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**Running head: FROM RATIONALITY TO EMOTIONALLY EMBEDDED RELATIONS...**

**From Rationality to Emotionally Embedded Relations: Envy as a Signal of Power in Stakeholder Relations**

**Abstract**

Although stakeholder salience theory has received a great deal of scholarly attention in the business ethics and management literature, the theory has been criticized for overemphasizing rationality in managerial perceptions. We argue that it is important to better understand what socially constructed emotions signal in business relations, and we posit the role of envy as a discursive resource used to signal and construct the asymmetrical power relations between small-business owner-managers and their stakeholders. Our study makes two primary contributions. First, we suggest that socially and culturally constructed emotions (such as envy) have significance in stakeholder salience analyses. Second, we suggest that socially and culturally constructed emotions provide a fruitful context in which to understand the limitations of owner-managers' personal and moral autonomy.

**Keywords:** discourse, emotion, envy, relationships, salience, small business, stakeholder,

## INTRODUCTION

To understand the reciprocal relationship between business and society, stakeholder theory has provided a number of propositions and arguments in favor of the ‘stakeholder corporation.’ One of the primary concepts in stakeholder theory is stakeholder salience, defined as “the degree to which managers give priority to competing stakeholder claims” (Mitchell et al., 1997, p. 854). Stakeholder salience is considered to be dependent on managerial perceptions and informed by the different attributes of each stakeholder group. Armed with knowledge of those attributes, it is assumed that managers form typologies of various stakeholders. Those typologies, in turn, define how managers interact with stakeholders and might prove vital to business success (Mitchell et al., 1997).

Since Mitchell et al. (1997), numerous contributions have been made to stakeholder salience theory (e.g., Driscoll and Starik, 2004; Jones et al., 2007; Neville and Mengüç, 2006; Eesley and Lenox, 2006; Mitchell et al., 2011; Neville et al., 2005; Parent and Deephouse, 2007; Rowley and Moldoveanu, 2003). However, the stakeholder salience literature has been criticized for overemphasizing rationality in managerial perceptions of stakeholder interaction (e.g., Rowley and Moldoveanu, 2003) and for ignoring the importance of emotions in stakeholder salience processes. Accordingly, we suggest that ignoring the role that socially and culturally constructed emotions play in stakeholder relations results in underdeveloped theory and research. For example, it is common that relationships are intertwined with emotions, although a particular field might emphasize rational activity (Crawford, 2000). In the context of small businesses, stakeholder relationships are usually informal and proximate (e.g., Jenkins, 2006; Lähdesmäki and Suutari, 2012; Southwell, 2004), which increases the likelihood that emotions will play a role in the relationship (Ben-Ze’ev, 1992). Although emotions are a crucial element of

proximate relationships, these emotions are not necessarily positive and might include non-virtuous emotions, such as envy (see Ben-Ze'ev, 1992). Although studies have argued that envy greatly affects management decision-making and behavior (Goel and Thakor, 2005; Mavin, 2006), workplace behavior (Bies et al., 1997; Patient et al., 2003; Duffy et al., 2012; Tai et al., 2012; Vecchio, 1995, 1997) and even the fundamental theory of the firm (Nickerson and Zenger, 2008), a careful study of envy has not been undertaken in the management literature (see Mishra, 2009; Tai et al., 2012). Although envy can emerge whenever there are social relations, little is known about envy in managerial processes. Indeed, the importance of envy in stakeholder relationships has received even less scholarly attention, which might prevent scholars from acquiring a complete understanding of business relationships (Parrott, 1991).

The present study answers the call from the organizers of the EBEN Annual Conference (2012) for papers on “work, virtues and flourishing.” We argue that it is important for the development of the field of business ethics to better understand what socially constructed emotions signal in business relations. We strengthen our argument by quoting de Sousa (1987, p. 17), who emphasizes, “most of what is morally interesting about human life is played out in the domain of the emotions.” We do not examine emotions *per se*; instead, we investigate how emotions – stakeholder envy in particular – work as a type of interpretative frame that seeks to understand cultural norms and social order in stakeholder relationships.

Our study focuses on discursive sensemaking practices in the narratives of small-business owner-managers regarding the significance of envy in their stakeholder relations. The study is guided by the following research questions:

- How is envy used as a discursive resource in owner-managerial understanding of stakeholder relations?
- What does envy signal in stakeholder relationships?

Our empirical results show that envy has a crucial role in owner-managers' understanding of their stakeholder relations. Our study thus makes important contributions to both stakeholder salience and small-business ethics literature. First, by constructing moral and cautionary tales (van Leeuwen, 2007), owner-managers utilize stakeholder envy as a discursive resource for signaling power asymmetries between a small business and its stakeholders. For example, envy as a discursive resource highlights the significance of power emerging as a socially constructed condition rather than as an attribute of a stakeholder group. We therefore suggest that socially and culturally constructed emotions (such as envy) have significance in stakeholder salience processes. Second, our study underscores the importance of the moral autonomy of small-business owner-managers. Whereas previous studies have emphasized the important role of owner-managers and their personal values in ethical business decision-making (e.g., Dawson et al., 2002; Spence and Rutherford, 2001; Quinn, 1997), our results indicate how managers' perceptions regarding their business decisions are emotionally embedded. We therefore suggest that socially and culturally constructed emotions provide a fruitful context in which to understand the limitations of owner-manager personal and moral autonomy.

The paper is structured as follows. The next section discusses stakeholder salience and stakeholder relations in small businesses. That section is followed by a closer examination of the concept of envy, and we then examine our discursive approach and present the analysis. In the final sections, we offer

conclusions about the significance of socially constructed envy in stakeholder salience and discuss the contributions and limitations of our study.

## **SETTING THE THEORETICAL SCENE**

### **Stakeholder salience**

The essential concept of stakeholder theory is that a firm is understood as a system of stakeholders operating within a larger framework of a society that provides the necessary legal and economic infrastructure in which the firm can operate (e.g., Donaldson and Preston, 1995; Freeman et al., 2004; Frooman, 1999; Näsi, 1995; Rowley, 1997). Thus, the core of stakeholder theory is concerned with the importance of the interaction between a business and those parties closely connected to its operations; it stresses the mutual dependence that is embodied in the relationships between a business and its stakeholders. More particularly, stakeholder theory assumes that a business can only function through the interaction, transactions and exchanges undertaken with its stakeholders (Näsi, 1995, p. 24). Stakeholder theory thus presumes that a business must operate in such a manner that its stakeholders are satisfied with their investment and what they receive from the firm. However, stakeholder theory has often relied on input from large businesses to clarify the stakeholder-shareholder theoretical debate, which ignores the fact that most business are small businesses.

Several types of stakeholder analyses and mapping practices have been developed to identify those stakeholders who are most important for different processes and activities (e.g., Bryson, 2003; Neville and Mengüç, 2006) and how their importance regarding a specific issue or in general is based on different sets of attributes (Driscoll and Starik, 2004; Jones et al., 2007; Mitchell et al., 1997). A popular and widely applied example of stakeholder identification is the model suggested by Mitchell et al. (1997), which contributed to stakeholder identification by suggesting that various types of

stakeholders may be characterized by one, two or all three of the following attributes: the stakeholder's *power* to influence the firm, the *legitimacy* of the stakeholder's claim on the firm and the *urgency* of the stakeholder's claim. Consistent with Etzioni (1964), a stakeholder is considered to have power to the extent to which it has or can gain access to certain means to impose its will on the relationship. Those means might be coercive (based on physical force, violence or restraint), utilitarian (based on material or financial resources) or normative (based on symbolic resources) (Mitchell et al., 1997, p. 865). Legitimacy, conversely, has been defined as the generalized perception that the actions of an entity are desirable or appropriate within some socially constructed system of norms, values, beliefs and definitions (Suchman, 1995). Although these two notions are sometimes coupled in different stakeholder definitions, powerful stakeholders are not necessarily legitimate and the legitimate stakeholder does not necessarily have power over the business. Finally, stakeholder urgency can be defined as the stakeholder's claim for immediate attention; this concept is based on the ideas of time sensitivity and importance (Mitchell et al., 1997).

The paper by Mitchell et al. (1997) has been widely cited, and stakeholder salience has received empirical support and has prompted theoretical contributions (e.g., Agle et al., 1999; Driscoll and Starik, 2004; Eesley and Lenox, 2006; Pajunen, 2006; Parent and Deephouse, 2007). However, there has been limited empirical research on the operationalization of the attributes developed in the paper and few tests of the paper's fundamental propositions (Parent and Deephouse, 2007) with respect to their applicability, importance and significance in the small business context. In addition, the stakeholder salience model has been criticized for providing an overly rational picture of managerial decision-making; Rowley and Moldoveanu (2003) assert that the model serves the interest-based view – which is consistent with the rational choice theory perspective – because it provides only partial

understanding and does not fully predict how a stakeholder group will act. Research on stakeholder salience has also favored quantitative approaches that involve large corporations and powerful stakeholders as their data source. The current research is thus not oriented to develop an understanding of the contextual and cultural conditions in stakeholder salience.

### **Stakeholder relations in the small businesses context**

When compared to large businesses, small businesses tend to have fewer stakeholders, and these stakeholders tend to be of a different type (e.g., Jenkins, 2006). Small businesses tend to focus more on immediate stakeholder relationships in their business operations than large businesses. The focus on immediate stakeholders often stems from a local embeddedness that is a small business characteristic (e.g., Castka et al., 2004; Werner and Spence, 2004). Thus, in many cases, customers and employees of a small business will be located in the same community as the business itself, which increases the firm's responsibility to these stakeholder groups and toward the local community in general. Similarly, Brown and King (1982) explain the essential role of immediate stakeholders in small-business corporate social responsibility, suggesting simply that people tend to be more concerned about those closest to them and less concerned about those who are further removed. Furthermore, the embedded nature of small businesses is often considered to lead to rather informal and personal relationships among stakeholders. According to Southwell (2004), for example, small business stakeholder relationships tend to be qualitatively different from those of larger businesses because they are based on high levels of informality, personal knowledge and familial ties. Similarly, Jenkins (2006) posits that stakeholder relationships in the small business context are often characterized by intuition and personal engagement.



Another difference between the stakeholders of small and large businesses relates to the question of ownership. Owners (shareholders) are traditionally an essential stakeholder group in large publicly listed companies. They have a stake in the business through their investments, for which they expect a financial return. Small businesses, conversely, do not have many external owners or shareholders because management and primary ownership typically coincide in one individual (e.g., Jenkins, 2006; Moore and Spence, 2006; Quinn, 1997). Thus, the combination of risk-bearing and decision-making power gives owner-managers a legitimate right to run their businesses according to their judgment and allows for a degree of autonomy in approaching stakeholder relationships (Quinn, 1997). However, a business as the personification of its owner-manager may also be negative. For example, the personal reputation and social status of owner-managers in the community can be vulnerable to negative changes in the reputation of their businesses (Lähdesmäki and Siltaoja, 2010).

Furthermore, because stakeholder relationships are formed within a network of influences and do not arise in a vacuum of dyadic ties, business stakeholders are likely to have direct relationships with one another (e.g., Frooman, 1999; Rowley, 1997). Indeed, in the small-business context, particularly among those businesses operating locally, stakeholder groups are usually closely related and overlapping, which increases the potential power of stakeholder claims and pressure and increases the challenges of stakeholder management for small-business owner-managers (Lähdesmäki and Suutari, 2012). Rowley (1997) refers to this phenomenon by using the concept of network density, which relates to the number of ties in the network that link actors together. As density increases in the network, communication becomes more efficient; therefore, dense networks facilitate stakeholders' ability to monitor the business's actions more efficiently, although the behavior of the network actors may become similar and severely constrain the actions of that business (Rowley, 1997, p. 897).

Small-business stakeholder relations are very much about a business and its stakeholders feeling in some way close to each other. Close business relationships are usually regarded as a relative advantage for small businesses because they are considered to enhance trust in business operations and can provide a business with an important means of accessing additional resources, which can be critical to the success of many small firms (Fisher et al., 2009; Graafland et al., 2003; Murillo and Lozano, 2006; Spence, 1999; Spence and Rutherford, 2001). Similarly, it has been suggested that the multiplexity of relationships is an asset for a small business because it makes business operations more flexible (Worthington et al., 2006).

There are a number of elements in the small business context that increase the likelihood of creating emotionally embedded relationships, including the multiplexity of relationships, proximate relationships and owner-managers who are the personification of their businesses. However, the traditional view of stakeholder relations creates the impression of neutral relationships in which decisions can only be based on rational processes and impersonal criteria that depend on the relative (most often a predetermined) position that stakeholders hold in relation to the business. The reason behind this simplification might be that attempts to create legitimacy in a field that is governed by rational decision-making often emphasize rationalized aspects (Vaara and Tienari, 2008). For example, when scholars have presented stakeholder theory as an alternative to shareholder theory, they have applied rationalizing arguments to legitimize the approach. However, this strategy might be considered particularly problematic because stressing the rational aspects of business relations oversimplifies the nature of stakeholder relations and the challenges that stakeholder relations create by detracting from the potential of negative emotions, such as envy, to influence situations. Studies have shown that envy

is stronger when the proximity between actors is greater and when one of the actors can imagine, ‘I could be in his place’ (Heider, 1958; Elster, 1991; Parrott, 1991). To understand the conditions and construction of envy, we provide a theoretical discussion of the concept below.

### **Envy in relationships**

We usually think of envy as a “feeling,” and a feeling is easily taken to be an immediate, unique, internal state; or, in mentalistic terms, a unitary, invariant experience; i.e., something that cannot and need not be analyzed (Silver and Sabini, 1978, p. 105).

Decades ago, there was already concern that researchers had overlooked the potential of envy in relationships. Indeed, envy can emerge when social relations exist and have considerable social significance. Despite envy being particularly common in both business and academia (Bedeian, 1995), *envy remains the most neglected emotion and the least well understood* (Clanton, 2007, p. 424). It is thus not surprising that envy remains an unexamined issue in the field of stakeholder relationships and in the small-business context, in particular. Patient et al. (2003) concluded that feelings of envy are often viewed as negative and disgraceful. Positive emotions are perhaps more easily accepted as the foci of research. In addition, it is difficult to study an emotion that is routinely denied, repressed and relabeled (Clanton, 2007).

Envy has received attention in such disciplines as philosophy, sociology and psychology, and it has spawned various theoretical definitions. Our perspective is sociological because we understand that the starting points for envy reside in social relations and positions, i.e., in social life. The sociological foundations of envy presuppose a social comparison (Parrott, 1991; Ben-Ze’ev, 1992) but not necessarily competition. However, not all social comparisons lead to envy. Envy is directed at those who we deem to be like us or equal to us but who might be slightly superior (Parrott, 1991). In other

words, envy is targeted at people who are relevant to the person making the social comparison (Salovey and Rodin, 1984) and is experienced as a realization of inferiority (Goel and Thakor, 2005). Close relationships are significant in the constructions of envy, and studies have suggested that proximity intensifies envy because it facilitates comparison. Ben-Ze'ev (1992) defines the three components of proximity as (a) similarity in background, such as education, age, time, place and opportunities; (b) closeness in current positions, such as status, salary or possession of a certain object; and (c) relevance for self-evaluation. We tend to compare ourselves with those who are similar to us, which enables us to place two items in the same comparative framework and still permits the perceptive distance to enable us to see two items as distinct.

In studying the conditions that create the perceptions of envy, Silver and Sabini (1978 p. 109) began with the assertion that a person is perceived as envious when an action is viewed as an inappropriate attempt to demean another to protect the envious party's self-worth. Envy emerges out of specific contexts rather than out of particular behavior. It has further been argued that envy is the displeasure that is felt in view of other people's better, unattainable and unassimilable happiness or luck that is strongly desired by the envious person (de la Mora, 1987). Envy is often confused with jealousy; it is often believed that envy and jealousy mean the same thing. However, these emotions are responses to different situations. Jealousy involves an attempt to protect a valued relationship from a perceived threat, whereas envy is resentment toward someone who has some desirable object or quality that the envious person does not or cannot obtain, such as wealth, status, power, fame, success or talent (Clanton, 2007).

Envy is therefore primarily a negative emotion, although some scholars have emphasized its non-malicious aspects, i.e., benign envy (e.g., van de Ven et al., 2009; Tai et al., 2012). Malicious envy is aligned with negative outcomes and benign envy with positive (van de Ven et al. 2009). When envy is understood as a malicious phenomenon, the primary intention of the envious person is not to become better but to diminish others (Elster, 1991). Envy is thus not a wish for the object or advantage that provoked the envy but is instead a wish that the envied person will lose the object or advantage. Envy is thus considered a reliable predictor of socially undermining behavior intended to hinder the ability of others (Duffy et al., 2012). According to this view, envy is thus not a virtuous phenomenon that can contribute to ethically sustainable behavior but is more closely related to resentment (Clanton, 2007), which is a depraved phenomenon. From a non-malicious perspective, benign envy indicates the possibility that envy can motivate people to excel by raising themselves instead of bringing others down (Tai et al. 2012). Benign envy can work as an incentive for activity that aims to improve one's status and performance (Duffy et al., 2008; Patient et al., 2003; Tai et al. 2012). Envy can thus serve as a catalytic emotion that engenders action and sensemaking. For example, the capitalist ethos is assumed to work as a catalyst that turns envy into emulation (Clanton, 2007). However, it has also been suggested that the terms emulation and admiration better capture such emotions because envy is a thoroughly negative experience for both the envier and the envied (Clanton, 2007).

Envy helps preserve social order primarily through its contribution to social control (Schoeck, 1970, cited in Clanton, 2007, p. 431). Fear of being envied thus provides one with motivation for conforming to social norms. More importantly, fear of being envied has been posited to encourage fairness and protect private property. Certain theorists consider that envy is 'necessary' because it inhibits dangerous deviance (Clanton, 2007; Schoeck, 1970). In addition, envy acts as a mechanism that

reproduces the moral and cultural order in which it occurs. Envy can reaffirm the moral order of a culture or societal norms that surround a profession or positions – such as being a small-business owner. In fact, it has been suggested that envy cannot be studied in isolation from the moral order in the local context. A moral order is essential for the concept of envy to emerge in a discursive repertoire in certain contexts (Harre, 1986; Patient et al., 2003). In this sense, envy works as a conservative phenomenon and encourages conformity to norms (Clanton, 2007).

Clanton (2007) emphasizes researching societies as case studies of envy and encourages research that aims to understand envy's social implications. Indeed, previous studies have typically approached envy as a predetermined (and perhaps artificial) phenomenon. We apply Clanton's (2007) idea and examine the social implications of envy. We approach envy as a social construction (Harre, 1986) and as a cultural performance (Patient et al., 2003). Thus, envy is regarded here as a contextually bound, discursively constructed emotion that is employed to make sense of socially constructed conditions and moral order (Harre, 1986; Patient et al., 2003).

## **METHODOLOGY**

### **Discourse and discourse analysis**

Following Berger and Luckmann (1966), the main idea within socially constructed emotions is related to the social construction itself, i.e., that social reality is created within social human interaction. This concept essentially means that social constructionist research focuses on the socially constructed meanings of people in semiotic and communicative processes. The construction of a societal meaning system occurs in semiotic processes in which signs and signifiers are connected to each other through iteration and thus form a structure that allows social actors to think and communicate (Liebrucks, 2001).

Discourse analysis is an approach for studying various forms of human communication, such as textual, conversational and other types of language. For example, it examines how our social world is discursively constructed, maintained or unraveled. The term *discourse* refers to the capacity of meaning-making resources to constitute social reality, forms of knowledge and identity within specific social contexts and power relations (Hall, 1997, p. 220). For many, the interest in discourse goes beyond language in use (Jaworski and Coupland, 1999, p. 3) to “language use relative to social, political and cultural formations [...] language reflecting social order but also language shaping social order, and shaping individuals’ interaction with society.” Thus, discourse analysis is not merely an analytical method but contains theoretically and methodologically informed assumptions and propositions about how we might know about and study the social world (Wodak, 2001).

Our focus is on an interpretative approach to discourse analysis (Phillips and Hardy, 2002), which means that we approach language use as a sensemaking and sense-giving practice that concerns the social world and the stakeholder relations that are apparent within it. Thus, our approach begins with how language represents and signifies social reality. By sensemaking, we mean that reality is an ongoing accomplishment that emerges from efforts to create order and retrospectively make sense of what has occurred or is occurring (Weick, 1995, p. 635). Sensemaking processes are bounded by the discursive repertoire of the context in which actors operate. The interest of discourse analysis is then in studying how this is undertaken and what type of social reality actors maintain and produce. We present our data below.

### **Description of the empirical data and data analysis**

The empirical data in this study consist of face-to-face interviews with Finnish small-business owner-managers. In this study, a small business is defined as an independently owned and operated firm (Peterson et al., 1986) with fewer than 50 employees and an annual turnover of ten million euros or less (European Commission, 2003). The identification of the interviewees was based on a purposeful sampling method that ensured that the empirical data were manageable, informative and thorough (Miles and Huberman, 1994; Patton, 2002). The main criterion used to delimit the potential number of small businesses was the line of business. Accordingly, the interviewees represent mainly food-processing businesses and knowledge-intensive business-service providers. These two lines of businesses were chosen because they represent two distinctly different types of industries, i.e., this pairing contrasts product versus service, traditional versus non-traditional and more location-bound versus less location-bound. Within these broad parameters, the selected businesses were randomly chosen from public business registers. The intention was to obtain data that were varied enough to understand the process of sensemaking of small business owner-managers and to capture the equivocality in their relationships with their stakeholders with a manageable number of informants. As Miles and Huberman (1994, p. 29) have stated, to obtain the construct, we must see different instances of it, at different moments, in different places and with different people. Thus, the selection of businesses surveyed was driven by a desire to increase the credibility of the empirical data rather than to foster representativeness (Patton, 2002, pp. 240-241).

A total of 33 owner-managers were interviewed. The majority of the businesses (23) operated in rural areas (see Malinen et al., 2006), one business was located in a regional capital and nine were located in the Helsinki Metropolitan Area. The businesses were fairly small in terms of the number of employees; at the time of the interviews, they employed an average of 11 people (including the owner-manager).



The largest businesses in this study employed 30 people; in the three smallest firms, the owner-manager worked as a sole trader. The businesses were mostly well established, with an average age of 15 years. Two were less than five years old, six had operated for between five and ten years, and the remaining companies ranged in age from 11 to 49 years (see Table 1).

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INSERT Table 1. “The description of the  
interviewed businesses” about here

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All interviews were tape recorded and fully transcribed. The interviews varied in length from 45 to 150 minutes. The research interviews in this study were loosely structured, and the interviewers remained open to whatever the small business owner-managers wanted to talk about within the parameters of stakeholder relationships. During the interviews, wide-ranging and open-ended questions were used, relating to topics such as background information and the history of the business, the owner-managers’ perceptions of the stakeholder relationships and the role of the business in the local community. However, as researchers, we did not ask anything about envy or about the malicious behavior of stakeholders.

Our approach to the phenomenon was data driven. This means that our first aim was to form a comprehensive picture about the issues owner-managers described in association with conducting business locally. We read and reread the interview transcripts several times to form a comprehensive picture of the data. We noticed that envy *as a word* sometimes emerged in the interviews as an important element in the descriptions that managers used when they spoke about the general attitude

toward entrepreneurs and small businesses, in particular. We then became interested in the phenomenon and paid closer attention to its emergence as a discursive element in the data.

We scrutinized the texts and began to organize them in relation to stakeholder relationships and envy. However, we did not detach the terms from their original context. After we had chosen particular narratives and examples – meaning that we deleted the segments that did not contain any dimensions or references to envy – we formed the following question for closer discursive analysis: What is the meaning of envy in the data? How is this meaning and its importance in stakeholder relations discursively produced? We noticed that envy emerged more as a malicious and conservative phenomenon than as a catalyst for progress. We then focused on what envy might be signaling when it was identified in the narratives and how that signaling was performed through discursive sensemaking practices.

We identified two different types of storylines regarding sensemaking of envy from the data: cautionary and moral tales (van Leeuwen, 2007). In these storylines, the protagonist of the narratives is an owner-manager. The storylines were constructed around different types of plots. A moral story concerns how owner-managers have avoided or could have avoided stakeholder envy. In cautionary tales, owner-managers are actors who have engaged in deviant behavior and received sanctions from or on behalf of envious stakeholders as a result. To understand the different social conditions created in these storylines, we paid specific attention to what type of social reality was constructed and maintained by using envy as a discursive resource. We noticed that envy as a culturally informed discursive resource was applied in a two-fold manner – it was used to signal power relations between stakeholders and the owner-manager and to (re)construct the moral order. Envy thus emerged as a data-driven phenomenon

that was used to describe the complexities in stakeholder relations. The analysis process thus became a constant iteration (Wodak, 2001) between the data and the theoretical framework to understand how these constructions were associated with the wider literature.

## **EMPIRICAL RESULTS**

In our empirical section, we present the importance assigned to envy in owner-managers' descriptions of stakeholder relations. In our analysis process, envy was primarily used to illustrate social control and the (re)construction of certain, often unfair, moral norms. We illustrate the discursive constructions of envy through two types of tales: moral and cautionary.

### **Moral tales**

In moral tales, the owner-manager is 'rewarded' for following socially legitimate practices. Moral tales often involve economic sacrifices the protagonist must undergo; they typically result in happy endings. In our data, moral tales portrayed owner-managers as actors who are able to avoid stakeholder envy by regulating their own activities. Indeed, this need for self-regulative activity was the main discursive element in moral tales. Thus, the 'happy ending' is what occurs when one conforms to the social and moral norms; stakeholder envy does not emerge in the storyline.

In moral tales, envy emerges as a limiting condition in owner-managers' right to hold the ultimate power over decision-making. More specifically, owner-managers are portrayed as actors who should conform to stakeholder norms if they wish to avoid sanctions. An owner-manager should then regulate his or her behavior and restrict his or her visibility. Such activity would then mitigate the risk of social comparison and potential envy. Because of the proximate nature of stakeholder relationships, small-business owner-managers represented themselves as actors forced to limit their visibility if they wished

to sustain business relationships. Visible status was associated with an increased likelihood of envy because visibility increases the likelihood of social comparison, and the other (in this case, the owner-manager) might be viewed as slightly superior. In the next example, envy is used to signify what type of activity is and is not acceptable for small business owner-managers.

I think that [an entrepreneur] shouldn't go poking into societal affairs because then those groups will emerge, one group will say, "by the way, I'm not buying from that guy because of what he said about this and that issue" [...] not in a small community, at any rate. I don't know about larger communities, it may be different there, but this is what is likely to happen in a small community.

In particular, owner-managers in small communities were portrayed as vulnerable when they had acquired too much status in the eyes of stakeholders and were susceptible to malicious envy when compared to those operating in large cities. In the next example, the owner-manager describes how business success might result in envy and give stakeholders a reason to exercise their power. The business must then be managed in a way that does not arouse envy.

I reckon it would be more difficult to do business in the countryside. In the city, there are so many different firms operating here that one can really concentrate on minding one's own business, but in a small community, envy can easily occur. A firm can succeed, but if it were too successful, it would have to be put back into line... But it's possible to operate here, like, in a wide environment, quite anonymously, in a certain sense.

In the example above, the expression "would have to be put back into line" exemplifies the owner-managerial interpretation of stakeholder power, i.e., stakeholders can regulate those actors who have

gained too much visibility and status in the community. In addition, envy is associated with economic gain because such economic gain should not exceed a certain norm in a small community when one is compared to others; in small communities, the similarity among people is likely to be higher.

In the next example, the manager indicates that he would have to learn to manage his speech better because he was aware that he had incited envy because of the things he had said. Although entrepreneurship was raised as a potential way of enhancing social status, communication between owner-managers and their stakeholders should not highlight entrepreneurial success. Envy was thus something that owner-managers themselves could cause by bragging about their business. A manager unable to control communication might find his business adversely affected.

Envy is typical of Finnish people; people are always trying to prevent others from succeeding. On the other hand, it may have something to do with my personality, as I'm so trusting in my social relationships and therefore discuss my business behavior rather openly.

In the example below, the owner-manager constructed a narrative in which the lack of "artifacts of success" – new cars in this case – is explained as a proactive measure to avoid envy. In other words, he claims to make economic sacrifices by shunning certain status symbols that are often associated with successful entrepreneurial activity. Old cars would symbolically represent that his business is not doing well enough to be envied. This activity then helps to maintain customer relations.

But envy doesn't have any positive consequences, on the contrary. I know it. I have old cars, as you can see, and I know that an entrepreneur can't buy new cars. It will cause too much speculation. And then some customers abandon your business. It certainly has affected me.

In addition, the storyline can also be read from different perspective. Envy here also signifies a legitimate explanation for societal conditions. It can thus be used to explain why the owner-manager lacks objects that signal wealth. According to our reading, envy can also work as a socially constructed rationalization associated with face-saving and with maintaining self-esteem. Indeed, previous research has emphasized that gaining or enhancing status in the community can work as an entrepreneurial incentive (see Stanworth and Curran, 1973). The lack of such status symbols can then be explained by using external reasoning (“not because of me but because of them”).

To conclude, moral tales work as calls for self-regulation and result in an ending to a story in which envy is avoided if one engages in self-regulative activity and conforms to the norms. Envy is thus used to illustrate the social norms according to which people should act; entrepreneurs should also be modest, and bragging about success can violate such norms. Thus, moral tales illustrate how envy does not arise without reason and that the owner-manager should thus avoid situations in which social comparison might have unfavorable consequences. More importantly, the tales illustrate how collectively upheld norms enforce stakeholders' claims regarding the appropriate way of managing a small business.

### **Cautionary tales**

Cautionary tales describe protagonists that engage in socially deviant behavior that results in an unhappy ending (van Leeuwen, 2007). Cautionary tales refer to storylines in which an owner-manager, either someone else or the narrator, has been sanctioned because of stakeholder envy. The stories indicate how the owner-manager has engaged in an activity that has been regarded as deviant from the norms. In our data, such deviant behavior referred to the acquisition of certain artifacts of success (such

as motorbikes or cars) or different ways of conducting one's business (e.g., selling or producing non-mainstream products).

Cautionary tales elicit the limits of owner-managers' personal autonomy. Whereas moral tales illustrate how autonomy can be maintained to a certain extent if one engages in self-regulatory acts, cautionary tales illustrate how owner-managerial autonomy and personal life may be endangered by deviance. Thus, business decisions that evoke envy among stakeholders have the potential to endanger the social life and status of the owner-manager. In the example below, the owner-manager relates that a colleague encountered malicious envy from stakeholders despite having a long and established relationship with the community.

[...] but it's just the way that the rest of the society sees us small entrepreneurs. I think that local people have a lot to learn, in a positive way, so that they would stop being envious of nothing. I have a good example of what happened here in the neighborhood. A small family business that has been here 15 years had a large renovation recently. I suppose that everything was quite all right until the owner bought a motorcycle last spring, just to find a way to relax, you know. And I know that it was a huge monetary investment for him, and it was actually a used bike but, gosh, the amount of envy it caused. I think that this was far too unreasonable a reaction from the locals.

Cautionary tales depict stakeholders as a group who are able to diminish owner-managers' personal wellbeing by prohibiting their legitimate right to enjoy the economic success of their businesses. Envy is thus a discursive resource that sanctions behavior that breaks the cultural norm. For example, artifacts related to ownership were the most common discursive element used to illustrate envy in cautionary tales. As the previous and next example both illustrate, cautionary tales present the fragile

nature of stakeholder relations; because of a deviant act, long-term relationships may end suddenly. The power balance is constructed as distorted in the relationship as a result of owner-managers' deviant actions. The following extract illustrates envy in relation to objects that might signal to stakeholders that the business is doing too well.

This car here, it's the third one I have bought while doing business here. And after I bought this one, this one customer – my neighbor actually – who used to come regularly to buy ten kilos of meat, did not come for six months after I bought this car.

Experiences of unfairness are the most prominent feature of cautionary tales. A narrative construction related to artifacts and envy also characterizes the next excerpt. According to the owner-manager, envy arises as a result of owner-managers' personal possessions. More importantly, the story shows how envy and social comparison go hand in hand. The owner-manager perceives envy as an unfair phenomenon: owner-managers are depicted as more susceptible to evaluation and comparison than non-entrepreneurs. In this cautionary tale, the anti-hero is the department store manager; however, the owner-manager must suffer the sanctions. Whereas the owner-manager perceives himself as an *illegitimate target of envy*, he simultaneously perceives the department store manager as a *legitimate target*. Thus, this discursive construction enforces the idea that envy should be directed toward those who might be slightly superior as a result of social comparison.

This manager of a (big) department store, he has a Harley Davidson... its five or six times more expensive than my bike, but no one pays attention to it... that he has a bike like that. It is really starting to bug me but when you know it, it's just reality. It's just the way things are.



In the following interview excerpt, an owner-manager explains that the business has not succeeded as expected primarily because of stakeholder envy. In this manner, the main responsibility for the success of a business is handed over to the stakeholders. Envy is then constructed to result in social undermining, i.e., actions are undertaken that aim to diminish owner-managers' ability to establish or maintain business success (Duffy et al., 2012). Similar to certain aspects of moral tales, this excerpt also shows that envy is a cultural construction that is used to define social situations; envy is a socially acceptable excuse.

Well, you know, the local behavioral pattern is that, if there is a local business, no one buys its products, and they'd rather go somewhere else, it's this basic type of envy, it exists once in a while, you know, that products made somewhere else are, like, fancier and better.

Envy was often represented as a malicious phenomenon in which stakeholders were understood to be willing to go out of their way to complicate the operations of a small business. Below, envy is used to show how stakeholders can complicate the life of owner-managers and how this might be because someone is focusing on a different type of farming (cumin) than other farmers in the country. What this narrative also implies is that envy is used to signify the lack of autonomy and the existence of social control; that is, a manager cannot decide when and who can interfere with the business.

For example, we have faced envy here. We have been farming cumin, and last year someone had arranged for inspectors to come, and... so, some sort of envy exists, but not necessarily on behalf of the people in this village. It can come from other directions, too.

To conclude, cautionary tales depict owner-managers as actors who have faced social sanctions as a result of stakeholder envy. Envy thus (re)produces certain moral and cultural norms regarding acceptable behavior and the objects that a person such as small-business owner-manager can possess.

## **DISCUSSION**

### **The significance of envy for stakeholder salience**

We now discuss the significance of envy as a social and cultural discursive performance (Patient et al., 2003) as it relates to stakeholder salience in the small-business context. Indeed, the significance of socially constructed emotions has been completely ignored in the stakeholder salience literature. Our discursive analysis has revealed that socially constructed emotions play a crucial role in how owner-managers make sense of and understand their stakeholder relations.

Our empirical analysis presented two types of storylines used to signify envy in stakeholder relations. Moral tales presented owner-managers as self-regulating actors who avoided deviant behavior that might result in social comparison and envy. However, owner-managers had to limit their visibility to avoid showing off or appearing to be too successful. As a result, they were able to maintain a certain amount of personal autonomy, which resulted in a “happy ending.” Moral tales thus show how envy is used to preserve certain aspects of social order, primarily through its contribution to social control (Clanton, 2007). Cautionary tales first constructed that a deviant activity had occurred that had resulted in social sanctions because of stakeholder envy. The storylines illustrated the paradox that, although businesses are expected to succeed, too much or too visible economic success may arouse envy and lead to social sanctions. This concept was used to explain that owner-managers of small businesses should not earn or be given significantly more economic or social benefit than other stakeholders. In

other words, businesses with too much economic or social success can be excluded from economic and social interaction.

In the existing literature, the stakeholder salience process is described as a rather rational and smooth process that begins with a managerial incentive and factual knowledge of the stakeholder. It is then assumed that managers recognize attributes of groups and make certain decisions on business activity based on those attributes (see Mitchell et al., 1997). The present study suggests that stakeholder attributes are learned of through reciprocal exchanges between the business and its various stakeholders. Those exchanges are neither context nor value free. Managers themselves are active participants who co-construct the power of stakeholders. More specifically, envy is attached to those stakeholders who are perceived as powerful, and managers themselves reinforce and reconstruct the power of the stakeholder in their narratives. We therefore propose that power is not merely an attribute of a stakeholder group (Mitchell et al., 1997) but is rather an element of the relationship. Power is then reinforced or unraveled by (re)constructions that acquire their significance from the context.

The discursive narrative constructions also emphasize the problems of managing stakeholder relations and recognizing the legitimate claims of stakeholders. Stakeholder envy was generally considered an illegitimate social and cultural construct. It was also used to signify why owner-managers should conform to stakeholder expectations. The cultural norms regarding one's visibility and possessions are actually socially constructed and maintained stakeholder claims; envy may be illegitimate if envy enforces a socially shared norm, and the storylines exemplified how it can be problematic for owner-managers not to take the norm into account. Contextual references to envy thus illustrate how illegitimate claims may be something that one should accept because of cultural conditions and

proximate relationships. This concept has rarely been explored in the stakeholder literature. To diminish conflicts, it is often suggested that businesses should foster relationships with stakeholders to increase mutual trust, understanding, innovation and knowledge creation (e.g., Fisher et al., 2009; Graafland et al., 2003; Murillo and Lozano, 2006; Spence, 1999; Spence and Rutherford, 2001). Thus, it is suggested that proximity – a sense of closeness – is a positive phenomenon in business relations and one that businesses should strive to achieve. However, we propose that proximate relationships, which are often uncritically praised in the literature, can actually create conditions in which owner-managers struggle with the recognition of legitimate claims and the power of stakeholders.

## **Conclusions**

This study contributes to the stakeholder salience literature by examining the significance of socially constructed emotion in the small-business context. Based on our research, we suggest that socially and culturally constructed emotions are significant to stakeholder salience processes, particularly with respect to the power of stakeholders and the legitimacy of claims. We suggest that this finding is an important contribution because little empirical research exists on salience processes in the small-business context, and the mainstream stakeholder salience literature depicts managers almost exclusively as rational decision makers.

More broadly, the social construction of envy is closely tied to the cultural systems of rights and obligations in which it occurs (Gergen, 1999). From this perspective, emotions are not simply social constructs but are cultural statements regarding the morality of a situation (Sabini and Silver, 1986). Whereas envy is sometimes addressed in the entrepreneurship literature as a motivating and catalytic factor (e.g., de Pillis, 1998), it emerged here as a conservative phenomenon (Patient et al., 2003), which indicates that it was used to reinforce hierarchies and social orders. In our study, envy was also used to

explain failures and unsuccessful businesses and functioned as a legitimate strategy with which to save face in a scenario of limited business success. More specifically, owner-managers constructed their success as dependent on external forces that they were often unable to manage. The use of envy as a discursive resource exemplifies the complexity of relationships in managing a small business.

Restricting entrepreneurial autonomy was understood as a critical condition that stakeholder envy strives for. Envy in stakeholder relationships was thus constructed as a power play to determine who has the right to define what an actor can do or have. Previous studies on stakeholder relationships with small businesses have not clearly questioned the idea of power plays produced by means of proximate relations and negative emotions such as envy. Accordingly, our study demonstrates that an inherent part of stakeholder relationships with small businesses is a discursive struggle over decision-making power. As studies have shown that the potential for autonomy is one of the main reasons for becoming an entrepreneur, stakeholder envy is used to illustrate how this precondition of autonomy cannot be fully enjoyed. Quinn (1997, p. 120), for example, indicates that small-business owner-managers should be in a stronger position to bring their own ethical attitudes to bear on business decisions than managers in larger organizations, whose actions are mediated and constrained by systems imposed upon them and by established norms. Small businesses are then viewed as largely reflecting the personality, attitudes and values of their owner-managers. However, the emergence of envy as a discursive resource that exemplifies the social norms and controls may limit moral space and the possibilities for ethically aware agency. This potential exists because controlling discourses emphasize ethical compliance, ignore the autonomy of owner-managers and do not necessarily increase morality, as this discourse is not associated with moral community and moral development (Lähdesmäki and Siltaoja, 2010; Maguire, 1999).

Our practical suggestions are addressed to work in small-business development and managerial processes. We suggest that to successfully contribute to the economic success of small businesses, it is important to increase the knowledge concerning the challenges and risks related to small-business ownership and management. More specifically, the challenges of owning and managing a small firm are often understood simply in economic terms, but social aspects may create equal or even greater burdens for owner-managers of a small business. These aspects should then be taken into account when planning developmental projects that, for example, aim to increase small businesses in different locations. Our managerial implications concern the role of stakeholders in small businesses. This study has shown that powerful stakeholders may have claims that simply are not legitimate. This is not to say that stakeholders' claims should be ignored; they remain an essential part of a successfully managed business. However, with envy as a constraint on their business decisions, small-business owner-managers transfer the main control of these decisions to their stakeholders instead of being responsible actors themselves. Small-business owner-managers could therefore adopt a more proactive and cooperative approach in relation to their stakeholders, which includes more active and reciprocal stakeholder communication.

This study inevitably has limitations, which may provide opportunities for future research. An important issue is the culturally bound setting of our data. Envy has a context-dependent significance, and other emotions can signify similar issues in other cultural contexts. Furthermore, we are aware that we could have examined our data from an explicitly critical perspective on a phenomenon that evidently signals power asymmetries. There are also limits to the methodological approach itself. We can say little of the actual impact envy, as such, would have on owner-manager behavior.

We therefore suggest that our limitations incorporate a number of potential research directions for future studies. Research in the organizational context has often neglected the effect of envy, even though it has important implications for human behavior. The lack of research likely stems from the negative connotations attached to envy regarding its malicious nature. Envy is not a virtue in social interaction because it aims to diminish the achievements of another and does not contribute to the process of becoming a better person. However, we suggest that focusing on the ‘less virtuous emotions’ in business life provides a framework that leads toward a more comprehensive understanding of the complexity of business relationships. In our study, envy was also used to define socially accepted and virtuous traits of people in business life. For example, ‘one should not brag about success’ means that such behavior is not considered as a virtuous act and might lead to ‘legitimate envy.’ This is not to say that people must necessarily become envious but that envy is used in a normative sense to define how an actor ought or ought not to behave. Thus, negative emotions can be used to draw lines between virtuous and destructive behavior and traits. We therefore call for more critically oriented research that attempts to unravel the underlying features of negative emotions and how they are used to limit and define the scope of human activity in business life.

In addition, although we unveiled the issue of power relations, one could focus more on inequalities constructed through the use of discourse and examine the relations between social and discursive practice in more detail. Applying critical discourse analysis would be particularly useful for such purposes. Studies that adopt a different methodology might examine whether envy as a socially embedded emotion might conflict with the motives for becoming an entrepreneur. The establishment of one’s own business has often been considered an important means to social advancement, and whether

emotions in various contexts conflict with this idea might be an important area of research. Furthermore, future studies could focus on the differences between socially constructed emotions in various cultures and contexts. Whether another emotion replaces envy in other cultures, i.e., what other emotions are used to signal power relations, might also be an important issue to elaborate.



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