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Recommended Citation

Westrenius, A., & Barnes, L. (2020). Big decisions in small business ecosystems: Stakeholder priority. *Advances in Economics and Business*, 8(2), 73-84. doi:10.13189/aeb/2020.080201

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Big Decisions in Small Business Ecosystems: Stakeholder Priority

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Received December 16, 2019; Revised January 27, 2020; Accepted February 4, 2020

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Abstract In an increasingly competitive environment, engaging with stakeholders is no longer an option but a necessity to ensure short-term and long-term success. This is particularly true in small business, yet little is known about how small business managers make those decisions, often under uncertainty and time pressure. Small businesses operate in networks of interdependent entities (ecosystems) where individuals are known to each other. This supports building of relationships, trust and reputation and removes the separation between ‘business’ and ‘ethics’ by promoting a long-term focus. Yet, limited resources and conflicting demands result in a need to prioritise some stakeholder demands. As suggested by Stakeholder Salience, decision makers may prioritise stakeholder claims based on perceived levels of power, legitimacy and urgency. The key decision makers of nine Australian small businesses were asked about their relationships with important stakeholders, how decisions regarding the priority of various stakeholders and their expectations were made and what factors may affect such decisions. Relationships with stakeholders were identified as dynamic and strategic resources, interviewees invested considerable time and effort to build and maintain positive relationships. Consistent with Stakeholder Salience model, decisions were affected by perceptions of stakeholders’ level of power, legitimacy and urgency. This research also found that intuitive perceptions about the stakeholder affected the decision-making process, and identified the following additional factors: commitment, dependence and potential exit costs as well as the decision maker’s perception of alignment with own values, thereby introducing a moral and ethical consideration that would sometimes take priority over other considerations.

Keywords Stakeholder Salience, Stakeholder Engagement, Decision Making, Management, Strategic Management, Ecosystem, Bricolage

1. Introduction

In the 21st century, competition in many industries have become both global and increasingly intense. Maintaining constructive relationships with various stakeholders is no longer an option but a necessity for short-term success and long-term survival (Freeman, 1984; Gibson & Myrninghan, 2010; Mason, 2007; McVea & Freeman, 2005; Ohmae, 2005; Porter, 1985). The alignment of focus and goal achievement may offer significant competitive advantages (Bonnafeus-Boucher & Porcher, 2010; Porter, 1985). The result is a dynamic ecosystem (Adner & Kapoor, 2010) of diverse stakeholders with various levels of interdependence and common interests in the process of value creation (Gronum, Verreyne, & Kastle, 2012; Kaufman & Englander, 2011; Myllykangas, Kujala, & Lehtimäki, 2010; Verbeke & Tung, 2013). Stakeholders include owners, employees, suppliers and customers but may also include other parties that are unique to a particular industry or even a business (Carroll & Buchholtz, 2012; Clarkson, 1995; Freeman, Harrison, & Wicks, 2007; Kaler, 2006; Sternberg, 1997). In addition, the roles and character of involvement of some stakeholder are changing. The prominence of ‘customers’ as a stakeholder is, for example, changing from passive to active, with a critical role in the value creation process (McVea & Freeman, 2005). How stakeholders are perceived and prioritized by decision makers is therefore changing and the demarcation lines between in- and out- groups shifting, affecting and influencing the whole ecosystem of complex stakeholder relationships.

Stakeholder relationships are particularly important in small business where resource constraint is a common and acute problem that limits not just identification of available opportunities and threats, but also whether they can be effectively acted on (Mazzarol & Reboud, 2011; Niskanen & Niskanen, 2010; Sen & Cowley, 2013).

Whilst decision-making regarding the priority of various options is a normal part of a manager's job, control of resources such as expertise and funding in particular, allows more options to be considered. This provides large business an advantage over small business. On the other hand, small business, often have the advantage of quick decision making and ability – indeed necessity – to be innovative, resulting in nimbleness and flexibility in responding to external change and to bring solutions to market (Byrd & Megginson, 2013). Such innovation can vary in type and may include product innovation, service delivery and innovation in business model. The increasing availability of various online platforms for example, provides opportunity for small businesses to compete effectively with large business in bringing offerings to market.

Stakeholder theory and the concept of 'stakeholders', in marketing commonly known as 'publics', have become widely accepted as important to the success of business (Gibson & Myurnighan, 2010; Grunig & Repper, 1992) and various attempts have been made to identify and legitimize who might be considered a stakeholder. Yet the issue of *how* managers, particularly in small business, priorities and decide between the inevitably competing demands and expectations of various interests has not received a lot of attention. In this research nine small business operators in a regional centre in Australia were invited to explore the process with the researcher. Having a central decision maker with both power and legitimacy makes small, owner-managed businesses a useful place to explore such relationships and methods of prioritisation as there are less confounding factors. The research therefore provides a foundation for developing theoretical frameworks and further research.

2. Literature Review

Decisions are inevitably made in context and affected by multiple factors, often beyond the control of the decision maker. According to Simon (1997:5), a decision is "the best solution that is available under the circumstances". The circumstances can be understood to exist on several levels: the decision itself; the external context; and the decision body. In practice each level can be further characterized on several levels.

Decisions are made with a purpose of achieving an outcome (Lindblom, 1954) and a rational approach in several logical steps is often suggested as the best approach (Bazerman & Moore, 2009; Fischhoff, 2012; Mintzberg & Westley, 2010). Information can be gathered, decision criteria defined, expected utility calculated and applied to achieve maximum utility – a rational decision typically based on economic measures (Kahneman, 2013). Emotions, subjective values and intuition are all avoided, thereby also ignoring the decision maker's subjective

perception of risk and personal, non-economic values such as social interactions and relationships (Adams, Licht, & Sagiv, 2011; Chater & Vlaev, 2011; Halevy & Chou, 2013).

'Decisions' are sometimes understood as the endpoint of a process, a conclusion that results in some action or solves a problem (Cooke & Slack, 1984; E. F. Harrison, 1999; "Oxford Dictionaries," 2015; Teale, Dispenza, Flynn, & Currie, 2003). However, more often than not, decisions are complex processes that involve perception, judgment and thinking in an iterative process that may involve several individuals and not even resemble a formal decision (Cohen, March, & Olsen, 1972; March & Olsen, 1979).

For the purpose of this research, 'decision' was defined as "the more or less conscious process of determining how to proceed by making judgements about the perceived viability and desirability of various perceived options in context of likely outcomes and potential responses from stakeholders" (Westrenius, 2015:65). Decision-making is a subjective rather than objective process and various errors and biases can be assumed to affect the decision made. Involving important stakeholders in the process may improve the available intelligence and skills in application for the purpose of making a decision. It may also help the decision maker anticipate stakeholder reactions and therefore make more informed decisions. In marketing for example, decisions are made while considering multiple factors including anticipated reaction of stakeholders. Add a highly competitive and dynamic external environment where 'facts' may be 'false' or 'true' but with limited life, the process is further complicated.

Facilitated by developments in technology, the external context the global economy is highly interconnected with multiple feedback loops and interactions causing ongoing change that is both frequent and significant in magnitude, a turbulent environment that is increasingly unpredictable (Kotler & Caslione, 2009; Mason, 2007; Miller & Page, 2007; Ohmae, 2005; Stacey, 2010). It is a borderless yet diverse global network of political, economic and cultural forces where multiple stakeholders interact to engage in multi-directional relationships (Friedman, 2000; Ohmae, 2005; Werhane, 2011). Further complexity is generated by efforts to remain competitive (Miller & Page, 2007). Engaging with stakeholders may provide mutual benefits by extending the surveillance network (Gronum et al., 2012), providing enhanced access to information and cooperation.

Identification of the 'decision body' helps the analysis and understanding of the decision making process by considering factors relating to the organisational setting, team and individual decision maker, such as personality that may affect the process (Cooke & Slack, 1984; Reynolds, Schultz, & Hekman, 2006; Teale et al., 2003). In this case, the organizational setting is small business managed by a primary decision maker, usually the owner-manager.

Table 1. International significance of small business

Region	Percentage of businesses	Percentage of employment
European Union (EU) (European Commission, 2012)	99%	67%
Australia (Australian Bureau of Statistics [ABS], 2015)	96%	47%
Asia (Asia-Pacific Economic Cooperation, 2002, 2012)	90-98%	30% of total employment (60% of private sector)
United States of America (U.S. Small Business Administration [SBA], 2012)	40% have <5 employees (incl. owner) (Dunkelberg, Scott, & Dennis, 2003)	44%
South and Latin America (ECLAC, 2012)	93%	>40%

Small business is a ubiquitous phenomenon, recognized globally as the ‘driver of the free enterprise system’ (Hatten, 2006) and an important contributor to both social and economic success by providing employment, innovation and development (ASIA Foundation, 2003; Asia-Pacific Economic Cooperation [APEC], 2002; European Commission [EU], 2012; The Organisation for Economic Co-operation and Development [OECD], 2004; United Nations [UN], 2012). Indeed, OECD (2004:17) states that “... in all societies the independent owner managed small business is the organizational norm for economic activity”. Table 1 provides an overview.

Although definitions of what constitute a ‘small business’ vary between jurisdictions (OECD, 2004), definitions commonly focus on number of employees as a defining characteristic (Schaper, Volery, Weber & Gibson, 2014). Also considered may be the organisation’s dominance in the market place. Legislative and regulatory definitions such as financial measures may also be considered. Despite the lack of internationally standardised definition of small business, globally most businesses have very few if any employees. In both Europe and Australia, most have less than 10 employees, typically between 0 – 4 employees (European Commission, 2012). Schaper et al (2014:79) suggest a generic definition of small business as “A small-scale, independent firm usually managed, funded and operated by its owners, and whose staff size, financial resources and assets are comparatively limited in scale”.

Size of business is both a result of success and a source of power and ability to dominate a market by virtue of access to resources. Expertise and financial resources can be used to identify and address both opportunities and threats and to influence the decision making of other stakeholders, including customers. Individually, small

businesses typically have less ability to use such influence outside their immediate sphere of influence which in many cases is limited to their local community and industry (Russo & Perrini, 2010; Sen & Cowley, 2013).

Decision making in small business is in many ways different in character to how the process typically occurs in larger organisations, in particular those that are publicly listed and therefore have reporting responsibilities to shareholders and regulators (Barnes & Howson, 2018). Large organisations may employ group decision-making that involves a variety of experts and quantitative information. In contrast, in small business decisions are often consultative, even autocratic, and relies on intuition and experience (Barnes & Howson, 2018).

A defining characteristic of most small businesses is the lack of separation between owner ship and management. The norm is that small business is run by an owner-manager who provides the central driving force: intimately involved in the day to day operation of the business, the major source of capital and the main decision maker (Australian Bureau of Statistics [ABS], 2015; Berle & Means, 1932; Clarke, 2007; Klein, Astrachan, & Smyrnios, 2005; McMahon, 2007; Schaper et al., 2014; Storey, 1994). The owner-manager thus embodies several roles that in larger organisations are separated. The roles of being the owner, manager, financier, employee and family member are all internalised by the owner-manager while also managing a diverse range of stakeholder claims and expectations. However, small businesses may also be controlled by a manager without ownership but with significant legal control that maybe delegated or prescribed, for example a licensee. For the purpose of this research, the term ‘manager’ will be used for all interviewees (for details see Table 2).

Table 2. Overview of Owner manager interviewees

Case	Characteristics of the business			Characteristics of the manager			
	Type of business	Years in operation	Number of employees	Management experience	Age	M/F	Years in business
1	Chiropractor	21	6	No	40-49	M	21 years
2	Commercial Construction	14	5	Yes	Over 60	M	14 years
3	Consulting on Town planning	16	1	Yes	Over 60	F	16 years
4	Legal Services	18	10	Yes	50-59	F	5 years
5	Non-Ferrous Metal Casting	65	7	No	50-59	M	7.5 years
6	Manufacturing and Retail	3	6	No	40-49	M	4 years
7	Racehorse Training	> 60	8	Yes	40-49	F	10 years
8	Grocery Wholesaling	26	12	Yes	40-49	M	10 years
9	Management Advice	3	0 (Directors)	Yes	40-49	F	3 years

As the central ‘decision body’, the personal characteristics of the manager have terminal influence on decision-making. This includes personal aspirations, motivation, values and goals. Although financial success is critical, such goals typically also include family centred, non-economic goals (Chrisman, Chua, Pearson, & Barnett, 2012; Sen & Cowley, 2013). Perceptions of stakeholders are therefore likely to be influenced by the manager’s values framework and personal relationships with individual stakeholders and the overall external environment in prioritizing claims.

A manager may thus be described as a ‘bricoleur’, a pragmatic and in many ways eclectic individual who effectively operate as a ‘jack of all trades’ and is able to redefine and re-combine resources for new purposes (Baker & Reed, 2005). Their decision making a bricolage, a pattern of behaviour that enables quick and adhoc responses to unforeseen opportunities or challenges such as are common in uncertain and highly competitive environments (Baker & Reed, 2005).

This research adopts Freeman’s definition of stakeholder (1984:25) as “any group or individual who can affect or is affected by the achievement of the firm’s objectives”. It further uses Mitchell, Agle and Wood’s (1997) concept of stakeholder salience as a starting point for exploring how decision makers in small business prioritise stakeholders and their demands. Stakeholder salience is the cumulative effect of the stakeholder’s *power*, *legitimacy* and *urgency* as perceived by the decision maker. The notion of stakeholder salience thus allows identification and classification of stakeholders

based on whether the stakeholder is perceived to possess power, legitimacy and/or urgency at any given time. Level of salience is however not an objective measure, the perceived salience of a claim may be moderated by factors such as the power of decision maker relative to the stakeholder making the claim, legitimacy moderated by perceptions of legitimacy of specific claim or issue and urgency be evaluated based on specific request rather than identity of stakeholder (Bundy, Shropshire, & Buchholtz, 2013:353; Eesley & Lenox, 2006). Indeed, potential negative consequences such as reputational damage and even retribution by stakeholders who feel aggrieved may need to be considered.

In stakeholder theory organisations are seen as existing in a network of stakeholders, an open system of interdependent parts with capacity to provide resources and support, but also competition and challenges that may hinder the success of the organisation (Gibson & Myurnighan, 2010). As Freeman (2007) points out, in the long-term healthy shareholder return depends on the organisation’s ability to serve important stakeholders and navigate the priority of competing stakeholder demands. Another theory supporting the relevance of this interdependence, is game theory, defined as “... efficient and applicable in studying the interactions among independent, self-interested agents” (Meng, Chu, Li, Chen, Du and Wu, 2019). Here, this is addressed by asking the central decision maker how such situations are managed.

Looking after stakeholders and responsibly participate in a ‘collective value creation’ may in fact be the only means of organisational survival and success (Freeman,

Wicks, & Parma, 2004; Galbreath, 2006; J. S. Harrison & Wicks, 2013; Sen & Cowley, 2013; Tashman & Raelin, 2013). This network of interdependent relationships may be understood as an 'ecosystem' (Santos & Eisenhardt, 2005; Teece, 2007), on which every member depend, to varying degrees and at various points in times, and that every member therefore is invested in. According to Adner and Kapoor (2010:309), the construct of an ecosystem is a means for understanding "... the coordination among partners in exchange networks that are characterized by simultaneous cooperation and competition".

Despite the need to prioritise stakeholders and their claims, it is also important to maintain long-term constructive relationships within the ecosystem. Complex stakeholder relationships may have implications for how groups are prioritised. Further complicating the understanding of stakeholder relationships, the identity and range of stakeholders may vary with factors such as size and age of business, industry, and geographical location (Fassin, 2008; Storey, 1994). A focus on the particular relationship between the manager and stakeholder may therefore provide a better understanding of how decision makers perceive and prioritise stakeholders. The balancing of the stakeholders is thus a constant challenge for small business managers. This creates a complex environment in which stakeholder relationships have to be negotiated, promoting an ethical and sustainable, long-term approach to management as opposed to a narrow focus on short-term profit (Clifton & Amran, 2011).

The focus of this research is small business, a sector of significant importance to economies around the world, and how they prioritise their stakeholders in the ever changing ecosystem of business. This leads to the following research problem: *How do small business managers prioritise stakeholders?*

3. Method of Research

This research used a multiple case study approach designed to provide both literal and theoretical replication (Yin, 2014). Nine Australian small businesses with less

than 20 employees (ABS, 2015) were selected as representing nine different industries and ecosystems. Businesses were located in regional Australia, an environment with typically strong reliance on small business. Semi-structured, face-to-face interviews were conducted with the primary decision maker, usually the manager. Participants were asked how they prioritise stakeholders to help illuminate stakeholder relationships. Table 2 presents an overview of the case studies.

Data were analysed within case as well as cross case. From the interviews in relation to the management and in particular the prioritisation of stakeholders, two themes were developed, that of managing relationships with stakeholders, and how they reach their decision in relation to prioritising stakeholders. Out of the analysis four new factors influencing prioritising of stakeholders were also identified: commitment, dependence, duration and cost.

4. Findings

Interviewees generally perceived stakeholders as opportunities for business and the general attitude to most stakeholders was 'cautiously constructive'. This open attitude was however tempered by the reality that resources were limited and that all stakeholder claims could not be met all the time as well as the fact that not all relationships would result in positive outcomes. Maintaining positive relationships with customers were seen as highly desirable and resources were invested to secure long-term relationships were such were seen as possible. Yet, most interviewees also reported having refused customers seen as posing a risk. Risk of problems with payment, unreasonable demand on resources such as time, and requiring priority ahead of other important stakeholders were all identified. This required negotiation and communication skills as the aim was generally to protect the reputation of the business and thus the relationship with the collective stakeholder ecosystem even if an individual relationship had to be ended. A representative sample of comments made by managers in relation to decision-making and the importance of maintaining constructive relationships is shown in Table 3.

Table 3. Relationships and decision-making

Quote from participant
<i>“people need the product and they come to me. I just try to build in that relationship as well if I can, sometimes you can’t, they have that one enquiry and just want to do the business. It is the same on the supplier side... you have some suppliers you have very good understandings with and others not so good”. (#5)</i>
<i>“It comes down to the ability to build relationships sometimes ... I think the most important thing is the relationship side of things, if you don’t like working with someone – the beauty of having your own business is that you don’t actually have to work with them”. (#9)</i>
<i>“So if you find one, particularly someone who buys on a regular basis – might have a contract with a mining company who does repairs and maintenance – you’ve really got to hold on to them”. (#5)</i>
<i>“... actually educating and telling them how to use things, and building confidence is much better than giving them a book and waving goodbye ... in all the quotes there is a non-negotiable training element. It looks like money for nothing for most of them, but I know that it actually re-engages them down the track”. (#9)</i>
<i>“We... our approach is that we give the same level of service until they make it clear, they’re either not going to engage or they’re going to engage to a higher degree. I can’t invest all my time talking to people because they’re a stakeholder – they have a responsibility within the relationship as well”. (#9)</i>
<i>“We try to keep the relationship with clients the same I suppose”. (#4)</i>
<i>“Some people can be a little bit more straight forward and honest to you, others you have to couch things in... and others you have to back everything up with evidence. Other clients that were more ‘high maintenance’ and wanted to be involved in the detailed decision-making. This sometimes results in conflicting demands that have to be prioritised”. (#9)</i>
<i>“The higher maintenance clients want lots of interactions, lots of meetings, lots of drafts, lots of fiddling around”. (#3)</i>
<i>“Yes, probably a reasonably conscious process. Most decisions are not made in isolation”. (#5)</i>
<i>“That’s why I use common English a lot when I first meet people, somewhat to their surprise, and I talk about high maintenance people and they all laugh, so already you are building a relationship through laughter and by meeting them on their property that they have paid all this money for, you are meeting them on their ground, literally, at the beginning. So to me that is part of the relationship building”. (#3)</i>
<i>“We do, yes we do [value recommendations]. Yes, they are, they are important, especially if they are influential themselves, they are very important. They could be an expert, they could be customers. They could be, yes, industry expert, they could be customers, they could be from local government, they could be suppliers. They could be just about anywhere really. So it’s important”. (#8)</i>
<i>“We’ve been in business long enough to establish many good relationships and not many bad ones”. (#8)</i>
<i>“[Relationships]... need to be based on authenticity”. (#9)</i>
<i>“It is very infrequent, with my stakeholders, that I would have a threat of falling out, or a falling out. You just negotiate it, you anticipate that it’s coming and you negotiate it. You don’t fall out and then have to withdraw and spend all that time to re-establishing a new professional relationship of some sort”. (#3)</i>
<i>“I just think it’s just part of our work, its maintaining those relationships, the centre wouldn’t be able to operate very well if we didn’t”. (#4)</i>
<i>“I would not say it is a burden but it is a commitment”. (#1)</i>

The table above illustrates the importance placed on relationships with stakeholders and how decisions regarding stakeholder priority are made. Relationships according to participants, were dynamic, in a state of constant re-negotiation and tempered by a pragmatic awareness of the importance of balance for business survival. Good communication skills were seen as critical to manage this balance. The managers interviewed expected relationships to be reciprocal but recognised that some stakeholders may be high maintenance and that such relationships must be managed. In addition to being seen as a resource for the business, relationships developed with stakeholders in the network also acted as a motivator for managers, with some relationships becoming personal and persisting over decades.

The managers interviewed invested time and effort to develop goodwill and positive relationships to support problem solving and decision making for both parties. Relationships were not always possible, sometimes the exchange was just transactional, even once-off. When long-term relationships could be developed they were seen as valuable. Good relationships were also seen as a means for building the business by promoting word of mouth advertising. Several participants reported participating in recommending other businesses and placed significant value on maintaining positive relationships with entities or individuals known to engage in promoting the business. Rather than transactional, there was no direct exchange of value, this was relationship building and supporting the overall ecosystem. Positive

relationships support constructive and time efficient decision-making as cooperation with stakeholders is high and the parties have previous knowledge about each other's needs, expectations and negotiation style.

Participants indicated that decision-making in response to urgent demands was frequently intuitive and often adhoc but rational in the sense that they were based on experience and knowledge of available resources and understanding of which stakeholder relationships were – at any given time – negotiable. This required understanding of individual stakeholder's needs and expectations. Also reported as important was the manager's own values and self-perception. Interviewees frequently reported being willing to negotiate but also being very strong on how far they would go. Affected by the decision maker's values framework, managers had strong self-confidence, self-efficacy and were determined to run the business 'on their terms'.

Decision making by interviewees was a process of both programmed and non-programmed approaches, the combination based on a combination of experience, knowledge about the stakeholder and an intuitive understanding of the bargaining zone. The decision maker's perception of the relative power balance in each situation, the level of legitimacy of the issue and the 'real' urgency informed this perception. Several managers

commented on urgency being used as a negotiation tool and the need to develop an understanding of each stakeholder's definition of 'urgent'.

Overall the research has found that the two themes of 'stakeholder relationships' and 'decision-making' were strongly intertwined, with decisions regarding the priority of stakeholder claims being influenced by the need to maintain relationships. In addition to these findings it was also discovered that managers' decision making is influenced by four other factors. These were **commitment** to the relationship itself, relative **dependence** in the relationship (situational), **duration** (history) of the relationship and **cost** of maintaining the relationship versus exiting the relationship.

In addition to power, legitimacy and urgency (Mitchell et al., 1997), several other factors to do with the relationship itself were also identified by participants as considered in negotiations with stakeholders and affecting the decision making process. Commitment featured as an element with stakeholders, and was seen as mutual, and based on trust and respect. Some comments on commitment are shown in table 4.

Overall, the relationships with stakeholders were seen as a network of interconnected parts, or a dependence on each other. Table 5 gives some examples of comments in relation to the factor of dependence.

Table 4. Commitment Factor

Interviewee Quotes
"So we have a commitment with our milk supplier and they have a commitment to us. If any of that changed, it would be noticed. As to other suppliers ... don't think there would be ... I don't think one would be noticed". (#6)
"Yes, that's right, a reciprocal commitment . I try to build with most of our ... with stakeholders... I talk about building relationships with people, I think that is an important word; it is all about building relationships with people. I just feel if you can do that, the rest of it – well, it won't necessarily look after itself, because price is important and things like that, but if you can build up trust and a relationship with someone that's a good start". (#5)
"... with your banker, you need to have a confident ... a mutually confident relationship with your bank. There are alternatives but chances are, the move is going to cost you money and you may be on some special deal now, or whatever". (#3)

Table 5. Dependence Factor

Interviewee Quotes
"... we're all interconnected in so that if we're not getting paid, our internal stakeholders can be affected. If we don't have clients, our suppliers are going to be affected". (#7)
"You know, it's like a big domino thing , if this guy goes broke, they can affect a multitude of different people ". (#2)
"I guess I see most of our relationships with stakeholders as two-way . Hopefully with our employees, I can look after them and in return they do a fair days work. So I suppose it's sort of ... communication and going both ways , and I see that with customers as well". (#5)
"I think some stakeholders, and I'm talking suppliers here, are instrumental in our organisation because we might sell a very large collection of their products and we're dependent upon those products to supply our own existing customers, they demand them". (#8)
"I am also aware that the loss of a key supplier could be a risk issue for the business so I network quite heavily and make sure that I know who is around and we know enough about each other , we've got each other's details, that I have choices. That is a risk management thing from my perspective". (#3)
"Mostly, the sub-contractors are not big businesses and for most of them, some of them have offices but the owner works on site, so it is pretty personal . We make sure we keep a certain amount of cash money so that if we do mess up a payment or a progress payment gets held up, or a client's late paying it for whatever reason, we can fulfil our obligation to our sub-contractors because they obviously have obligations as well ". (#2)

Table 6. Duration Factor

Duration Factor
"... our ideal is certainly to encourage a long-term relationship but it is not necessarily so". (#1)
"So those companies are really good to work with and you've got to have a close relationship ... so you end up developing friendships or colleagues that lasts a very, very long time, and some of those people may move to other organisations, and then you establish a similar thing with them as well ". (#8)
"Quite often you network and you find yourself moving around with certain individuals because they are always able to provide you with the benefit of some description". (#8)
"... trust is a funny word isn't it. It's more a... ahm... I like to think of building people's confidence, and they're building my confidence , so it's a whole confidence, you know... let's build confidence in each other rather than trust". (#9)
"So some stakeholders have a long, well established relationship , and it's old fashioned loyalty and old fashion knowing that if you say 'you're going to get paid', you get paid. ... We've feed merchants that we've dealt with for 20 years and if things are slow for us, they'll carry us ". (#7)
"They'll get a free version on the upgraded and then they can choose what they want to use. So you're rewarding loyalty and you're allowing them to be part of your learning journey as well". (#9)
"We are using second and third generation 'subbies' , I have been in the building industry for a long time. The painters we use, that's third generation, the gyprockers are second generation, and some of those sub-contractors, I have worked with them for thirty-five or forty years and that is because everybody knows the foreman has been there all the time and everybody knows how the other bloke thinks and it just makes it much better on site. " (#2)
"The councils are obviously long-term relationships but the individuals within the councils; some are there in the same job for far too long, and with some of them there are churn". (#3)

Table 7. Cost Factors

Interviewee Quotes
" Sometimes you build relationships and they're dead ends, then you cut and run ". (#9)
"Ahh, well the cost to us is intangible to some degree because there would be costs associated with training staff to sell a different product. We don't know how much time, effort and resources that would take". (#8)
"...certainly there is a cost in ending a relationship with a patient, especially a regular patient". (#1)
"Absolutely, it happens all the time. So if they're providing us with a product we're making good profit on, and we have a relationship that's average, we can often make it work for us anyway . It has to pretty... it has to be something considerable to turn around and say 'we're not going to buy your product anymore because xyz', but it does happen". (#8)
"Sometimes you would like to buy product from a particular supplier because you realise that if you did, you'd be able to make profit and sell quite a lot of their product. But there are many, many considerations before you actually go and do that and probably the main one there, is probably the consistency of supply and the quality of supply". (#8)

Most interviewees expressed a desire to build long-term relationships with profitable clients but recognised that clients may chose not to. The initial relationship short-term and conditional, but with an option of an ongoing relationship. Table 6 summarises comments in relation to duration.

Not all relationships were successful and to end relationships with stakeholders such as a supplier may carry a cost. A summary of comments in relation to costs is shown in table 7.

As per the tables above interviewees indicated that the four factors of commitment, dependence, duration and cost were all important considerations to manage stakeholder relationships and prioritise stakeholder claims.

Mutual *commitment* to the relationships supported development of positive and close relationships that frequently lasted over time. Reciprocal commitment to the relationship itself provided a mechanism for building mutual success and positive reputation in the market place as goals and value creation aligns. Such relationships often lead to informal partnerships and informal investment of interests in each other's business success, for example by recommendations to third parties (word of mouth advertising). This might in turn develop into *dependence*, a factor that was seen as positive unless asymmetric. Asymmetric dependence that became ongoing rather than issue specific and occasional could develop into power and was resisted as incompatible with

the independence of the business. Yet, commitment was also seen as an important resource that would help the business survive in difficult times, particularly if supported by a history and *duration* over time, a kind of loyalty that is rewarded over time. *Cost* included an estimation of the cost of maintaining the relationships as well as an estimation of the cost of ending the relationship. Cost included economic values but also time and emotional aspects such as stress of dealing with a particularly difficult stakeholder. Time in particular was seen as important with managers being time poor and reluctant to invest in relationships that were seen as unreasonably time consuming. Several managers reported that they had ended stakeholder relationships, including with customers, as the relationship was seen as an overall 'loss'.

5. Limitations

This study was performed in a regional area just north of Sydney, Australia. Although there are significant similarities and many characteristics of small business are global in nature, variations may exist in different cultural settings and jurisdictions. Small business is typically very adaptive in response to external influences and findings may also be different, for example under different economic conditions. This study was cross sectional in nature. A longitudinal study may provide insights regarding changes over time. Although findings from this

study can be extrapolated to stakeholder and decision making theory in general, further research is required to test the stability of such findings in other types of organisations, for example, in large business or 'not for profit' entities.

6. Conclusions

In answering the research question of *How do small business managers prioritise stakeholders*, this research found that when small business managers deal with stakeholders it is very much about the relationships that have been formed, although also informed by factors such as commitment, dependence, duration and costs. The findings have shown that there is no black or white formula for stakeholder management in small business. Small business operates in ecosystems where stakeholders vary in priority, and balancing these stakeholders in a community of interacting with various other stakeholders in the business environment is an ongoing challenge. Small business thrive (or not) as productive members of such larger ecosystems of stakeholders that are interdependent on each other's success over time. This is particularly important in highly competitive and turbulent times. This process of decision making becomes a bricolage in that the manager constantly recreates relationships by 'recombining existing parts'. This is shown in Figure 1.

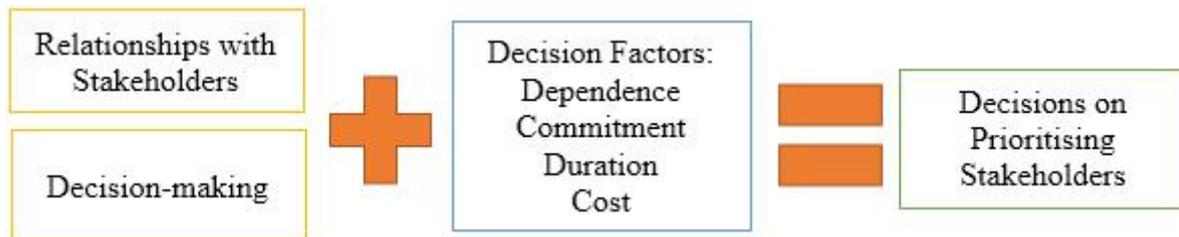


Figure 1. Small business decision making and stakeholder priority

Acknowledgments

Authors would like to acknowledge the assistance of Emeritus Professor Frank Clarke in advice offered throughout the research.

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