Takin' Care of Small Business: The Rise of Stakeholder Influence

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In this Exchange, we consider three crucial boundary conditions that Barnett, Henriques, and Husted (2020) overlooked in their model of diminished stakeholder influence. Although we agree that social media platforms have weakened stakeholder influence in certain conditions, such is not the case for all firms, all stakeholders, or all situations. Drawing from socio-cognitive and self-determination theories, we contend that (a) independent, owner-managed small firms present a context wherein information overload is rendered less of an issue because the information about the firm is more salient to locals; (b) stakeholders can be motivated to influence firms via social media platforms, which facilitate the collective engagement of local community members; and (c) uncertain economic circumstances (e.g., COVID-19) activate stakeholder information searches, which often occur through social media. Together, these three conditions enhance stakeholder power and influence. We also contemplate how, even under these conditions, stakeholder influence may change over time vis-à-vis the issue–attention cycle and societalization. We conclude our Exchange with a call for more research on stakeholder influence over independent, owner-manager small businesses.
mobilization of individuals. The central point is well-made: Too much information and too many choices can hinder stakeholders’ ability to decide when and how to act to change firm behaviors. In light of recent events, such as the global COVID-19 pandemic (and resultant economic shock) and the Black Lives Matter protests for racial justice, we challenge the notion that the digital age has limited stakeholder influence on all firms of all stakeholders in all situations. In other words, we contend that Barnett et al.’s (2020) model has limited generalizability. In this Exchange, we identify significant limitations of Barnett et al.’s (2020) model by discussing how independent, owner-managed small businesses, community members as stakeholders, and crisis situations act as major and critical boundary conditions (see Table 1). Whereas Barnett et al. (2020) focused on large corporations, we focus on independent, owner-managed firms in our Exchange because such firms account for the majority of businesses worldwide. Small businesses account for 99.9% of businesses (31.7 million) and 47.1% of employees (60.6 million) in the United States (U.S. Small Business Administration, Office of Advocacy, 2020). Moreover, self-employment, micro-enterprises, and small enterprises account for 70% of total global employment (International Labour Organization, 2019). Additionally, understanding how social media platforms affect stakeholders’ power and influence over such businesses, and accounting for broad situational considerations (e.g., viral pandemic, racism pandemic, economic shock), will enable management scholars to offer better guidance to small businesses, which are “the backbone of our economy and the cornerstones of our communities” (Obama, 2010: 1212).

Perhaps the most important boundary condition of Barnett et al.’s (2020) model is firm type. We agree that information overload can cognitively overwhelm stakeholders and alter when and how they act; however, the salience of the information disclosed is not the same for each organization. In other words, not all firms provide compelling salient information. We expect that information from independent, owner-managed small businesses (e.g., “mom-and-pop” stores, independent craft breweries, neighborhood cafés) will be more salient for local stakeholders due to the relevance of that information to those stakeholders. Often, this information is disseminated through local news outlets or social media platforms—the latter of which allow local businesses to reach their target market (i.e., the local community in which they are embedded) without having to spend on costlier traditional marketing initiatives typically associated with large corporations (Jones, Borgman, & Ulusoy, 2015). Thus, this localized information is less likely to be filtered out or considered noise in the system, and, as such, stakeholders are more likely to mobilize and act in ways that oblige changes in firm behaviors (Lähdesmäki, Siltaoja, & Spence, 2019). Next, we challenge the idea that the digital age has influenced the desires of all stakeholders in the same way. From a cognitive process perspective, Barnett et al.’s (2020) ideas make sense: Information overload may limit stakeholder’s desire to act against a firm (e.g., stakeholders trying to change firm behaviors through boycotts or protests). However, not all stakeholders are motivated to act against the firm. From a psychosocial perspective, stakeholders also desire to maintain a sense of community, which can motivate them to act for the benefit of a firm. Lastly, we challenge the idea that the digital age has stalled stakeholder influence in all situations. We consider extreme situations, such as during times of crisis or shock. These circumstances create increased uncertainty and information dearth—both of which motivate individuals to increase their search for information.

It is also worth noting that in discussing the limitations of Barnett et al.’s (2020) model, we necessarily expand the criterion space to include outcomes not limited to correcting socially or environmentally questionable practices, such as the Greenpeace example in the introduction of Barnett et al.’s article. Specifically, we consider changes to independent, owner-managed small businesses’ behaviors (e.g., giving thanks to the community, making appeals to the

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**TABLE 1**

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<th>Three Key Boundary Conditions of Barnett et al.’s (2020) Model of Stakeholder Influence on Firm Behaviors</th>
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community) that may result from the supportive actions of stakeholders in the aggregate (e.g., increased spending of community members at local businesses). Following our challenges to Barnett et al.’s (2020) model is a brief discussion of how stakeholder influence may change over time. We contemplate the implications the issue–attention cycle and societalization (i.e., “the process by which a society pivots in its collective perspective in relation to specific issues or problems through the experience of a revelatory crisis or upheaval” [Brammer, Branicki, & Linnenluecke, 2020: 7–8]) have for the interplay between local businesses and their stakeholders during and after a crisis.

**CHALLENGES TO BARNETT ET AL. (2020)**

We propose three challenges to Barnett et al.’s (2020) model.

**First, the Salience of Local Business Information can Overcome the Negative Effects of Information Overload**

In their model of stakeholder influence in the digital age, Barnett and colleagues (2020) specified *sensemaking* (or the act of making sense of information [Weick, 1995]) as a critical antecedent of stakeholder actions. They reasoned that both sides (i.e., stakeholder and organization) engage in “unilateral sensemaking” (Barnett et al., 2020: 58), weakening the effect of each other’s sensegiving. Moreover, Barnett et al. (2020) astutely claimed that rarely have stakeholders influenced scholars acknowledged the bounded rationality of stakeholders, or stakeholders’ limited cognitive capacity often resulting from information overload. Taken together, Barnett et al. (2020) argued that unilateral sensemaking and ever-present information overload effectively neutralize stakeholder influence (as well as the organization’s influence on stakeholders). We agree with their claim that stakeholders possess limited cognitive resources to sufficiently process all information that is presented; however, information salience can overcome the negative effects of information overload, such that salient information can enter stakeholders’ sensemaking processes despite the aforementioned limited resources and overabundance of information. That is, stakeholders focus their attention and spend their cognitive resources on making sense of personally relevant information, such as that espoused by or about local businesses. Unlike with large firms, information from local businesses is more salient to local customers as stakeholders due to the local businesses’ community embeddedness and social proximity to community members (e.g., Lähdesmäki et al., 2019). Digital media can draw attention to local, independent businesses and provide a common platform for stakeholders to engage, comment, and collectively sensemake with other stakeholders or even the organization itself—creating additional influence over firm behaviors.

Indeed, stakeholders, such as local customers, tend to concentrate on information that is relevant to their personal contacts and local communities—even when facing information overload (Shklovski, Palen, & Sutton, 2008). Thus, we argue that Barnett et al.’s (2020) model is incomplete in its consideration of all firm types in that it neglects the salience of the information about small businesses in local communities to the stakeholders. The salience and relevance of the information focus stakeholder attention and overcome the debilitating effects of information overload on stakeholders’ sensemaking process and, consequently, the influence over firm behaviors.

**Second, a Sense of Community Alters Stakeholder Motivation to Act**

To reiterate, Barnett et al. (2020) identified sensemaking as a focal determinant of stakeholder actions. Although we agree that sensemaking is a core process that informs whether a stakeholder decides to attempt to influence a firm, we contend that their model is deficient in that it does not account for fundamental psychological needs, which underlie the sensemaking process—especially in the context of stakeholders and firms at the community level. One such need is the need for relatedness from self-determination theory (Ryan & Deci, 2000). To elaborate, fulfilling interpersonal interactions engender a sense of belonging. This psychological need compels individuals to interact and form relationships with others in their local community. Indeed, “community offers the promise of belonging and calls for us to acknowledge our interdependence” (Block, 2008: 3). Considering social proximity (see Lähdesmäki et al., 2019) from the perspective of customers as stakeholders, community members may feel inclined to support local businesses because they perceive these businesses’ proprietors and workers as fellow community members. In supporting these businesses, customers are connecting with and supporting fellow community members with whom they feel close.

Moreover, local businesses have a social responsibility to treat their communities with fairness and respect,
and some may even be motivated to “give back” to their communities by means of corporate social responsibility (Spence, 2016). Thus, supporting these businesses supports local communities in turn. Although it is true that national and international chains (e.g., large retailers, fast-food restaurants) employ members of communities, customers may not construe shopping at these businesses as supporting their local community. Perhaps the experiences stakeholders have when frequenting such businesses are less likely to fulfill the need for relatedness or facilitate a sense of community.

One potential exception, however, is franchises—especially those that philanthropically contribute to their communities (e.g., Cunningham, 2011). Such firms, although affiliated with brands that extend far beyond the individual communities in which they are embedded, may be construed in a similar manner to that of a community’s independent, owner-managed small businesses: as a business by and for the community.

Third, Crisis Situations alter Information Searches

Uncertainty, which is often accompanied by perceiving a lack of control or order, engenders anxiety, as it presents a threat to one’s need for control, and it drains cognitive and emotional resources (Hirsh, Mar, & Peterson, 2012; Miceli & Castelfranchi, 2005) across levels of analysis. At the organizational level, firms engage in information-seeking during uncertain times—often pursuing stabilizing strategies (Martin, Gözübüyük, & Becerra, 2015; Pfeffer & Salancik, 1978). At the individual level, research has shown that during times of uncertainty people engage in a number of behaviors, including information-seeking to make sense of their environment (Berger & Calabrese, 1974; Miller & Jablin, 1991) and experience enhanced identification with their social group to conserve resources and achieve social validation and, in turn, social safety (i.e., uncertainty reduction hypothesis [Hogg, 2001; Hogg, Sherman, Dierselhuis, Maitner, & Moffitt, 2007]).

Recently, the global COVID-19 pandemic precipitated an era of uncertainty for independent, owner-managed small businesses and their stakeholders. Crises such as COVID-19, natural disasters, and civil unrest exert pressure on stakeholders and create an extraordinary need for immediate and accurate information. Without information, individuals are unable to engage in sensemaking whereby they seek to interpret, predict, and control the ongoing crisis situation, which is typically characterized by rapidly changing conditions (Mileti & Darlington, 1997). As such, crises create the problem of information dearth, which dramatically increases individuals’ needs and motivation to actively engage in information-seeking behaviors (Oh, Agrawal, & Rao, 2013). Although Barnett et al.’s (2020) model recognizes the impact of information overload on stakeholders’ sensemaking process, the authors neglected the information dearth that occurs during crises situations.

Due to information dearth, information-seeking becomes a localized pursuit by which stakeholders actively diffuse, locate, and leverage the collective information and knowledge of their local communities to begin the sensemaking process—subsequently influencing decision-making behaviors to either act against or to support local businesses. That is, stakeholders approach crises as communal efforts to gather and collect information to cope with and adapt to uncertain external situations (Shklovski et al., 2008). In this sense, information dearth is more of an issue than information overload in crisis situations to which Barnett et al.’s (2020) model might not be applicable.

Notably, crisis situations could increase stakeholders’ influence over firms through social media (e.g., Facebook, Twitter), which the majority of U.S. adults use (Perrin & Anderson, 2019). Additionally, given that social media platforms can be readily leveraged (due to their low costs and few-to-no skill requirements) for entrepreneurial activities involving marketing, information search, networking, and crowdfunding (Olanrewaju, Hossain, Whiteside, & Merceica, 2020) it is unsurprising that the majority of small businesses use social media (SCORE, 2018). Social media platforms have rapidly changed the way people create, distribute, and share urgent information during crisis situations (Starbird & Palen, 2010). Social media platforms not only help stakeholders to immediately receive information from their own network but also enable stakeholders to rapidly spread information to their own network. These platforms have become more important as a means for individuals to communicate and connect with one another within their local communities, across the country, and all over the world for information validation, social support, and so on during crisis situations (Oh et al., 2013). Crises can be considered unifying forces that create mutual helpfulness and emotional solidarity among individuals, particularly those located within a single community. Social media platforms facilitate this mutual helpfulness and emotional solidarity—particularly when physical connections are not possible due to crises (e.g., the COVID-19 pandemic compelling individuals to physically distance from one another). Consequently, social media platforms allow
stakeholders to fulfill their need for relatedness and actually increase stakeholders’ power in influencing firm behaviors in crisis situations.

For instance, the information that the COVID-19 pandemic threatened the survival of a small-town restaurant posted on Facebook may have rapidly spread across the local community—subsequently leading to collective support for this restaurant (e.g., Kidd, 2020). Whether a local business can stay open during a pandemic in part depends on whether the community support it receives (e.g., community members’ unsolicited signal boosting of local businesses’ need for support on social media) translates to sustainable cash flow (e.g., adequate volume of take-out or delivery orders despite decreased foot traffic). Additionally, depending on the amount of support it receives, a local business may alter its firm behaviors. For example, if collective community support successfully keeps a local business afloat, its owners may feel compelled to express on Facebook their gratitude to the community. In some situations, a local business, driven by a sense of community, may even steer foot traffic toward would-be competitors and encourage its clientele to support them as well (e.g., Lang, 2020).

Collectively, crises are characterized by both information overload and information dearth. Therefore, in crisis situations, stakeholders not only need to select information from various sources, including social media, but also have a need for immediate information to begin their sensemaking process. The salience of the information about local businesses to local stakeholders influences the impact of both information overload and information dearth on stakeholders’ sensemaking. The salience of information from local businesses can overcome information overload’s negative consequences, such that information regarding local businesses can easily enter stakeholders’ sensemaking processes and magnify the positive impact of information dearth on stakeholders’ motivation to search for information relevant to local businesses—thereby increasing stakeholders’ influence over firm behaviors via the power of social media.

**INTERPLAY BETWEEN LOCAL BUSINESSES AND STAKEHOLDERS OVER TIME**

To reiterate, the onset of a crisis coincides with information dearth. Information dearth gives way to information overload, but during the information-seeking process (e.g., consuming digital media, such as the news media or social media), stakeholders may home in on salient information regarding the hardships of local businesses in their communities. Driven by their sense of community, concerned stakeholders may mobilize on social media and show their support for these businesses by sharing with each other information highlighting these businesses’ plight, and may even commit to purchasing products or services in the middle of the crisis. The businesses may respond in turn, on social media, by sharing appreciation for support, asking for more support, or even attempting to direct support to other local businesses in the community. But does the passing of time impact the aforementioned interplay? According to Downs (1972), the “issue–attention cycle,” by which societal interest in an issue ebbs and flows and eventually wanes, occurs whenever the public faces a problem. If a problem satisfies the following conditions, it is likely to enter the issue–attention cycle:

- It impacts a relatively large portion of the population.
- The cons of maintaining the status quo outweigh the pros.
- The problem is “intrinsically exciting” (Downs, 1972: 47) enough to keep the public interested.

In the context of the boundary conditions we discuss in this Exchange, small businesses struggling to stay open during a worldwide crisis is an issue that is simultaneously global in scale and local in impact. Simply ignoring the issue would be catastrophic for the local economies of communities around the world. Community members are driven by their need for relatedness to band together—nowadays, largely through social media—to support these businesses because doing so preserves their communities. However, community-driven support for local businesses may eventually diminish. During an issue–attention cycle, “some people just get discouraged. Others feel positively threatened by thinking about the problem; so they suppress such thoughts. Still others become bored by the issue” (Downs, 1972: 40). Compassion fatigue for the struggles of small businesses may settle in, and individuals in this state may even selectively avoid pertinent media (see Kinnick, Krugman, & Cameron, 1996)—thus decreasing the search for information about the issue and perhaps even the willingness to continue supporting local businesses.

After a crisis has run its course, what does the “new normal” for independent, owner-manager small businesses and their community stakeholders look like? Society, through societalization, will eventually return to a steady state that is either
• reminiscent of pre-crisis conditions (e.g., issues that were responsible for the occurrence and fall-out of crisis remain unresolved),
• characterized by heightened apprehension over future crises, or
• characterized by societal growth and resilience.

Perhaps things do “return to normal,” and the struggles of small businesses become less salient for community members as the crisis comes to an end and eventually fades away from the public memory. Or perhaps individuals gain a newfound appreciation for the businesses, continue to show increased support even after the economy improves, and are ready to rapidly mobilize when another crisis impacting local businesses strikes.

CONCLUSION

In closing, we have demonstrated that Barnett et al.’s (2020) model of stakeholder influence in the digital age lacks generalizability as it does not apply to independent, owner-managed small businesses, which make up the lion’s share of all firms globally. The majority of these businesses use social media as an inexpensive and effective means to interact with stakeholders. We encourage researchers to formally investigate when, why, and how stakeholders support local businesses in their communities, and whether such support, as well as the businesses’ responses and reactions, ultimately maintain or even improve the welfare of communities during times of crisis in the digital age.

REFERENCES


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