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MANAGING THE CHANGING ENVIRONMENT OF COMPLEX BUSINESS RELATIONSHIPS: SMALL BUSINESS AND STAKEHOLDER SALIENCE

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ABSTRACT

This research addresses stakeholder relationships in small business. Most research on stakeholder theory has focused on large, publicly-owned corporations, and little appears to be known about identity, dynamics, motivation and operations of stakeholder relationships in Australian small business This research finds that stakeholders of small business can be readily identified and typically include owner-managers, customers, employees, suppliers, family, local community and government. These stakeholders can also be ranked and measured in terms of their salience (measured by a combination of urgency, legitimacy and power). Owner-managers emerged as the most important or definitive stakeholder group in Australian small business.

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INTRODUCTION

The focus of this study is stakeholders in small business. Research on stakeholder theory has largely ignored small business (Galbreath, 2006), perhaps implying an assumption that stakeholder identity and relationships are the same regardless of size of business. However, this should not be assumed but rather, as suggested by Phillips, Freeman and Wicks (2003), stakeholders in small business should be investigated separately.

All business, including small business, depends on the commercial environment in which it operates and the existence of suppliers, customers and owners (Porter, 1985). Collectively, these and other groups which interact with the organisation, and whose needs and concerns must be considered, are known as stakeholders (Freeman, 1984). The potentially costly consequences of a failure to consider wider impacts of decisions on stakeholders in a timely manner are well recognised in marketing and public relations: stakeholders may be motivated to actively oppose the organisation or mobilise political support for legislative, protective measures (Grunig, 2005). More recently, the Global Financial Crisis (GFC) and ongoing economic turbulence have highlighted wide-ranging economic and social consequences and moral implications of failure to consider stakeholders. Stakeholder theory, although mainly focused on large publicly owned corporations, is also highly relevant for small business (Phillips et al., 2003).

SIGNIFICANCE OF SMALL BUSINESS

Small business is recognised as a socially and economically important global phenomenon (APEC, 2002, OECD, 2004, European Commission, 2012a, ASIA Foundation, 2003, United Nations (UN), 2012). According to OECD (2004) *"... in* all *societies the independent owner managed small business is the organisational norm for economic activity*". However, there is no international agreement on how to define small business (OECD, 2004). In the European Union (EU), 99% of all businesses are 'small', defined by the European Commission (EC) as having less than 250 employees. Although the average small business has less than 10 employees, the sector is responsible for 67% of employment (European Commission, 2005, European Commission, 2012b, European Commission, 2012a). In Asia-Pacific, 90-98% of businesses are defined as 'small', with less than 100

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employees. The sector is responsible for 30% of total employment, including 60% in the private sector (APEC, 2012, APEC, 2002). Definitions of 'small business' in the United States of America (USA) vary between 500-1500 employees depending on industry. Nevertheless, some 40% of businesses with less than 5 employees, including the owner, contribute 44% of employment.

Over 95% of all registered businesses in Australia are 'small', defined by the Australian Bureau of Statistics (ABS) as having less than 20 employees, most with 0-4 employees (2012). Australian small business makes a significant contribution to economic activity, accounting for over 35% of GDP and over 47% of employment (ABS, 2012, ABS, 2011, Clark et al., 2011). Small business also makes an important employment contribution by engaging sections of the workforce that are often at risk of being marginalised; for example approximately 35% of Australian small businesses operate in regional areas; 32% are run by women; 29% by individuals born overseas; and 33% of small business operators are aged over 50 (COSBOA, 2009, ABS, 2008). This research was performed in Australia and therefore adopted the ABS definition of small business.

By implication, small business directly affects the lives of a larger number of people; providing employment as well as offering a large variety of goods and services in the community. An understanding of the nature of stakeholder relationships in this important sector of the economy is therefore warranted.

DEFINING STAKEHOLDERS

The term 'stakeholder' has been defined in a number of ways (Mitchell et al., 1997, Freeman, 1984). At the core of most definitions was the idea that stakeholders were individuals or groups capable of generating change or acting in a way that could potentially challenge the survival of the organisation and therefore warranted attention by management of the organisation (Mitchell et al., 1997). This idea is embodied in Freeman's (1984) classic definition of stakeholders as "*any group or individual who can affect or is affected by the achievement of the firm's objectives*" (Freeman, 1984:25). Consistent with other research in this field, this study has adopted Freeman's stakeholder definition.

OWNER-MANAGER AS A STAKEHOLDER IN AUSTRALIAN SMALL BUSINESS

The typical Australian small business is independently owned and operated by an owner who is in close control of operations, decision-making and is the source of most, if not all operating capital (Gurd and Thomas, 2006, Schaper, 2006, SBDC, 2006, Department of Trade and Industry, 1971, Schaper et al., 2011). Many small businesses are started using private, unsecured borrowings such as credit cards, and up to 70% continue to rely on credit cards as a source of funding (CPA, 2008, Rajan, 2003). Small business is therefore a highly personal affair, which may include family and friends as direct or indirect stakeholders; collectively providing some 80% of a small business's financial resources.

In contrast to large publicly-owned corporations, small business exhibits little if any separation of ownership and control (Clarke, 2007, Klein et al., 2005, Berle and Means, 1932). Most owners of small business are also directly and intimately involved in day-to-day running of the business and commonly working full time in the business (ABS, 2008, Clarke, 2007, McMahon, 2007, Storey, 1994, Fletcher, 2002). The owner-manager thus internalises several stakeholder roles, such as owner, financier, employee, and is therefore a stakeholder of critical importance to a small business.

The driving force behind a typical small business is often dual in nature and purpose; financial gain coupled with commitment to values that can be expressed through the business (Berle and Means, 1932, Aronoff, 2004). The impetus or 'soul', of a small business is thus a direct result of an owner's personality, ambitions, competencies, intentions, motivation, confidence and beliefs (Morrison et al., 2003). For a majority of owners, running a small business is a matter of personal preference with 63% being 'serial' business owners (Smyrnios and Dana, 2006).

Stakeholder relationships in Australian small business are therefore highly complex and interdependent. The task of prioritising stakeholder demands centres on the owner-manager, who is also a stakeholder in his or her own right. The owner-manager's perceptions about the importance of various stakeholders to the business directly influences decisions regarding interactions with other stakeholder groups.

OTHER STAKEHOLDERS IN AUSTRALIAN SMALL BUSINESS

In addition to owner-managers, the literature suggests the following stakeholder groups may also be found in Australian small business: customers, employees, suppliers, financiers, competitors, government, community, media and social activist groups (Carroll and Buchholtz, 2012, Gadenne et al., 2009, Freeman et al., 2007, Agle et al., 1999). Carroll and Buchholtz (2012) also point out that owner-managers must identify any sub-groups or 'extra' stakeholders specific to each particular industry or business.

The limited literature available on stakeholders in Australian small business, adds family members, professional advisors, investors and creditors/bankers to the list of potential stakeholders (Mankelow, 2008, Smyrnios and Dana, 2006, Atkins and Lowe, 1993). Family is controversial as a stakeholder in business. However, financial credit to small business is typically backed by personal guarantees backed by a mortgage on the family home, thus involving the spouse and family in the business risk (Lovric and Millbank, 2003). The restriction on credit that was a hallmark of the GFC (Ellis, 2009, Debelle, 2009) therefore had a potentially devastating and disruptive effect on relationships between small business, its owner-manager and the family of the owner-manager.

Identity of stakeholder groups may vary from industry to industry and indeed between individual businesses within an industry. In addition, the mix, relative importance and particular membership of each stakeholder group may vary depending on factors such as industry, economic conditions, region, competition, size and age of the firm (Fassin, 2008, Storey, 1994). For example, local community may be a more prominent stakeholder in small business, compared to a large publicly-owned corporation (Fassin, 2008), while customers and credit providers may figure more prominently during an economic downturn. In addition, stakeholder groups may be more or less homogeneous. The stakeholder group ‘customers’ may, for example include retail and/or wholesale customers; transactional and/or relational customers; and the offering may be a product and/or service.

STAKEHOLDER SALIENCE

Mitchell, Agle and Wood (1997:864) coined the term ‘stakeholder salience’ to describe the combined effect of *“…relative absence or presence of all or some of the attributes; power legitimacy and/or urgency*”. The first two attributes, legitimacy and power, were carried forward from Freeman’s (1984) work, while urgency was a new attribute added by Mitchell, Agle and Wood (1997), to reflect potential for stakeholder salience to change over time, sometimes quite rapidly.

Mitchell et al (1997) argue that the combined effects of power, legitimacy and urgency create varying conditions of ‘salience’ or degrees of importance that a business must attach to individual stakeholders and their demands at any given time. Stakeholders able to satisfy all three attributes of legitimacy of demands, are able to exercise significant power to have those demands met and can establish their demands must be met immediately are said to have *definitive* salience. Definitive stakeholders matter most to a business.

Stakeholders seen to possess two of the three attributes are regarded as *expectant* stakeholders. Demands of expectant stakeholders are important for a business to address, but tend not to be as important or as immediate as those demands of definitive stakeholders. Stakeholders seen to possess only one attribute are classified as *latent* stakeholders.

The degree of salience attaching to a particular stakeholder group is largely determined by each business’s particular circumstances. These circumstances include a business owner-manager’s *perceptions* of levels of power, legitimacy and urgency possessed by each stakeholder group. As such, salience is highly subjective and potentially even irrational, as it may be influenced by an individual’s personal characteristics and situational factors (Magness, 2008, Jensen, 2007, Morrison et al., 2003, Atkins and Lowe, 1993, Stead and Stead, 1992). The influence of the owner’s morals, values and perceptions on the attitude towards stakeholders (Murphy et al., 2005, Cassar and Holmes, 2003), act as a moderating influence on perceived stakeholder salience (Agle et al., 1999) and affects behaviour towards the stakeholder, which in turn affects reactions from the stakeholder. Stakeholder relationships may therefore be based on subjective perceptions and interactions rather than objective information.

The three attributes of power, legitimacy and urgency are variables that may change over time and vary depending on the situation and environment (Mitchell et al., 1997). For example, a supplier’s power and urgency may increase or decrease as a result of changes in customer demand for a particular product. Customers may lose confidence in a firm perceived as being at risk of closing and be reluctant to make purchases; suppliers may demand payment on delivery rather than extend credit; and the most valuable employees start looking at opportunities elsewhere (Cassar and Holmes, 2003). The combined effect of such “distress costs” (Cassar and Holmes, 2003) on a firm’s cash flow may be devastating and in turn make external financing more expensive as risk of business failure increases. Stakeholder salience is therefore inherently dynamic in nature..

Empirical research by Agle, Mitchell and Sonnenfeld (1999) found stakeholder salience to be a valid method for identifying stakeholders in large firms. The study, involving interviews with CEOs of 80 large US corporations, found that the three attributes of power, legitimacy and urgency together provided a valid indicator of stakeholder salience in those large firms. However, little if any research appears to have been conducted to rigorously identify and define stakeholder relationships in small business, including Australian small business. This study therefore uses the Mitchell et al’s (1997) model of stakeholder salience to examine the research problem: who are the important stakeholders in Australian small business and how may the relationship between small business and stakeholders be defined?

METHODOLOGY

A lack of previous research and theory on stakeholder relationships in Australian small business suggested a need for inductive theory-building rather than deductive theory testing research to examine the research problem of who are the important stakeholders in Australian small business, and how the relationship may be defined. The problem was split into two research questions for investigation:

- Research Question 1 (RQ1): "Who are the stakeholders in Australian small business?" and
- Research Question 2 (RQ2): "How can relationships between Australian small business and stakeholders be defined?"

A need to understand 'who' and 'how' of stakeholder relationships in context pointed to the appropriateness of case study research (Davies, 2007, Tharenou et al., 2007, Bryman and Bell, 2007). A multiple-case study approach, where the same process of investigation is repeated in each case, was used in this research to allow cross-case comparison, analytical generalisation and formulation of theory (Yin, 2003). Selection of cases was therefore purposive; 'information-rich' cases were selected according to selection criteria and potential for yielding insights and understanding into the identity of stakeholders in Australian small business (Yin, 2003, Kayrooz and Trevitt, 2005, Ticehurst, 2000, Kvale, 1996). Multiple case study research has the potential to produce results with a high level of validity, reliability and replicability. More cases increase the certainty of the result, but also add to complexity of analysis and interpretation (Yin, 2003). Yin (2003) suggests that six to ten cases, carefully selected to support either literal or theoretical replication logic, could produce quality result. Using a multiple case study approach, qualitative data was collected in semi-structured face-to-face interviews with owner-managers of eight Australian small businesses located in the state of New South Wales.

Potential interviewees were contacted by the researcher and invited to participate. This method for selection of cases can best be described as purposive selection (Sekaran, 2003). Results obtained by purposive selection cannot be generalised. However, such selection is suitable for gaining insights into complex situations where little prior information is available to guide the researcher (Sekaran, 2003), such as is the case with stakeholder relationships in small business. The businesses studied for this research represent a cross section of Australian small business with less than 20 employees, from a variety of different industries. The businesses had been in operation for more than five years and were run by owners with at least three years' experience.

Data collection from each of the eight cases involved face-to-face interviews with the owner-managers, guided by a semi-structured questionnaire. Use of a semi-structured questionnaire allowed both researcher and interviewee to develop and understand the 'story' of stakeholder relationships in the context of Australian small business in a structured way (De Geer et al., 2004). The questionnaire contained a mix of closed and open-ended questions (Cavana et al., 2001, Sekaran, 2003). Closed questions aided rigour and replicability of the research as they allowed the use of measurement scales. Open-ended questions facilitated discovery of potentially important but unforseen information for further study (Cavana et al., 2001, Bryman and Bell, 2007, Meredith and Cunneen, 2008). Use of both closed and open-ended questions allowed the researcher to probe for discrepancies between what interviewees said about their own behaviour, and what was reflected in their actions and behaviour towards stakeholders (Gillham, 2000). Probing of data from multiple sources, or data triangulation, helped to increase reliability of research outcomes.

Data analysis was performed in two stages. Firstly, individual cases were critically examined to understand the specific organisational context and stakeholder interactions within each case (Yin, 2003, Kayrooz and Trevitt, 2005). The second step of data analysis was cross case data analysis. The purpose of cross case analysis was to compare and contrast findings between case studies, to explore common themes, patterns and trends. Descriptive statistical analysis was facilitated by use of pre-coded measurement scales. Of particular interest were descriptive measurements such as central tendency (Cavana et al., 2001). Content analysis was used to understand responses to open ended follow-up questions.

An interview audit was used to check for researcher bias during interviews. The interview audit entailed a second researcher 'auditing' a sample interview, with the consent of the interviewee, to observe and evaluate the process (Meredith and Cunneen, 2008). The interview audit thus helped confirm accuracy and reliability of data gathered.

FINDINGS

The interviews progressed in three steps: confirm generic stakeholders suggested by the literature; rank stakeholders in order of relative importance; and identify how relationships may be defined. This approach allowed analysis of consistencies/inconsistencies between individual interviewee's ranking of stakeholders on the one hand and individual interviewee's perceptions of stakeholder salience as expressed by the levels of power, legitimacy and urgency on the other.

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Demographic information was sought from the participants at the start of interviews. This data is summarised in Table 1. All firms were small with less than 20 employees in a cross-section of industries and all had been operating for more than 5 years with the owner-manager in that position for at least 3 years.

TABLE 1. SUMMARY OF CASES

	Case A	Case B	Case C	Case D	Case E	Case F	Case G	Case H
Period of operation	> 5 yrs	> 5 yrs	> 5 yrs	> 5 yrs	> 5 yrs	> 5 yrs	> 5 yrs	> 5 yrs
Owner-manager	> 3 yrs	> 3 yrs	3 yrs	> 3 yrs	3 yrs	> 3 yrs	> 3 yrs	> 3 yrs
Number of Employees	< 5	< 5	6 - 20	6 - 20	6 - 20	6 - 20	6 - 20	6 - 20

Stakeholders in Australian Small Business

To address RQ1 **"*Who are the stakeholders in Australian small business*?"** interviewees were firstly asked to use Freeman's (1984) definition of stakeholder as any "*... group or individual... can affect or is affected by the achievement of the firm's objectives*", to score the key stakeholder groups identified from literature, using a five-point Likert scale; strongly disagree (1), disagree (2), unsure (3), agree (4) or strongly agree (5). A summary of findings on RQ1 is presented in Table 2.

TABLE 2. STAKEHOLDERS IN AUSTRALIAN SMALL BUSINESS

	Case A	Case B	Case C	Case D	Case E	Case F	Case G	Case H
Customers	Strongly agree	Strongly agree	Strongly agree	Strongly agree	Strongly agree	Strongly agree	Strongly agree	Disagree
Suppliers	Strongly agree	Strongly agree	Strongly agree	Strongly agree	Agree	Strongly agree	Strongly agree	Disagree
Employees	Disagree	Strongly agree	Strongly agree	Strongly agree	Strongly agree	Strongly agree	Strongly agree	Agree
Owner-managers	Strongly agree	Strongly agree	Strongly agree	Strongly agree	Agree	Strongly agree	Strongly agree	Agree
Family	Disagree	Strongly agree	Strongly agree	Strongly agree	Agree	Strongly agree	Strongly agree	Disagree
Local community	Disagree	Agree	Agree	Strongly agree	Unsure	Strongly agree	Strongly agree	Disagree
Government	Agree	Strongly agree	Agree	Strongly agree	Agree	Strongly agree	Strongly agree	Agree
Other*	Strongly agree				Strongly agree		Strongly agree	Strongly agree

* Other stakeholder group identified by interviewee as important

Seven of eight interviewees strongly agreed that **customers** fitted Freeman's (1984) definition of stakeholders. The finding was illustrated by comments such as "***Customers are THE most critical thing in the business"***. Case G disagreed, expressing a narrow focus on just three stakeholders: owners, employees and government. Case A expressed a difference in importance between retail and wholesale customers, an indication that the use of generic stakeholder groups such as 'customers' may be too coarse.

Seven interviewees strongly agreed and one agreed that **suppliers** fitted Freeman's (1984) definition of stakeholders. Case G disagreed that suppliers were stakeholders. However, although the owner-manager of Case G considered the business to be independent, the main line of business was as a franchise. The franchisor, an added stakeholder, may be considered a special type of supplier. Case G strongly agreed his franchisor supplier was a stakeholder.

Six interviewees strongly agreed and one agreed that **employees** were stakeholders, illustrated by the comment ***"Employees are very important: they talk to the customers, if anyone is going to upset a customer it is them"***. Case A disagreed that employees were stakeholders, commenting that "***staff are not essential, they are a sideline"***. Case A employed young, unskilled workers; 'street wise' about the products but with no long-term commitment to the business.

Six interviewees strongly agreed and two agreed **owner-manager(s)** were stakeholders, illustrated by comments such as: ***"The business becomes your life. It is much more than being a shareholder, it is an extension of your lifestyle"***.

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Five interviewees strongly agreed and one agreed that **family** was a stakeholder; "***Absolutely agree! Family is a major stakeholder***". The exceptions were Cases A and H, which disagreed that family were stakeholders, with Case A commenting "***family does not really have an influence in the business"***.

Three interviewees strongly agreed and two agreed that **local community** was a stakeholder. Case E was unsure while Cases A and G disagreed that local community could be considered a stakeholder in the business other than as a potential source of customers.

Four interviewees strongly agreed and the other four agreed that **government** was a stakeholder in their businesses. Typical of comments was "*their [government] rules can make or break us*".

Other stakeholders were added to the list by four interviewees, who each indicated a stakeholder group specific to the particular business. Case A added 'sponsorees', Case E added 'residential construction industry', Case G added 'franchisor' and Case H added 'nursing homes' and 'banks'. All four interviewees strongly agreed their 'other' groups were stakeholders. These 'other' stakeholders could be seen as sub-classes of either customers or suppliers.

In summary, customers, suppliers, owner-managers, and government were all consistently seen as fitting Freeman's (1984) definition of stakeholders; that is groups with the ability "*to affect or be affected by the achievement of the firm's objectives*" (Freeman, 1984:25). Employees and family were also seen as fitting Freeman's definition although to a lesser degree. Local community seemed on the periphery of the definition; an 'optional' stakeholder more important to some businesses than to others. Four interviewees identified 'other' stakeholders unique to the business, although these 'other' stakeholders could be regarded as sub-groups or special forms of either customers or supplier stakeholders.

Ranking of Stakeholders

The second step in analysis of RQ1, who are the stakeholders in Australian small business, involved asking interviewees to rank these same stakeholder groups in order of relative importance to the business: from most important (1^{st}) to least important. Cross-case comparison of the responses allowed a mean ranking to be found. The mean ranking was arrived at by calculating the mean value of the rankings cross-case and then awarding the highest mean ranking position to the stakeholder groups with the lowest mean value. The findings are presented in Table 3.

TABLE 3: RELATIVE RANKING OF STAKEHOLDERS

	Case A	Case B	Case C	Case D	Case E	Case F	Case G	Case H	Mean
Customers	1^{st}	1^{st}	3^{rd}	4^{th}	1^{st}	3^{rd}	4^{th}	2^{nd}	1^{st}
Suppliers	2^{nd}	3^{rd}	5^{th}	5^{th}	3^{rd}	4^{th}	6^{th}	**	4^{th} ***
Employees	**	2^{nd}	2^{nd}	3^{rd}	2^{nd}	2^{nd}	1^{st}	**	2^{nd}
Owner-managers	4^{th}	4^{th}	1^{st}	1^{st}	4^{th}	7^{th}	2^{nd}	1^{st}	3^{rd}
Family	5^{th}	5^{th}	4^{th}	2^{nd}	5^{th}	1^{st}	7^{th}	**	4^{th} ***
Local community	**	7^{th}	7^{th}	6^{th}	6^{th}	5^{th}	8^{th}	**	6^{th}
Government	**	6^{th}	6^{th}	7^{th}	7^{th}	6^{th}	3^{rd}	**	7^{th}
Other*	3^{rd}				1^{st}		5^{th}	3^{rd}	

* Other stakeholder group identified by interviewee
** Unranked groups allocated 6 in calculating mean
*** Suppliers and family equal mean ranking

Table 3 indicates the mean ranking placed customers as the most important stakeholder group, followed by employees and owner-managers. Suppliers and family were ranked equally. Local community and government ranked as the two least important stakeholder groups

Stakeholder Relationships in Australian Small Business

RQ 2, h*ow can relationships between Australian small business and stakeholders be defined,* was addressed by asking interviewees to evaluate each stakeholder's level of power, legitimacy and urgency on a Likert scale from none (1), low (2), medium (3), high (4) through to very high (5). Findings are presented in Table 4. The last column presents mean values for each stakeholder group.

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TABLE 4. STAKEHOLDER SALIENCE

	Case A	Case B	Case C	Case D	Case E	Case F	Case G	Case H	Mean
STAKEHOLDER GROUP: CUSTOMERS									
Power	v. high	v. high	v. high	v. high	v. high	high	v. high	High	**4.8**
Legitimacy	v. high	v. high	high	v. high	v. high	medium	v. high	high	**4.5**
Urgency	v. high	v. high	v. high	v. high	v. high	medium	high	high	**4.5**
STAKEHOLDER GROUP: SUPPLIERS									
Power	v. high	low	low	high	v. high	low	medium	Low	**3.1**
Legitimacy	high	low	low	v. high	medium	high	medium	medium	**3.3**
Urgency	high	high	low	v. high	high	v. high	medium	high	**3.9**
STAKEHOLDER GROUP: EMPLOYEES									
Power	low	medium	v. high	high	low	high	high	v. high	**3.6**
Legitimacy	low	medium	v. high	v. high	medium	low	v. high	high	**3.6**
Urgency	low	medium	v. high	high	high	medium	v. high	high	**3.8**
STAKEHOLDER GROUP: OWNER-MANAGERS									
Power	v. high	v. high	v. high	v. high	v. high	v. high	v. high	v. high	**5.0**
Legitimacy	v. high	v. high	v. high	high	v. high	v. high	v. high	high	**4.8**
Urgency	medium	v. high	v. high	v. high	v. high	v. high	v. high	high	**4.6**
STAKEHOLDER GROUP: FAMILY									
Power	none	v. high	v. high	v. high	medium	high	v. high	None	**3.6**
Legitimacy	low	medium	v. high	v. high	medium	v. high	v. high	none	**3.6**
Urgency	low	v. high	medium	v. high	medium	high	high	none	**3.4**
STAKEHOLDER GROUP: LOCAL COMMUNITY									
Power	medium	medium	low	medium	low	v. high	medium	Low	**2.9**
Legitimacy	low	high	none	none	none	high	high	low	**2.4**
Urgency	high	low	none	low	v. high	medium	medium	low	**2.8**
STAKEHOLDER GROUP: GOVERNMENT									
Power	high	v. high	high	high	v. high	v. high	v. high	None	**4.1**
Legitimacy	medium	low	high	medium	v. high	low	v. high	high	**3.5**
Urgency	low	v. high	high	high	high	low	v. high	none	**3.4**

Customers were consistently perceived as possessing high or very high levels of all three attributes by seven interviewees, illustrated by comments such as; "***Customers have the power to walk away and go to the opposition".*** Case F perceived customers to have high power but only medium legitimacy and urgency. The average level of power, legitimacy and urgency for customers was high to very high. Overall, this finding is supported by the high initial ranking of customers; three interviewees ranked customers as number one – the most important stakeholder, while the remaining three interviewees ranked customers as the third most important stakeholder group. However, for businesses with more than one kind of customer, a 'sub-ranking could be identified, indicating that all customers are not the same, adding to the level of complexity in analysing salience.

Suppliers were perceived to possess all three attributes but to a lesser degree than customers, achieving an average of medium to high power, legitimacy and urgency: "***They are not going to tell me what to do – I'll change supplier***". This finding is supported by a lack of consensus on the initial ranking of suppliers, which were ranked variously as the 2nd, 3rd 4th or 5th most important stakeholder group. Suppliers' level of salience appeared to vary depending on level of dependence and availability of alternatives. The franchisor for example, was reported to have very high levels of power and legitimacy combined with high level of urgency, illustrated by Case G: ***"they say jump and I say how high".*** The franchisor's power was however, reported to be somewhat mitigated if the relationship was longstanding and depending on the owner-manager's level of competence and industry experience**.**

Employees were perceived as possessing all three attributes but to an even lesser degree than suppliers, achieving an average of just over medium. Overall, the relationship with employees was perceived as one of 'give-and-take'; "***It gets down to how you treat them***" and "***so many half-hearted workers, it is hard to get good workers - of the few that are out there, very few are good***". This finding appears somewhat inconsistent with the initial ranking of employees as the second most important stakeholder group by four of the interviewees. However, for example Case A disagreed that employees were considered stakeholders but nevertheless perceived employees as possessing low power, legitimacy and urgency and thus salience. Ranking of employees appeared to vary depending on employee's levels of skills with more skilled workers ranked

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higher than unskilled workers. Employees' level of power was also seen as increased if the owner-manager was absent, for example as a result of the business expanding geographically.

Owner-managers were perceived to possess very high levels of all three attributes, especially power and legitimacy; "***… and I make sure I maintain that. I am only answerable to myself – and my wife***". High salience also reflected a high level of responsibility and commitment to the business; "***if I have to work all day and night, then I will***". This finding was supported by three interviewees who ranket owner-managers as the most important stakeholder; "***I AM the business, the lynchpin***". The motivation of the owner was not just economic reward; "***I get satisfaction out of knowing that I am feeding eight people on the coast and that the customers are looked after. That's why we bought the business***". These findings were however somewhat inconsistent with three interviewees who, while owner-managers of their businesses, ranked themselves the fourth most important stakeholder after customers, employees and suppliers or family. One interviewee ranked owner-managers as the least important stakeholder. The variations in ranking may indicate a difference in personal attitude amongst owner-managers: perhaps looking after other high salience stakeholders may result in positive outcomes for owner-managers.

Family was perceived as possessing all three attributes, averaging medium to high, by all interviewees except Case A. The finding was somewhat consistent with the overall ranking of family as the fourth most important stakeholder (equal to suppliers); two interviewees ranked family as the most or the second most important stakeholder group: "***Family is a major stakeholder in small business. You are always juggling, especially with a young family, and it is important that you have good support***" and ***"Small business is almost an extension of family life, you put in so many hours"***. The other four interviewees ranked family fourth or lower in order of stakeholder importance. The family's level of influence appeared to be affected by previous experience with business failure and a concern to ensure that the experience was not repeated.

Local community was perceived to possess a medium level of power. Levels of legitimacy and urgency was perceived as varying between none to high, with an average level of legitimacy of just over low, and urgency just under medium. Local community was seen as background; "***they are just there, a background***"; a source of potential customers or employees; "***If I was not able to source casual staff or good staff, I would have to go somewhere else***". This finding was consistent with the overall ranking of the local community as one of the least important stakeholders by all interviewees. Interestingly, most interviewees appeared to have a positive attitude to assisting community organisations provided the effort did not become a burden in terms of time or money. Some reported that they had ceased support for particular charities as a result of too many and too frequent phone calls seeking support thus becoming too time consuming, an indication of urgency not supported by power and/or legitimacy.

Government was perceived as having high to very high power by all interviewees: "***government has a MAJOR impact on how business operate***". Perceived levels of legitimacy and urgency varied greatly from low to very high, averaging just over medium. Overall government was seen as being a hindrance "***Government gets in the way at every point… bureaucrats have NO idea how business works***". This finding was consistent with ranking of government as one of the two least important stakeholders by all interviewees. Being subject to unilateral decisions implemented by regulators without consultation appeared to create a lot of resentment.

Finally, **added stakeholder groups** were examined with interviewees. 'Sponsorees', a stakeholder group unique to Case A, had low power, medium legitimacy and high urgency and were ranked as the third most important stakeholder group. Sponsorees were seen as having a special role; "***surf retailers have to have my stock because there is demand for it – customers are driving the business into retailers. I have the influence, that's the whole thing about sponsorships"***. "The residential construction industry' was a stakeholder group unique to Case E: a particularly important sub-set of 'customers' that exposed the business to revenue fluctuations; "***… the risk is in the level of activity, when they are busy – we are busy, when they have nothing to do – we have nothing to do***". Table 5 summarises the salience classification of stakeholders from the data tabulated in Table 4 and discussed above.

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TABLE 5: STAKEHOLDER CLASSIFICATION

Case A	Case B	Case C	Case D	Case E	Case F	Case G	Case H
STAKEHOLDER GROUP: CUSTOMERS							
Definitive	Definitive	Definitive	Definitive	Definitive	Definitive	Definitive	Definitive
STAKEHOLDER GROUP: SUPPLIERS							
Definitive	Definitive	Definitive	Definitive	Definitive	Definitive	Definitive	Definitive
STAKEHOLDER GROUP: EMPLOYEES							
Definitive	Definitive	Definitive	Definitive	Definitive	Definitive	Definitive	Definitive
STAKEHOLDER GROUP: OWNER-MANAGERS							
Definitive	Definitive	Definitive	Definitive	Definitive	Definitive	Definitive	Definitive
STAKEHOLDER GROUP: FAMILY							
Dependent	Definitive	Definitive	Definitive	Definitive	Definitive	Definitive	*Non-stake-holder*
STAKEHOLDER GROUP: LOCAL COMMUNITY							
Definitive	Definitive	*Dormant*	*Dangerous*	*Dangerous*	Definitive	Definitive	Definitive
STAKEHOLDER GROUP: GOVERNMENT							
Definitive	Definitive	Definitive	Definitive	Definitive	Definitive	Definitive	*Discre-tionary*

Customers, suppliers, employees, owner-managers and government were consistently seen as definitive stakeholders. Family was seen as a definitive stakeholder by six of the interviewees, while local community was classified as less salient.

In summary, initial mean ranking of stakeholder groups resulted in customers, employees and owner-managers being seen as the most important. Customers and owner-managers were also seen as possessing the highest levels of salience. Interestingly, although employees were ranked in second position, the level of salience was seen as less than family and almost even with suppliers. Local community and government were ranked least important, with considerable variations in salience between cases. Government was seen as an 'imposition'; a stakeholder which cannot be dismissed but which is not part of a productive relationship. Relationships with local community could be described as ambivalent; the need to engage acknowledged but if it becomes a burden, the local community will be cut off. A summary of findings on RQ1 and RQ2 is set out in Table 6.

TABLE 6: SUMMARY OF FINDINGS

Stake-holder	Initial mean	Mean	Classifi-cation	Comment
Customers	1st	2nd	Definitive	Consistently identified as important and highly ranked
Suppliers	4th (equal)	5th	Definitive	Equal to family but individual suppliers can be replaced
Employees	2nd	6th	Definitive	Appears influenced by level of dependence and employee's skill
Owner-managers	3rd	1st	Definitive	Inconsistency between initial ranking and level of salience. Appears influenced by owner's attitude.
Family	4th (equal)	3rd	Definitive	Equal to suppliers but family irreplaceable
Local community	6th	7th	Definitive	Consistently a legitimate stakeholder but not critical to business
Govern-ment	7th	4th	Definitive	An imposition, not seen as part of a productive relationship

DISCUSSION OF FINDINGS

Findings on RQ1: **who** are the stakeholders in Australian small business, support previous literature that identifies these stakeholders to include customers, suppliers, employees, owner-managers, family, local community and government. Some businesses also identified 'other' stakeholders particular to their business or

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industry and these findings were supported by previous research. Adding to previous research was a finding that such stakeholders were significant and special types of customers or suppliers. In addition, customers, suppliers, employees, owner-managers, and government were described as "definitive" with high salience, once again supporting previous studies. This research has also added to the literature by findings that the two remaining listed stakeholders of family and the local community exhibited lower salience.

Findings on RQ2: how relationships with these stakeholders can be defined, indicated that the mean ranking of stakeholders was: 1. customers, 2. employees, 3. owner-managers, 4. suppliers, 5. family, 6. local community and 7. government. It was also found that **owner-managers** themselves had most **power**, followed by customers, government, family, employees, suppliers and the local community**. Owners-managers** also had the most **legitimacy**, followed by customers, family, employees, suppliers, government and local community. It was also found that stakeholders with most **urgency** were **owner-managers** and **customers,** followed by suppliers, family, employees and government, All these findings add to current literature.

An additional finding that adds new information to literature includes evidence that those stakeholders strongly aligned to Freeman's (1984) definition and highly ranked were also classified as having "definitive" salience. By contrast, those stakeholders less consistently aligned to Freeman's (1984) definition and ranked lower, were classified with a less consistent level of salience.

CONCLUSION

This study is one of few to produce findings that extend and develop stakeholder theory into the small business sector. This research adds to an understanding of who are small business stakeholders and their relative importance, based on the stakeholder salience model of Mitchell et al (1997).

It is interesting that owner-managers themselves are always ranked first in terms of power, legitimacy and urgency. In a small business setting, the interests of the manager, generally aligns that of the owner, and puts into play a mutuality principle, that is, what is good for business is by default financially good for owner-managers. Responsiveness to stakeholders is thus encouraged in the small business setting to enhance financial performance of the business. It is hoped that outcomes from this research will enable continued growth of the small business sector, found to be so important to the local, national and global economy.

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