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**Waligo, Victoria M., Clarke, Jackie and Hawkins, Rebecca (2014) The 'Leadership-Stakeholder Involvement Capacity' nexus in stakeholder management. Journal of Business Research, 67 (7). pp. 1342-1352. doi:10.1016/j.jbusres.2013.08.019**

Official URL: <http://dx.doi.org/10.1016/j.jbusres.2013.08.019>

DOI: <http://dx.doi.org/10.1016/j.jbusres.2013.08.019>

EPrint URI: <https://eprints.glos.ac.uk/id/eprint/2972>

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Published in Journal of Business Research, and available online at:

<http://www.sciencedirect.com/science/article/pii/S0148296313003172>

We recommend you cite the published (post-print) version.

The URL for the published version is <http://dx.doi.org/10.1016/j.jbusres.2013.08.019>

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## The 'Leadership-Stakeholder Involvement Capacity' Nexus in Stakeholder Management

### Abstract

It is accepted that stakeholders affect the achievement of organisational plans and that ineffective 'stakeholder involvement' in developmental initiatives can hinder the achievement of business objectives. Purposive case study research using the context of sustainability demonstrated that 'stakeholder involvement' (how stakeholders become active or inactive) is a complex process influenced by a range of interlinked internally and externally driven factors. Principally, the process is influenced by the type of leadership (leadership quality) and the capability of stakeholders to become involved (stakeholder involvement capacity). These two forces play a significant role in stakeholder involvement and constitute the main part of the 'Leadership-Stakeholder Involvement Capacity' (LSIC) nexus that is presented in this paper.

**Key words:** leadership, stakeholder involvement, stakeholder management, sustainability

### Introduction

The success of a business's strategy is largely dependent on activating stakeholder cooperation. Stakeholder theorists agree that identifying stakeholders, their relative importance, and ways of managing them are central to the process (*e.g.* Clarkson, 1995; Friedman & Miles, 2006; Frooman, 1999; Jawar & McLaughlin, 2001; Mitchell, Agle & Wood, 1997). Stakeholder theory falls under the auspices of management theory because it recommends structures, practices and attitudes that constitute stakeholder management (Donald & Preston, 1995). As stakeholders extend to a wider group of people than shareholders or investors, organisations need to consider the simultaneous demands of multiple stakeholders, including those without a direct relationship with the organisation but who nonetheless influence how it operates (Clarkson, 1995; Rowley, 1997). This paper begins by introducing key theoretical perspectives on stakeholder involvement. Stakeholder management is then discussed as a major component of the stakeholder involvement process. Next, the context of the study is presented followed by the methodology

adopted for the research before the ‘Leadership-Stakeholder Involvement Capacity’ (LSIC) nexus is examined. The paper concludes by highlighting key issues and potential directions for future research.

## **1. Approaches to Stakeholder Involvement**

Stakeholder involvement (how stakeholders become active or inactive in developmental initiatives) is becoming increasingly important for a variety of reasons including rising concern for public issues such as natural resource management (Bryson, 2004), the role of organisational actors in the development of business (Cantu, Corsaro & Snehota, 2012) and the potential cost of stakeholders to an organisation (McGuire, Sundgren & Schneeseis, 1988; Savage, Nix, Whitehead & Blair, 1991). From an international development perspective, multi-stakeholder approaches are a means of promoting transparency in complex sectors (Truex & Soreide, 2010).

In observing the interpretations of involvement or participation that had evolved by the mid-1990s, Pretty (1995) identifies two overlapping schools of thought. The first treats participation as a means to increase efficiency stemming from the view that if people are involved, they are more likely to support a new development. The second places participation as a fundamental right aimed at mobilisation for collective action, empowerment and institution building. These two schools are depicted in Pretty’s seven types of participation with characteristics that influence the degree or type of stakeholder involvement and the intention of engagement.

### **Table 1 here**

Participation ranges from ‘manipulation’ and ‘passive’, where almost all power and control lie with people external to the local community, to ‘self-mobilisation’, where power and control lie with people in the local community (Moworth & Munt, 2003). Acknowledging tensions between the need for agreement and the perceived loss of control, Pretty (1995) argues for a shift from the more common ‘passive’ and ‘consultative’ types of participation toward the ‘interactive’ type of participation as more beneficial to an organisation.

Conducive with Pretty's interactive participation approach, Selin (1999) demonstrates levels of participation between public sector agencies and participating stakeholders through the locus of control (see Figure 1). With the range of participation from agency control to total stakeholder control, the majority of arrangements were positioned towards the centre of the control continuum where there is greater shared responsibility between the parties for decision-making and problem resolution.

### **Figure 1 here**

A third and more recent approach to assessing the involvement of stakeholders in an organisation is the ladder of stakeholder management and engagement (Friedman & Miles, 2006). In this model, Friedman & Miles (2006) distinguish levels of stakeholder participation by extending Arnstein's (1969) typology of public involvement in participation and integrated concerns about the possession of power for different groups and the quality of stakeholder management and engagement. Comprising twelve levels, from *manipulation to stakeholder control*, the model illustrates to what extent stakeholder participation and level of influence were affected by the style of dialogue and the intention of engagement. Friedman & Miles (2006) identify three styles of dialogue, namely one-way (*e.g.* briefing and leaflets), two-way (*e.g.* workshops and interviews) and multi-way (*e.g.* bargaining and joint ventures). This multi-way style of dialogue reflects Maier's (2001: 715-6) earlier argument that participation was not a one-dimensional parallel of 'climbing a ladder' but rather a multidimensional process that was interactive and incorporated shared responsibility. All three approaches indicate that power, authority or control issues influence the degree of stakeholder involvement. They also serve to emphasise key questions of what happens when participating groups hold conflicting views (Baker, 2006; Byrd, 2003; Markwick, 2000), how stakeholders participate (Friedman & Miles, 2006) and what happens when stakeholders are unable to participate in development initiatives (Dodds, 2007; Getz & Timur, 2005; Ioannides, 1995).

Collaboration between an organisation and its stakeholders for a particular problem or issue enables stakeholders to engage in an interactive process to make the necessary decisions (Jamal & Getz, 1995; Reed, 1997; Wood & Gray, 1991). This process of joint decision making has been commended as an effective means to resolve conflict and allow stakeholders to work together to mutual advantage through shared

visions (Gunn & Var, 2002; Hall, 2000; Jamal & Getz, 1995; Selin, 1999). On this basis, it is argued, collaboration is likely to lead to economically, environmentally and socially sustainable policies (Hall, 2007; Jackson, 2006). However, collaboration is complicated due to the multiple and diverse stakeholders often holding different viewpoints (Ladkin & Bertramini, 2002; Markwick 2000) and this places the spotlight on effective stakeholder management.

## **2. Stakeholder Management**

Stakeholder management represents the necessity for an organisation to actively manage relationships with its specific stakeholder groups (Freeman, 1984). Managerial decisions and actions are the key factors that influence organisational-stakeholder relationships (Phillips, Berman, Elms & Johnson-Cramer, 2010). Coordination of the multiple relationships involved creates better business opportunities through the establishment of trust (Freeman, Harrison, Wicks, Parmar, & Colle, 2010). Hence, leadership that incorporates the collective interest of organisational stakeholders is a positive influence on business performance (Garcia-Morales, Jimenez-Barrionuevo & Gutierrez-Gutierrez, 2012).

Johnson-Cramer, Berman & Post (2003) argue that an organisation's approach to stakeholder management affects the quality of stakeholder relationships and also the outcomes of the three main tasks of the concept: preventing and resolving conflict, co-ordinating stakeholder contributions to goal achievement, and managing resources for competitive advantage. Freeman's (1984:46) definition of stakeholders being "any group or individual who can affect, or is affected" by an organisation's plans requires all claimants of stakeholder status to be recognised by managers. However, as stakeholders differ in attribute and behaviour (Mitchell *et al.*, 1997; Savage *et al.*, 1991), it is a mistake to assume that stakeholders can be treated equally (Freeman *et al.*, 2010). Thus, the stakeholder philosophy of 'voluntarism' encourages managers to negotiate with stakeholders and to satisfy the needs of as many stakeholders as possible (Freeman, 1984).

Despite the existence of highly conflicting organisation-stakeholder relations, most stakeholder management theory focuses on the organisation at the expense of an appreciation of the stakeholders in their own right (Friedman & Miles, 2002). Most stakeholder analysis studies have been conducted from the perspective of the organisation (Currie, Seaton & Wesley, 2009). Moreover, much of the research has

concentrated on the results of addressing different groups of stakeholders rather than on strategies to deal with stakeholder interests (Polonsky & Scott, 2005). This study sought to ameliorate these concerns by acknowledging stakeholders as a key component of business plans, and adopting a stakeholder perspective rather than the organisational one prevalent in the literature. The study also focused on the totality of stakeholder involvement strategies rather than settling on the interests of a single stakeholder group.

### **3. The Case Study Context**

The aim of the study was to investigate how stakeholder involvement in the implementation of sustainability initiatives could be enhanced based on a single embedded case (Yin, 2003; 2009) located in the United Kingdom. The Cornwall Sustainable Tourism Project (CoaST) was the focus of the study for three main reasons. Firstly, CoaST is committed to promoting sustainable practices in Cornwall and other regions through tourism. Secondly, CoaST relies on a diverse range of stakeholders to implement its sustainability strategy. Finally, the organisation is nationally recognised for its contribution to the advancement of sustainable practices (*e.g.* Sustainable Development Commission, 2007; VisitBritain, 2010).

CoaST is situated in the county of Cornwall in south-western England. The South West region was under the South West Regional Development Agency (SWRDA), one of the nine UK government-funded public bodies set up in 1999 to nurture sustainable economic growth across England (SWRDA, 2010). The majority of businesses are small; Cornwall has approximately 19,500 businesses, 90% of which employ fewer than 10 people and 67% fewer than five people (Cornwall Council, 2010b).

CoaST was founded on a network of individuals and organisations, namely its stakeholders (CoaST, 2008a), and has expanded its membership under the 'One Planet Tourism' network to over 50 counties in the UK and 15 countries worldwide (CoaST, 2009). Membership is voluntary and the organisation uses the network and its web of connections to extend its sustainability agenda (CoaST, 2008c; 2008d). Specifically CoaST's declared aim is to

*work towards one planet tourism; a type of tourism which provides benefits to the people, economy and environment, and which operates within our social, financial and environmental means. In other words, the triple bottom line (CoaST, 2008b; 2010)*

This threefold focus (people, economy and the environment) enables CoaST to espouse stakeholder management to achieve its objectives in its business setting.

#### **4. Research Method**

To evaluate stakeholder involvement in the implementation of organisational plans, an interpretive qualitative approach was adopted to explore the nature of shared experiences (Baker, 2003; Silverman, 2007) and to examine the perceptions of stakeholders (Collis & Hussey, 2003; Holliday, 2002). Over fifty stakeholders' accounts drawn from eight primary stakeholder groups were undertaken. A stakeholder mapping exercise identified the eight primary stakeholder groups for CoaST as businesses, residents, government, special interest groups, employees, CoaST Board of Directors, educational institutions, and visitors. The use of the primary stakeholder groups was prioritised and justified as, by definition, primary stakeholders (Clarkson, 1995) have the greatest impact on the success of an organisation's initiatives (Currie *et al.*, 2009; Mitchell *et al.*, 1997; Savage *et al.*, 1991). This selective notion of primary stakeholders in research design as opposed to the inclusion of all stakeholders has been applied to previous developmental studies (*e.g.* Buysse & Verbeke, 2003; Getz & Timur, 2005; Sheehan & Ritchie, 2005). Furthermore, as participants likely to yield the richest data merit precedence (Miles & Huberman, 1994; Patton, 2002), the eight primary stakeholder groups of CoaST formed the focus of the study.

The data was collected in two phases. The first phase comprised three focus groups that were held with a total of twelve stakeholders (Table 2). The three focus groups provided initial insight as the participants enjoyed a close working relationship with CoaST. As recommended for focus groups (*e.g.* Robson, 2002; Krueger & Casey, 2009), there was sufficient variation among participants to stimulate discussions that underpinned the interviews.

**Table 2 here**

The participants of all three focus groups shared the common factor of being key stakeholders of CoaST. However, their different involvements facilitated the exchange and flow of ideas. For example, Focus Groups 1 and 3 participants ran diverse businesses in different parts of the county of Cornwall; hence they had varied experiences of working with CoaST. Focus Group 2 comprised CoaST staff and offered first-hand insight into how CoaST operated internally from the viewpoint of individual roles.

For the second and main phase of data collection, forty individual face-to-face semi-structured interviews were conducted with stakeholders from the eight primary stakeholder groups. These were (1.) Businesses (2.) Residents (3.) Government (4.) Special Interest Groups (5.) Employees (6.) Board of Directors (7.) Educational Institutions and (8.) Visitors (Table 3).

### **Table 3**

The aim of these individual interviews was to explore the insights attained from the focus groups by delving into the data and extending participation. In order to select participants who were suitable for illuminating the problem of stakeholder participation in business activities, theoretical sampling (Eisenhardt & Graebner, 2007) was applied. Interviews were conducted at different locations across Cornwall and lasted between forty-five minutes and one and a half hours. Each interview was recorded and averaged around eight pages of text after transcription.

Although theory building from cases and naturalistic inquiry can be confusing (Eisenhardt & Graebner, 2007), analysis can entail examining, coding, categorising, conceptualising, abstracting, comparing, pattern-matching, integrating and iterating to draw/verify conclusions in line with qualitative research methods (e.g. Charmaz, 2000; Corbin & Strauss, 2008, Yin, 2003; 2009). However, these processes are neither discrete nor sequential. To circumvent any possible confusion, the methods and analytic procedure applied to this study are explained below.

A general analytic framework (Yin, 2009) was used to analyse and interpret the data. This analytic framework comprised three stages: (1.) analysis of individual interviews and transcripts (*within-case analysis, initial coding and categorisation*); (2.) identification of shared themes (*categorical aggregation and a search for patterns*) and (3.) analysis of shared themes. Each transcript was analysed separately as a

unit of analysis to both understand the experience of those individuals and to identify the emerging themes (*within-case analysis*). The coding scheme was unrestricted, imaginative, and was not content specific (Miles & Huberman, 1994). It included (1.) the setting or case study context (2.) verbal meanings or definitions of informants (3.) perspectives of how things are done (4.) process or sequence of events or changes over time (5.) activities in the study context or regularly occurring kinds of behaviour (6.) events or specific activities (7.) strategies or ways of accomplishing things (8.) relationships such as cliques, coalitions, friendships (9.) participation or adaptation to situations in the setting and (10.) others such as concerns, proposals, comments, dilemmas, and benefits. As anything can be coded (Rubin & Rubin, 2005), this scheme helped to focus on ‘how’ and ‘why’ stakeholders participated in CoaST’s initiatives.

The coding scheme was useful for thinking about the categories in which codes were developed although there was scope for other codes to emerge progressively. Instances from the data about an issue were collected (*categorical aggregation*) (Creswell, 2007). Using processes akin to the ones described above to explore stakeholder involvement in CoaST’s initiatives, data was reflected on systematically by taking one piece of data and comparing it with the rest for similarities or differences. The coding technique involved both deductive and inductive approaches as ‘mirrors of one another’ (Eisenhardt & Graebner, 2007: 25). Tentative themes and twenty categories were identified from the transcripts as this process of coding and categorisation or *data reduction* (Miles & Huberman, 1994) made it possible to focus on selected data that was most useful for the research. For example, during stage one, one slice of data was coded ‘university course’ to indicate the source of awareness about sustainability when a respondent suggested that she first heard about the concept while studying geography at university. Another slice was coded ‘seminar attendance’ in the same context resulting in a group/sub-category named ‘origin of awareness’.

During the second stage, a shared theme that included the above group/sub-category was identified and labelled ‘information quality and accessibility’ because of the role that information had played in spreading knowledge and understanding of CoaST’s plans. Other connected group/sub-categories included ‘stakeholder perceptions of sustainability’, ‘aspects of stakeholder involvement’, and ‘challenges of stakeholder involvement’. Finally, seven categories of shared themes linked to different aspects were created and their conceptual labels were more abstract to denote shared experiences across informants’ accounts.

These were (1.) leadership qualities (2.) information quality and accessibility (3.) stakeholder mindsets (4.) stakeholder involvement capacity (5.) stakeholder relationships (6.) contextual circumstances and (7.) implementation priorities.

In order to develop theory, the data was organised into increasingly more abstract units of information in the third stage by building categories and patterns inductively so that meaning could be extracted. The data was revisited to search for relationships between the shared themes and the different concepts that had been merged. Potential patterns and relationships within and between the shared themes and the core theme of stakeholder involvement were examined to determine what exactly constituted the shared aspects of the informants' lived experience. Following constant comparison, the themes were grouped together under an even higher level descriptive concept. For instance 'scene-setting' was found to represent well the issues related to awareness, understanding, information and communication. Consequently, the search for meaning was a search for patterns and consistency within certain conditions (Stake, 1995).

## **5. Findings and Discussion**

CoaST's case highlights seven themes (leadership quality, information quality and accessibility, stakeholder mindsets, stakeholder involvement capacity, stakeholder relationships, contextual circumstances, and implementation priorities) with regard to stakeholder involvement in business activities. Leadership quality and stakeholder involvement capacity appeared to be most prominent in having a direct impact on stakeholder involvement in sustainability initiatives. However, the seven themes are interdependent with leadership quality and stakeholder involvement capacity being dependent on stakeholder relationships and stakeholder mindsets. These in turn are influenced by information quality and accessibility, contextual circumstances and implementation priorities.

### **5.1 Leadership quality**

It emerged that the type of leadership has a prominent role in stakeholder involvement capability. Focus group participants described the Managing Director of CoaST as having '*infectious optimism*', '*sheer determination*' and '*a spark which ignites others to get involved*'. Similarly, interview informants used expressions such as '*the personal touch*', '*work in partnership*', '*hand-holder*' '*very supportive*' and '*totally*

*dedicated*' in reference to CoaST. It was evident that CoaST's leadership inspired stakeholders to become involved in sustainability initiatives. One focus group participant described CoaST as '*unwavering, no matter how many times they get knocked down...they just bounce back stronger*'. This leadership quality of 'resilience', particularly apt in a changing world, is paralleled in the literature (Farrell & Twining-Ward, 2005).

Leadership focuses on 'what' and 'why' tasks are performed whilst management generally explains 'how' (VanVactor, 2012). Leadership is therefore vital for decision-making and resolving inevitable conflicts of interest between stakeholder groups (Clarkson, 1995; Friedman & Miles, 2002). This might include 'problem-setting' which recognises the many stakeholders and defines the issues at hand, 'direction-setting' which recognises power differences and manages stakeholder interests, and implementation which sets and carries out strategies and structures (Jamal & Getz, 1995). The very foundation of CoaST lay on the realisation that there was no organisation offering the support necessary for encouraging sustainable practices; many informants noted the lack of government leadership. The Managing Director of CoaST stated, '*it was another encouragement to set up some sort of organisation to offer support*', whilst one focus group participant described CoaST as '*an umbrella of support and knowledge*'.

According to SustainAbility (2003:30) an organisation well placed to drive change has to "inspire change within and beyond the sector" and the leader has to have the capability in terms of position and mandate to implement recommendations. In the case of CoaST, a government representative concluded, '*given the small resource it [CoaST] has in terms of staff and co-funding it has had a huge influence on the tourism sector more so than I can think. I guess its main success is the way it's managed to genuinely network businesses and act as a facilitator*'. Case study informants recognised the quality of leadership as an integral part of their involvement in sustainable practices in terms of inspiration and support. Freeman, Wicks & Parmar, (2004) suggest that managers should inspire stakeholders to give their best to deliver the value the organisation promises. Therefore, leadership quality determines the degree and effectiveness of stakeholder involvement in an initiative.

## ***5.2 Stakeholder involvement capacity***

The right to participate in sustainability initiatives does not equate to the capacity to participate, hence the need to raise stakeholder capabilities (Aas *et al.*, 2005; Baker, 2006; Sofield, 2003). One employee stated that, *'a lot of businesses can't recycle, it's very expensive and has been like that for the past 20 years'*, whilst a resident argued *'the thing is, it's not just the council, it's government, it's taxes...they've got to help somewhere'*, and a third informant observed that *'...there are large areas of Cornwall that are poverty stricken'*. As Gossling, Hall & Weaver (2009) note, governance, institutions, cultures and resources influence the actions of stakeholders.

CoaST has enabled a wide range of stakeholders to become involved in sustainability initiatives with its collaboration policy. However, many stakeholders lacked awareness and understanding of sustainability. As one resident/employee remarked, *'The problem is people aren't just aware of it and I do find it very difficult to explain what I do'*. This lack of awareness hinders the development of capacity for stakeholder involvement in sustainability initiatives. Moreover, one employee commented, *'... it's so difficult to get everybody involved'*. Indeed, various forms of stakeholder involvement have been identified by researchers *e.g.* Pretty's (1995) typology of participation, Selin's (1999) control continuum and Friedman & Miles's (2006) ladder of stakeholder management and engagement. Undoubtedly, these schemes assist in understanding stakeholder involvement capacity. Furthermore, strategic decisions at all levels affect stakeholders (Andriof & Waddock, 2002) and their involvement capacity. For instance, groups of stakeholders can differ over the basic right of recognition, assumptions attributed to them, or by importance and ranking (Mitroff, 1983). Managers can treat stakeholders as dormant, discretionary, demanding, dominant, dangerous, dependent or definitive (Mitchell *et al.*, 1997) or primary and secondary (Clarkson, 1995). All these are lenses with implications for stakeholder involvement capacity.

Stakeholder involvement is further complicated by the fact that an individual can belong to several groups each with different interests and varying power (Friedman & Miles, 2006). This creates the problem of how to balance stakeholder group interests *in lieu* of relative power and its relevance for a given issue (Johnson, Scholes, & Whittington, 2008; Mitchell *et al.*, 1997). As one educational provider noted, *'...there were so many areas that were entitled to different funding streams, tourism wasn't'* and a member of the Board of Directors explained, *'...Cornwall Tourism has a one million pot of money that CoaST is not*

*eligible for*'. Resource mobilisation is an issue for CoaST and is supported by Placet, Anderson & Fowler, (2005) who observe that strategy typically focuses on increasing revenue-generation and reducing costs. Freeman *et al.* (2010:91) contend that this high economic performance perspective, popularised in the 1980s, explains why the stakeholder approach has struggled for broad acceptance in strategic management.

### **5.3 Stakeholder relationships**

As an organisation is at the centre of a complex network of relationships with various stakeholders (Donald & Preston, 1995; Freeman, 1984), stakeholder mapping is widely used to identify and manage stakeholders (Friedman & Miles, 2006; Johnson *et al.* 2008). Stakeholder mapping makes it possible to take into account groups conceivably in conflict with an organisation (Frooman, 1999). For example, although businesses seek profit maximisation (unlike CoaST), they are not only key stakeholders but also CoaST Ambassadors.

There was evidence that CoaST embraced this 'relational approach' best illustrated by one consultant who stated, *'What's interesting about CoaST is that they are taking a relational approach in that they recognise that what they need to do is develop a community of impassioned individuals'* and by one teacher who suggested that *'they [CoaST] became more of a collective force to actually address the agenda and influence how the sector developed'*. The view that the support of all stakeholder groups is necessary for the continued survival of the organisation (Sheehan, Ritchie & Hudson, 2007) was underscored by the Senior Project Officer who explained, *'the networks are what we are about and that's what we are without a doubt, that's the heart of everything we do'*.

Organisation/stakeholder relationships have been associated with corporate social performance and competitive advantage (Clarkson, 1995; Donald & Preston, 1995; Freeman, 1984; Jones, 1995); stakeholder combinations of power, legitimacy and urgency (Mitchell *et al.*, 1997); the resources which determine dependence and relative importance of stakeholder groups through time (Frooman, 1999; Jawahar & McLaughlin, 2001; Phillips, 1997; 2003); and network density and shared values (Jones & Wicks, 1999; Rowley, 1997). The values of non-governmental organisations (NGOs) have earned NGOs more public trust compared to government and profit-motivated businesses (SustainAbility, 2003). However, power relations

can alter the outcome of collaborative efforts or even prevent collaborative action (Reed, 1997). For example, groups with power may threaten the organisation if the organisation failed to meet their claims (Mitchell *et al.*, 1997). A Board Member explained such a situation encountered by CoaST:

*'I mean you might find people who are very supportive of CoaST, institutionally not ... most of the money is raised through work, commissions or else through the training ... I mean it's a situation we probably wouldn't want to change very much because with the money come strings'*

Managing stakeholder relationships entails partnership arrangements, ensuring appropriate participation, stakeholder engagement (Pretty, 1995; Selin, 1999; Friedman & Miles, 2006) and the process of collaboration (Jamal & Getz, 1995; Sautter & Leisen, 1999). For example, one resident observed, *'everybody has to invest something and not everybody is prepared to'*, emphasising the importance of analysing relationships between organisations and individual stakeholders. Clearly, the power that is associated with organisation/stakeholder relationships may create unwanted tendencies. Therefore, managers need to monitor and understand how to deal with stakeholder relationships.

#### **5.4 Stakeholder mindsets**

Although collaboration is widely recommended (*e.g.* Gunn, 2002; Hall, 2000; Jamal & Getz, 1995), reaching an agreement requires negotiation since stakeholders tend to promote their own agendas and ideologies (Weaver, 2000). Such stakeholder mindsets were dealt with in CoaST's flexible approach. One business owner suggested that CoaST was successful because it understood *'...that all businesses aren't gonna work the same'*. Similarly, an education provider described assessments as having to be *'aligned to their operations if you want to get businesses in'*. Nevertheless, convincing some other stakeholder groups remained a struggle. According to the Senior Project Officer, CoaST had tried *'to get some of the other strategic partners in, just you know to hear about CoaST and what we do...and its just been the door's been closed to us'*. Likewise, one government representative found *'it's very difficult to get people to change...to try a new way of doing things because it is sort of a cultural shift for most people'*.

The influence of stakeholder mindsets was observed in relation to climate change and to tourists. For climate change, a member of the Board of Governors explained, *'there are a few now who don't believe it's a reality and some who certainly don't believe it's caused by human beings'*, whilst some resident attitudes to tourists could be exemplified by *'I was probably brought up with quite an ambivalent attitude towards 'emmits', Cornish word for 'ants'*. Despite the invested interest of stakeholders in the operations of an organisation (Carroll, 1991; Wood & Gray, 1991), partnerships can be good or bad (Miller & Lewis, 1991; Savage *et al.*, 1991; Selin, 1999). Resistance should be anticipated since implementation may require changes in existing patterns of behaviour and the concession of power away from certain stakeholders (Weaver, 2000); for CoaST, as explained by the Managing Director, *'...there are also people who see the change and don't like the change or those who react badly to that change instead of looking outward and they go back in'*. Stakeholder mindsets need to be drawn into developmental plans to anticipate potential problems and opportunities and to take account of changes in stakeholder values situation by situation (Friedman & Miles, 2002).

### **5.5 Information quality and accessibility**

The confusion surrounding the use and misuse of the term sustainability is well established in the tourism literature (Cohen, 1995; Farrell & Twining-Ward, 2004; Mowforth & Munt, 1998; 2003; Nelson *et al.*, 1993; Sharpley, 2002) as is the potential pitfall of simplistic interpretations (Bramwell and Lane, 1993; Harris, Griffin & Williams, 2002; Hunter, 1997). This was echoed within the case study as illustrated by one employee; *'there's a lack of understanding and awareness of what sustainable tourism actually means within the county'*. One government official remarked that *'increasingly the challenge has been to kind of communicate the interrelationships'* whilst CoaST's Managing Director referred to the *'huge expectation'* resting on CoaST's expertise as *'the years have been changing so rapidly whether it's the climate change debate or...for us, a small team, that is quite a challenge'*.

CoaST demonstrated the benefits of on-line networking. Many informants expressed uncertainty about sustainability initiatives and the desire for reliable, comprehensible and easily accessible information. Referring to information received from the Green Tourism Business Scheme, one businessman commented,

*'The first thing we saw was this big pack.... we were like wow... we said 'not another one of those!' A business manager explained the usefulness of CoaST during that episode; 'you can just pick up the phone, get to speak to somebody...it's instant'. According to a business owner, CoaST's absence of 'red tape' for accessing expertise makes it 'very attractive'.*

Communication was found to be accountable for poor awareness and understanding. As encapsulated by an employee, *'communicating the message is number one, number two and number three'*. Even Ambassador Businesses sought to learn more about sustainability issues. One education provider observed, *'they [businesses] found it quite illuminating to find all this information supporting where they were pitching from'*. Consequently, it is important that stakeholders understand how decisions are made and what factors influence such decisions (Hudson & Miller, 2005). Theoretical debates concerning various concepts e.g. *Corporate Social Responsibility* are evidence of the diverse and controversial ideas that require useful, reliable and accessible information for stakeholders.

### ***5.6 Contextual circumstances***

There are many reasons why businesses devote resources to an activity (Friedman & Miles, 2006) and how they choose to approach its implementation. For sustainability, flexible implementation frameworks and adaptive designs have been proposed to accommodate the needs of different societies (e.g. Baker, 2006; Farrell & Twining-Ward, 2004; IUCN, 2006). Development must correspond with community aspirations and abilities which can be supported by resident participation (Simpson, 2001). So, there are different approaches to developmental initiatives that organisations can adopt. Informants described the complex economic, social, environmental and political context of Cornwall. According to one business woman, economically, *'without tourism, Cornwall would be in a sorry state'*, for the county relies heavily on this service industry. Moreover, in the words of a resident, *'...traditional industries like mining, fishing, agriculture are very much in decline or have declined altogether'*. Consequently, CoaST's strategy was facilitated by stakeholders' economic interests particularly among businesses who perceived the *'marketing advantage'*.

Socially, the impacts of tourism development were keenly felt. Tourism was blamed for *'a moving away of younger people because of the poor employment prospects'*. Moreover, *'if you're not involved in the tourism industry there is an argument that you're paying higher council tax to deal with other problems from the tourist industry'*. A native employee expressed that, *'Cornwall has changed beyond recognition during my lifetime... it does become a nightmare sometimes'*, while a businesswoman thought, *'the Cornish tend to be insular, they are cliquey, so consequently, they get a bit upset sometimes with 'emmits' as they call them'*. Therefore, stakeholders possess individual and collective circumstances that determine the way in which they become involved in developmental initiatives.

Environmentally, informants valued the natural environment of Cornwall. One education provider commented, *'we've got a fabulous product, we really have, I mean you couldn't ask for a better product you know in terms of everything'*. Yet concerning the understanding of environmental sustainability, a government representative explained that *'there is general acceptance, you know, tourism needs to take account of its environmental and social responsibilities but, you know, in some way its seen as a kind of separate thing to the core mainstream of running the business or the sector'*. The geographic location of Cornwall was brought into the explanation by a resident; *'we are a little triangle at the end of England and that has caused problems; there is no access, no neighbours but that is the uniqueness, very isolated but also closely knit...so people need to get over the stigma and have a good balance of the environmental, economic and social issues'*. Even though the impacts of tourism development were experienced, their relationships with sustainable practice were not well understood. This emphasises further the instrumental role of *'quality of leadership'* and *'information quality and accessibility'*.

Politically, government responsibility was questioned by informants; for example, *'I think that those in authority in Cornwall seem to think that the next ten years are going to be the same as the last ten years'*. Reliance on the political system, the need to make it more accountable, and the implication that top-down decisions did not represent community opinions was summarised by one tourism business woman, *'I know that Cornwall's got unitary authority now and I just hope it does better than the last because there's been so much damage at times to tourism'*. In similar vein, an education provider explained that *'there was a lot of*

*resonance from the actual businesses about not knowing about the stakeholders who were driving the agenda, they had a lot of sort of anger*'. The weave of economic, social, environmental, and political attributes into the contextual circumstances of developmental initiatives profoundly influence the responses of stakeholders.

### **5.7 Implementation priorities**

This seventh theme reflected the way in which stakeholders prioritised their interests. For instance, one businessman justified his support for sustaining tourism, *'there are negative effects but on balance they are probably outweighed by the financial benefits*'. Yet from a government representative's perspective, *'there are certain points like St. Ives and New Quay with pressure of too many visitors, equally there are other parts of the county like South East of Cornwall who do not get enough visitors, so it's trying to allow them the chance to develop their tourism industry...that's a real challenge*'.

According to Weaver (2000), individuals tend to prioritise their own agenda ahead of other peoples and to use the access to resources and power that this implies. One consultant reflecting on the problems associated with sustainability initiatives, mused that *'one of the big ones is using sustainable tourism for marketing ... I think a lot of operators are realizing that tourists are ready to pay a premium for tourism products that have a sustainability aspect to them*'. Yet, for an education provider, *'they [CoaST] don't re-invent wheels, they work in partnership rather than try to exploit or compete. That is why I liked them*'. Clearly, stakeholder interests and mindsets play a key role in setting priorities.

Since stakeholders affect the accomplishment of an organisation's initiatives (Clarkson, 1995; Freeman, 1984; Savage *et al.*, 1991), it is important give precedence to stakeholders within developmental plans. CoaST has attempted to influence behavioural change and to address stakeholders' concerns through stakeholder engagement via the network forum on the website, the Ambassadors, free information access and other local collaborative events. Freeman (1984) concludes that an organisation has two major strategic responses, namely that it can negotiate to reach mutually agreeable solutions by listening to the concerns of stakeholders or it can ignore stakeholders' concerns leading to stakeholder problems. Preparation of strategic responses entails a four stage process (Freeman, 1984; Savage *et al.*, 1991). Firstly, identification of key

organisational stakeholders; secondly, assessment of their potential interests or stakes in an issue; thirdly, formulation of strategies to enhance or change relationships with key stakeholders to improve the organisation's situation; and fourthly, effective implementation of strategies. Thus managers need to assess stakeholder potential for cooperation (Freeman, 1984; Savage *et al.*, 1991) as stakeholder engagement tends to be issue-specific (Friedman & Miles 2006).

## 6. The Leadership-Stakeholder Involvement Capacity (LSIC) Nexus

The evidence from this study suggests that stakeholder involvement in organisational plans (how stakeholders become active or inactive) is a complex process that is influenced by a diverse range of interlinked factors. Some factors are internal and personal to stakeholders and others are externally driven. Two forces have a significant role in the stakeholder involvement process, namely the type of leadership (leadership quality) and the capability of stakeholders to become involved (stakeholder involvement capacity). These two forces constitute the main part of the 'Leadership-Stakeholder Involvement Capacity' (LSIC) nexus that runs through the stakeholder involvement process (Figure 2).

### Fig. 2 here

The LSIC nexus is a simplified representation of the relationship between leaders and the stakeholders that they attempt to involve in developmental initiatives. At the centre of the nexus are both parties' concerns, as stakeholders (stakeholder concerns). In this study, this relationship was appreciated as

*...it [CoaST] can be all sorts of things to different people without being prescriptive or directive...That is what CoaST does well, make people feel comfortable' (Male Tourism Business Owner),*

and from an organisational perspective, as

*We are very good at identifying how we can approach them and ...adopting the communication style to try to hook them into the bigger picture...good at making the connection (Female Information Officer)*

The two way relationship was recognised by both parties, as exemplified by a CoaST employee:

*...that enthusiasm, and can do, and ability to hand-hold, and take these businesses under your wing is a strength and we get huge strength back from our businesses as well; it's a two way process (Female Business Advisor)*

The LSIC nexus highlights the role of leaders, their relationship with, and responsibility towards, the stakeholders that they need for the effective implementation of their plans. The LSIC nexus also encourages appropriate stakeholder engagement which addresses stakeholder concerns and supports both effective stakeholder involvement and the achievement of business objectives. Essentially, the *quality* of stakeholder involvement in developmental initiatives depends on the approach favoured at the planning stage and the strategy adopted to implement it. These will determine both how meaningful the process will be to stakeholders and how effectively it will contribute to the achievement of business objectives. Although the concept of leadership is widely recognised in the management and business literature, in this study it is underscored in the context of stakeholder involvement in developmental initiatives.

Stakeholder involvement capacity calls for financial and non-financial support whilst stakeholder relationships are central to collaboration. Moreover, stakeholder mindsets disclosed the individuality of stakeholders, their personal experiences, motivations and preferences. However, information quality and accessibility enhanced stakeholder awareness and understanding of sustainability particularly through the CoaST website, online-forums and other network activities. Furthermore, the political, economic, social, environmental and geographical context of Cornwall was a catalyst for stakeholder involvement. Conversely, implementation priorities varied and were not always harmonious with CoaST's objectives.

Dealing with stakeholder concerns is fundamental to stakeholder involvement not least because developmental initiatives are usually complex. The type of leadership determines the approach to

stakeholder management which in turn affects stakeholder involvement capacity. The evidence from the study suggested that CoaST possessed leadership qualities of trustworthiness, flexibility, accessibility, effective communication, problem-solving and resilience inspired stakeholders.

The LSIC nexus is dependent on stakeholder relationships and mindsets and vice versa. With reference to sustainable practices, one government informant observed:

*'... it's very difficult to get people to change... to try a new way of doing things because it is sort of a cultural shift for most people.'*

Information quality and accessibility, contextual circumstances, and implementation priorities are additional key factors that further influence stakeholder involvement in initiatives (see Figure 2). As demonstrated by one employee:

*...people aren't still making the connection between simple measures they can do themselves to help and the wider issues involved...*

Good stakeholder relationships and positive mindsets are essential for addressing stakeholder concerns. The opposite is detrimental to stakeholder involvement and collaboration as it negatively affects the nexus. Freeman *et al.* (2010:9) state that the value created for every stakeholder is judged by "how each is affected by the actions of others as well as managers". Therefore the value created by an organisation is the total of the value created in each of its stakeholder relationships (Bosse *et al.*, 2009). In this study, it was established that CoaST was taking a 'relational approach' to stakeholder management that was perceived to be powerful.

CoaST developed personal relationships with various stakeholders through its Ambassador programme by creating conditions that empowered a range of individuals to be leaders in their own rights. Consequently, as one consultant noted, Ambassadors '*can be called upon to take action, they offer resources and consultations*'. This strategy raised the quality and accessibility of information while taking into account contextual circumstances and implementation priorities. However, the outcome of the strategy relies heavily on the Ambassadors who are still a responsibility of CoaST.

Empowered individuals present both opportunities (to support) and threats (to challenge) business objectives which is a situation that has to be managed in order to avoid undue influence from the latter. Even children were cited as potential leaders in this case study in comparison to adults. CoaST's business advisor suggested that *'they [children] are far more aware than parents, and teenagers are much more switched on because they are caught at the right stage'*. Therefore, inspirational leadership can create new influential leaders. Given the scope of developmental initiatives such as sustainability, many leaders are essential to raise awareness and support implementation that involves multiple stakeholders.

Savage *et al.* (1991) argue that the willingness of a stakeholder to cooperate with an organisation can be assessed by considering the quality and durability of the stakeholder-organisation relationship. In this study, the interaction between the forces of the LSIC nexus developed 'stakeholder situations' that consisted of two dimensions: (1.) stakeholders' perceived value of sustainability initiatives (anticipated benefits / associated worth) and (2.) stakeholders' interest in CoaST's plans. Stakeholder situations formed the basis of the stakeholder-organisation relationship. The stakeholder-organisation relationship then determined the potential for stakeholder cooperation with CoaST. In cases where stakeholders' perceived value of sustainability initiatives was high and they were also interested in the organisation's plans, they were more likely to cooperate with CoaST and become involved in its activities. This was the case for CoaST's Ambassador Businesses, the Board of Directors, Employees, Education providers and some other network members who committed to the organisation's initiatives. Conversely, in cases where stakeholders' perceived value of sustainability was low and their interest in CoaST's plans was also low, they were unlikely to cooperate or become involved in activities. Hence, from a stakeholder perspective, *'stakeholder situations'* affected stakeholder-organisation relationships and determined the potential for stakeholder involvement in CoaST's activities. However, stakeholders were hugely influenced by the type of leadership that CoaST offered through the Managing Director, the CoaST team, the Ambassadors, the Board of Directors and the membership. This leadership and stakeholders' involvement capacity are the lynchpin of the LSIC nexus that transverses stakeholder involvement in organisational activities.

## **7. Conclusion**

Through case study research, this paper has proposed a set of interrelated dimensions that influence the involvement of stakeholders in organisational plans and developmental initiatives in the form of the LSIC nexus. These factors are evident throughout the stakeholder involvement process and appear to depend mainly on the quality of leadership driving the initiative and the involvement capacity of the people that are necessary for the effectiveness of the initiative. Leadership quality and stakeholder involvement capacity underpin the extent to which challenges can be resolved (stakeholder concerns). Nevertheless, for effective stakeholder involvement in business initiatives, stakeholder relationships, stakeholder mindsets, information quality and accessibility, contextual circumstances and implementation priorities require continuous monitoring. The LSIC nexus sheds light on our understanding of the complex issues that underpin the lack of, or ineffective, stakeholder participation in developmental initiatives. As a framework, it offers a logical approach to tackling some of the deterrents of stakeholder involvement in organisational activities.

### ***7.1 Practical implications***

The findings indicate that executives play a crucial role in business processes concerning stakeholders within business settings. The LSIC nexus highlights the significant relationship between leadership qualities and stakeholder involvement capacity and the key areas to consider in the promotion of business initiatives including stakeholder relationships, stakeholder mind-sets, information quality and accessibility, contextual circumstances and implementation priorities. It can be used to predict not only the potential for stakeholder cooperation in business initiatives but also the effectiveness of overall business plans. Practitioners and academics can use the LSIC nexus as a practical tool for the execution and study of multiple stakeholder involvement processes.

### ***7.2 Limitations and future research directions***

This case study was selected for its likelihood to offer theoretical insight about the relationship between the implementation of organisational initiatives and stakeholder involvement. It explains key aspects of the phenomenon in the organisation investigated. Although a commendable example, the force of which should not be underestimated (Flyvbjerg, 2006), the findings are not generalisable statistically but rather analytically. Albeit developed from an analysis of over fifty real life accounts of lived experiences, these

informants were limited to the eight primary stakeholder groups identified for CoaST in Cornwall, the pattern of which may not replicate to other contexts where alternative stakeholder groups may be applicable. Despite the arguments for prioritisation, the inclusion of secondary stakeholder groups in the case study may have detected tweaks in identified concerns or comprehensiveness of issues. Similarly, the interviews may not reflect participants' experiences elsewhere accurately. Furthermore, the context of sustainability itself may influence the experience of participants.

It would be interesting to note in future research if the LSIC nexus differs for alternative organisational initiatives, for example supply chain management. Research opportunities include how stakeholders interact, how they influence long-term organisational plans, and what motivates them in varied contexts. It is also clear that the lack of appreciation of stakeholder perspectives limits the ability of executives to understand and act on the key issues that concern stakeholders. Consequently, research involving stakeholder accounts in different cultures (other than the United Kingdom) and contexts (other than sustainability) is needed. Additional case studies or multiple-case designs of other organisations involved in developmental or long-term plans with the stakeholder imperative in mind should be conducted to add to the body of knowledge. Similar case studies would aid the confirmation or challenge the robustness and generalisability of the LSIC nexus proposed in this paper. Nonetheless, the LSIC nexus offers a sound contribution towards a better understanding of the relationship between those in leadership or management positions and their stakeholders at both the theoretical and practical level.

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