be motivated to seek employment at an organization with high levels of legitimacy because of their belief that membership in that organization will

provide greater opportunities later in their careers should they leave. This may have the dual effect of making a firm more attractive in the eyes of job seekers, as well as inducing job seekers to forgo higher salaries from other firms with lower levels of legitimacy.

Smaller firms, however, face a potential legitimacy deficit, relative to larger firms, that may hamper their recruiting efforts. In particular, small firms face two liabilities that affect their legitimacy: they have limited influence on industry norms, and they have weak ties to organizations that educate and place the most skilled members of the workforce. We consider each liability, in turn.

First, industry norms are primarily shaped by the largest and most visible organizations in the population, rather than small firms (Haveman, 1993). This is especially true in mature industries (Aldrich, 1999). Thus, large organizations, because of their prominence, are able to shape their environments and turn industry norms to their advantage by influencing the criteria external constituents use when evaluating organizations (Freeman, 1982; Meyer & Rowan, 1977).

For example, past research suggests that HR practices, such as recruitment procedures, compensation policies, and work-family practices, symbolize an organization's working conditions to job seekers (Barber & Roehling, 1993; Honeycutt & Rosen, 1997; Rynes, Bretz & Gerhart, 1991; Williams & Dreher, 1992). Thus, HR practices serve as an important basis by which job seekers compare organizations within an industry. Large organizations tend to have formal HR departments staffed with HR professionals, resulting in well developed internal labor markets, formal career development systems, and integrated HR practices (Aldrich & Auster, 1986; Guthrie & Olian, 1991). Conversely, most small firms do not have personnel departments, or even a person in a specialized role that handles human resource issues (Bartram et al., 1995). Indeed, in their examination of 360 small to medium size firms making their initial public offering, Welbourne and Cyr (1999) found that only 26 (7%) had a senior HR management executive. Thus, small firms tend to adopt a "muddle-through" HR approach, adopting idiosyncratic practices as needed and lacking a clear overarching strategy (Windolf, 1986). Given that large firms have a significant influence on industry norms and that firms whose practices conform to current norms enjoy greater legitimacy than non-conforming firms, this "muddle through" approach to HR may reduce small firms' legitimacy, relative to the large organizations. As a result, job applicants are likely to view large firms more favorably than small firms.

Second, large organizations often develop strong exchange relationships with central institutions that educate a large fraction of the highly skilled

workforce, such as colleges and trade associations, while small organizations often lack such interorganizational relationships (Aldrich & Zimmer, 1986; Stinchcombe, 1965). For highly educated workers, colleges and professional associations provide the framework within which the recruitment process operates, thus establishing norms of behavior that shape job seekers behaviors. For example, in their examination of the recruitment efforts of small and large organizations, Barber, Wesson, Roberson and Taylor (1999) found that large organizations were more likely to utilize college campus placement services than small firms. As a result, job seekers who utilized campus placement services were more likely to pursue work with large organizations than small ones. As large organizations develop interorganizational relationships with colleges and associations, they shape expectations in ways that lead to small firms being viewed as peripheral rather than core employers (Thomas, 1989).

Thus marketing and sociological perspectives on recruitment suggest that small businesses face organizational knowledge and legitimacy barriers that limit their ability to successfully recruit job seekers, relative to large organizations. It is important to point out that these barriers are predicted to affect small business recruitment success independent of the level of financial compensation a small firm can offer to pay a job seeker. Past research has found that, on average, small firms pay less than large firms, which may negatively affect small business recruitment efforts (Brown, Hamilton & Medoff, 1990; Evans & Leighton, 1989). However, from an organizational knowledge perspective, even if a small business were able to equal or exceed the financial compensation provided by a large business, it might still face recruitment barriers because job seekers are less aware of its existence and lack information on its image.

Thus, job seekers will be less likely to include the small business in their consideration set of potential employers, compared to a large firm, reducing the small firm's recruitment success. Conversely, organizational legitimacy theory suggests that *even if* job seekers are knowledgeable about a particular small business, that firm may still have lower recruitment success than large organizations. Because small firms are less likely to conform to culturally established industry norms than large firms, they are perceived as less credible and less attractive employers. These distinctions between the organizational knowledge and organizational legitimacy approaches are important because they suggest two fundamentally different strategic recruiting solutions for small firms. In the next section, we consider several strategic options for overcoming the recruitment limitations we have identified.

STRATEGIC IMPLICATIONS

Brand-Marketing Approach

We have argued that small business recruitment effectiveness is tied to job seekers' organizational knowledge, comprising organizational familiarity and information about organizational image. To enhance its recruitment success, a small business must manage the organizational information that job seekers hold about the company. Unfortunately, we know surprisingly little from the recruitment research literature about how firms can manage the information flow to job seekers. As Rynes (1991) noted, decisions about how to present recruitment information to applicants, and the order of information presentation, have been largely unexplored.

Rather than relying on the recruitment literature, we turned to the marketing literature for suggestions on how small organizations might improve job seekers' organizational knowledge. We chose the marketing literature because when firms seek to manage the flow of knowledge among to a targeted group of job seekers, they are essentially marketing the organization as a "brand," just as they would try to convey information to consumers. Thus, in both their marketing and recruitment functions, organizations compete through communication and persuasion to attract a limited, targeted market of individuals.

A basic finding of the marketing and persuasion literatures is that individuals process information differently, depending on their motivation to pay attention to and learn from an information source. Thus, the effectiveness of communication methods in increasing individuals' knowledge about an organization depends upon an audience's motivation. For example, the elaboration likelihood model (Petty & Cacioppo, 1986), which describes the process through which individuals' opinions and attitudes can be changed, suggests that *peripheral* modes of communication should be used when audiences have low levels of motivation to search out or closely scrutinize information. Peripheral modes of communication include the sending of simple informational cues to people, such as ads, brochures, and leaflets. Conversely, when the audience's motivation to scrutinize information is relatively high, a *central* mode of communication is the most effective means of communicating information accurately (MacInnis, Moorman & Jaworski, 1991; Petty & Cacioppo, 1986). Central communication methods are exemplified by detail-oriented communications, such as information sessions.

Research supporting the elaboration likelihood model suggests several strategic implications for how small businesses should convey information to job seekers. Small businesses must capture job seekers' awareness and

motivation before they can effectively communicate information about organizational image. To develop a higher level of organizational familiarity, the elaboration likelihood model suggests that small businesses focus on peripheral routes of communication. Such routes could include developing relationships with professors and career office directors, establishing and advertising their presence at places where their targeted job seekers congregate (e.g. career fairs), and offering free company gifts to catch job seekers' attention.

Such efforts should increase the recognition and recall that job seekers have about an organization, thus raising its familiarity to them. After small firms have established a higher level of familiarity, targeted job seekers should be more motivated to scrutinize the information the firms make available. Small firms can then begin to engage in central routes of communication, such as holding information sessions and interviews. These central modes of communication should increase job seekers' knowledge about small businesses' images.

An important implication of the above discussion is that small businesses must measure and understand job seekers' existing level of knowledge about their company before they can decide what types of recruitment interventions and investments will return the greatest value. In other words, when it comes to delivering information to job seekers and improving organizational knowledge, no single set of "best recruitment practices" exists for all small firms. Instead, employers must discover their familiarity in the minds of their target market before developing and implementing their recruitment strategy and interventions. Indeed, from a financial perspective, the consideration of job seekers' impressions is especially important in case of small businesses, to prevent the wasting of limited resources and increase the likelihood of attaining a desired level of return on recruitment investments. A small business might accomplish this by surveying or conducting focus groups with targeted job seekers to ascertain their perceptions of the organization's image. For example, a North Carolina technology firm in the Research Triangle Park recently assessed organizational image by administering surveys to job seekers at eleven different universities to learn how they were perceived among a targeted group of potential applicants.

Institutional Theory Approach

A brand-marketing approach provides direction on how small businesses can improve job seekers' organizational knowledge, but it does not address the legitimacy barriers they face. No single strategy, other than growth, would allow a small firm to gain enough influence in its social environment to completely overcome the liabilities of smallness. However, institutional theory does suggest

certain strategies that may allow small businesses to convince job applicants that they can meet the standards of employment within a particular industry. For the purposes of this chapter, we focus on two strategies: strategic isomorphism and the development of interorganizational linkages.

Strategic isomorphism. Institutional theorists suggest that one way for firms to gain legitimacy and external support is by imitating practices used by other legitimate organizations within their industry (e.g. DiMaggio & Powell, 1983; Haveman, 1993; Oliver, 1991). This practice of imitation has been defined as *strategic isomorphism*. The underlining logic of strategic isomorphism is that legitimized practices carry with them positive culturally embedded information that is attributed to the firms using them (DiMaggio & Powell, 1983). Thus, by manipulating their practices and policies so that they conform to industry norms, small businesses may improve their credibility and increase the likelihood that external constituents will view them as legitimate (Suchman, 1995).

Research on large organizations has found a strong link between strategic isomorphism, organizational legitimacy, and organizational support (e.g. Arnold, Handelman & Tigert, 1996; D'Anno, Sutton & Price, 1991; Deephouse, 1996; Westphal, Gulati & Shortell, 1997). Given the sensitivity of job seekers to organizations' HR practices (Barber, 1998), the strategic imitation of normative HR practices may also be a viable means for small firms to gain legitimacy and improve their recruitment success. While financial capital constraints may limit the ability of small firms to imitate precisely the practices of large firms, small businesses could pattern their recruitment practices so that they incorporate the core features of the practices utilized by large firms. For example, in situations of evaluative uncertainty, external constituents are apt to view the way in which information is exchanged as a symbolic proxy for the credibility of an organization (Aldrich, 1999). Thus, imitating standard forms of job advertisements and recruitment brochures may increase the amount of legitimacy attributed to small firms by job seekers (Aldrich & Fiol, 1994). Consistent with this logic, Baker and Aldrich (1994) found that small firms attempting to recruit strangers into their organizations for the first time were most successful when they relied on more institutionally acceptable recruitment practices, such as newspaper advertisements, college recruiting offices, and well-defined job positions.

Similarly, small firms may also enhance their legitimacy through the effective use of internet technologies. The use of internet technology in the recruitment process has increased tremendously in recent years (Mosley, 1998). As a result, in some industries (e.g. information technology) internet recruitment has developed a "taken for granted" status. Thus, the utilization of internet recruitment technologies may allow small businesses to reduce job seekers' concerns about their legitimacy, particularly in those industries where the use of this practice

is widespread. However, a recent Arthur Anderson and National Small Business United (2000) survey estimated that only 9% of small businesses used some form of internet technology to recruit employees. Small businesses thus have a great deal of catching up to do.

Interorganizational linkages. In addition to strategic isomorphism, small businesses may also be able to enhance their legitimacy by developing inter-organizational relationships with legitimate organizations within their industry. When external constituents are uncertain about the quality and capabilities of an organization, they are inclined to evaluate a firm based on the attributes of its network partners, due to a presumption that network partner characteristics are highly correlated with a focal firm's qualities (Podolny, 1994; Podolny & Stuart, 1995). Thus, interorganizational ties to legitimate actors may offer small organizations a way to overcome the liabilities of smallness. For example, in their examination of childcare service organizations, Baum and Oliver (1991) found that interorganizational linkages to central organizations (e.g. service agreements with government agencies) diminished liabilities of smallness, enhanced service organizations' legitimacy, and as a result, reduced organizational mortality. Similarly, Stuart, Hoang and Hybels (1999) found that the attributes of biotechnology start-up firms' network partners (e.g. commercial and technical prominence) were positively related to the rate at which these firms went public and their market evaluation by investors. Furthermore, the greater the level of uncertainty investors faced when evaluating biotechnology firms, the greater the impact network partner attributes had on investors' evaluations.

Therefore, the development of interorganizational linkages to central providers of labor and other legitimate organizations may convey a message to job seekers that a small firm is a legitimate employer, increasing the probability that they will view it as reliable and credible. These interorganizational linkages could take a variety of forms. For example, small businesses could advertise any certifications or accreditations they receive from prestigious organizations (e.g. ISO 9000). Small businesses could also enhance their legitimacy by developing ties with colleges and university through the sponsorship of work-study or internship programs that produce students with company relevant skills or encouraging employees to serve as representatives on university advisory committees (Engler, 1999). Similarly, small business owners could become involved in industry professional associations through committee work or by serving as speakers and panelists at conferences.

Another way in which small businesses could use interorganizational linkages to enhance legitimacy is by using recruitment literature to highlight supplier relationships or strategic partnerships with large legitimate organizations within their industry. In addition to conveying to job seekers that a small business is

stable and reliable, the publicizing of these ties may also cause job seekers to view employment opportunities in the small business as a means of acquiring industry connections that can enhance their career mobility. A popular press example of a company effectively utilizing this approach is AllBusiness.com, a 120 employee business-to-business internet firm specializing in providing office supplies, and services to other small businesses. NBC Internet Inc, a subsidiary of General Electric Co, is a major investor in AllBusiness.com. Thus, when recruiting potential employees, the firm highlights the fact that employees in the organization have the opportunity to work with a business-to-business Web site that is backed by NBC Internet, the seventh highest trafficked company on the Internet (Internetweek, 2000).

Interaction between Brand-marketing and Institutional Theory strategies

Institutional theory suggests that imitating legitimated industry practices and developing strategic interorganizational linkages will enhance the legitimacy of small businesses, which in turn will have a positive influence on their recruitment success. It is conceivable that these two strategies may also provide small firms with communication advantages that enhance organizational knowledge. For example, the imitation of Internet recruitment techniques may provide small businesses with cost savings and increase exposure to job seekers (Abraham & Newcorn, 2000). Similarly, interorganizational linkages may serve as a means for firms to disseminate job information to job seekers, thus increasing the firm's familiarity.

However, the institutional perspective does not address the possibility that small firms may derive certain recruitment benefits by adopting practices that promote distinctiveness instead of conformity. Indeed, the elaboration likelihood model suggests that the initiation of communication that draws attention to an organization will enhance its familiarity and increase its recruitment success. For example, the popular press is full of examples where small businesses have been able to successfully recruit employees by purposely adopting practices that are a radical departure from industry norms, such as vague or non-existent job descriptions or the use of stock-based compensation (Alexander, 1999; Carton, 1995). Thus, an inherent tension exists between institutional theory and the brand-marketing view.

One approach to potentially resolving this tension is to recognize that small businesses may need to adopt a dual strategy of distinctiveness and imitation in order to maximize their ability to recruit job seekers (Williamson, 2000). Specifically, strategic balance theory proposes that small firms seeking to maximize recruitment success should attempt to be as different as legitimately

possible (Deephouse, 1999). Within an industry there exists variance in the preferences of job seekers and the norms on what constitutes a proper employment environment (Glynn, Barr & Dacin, 2000). As such, small firms can maintain some degree of distinctiveness from their competitors and still be viewed as legitimate. Thus, small businesses should adopt recruitment strategies that allow them to be within a “range of acceptability” (Deephouse, 1999). Small firms outside this range risk job seekers questioning their legitimacy as an employer and thus viewing them as unattractive employers.

However, small firms that are able to strategically maintain moderate levels of similarity to industry norms reduce the likelihood of their legitimacy as an employer being challenged by job seekers. These firms gain the flexibility of promoting their unique features in order to distinguish themselves from other competitors and realize higher levels of recruitment success. Thus, recruitment success may be maximized at the level of strategic isomorphism where the competitive advantage provided by firm distinctiveness, through greater levels of familiarity and awareness, equals the cost associated with diminished employer legitimacy. This point of maximization can be described as the strategic balance point (Deephouse, 1999).

A clear illustration of how strategically balancing distinctiveness and isomorphism can improve organizational efforts to acquire resources from external constituents is found in Elsbach and Sutton’s (1992) study of radical social movement groups. Elsbach and Sutton found that by adopting illegitimate practices, social movement groups were able to gain recognition and support from a narrow segment of society that endorsed their controversial actions. Their focused innovativeness did *not* damage their legitimacy in the larger society. Indeed, by strategically conforming to specific societal norms, the challenging groups were still able to acquire organizational legitimacy from broader segments of society, resulting in the acquisition of important organizational resources (e.g. public endorsements by credible organizations, financial support, and increased organizational membership).

Extrapolating these findings to the recruitment context of small businesses, small firms might purposively highlight their attributes that are *not* consistent with industry norms. They can therefore attract job applicants who have preferences for these deviant characteristics. For example, younger job applicants have been shown to have a strong “contempt for bureaucracy,” and many wish to try new ideas with employers who value results more than rules (Cable, Mulvey, Aiman-Smith & Edwards, 2000). Thus, small firms may develop a competitive recruitment advantage over large firms when recruiting job seekers in this segment of the work force by purposively highlighting that they are less bureaucratic and hierarchical than large firms (e.g. stressing the “family

environment' of the organization in recruitment literature). By coupling these practices with the necessary level of socially accepted recruitment and HR policies, small business may garner still legitimacy.

Establishing legitimacy is important to small firm recruitment success because past research suggests that some individuals have a strong preference for working in small organizations, but also that such individuals represent a small portion of the total labor pool. For example, in their study of 585 senior business and engineer majors Barber and colleagues (1999) found that only 15% preferred to work for small firms, whereas 39% held no preference towards employer size, and 46% preferred large organizations. Thus, by strategically balancing distinctiveness with isomorphism, small businesses may be able to increase the size of the applicant pool they attract, improving their recruitment outcomes. For example, small firms might gain legitimacy by participating in major career fairs but distinguish themselves from larger competitors by sending top-level executives to interact with job seekers. This unique practice will stand out in comparison to the actions of large firms. As a result, job seekers may be more likely to recall and remember the firm, thus increasing its organizational awareness (Keller, 1993). Moreover, the use of legitimized venues will allow a small firm to be seen as a viable employment option by a broader segment of job seekers.

The balance point of distinctiveness vs. isomorphism that will place small firms within "the range of acceptability" will likely vary, depending on a variety of firm and industry level factors. Three such factors, intended to be illustrative rather than all-inclusive, are the type of position a small business is attempting to fill, the industry in which it is recruiting, and the life stage of its industry. In terms of position type, small businesses attempting to fill idiosyncratic positions may derive more benefit from isomorphic recruitment practices than firms attempting to fill positions that are standardized within an industry. Firms filling idiosyncratic jobs may benefit because job seekers may place greater importance on the reliability and credibility of the firm making the idiosyncratic hire if they perceive that the job's skills and experiences may not easily transfer to other organizational settings, reducing their potential marketability. Conversely, if a small firm is attempting to fill a position that is standardized across their industry, they may need to work harder to distinguish their firm from larger organizations.

Industry differences in employment norms may also influence the extent to which small businesses may need to adopt an isomorphic vs. distinctiveness strategy, as well as determine what types of practices small firms may need to imitate. For example, past research suggests that work-family HR policies (e.g. flexible career paths, on-site child care, and adoption subsidies) have become institutionalized norms in the health care and financial service industries. However, such practices are not widely utilized in manufacturing sectors

(Goodstein, 1994; Milliken, Martins & Morgan, 1998). Thus, small businesses attempting to recruit in the health care and financial service industries may face greater pressure to adopt elements of these policies and promote their use in order to retain legitimacy in the eyes of job seekers. Conversely, firms recruiting in the manufacturing sector may not face pressure to adopt these types of policies. Indeed, the adoption of work-family policies in the manufacturing sector industry could represent a strategy of distinctiveness and benefit small businesses by providing greater visibility.

Finally, the life stage of a small business's industry may also influence what constitutes the optimal balance point for recruitment activities, such that in developing industries a small business may benefit from emphasizing distinctiveness while in mature industries a small firm may experience more recruitment success by emphasizing isomorphism. The institutionalization of industry norms often varies as a function of an industry's development (Westphal, Gulati & Shortell, 1997). In newly forming industries, institutional norms are typically undeveloped and are largely shaped by the actions of innovative small firms (Aldrich & Fiol, 1994). In this setting, small firms are not likely to face strong institutional norms and may experience more recruitment success by adopting distinctive practices. For example during the early stages of the development of the computer software and personal computer (PC) industries, small firms were successful in attracting employees by using what at that time were radical HR practices, such as stock options for all employees, allowing casual attire, and telecommuting. However, as industries mature, successful novel practices are adopted by more organizations within the industry and become institutionalized norms (Aldrich & Fiol, 1994). Thus, in mature industries, the strategic balance point for small firms may entail placing a greater emphasis on imitating institutionalized recruitment practices in order to garner legitimacy, as opposed to adopting distinctive practices. Consistent with this logic, as the PC and software industries have matured the use of stock options has widely increased and is now widely used by most organizations. Thus, small firms recruiting in these industries are forced to consider the use of stock options if they wish to garner legitimacy from job seekers.

SUMMARY AND RESEARCH IMPLICATIONS

Summary

The overwhelming majority of organizations in the U.S. have fewer than 500 employees (SBA, 1999a). Nonetheless, few researchers have examined how small businesses recruit employees to meet the labor demands of organizational

growth and routine attrition. We have addressed this issue by utilizing marketing and sociological principles to examine the potential barriers facing small businesses. In addition, we illustrated how the initiation of brand-marketing, strategic isomorphism, and interorganizational networking strategies may allow small firms to overcome recruitment barriers. Table 1 provides a summary of the hypothesized recruitment barriers faced by small firms and potential strategic solutions to these barriers.

Several implications for small business owners and academics can be drawn from our analysis. Perhaps the most important practical implication of this paper is that small businesses need to consider both job seekers' organizational knowledge and perceptions of organizational legitimacy when deciding what types of recruitment practices to adopt. Thus, the use of benchmarking or "best practice" strategies, whereby organizations adopt recruitment practices solely on the basis that they have provided instrumental efficiency for other organizations, may not be beneficial for all small firms. Conversely, we suggest that small firms attempting to compete with large, well-known organizations should first assess job seekers' knowledge about their organizations. Based on this assessment, small firms should make immediate investments on developing awareness or perceptions of organizational image through the use of peripheral (e.g. distributing gifts with company logo, advertising at career fairs) or central (e.g. holding information sessions, interviews) modes of recruitment communications. However, when selecting recruitment practices to increase job seekers' organizational knowledge, decision makers must also give considerable consideration to how these practices fit within the established recruitment norms of their industry. As a result, small businesses may be constrained to selecting from a subset of practices that are either endorsed or adopted by legitimate institutional leaders (Aldrich & Fiol, 1994).

From an academic perspective, an important implication of this paper is that marketing and sociological theories should be integrated into research on small business recruitment in particular, and employee recruitment in general. Most recruitment research has focused on understanding how job seekers' individual preferences influence their evaluations of prospective employers' attractiveness (Barber, 1998). Few studies, however, have developed theoretical models to understand how recruitment activities influence job seekers' perceptions of an organization or how social norms and institutional contingencies influence how job seekers evaluate the attractiveness of prospective employers (Colarelli, 1996; Ryans, 1991). Taking job seekers' organizational knowledge into account may assist researchers by providing a theoretical basis for understanding the contingencies affecting when certain recruitment practices will be effective. In addition, integrating institutional theory into recruitment research may provide

Table 1. Recruitment Barriers Faced by Small Businesses and Strategic Solutions.

Barriers Faced by Small Firms in the Recruitment Process	Causes of Barriers	Strategic Initiatives to Alleviate Barriers
Job Seekers' Have Low Organizational Knowledge	Low Organizational Familiarity	Use of Peripheral Forms of Communication in Recruitment Practices <ul style="list-style-type: none"> • Free company gifts • Presence at career fairs
	Job Seekers Lack Information About Organizational image	Use of Central Forms of Communication in Recruitment Practices <ul style="list-style-type: none"> • Information sessions • Interviews
Low Perceptions of Organizational Legitimacy in the Eyes of Job Seekers	Low Influence on Industry Norms	Strategic Isomorphism <ul style="list-style-type: none"> • Imitation of established recruitment practices • Imitation of established human resource policies
	Lack of ties to Central Organizations	Interorganizational Linkages <ul style="list-style-type: none"> • Develop ties with Colleges and Universities • Develop ties with professional associations • Advertise Supplier Relationships and Partnerships with Prominent Organizations • Advertise Accreditations
Poorly Developed Human Resource Systems		

a theoretical basis for understanding how environmental factors constrain or enhance the recruitment efforts of firms.

A second theoretical contribution of this chapter is the formal recognition that small businesses may need to adopt a dual strategy of distinctiveness and isomorphism to optimize their recruitment outcomes. Institutional perspectives have often been criticized for failing to account for the occurrence of non-conforming behavior: “institutional theorists, by virtue of their focus, have tended to limit their attention to the effects of the institutional environment on structural conformity and isomorphism and have tended to overlook the role of active agency and resistance in organization-environment relations” (Oliver, 1991, p. 151). Our application of strategic balance theory provides an understanding of how strategies of distinctiveness and imitation may be coupled to improve the recruitment success of small firms.

Areas of Future Research

To date no study has empirically tested how job seekers’ organizational knowledge and perceptions of organizational legitimacy affect small businesses’ recruitment efforts. Future studies might use qualitative methods such as verbal protocol analysis (a process-tracing method requiring subjects to “think aloud” while making decisions or judgments) to determine the level of organizational knowledge job seekers have about small firms. They may also examine the factors job seekers utilize to evaluate organizational legitimacy, such as HR policies or recruitment practices (Barber & Roehling, 1993; Martin & Klimoski, 1990). These results could be used to develop surveys assessing job seekers’ organizational knowledge and legitimacy evaluations. The surveys could then be used to test the empirical relationship between these constructs and specific recruitment outcomes, such as applicants per vacancy and average days-to-fill. In addition, future research should also examine the relationship between strategic isomorphism, interorganizational linkages, and job seekers’ perceptions of small firms’ organizational legitimacy. Finally, we have proposed that small firms may benefit from the simultaneous adoption of distinct and isomorphic practices. However, future research is needed to determine what an optimal combination of these two strategies should be for small businesses recruiting employees and how this balance point may vary by organizational or industry contingencies.

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