STAKEHOLDERS IN SMALL BUSINESS: CRITICAL RELATIONSHIPS FOR VALUE CREATION

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Thesis submitted in partial fulfilment of the requirements for the degree of Doctor of Philosophy, Management

Submitted May 2015
STATEMENT OF ORIGINALITY

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This project was approved by the University of Newcastle’s Human Research Ethics Committee, Approval No H-2013-0291.

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The completion of this thesis would not have been possible without the ongoing support and encouragement of some wonderful people and I wish to express my sincere and very heartfelt thank you!

Thank you to Dr Frank Clarke and Dr Lisa Barnes, my supervisors, who allowed me the freedom to follow the meandering path of the literature and to explore new ideas. Thank you very much for your constructive advice, your calm patience and positive encouragement when I nearly gave up. This would not have been what it is without your faith in me.

Thank you also to the participants in this research, the small business people who took the time to see me despite their busy schedules, and without whom this thesis would not be possible.

Thank you to my family. In particular my parents: without your unwavering love, encouragement and belief in my ability to bring this project to completion despite the challenges, this would never have come to be.

Thank you also to my beautiful strong friends, both inside and outside academia. The staff members and fellow higher research degree students at Ourimbah Campus, who shared in my trials and tribulations. My friends outside academia, steadfast in their patience and support for my ‘strange’ endeavours, I look forward to spending time together again!
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This research explored stakeholder relationships in small business with a particular focus on the concept of stakeholder salience (Mitchell et al, 1997). Stakeholder salience was defined by Mitchell et al as the combined effect of the decision maker’s perception of the stakeholders’ power, legitimacy and urgency. However, definitions of these three attributes were not developed to be of effective assistance for decision makers in the process of managing competing stakeholder expectations in practice. A multiple case study approach was used to gather insights and understanding of stakeholder relationships from the perspective of nine key decision makers in small business. It was found that although the term ‘stakeholder’ was not part of the interviewees’ everyday vocabulary, a stakeholder approach was nevertheless evident in their practices. The concept of power was found to be an ‘essentially contested concept’ with no clear, all encompassing definition. Refined definitions of power and legitimacy within the concept of stakeholder salience, were developed while the existing definition of urgency was found to be appropriate. Building on Mitchell et al’s stakeholder salience, the ValuePLUS model was developed. The ValuePLUS model incorporates the three attributes of stakeholder salience, with refined definitions, and adds two new attributes: ‘value’ to reflect the centrality of value creation to most business relationships, and ‘stake’ to reflect the inherent risk involved in assigning resources to that process. The SPIR model was developed and is proposed as a means to understand the subjective perceptions of whom may be a stakeholder and a practical tool is offered to provide a means for assisting decision makers to analyse the particular stakeholder environment. It was found that a focus on the attributes of the stakeholder relationships rather than the stakeholders, may provide a better understanding of the outcomes. The continuum of stakeholder relationships was developed to provide a framework for analysing and understanding the different types of relationships. This research provides new insights as well as a basis for further research to test the proposed new theories in different settings.