HOW TO BEST IDENTIFY INFLUENTIAL STAKEHOLDERS: DEVELOPING A CASE STUDY OF BUSAN AS A MICE DESTINATION

Gumju Woo
School of Hotel and Tourism Management
The Hong Kong Polytechnic University

And

Adele Ladkin
School of Hotel and Tourism Management
The Hong Kong Polytechnic University

ABSTRACT

Stakeholder management is a key determinant to the success of Convention and Visitors Bureaus (CVBs) (Bornhorst, Ritchie and Sheehan, 2010; Ford and Peeper, 2008; Sheehan and Ritchie, 2005). In developing an effective stakeholder management strategy, a primary question a CVB executive should ask is: “Which stakeholders should we pay more attention to?” This critical question has generated a spectrum of stakeholder identification and classification measures in business studies (Laplume, Sonpar and Reginald, 2008). Traditionally, stakeholders have been classified based on individual stakeholder attributes and dyadic relationships (e.g. Frooman, 1999; Mitchell, Agle and Wood, 1997). Network theorists (e.g. Rowly, 1997) have recently inspired researchers and practitioners to shift their focus to entire network structures. Some scholars (e.g. Pajunen, 2006) believe that convergent exercises of different theoretical approaches are better than a single explanation paradigm. Increasingly diversified and fragmented stakeholder identification measures have, however, added more confusion to people. To address the gap, this paper is designed to answer a fundamental question: “Which stakeholder classification measure is the most useful?” In search of the most appropriate method of identifying influential stakeholders for CVBs, multiple regression analysis is used to examine which independent variables (e.g. individual stakeholder knowledge gained through experience, stakeholder’s relative dependence and interest on CVB’s information and activities, and stakeholder’s central positions within the information exchange network) can explain the perceived influence of stakeholders. This study contributes to the theoretical advancement of stakeholder theory as well as the methodological improvement to better identify influential stakeholders for CVBs.

Keywords: Stakeholder management, CVB, individual stakeholder attributes, CVB-stakeholder
**INTRODUCTION**

Stakeholder management is a key determinant for the success of Convention and Visitors Bureaus (CVBs). Bornhorst et al.’s (2010) empirical study supports that over 60 percents of key destination stakeholder groups believe that internal stakeholder interaction, especially supply relations, is the main driver for the success of CVBs. It is also echoed in Sheehan and Ritchie’s (2005) survey result of 389 CVB members of the Destination Marketing Association International (DMAI) agreeing on the importance of stakeholder management. A similar point is addressed in Ford and Peeper’s (2008) study that successful CVB executives care deeply about who their stakeholders are and recognize the importance of communicating and managing them.

In practice, managing stakeholders is challenging (Gretzel, Fesenmaier, Formica and O’Leary, 2006). CVBs often deal with multiple stakeholders with multiple interests due to complex and fragmented nature of the meetings, incentives, conferences and exhibitions (MICE) industry. As Ladkin (2006) explained, the MICE industry is comprised of a diversity of elements such as hotels, convention centers, transport operators, attractions, caterers, conference planners, entertainers and so forth. The whole flow and mix of local products and services governs the MICE industry. The fragmentation of stakeholders and the complex web of their relationships necessitate CVBs to carefully select whom they pay more attention to.

In the academic world, many of the answers to the ‘who’ question have taken the form of lists of stakeholders and categorization schemes of stakeholders (Laplume et al., 2008). As stakeholder theory becomes increasingly fragmented over almost three decades and no agreement is yet reached as to an appropriate approach, it often causes confusion amongst researchers and managers. Many stakeholder theorists (e.g. Donaldson, 1999; Friedmand and Miles, 2002; Jones and Wicks, 1999) also show their concern on the diffusion of the stakeholder theory. To address this gap, this paper is designed to answer the ‘how to’ question: how to best identify influential stakeholders for CVBs? In search of an answer, this paper examines the existing stakeholder identification and classification measures in four different dimensions: individual stakeholder, dyadic relationship, network structure and the combined perspective. Based the different approaches evident from the previous researches, a number of hypotheses are proposed and a relevant methodology is planned for a future empirical study.

**HOW TO IDENTIFY INFLUENTIAL STAKEHOLDER?**

Stakeholder theory has become the mainstream of management literature across different disciplines after Freeman’s (1984) legendary work on Strategic Management: A Stakeholder Approach. As noticed from the title, the primary purpose of stakeholder theory is to assist managers to identify stakeholders and strategically manage them. Especially, the strategic focus of stakeholder management lies on those influential stakeholders. Freeman (1984:46) defines stakeholders as “any group or individual who can affect or is affected by the achievement of the organization’s objectives”. He further suggests that the segmentation techniques of marketing are useful analytical tool. However, his broad and ambiguous definition of stakeholders and
simplified classifications into direct and indirect stakeholders lack practical significance in identifying and classifying influential stakeholders. A number of alternative approaches have been proposed focusing different aspects of stakeholders. These approaches are analyzed from four angles and four hypotheses are accordingly developed to evaluate their explanatory abilities on “who are influential stakeholders”.

1) From The Individual Stakeholder Perspective

Stakeholder influence is often evaluated by individual stakeholder attributes. One of the popular approaches in this level is probably that of Mitchell et al. (1997). They answer the fundamental question on “who and what really counts?” based on three stakeholder attributes, namely power (i.e. whether they possess valued resources), legitimacy (i.e. whether they are socially accepted and expected) and urgency (i.e. whether they have time-sensitive or critical claims). They argue that stakeholders’ salience will be positively related to the cumulative number of these attributes. Many subsequent studies (e.g. Agle, Mitchell and Sonnenfeld, 1999; Eesley and Lenox, 2006; Lnox and Gruar, 2007; Parent and Deephouse, 2007; Winn, 2001) have adopted Mitchell et al.’s proposed attributes. It is, however, challenging to measure Mitchell et al.’s stakeholder attributes. Friedman and Miles (2002) discovered that most contributors use different definitions of legitimacy. Similarly, urgency can be associated with perceived importance of taking action, perceived visibility of the problem, and time pressure (Dutton and Duncan, 1987). Power is also a problematic and contested concept and social scientists have struggled over time to make sense of it (Marzano and Scott, 2009).

Amongst individual stakeholder attributes of Mitchell et al.’s, power seems to be more commonly accepted as an important determinant. Frooman (1999) viewed that legitimate and urgency may not matter nearly as much as power and his argument was empirically supported by Parent and Deephouse’s (2007) study. To make a better sense of power, recent tourism studies have addressed on different facets of power in the context of a destination. For example, Marzano and Scott (2009) discussed on Wrong’s (1979) four dimensions of power, namely force, manipulation, persuasion, and authority, and discovered that power is exerted in the destination branding process in the form of persuasion and authority. Beritelli and Laesser (2011) focused on four dimensions of authority power as determinants of influence, including hierarchical position, knowledge, power over process, and assets. Their result reveals that influence is driven by power dimensions, mostly by knowledge. Cooper (2006) emphasized on the importance of knowledge for destination innovation. He associates knowledge with skills and experience. More specifically, it is “understanding gained through experience or study” (Awad and Ghaziri, 2004:33). From this standpoint, individual stakeholder knowledge gained through experience seems to be an important power dimension which can determine who are influential stakeholders to a CVB.

Hypothesis 1: If a stakeholder has more knowledge through a longer experience, they are perceived as more influential.

2) From The Dyadic Relational Perspective

Some stakeholder analysts have focused on relationship characteristics to categorize the types of influences that stakeholders exert on an organization. For example, Savage, Nix, Whitehead and Blair (1991) classified stakeholders into four types, namely ‘supportive’,
‘marginal’, ‘non-supportive’, and ‘mixed blessing’, based on their potential for threat and cooperation towards the organization. Frooman (1999) divided types of influences into ‘firm power’, ‘high interdependence’, ‘low interdependence’, and ‘stakeholder power’ based on their resource dependent relationships. Friedman and Miles’s (2002) typology was also developed based on two relational attributes of compatibility (i.e. whether relationships are compatible or incompatible in terms of sets of ideas and material interests and whether they help or hinder each other) and connections (i.e. whether relationships are necessary or contingent in terms of contractual forms.

In the field of the MICE industry, Sheehan and Ritchie (2005) used Savage et al.’s (1991) approach and discovered that most CVB executives select collaboration or involvement strategies for managing relationships with their stakeholders rather than monitoring and defensive strategies. Wang and Krakover (2007) defined stakeholder relationships into affiliation, coordination, collaboration and strategic network. Ford, Peeper and Gresock (2009) regarded direct/high or indirect/low resource dependent relationships and supportive, neutral or conflicting mission congruence as important attributes in identifying relationships, such as friends, foes, or neutrals for CVBs. The resource dependent relationships allowed them to categorize stakeholders that help or hinder a CVB in its ability to secure needed resources to achieve its mission. These studies stress on stakeholder’s relative power and interest laid on a dyadic relationship with an organization. As stakeholder management inevitably involves relationship management, one can perhaps have better insights on the level of influence from the relational perspective.

Hypothesis 2: If a stakeholder is more reliant on CVB’s knowledge and activities, they are perceived as less influential.

3) From The Stakeholder Network Perspective

From the stakeholder network perspective, there are several limitations with the approaches based on a dyadic relationship. First, it is observed that stakeholder analysts tend to put more weight on strong relationships when identifying influential stakeholders. Stakeholders should have a direct contract-based linkage, a deep commitment, and an active pursuit, interest, actions, and values with an organization (Dunham, Freeman and Liedtka, 2006) to be influential. This might hinder managers to neglect weaker relationships that have potential threats or opportunities to an organization. This issue was addressed by Granovetter’s (1973) famous paper on “the strength of weak ties”. Moreover, there is a tendency to romanticize stakeholder interactions which are often described as unity and collaboration (Hall, 2003). Conflicts are also commonplace in the real world and generate a great deal of influence to an organization. Another limitation stems from concentrating a single relationship that aggregates the observed relationships into unique patterns of influences. In reality, organization faces a heterogeneous set of stakeholders and their connections show various forms ranging from formal to informal relationships (Wang and Krakover, 2008).

Many recent business studies (e.g Andriof, Waddock and Rahman, 2002a, 2002b; Mahon, Heugens and Lamertz, 2004) have been inspired by Rowley’s (1999) network-based view of which an organization usually does not react to each and every stakeholder individually, but to the interaction of multiple influences from the entire stakeholder network. Rowley’s stakeholder
network theory challenges the dominant paradigm on direct stakeholders as influential and emphasizes on the collective power of indirect stakeholder groups. Recently, a growing number of tourism studies have also started appreciating a network-based stakeholder approach. For example, Pför (2006) analyzed key stakeholders in the destination policy making process for the Northern Territory in Australia based on the network theory. Scott, Baggio and Cooper (2008) highlighted the usefulness of qualitative and quantitative network analyses through numerous tourism case studies. Timur and Getz (2008) examined inter-relationships of stakeholders and their potential influence on sustainable destination development from the network perspective.

According to Freeman (1979), one of the most popular measurements is centrality which can be operationalized by ‘degree’, ‘betweenness’, and ‘closeness’ measures. ‘Degree’ centrality indicates how many channels of resources a stakeholder possesses. It measures a stakeholder’s involvement in a network by computing how many connections a stakeholder has with others. ‘Betweenness’ centrality measures the frequency with which a stakeholder falls on the paths between pairs of other stakeholders. ‘Betweenness’ centrality identifies who plays as intermediary and control information and resource flow across a network. ‘Closeness’ centrality defines a stakeholder’s ability to access independently all other members of the network. It is calculated by measuring the extent to which an actor can most easily reach others the shortest number of jumps across the network (Proven, Fish and Sydow, 2007). It can, therefore, identify a stakeholder who is central in the network and interact quickly with others. Based on Wasserman and Faust’s (1994) explanation, stakeholders occupying central locations with respect to ‘closeness’ can be very productive in communicating information and exchanging resources quickly and efficiently to others.

Centrality refers to a stakeholder’s power obtained through the structure, as opposed to power gained through individual attributes or dyadic relational attributes (Rowley, 1997). Some tourism scholars (e.g. Pavlovich, 2003; Scott and Cooper, 2007; Wilkinson, Mattsson and Easton, 2000) support the level of stakeholder influence is highly related to their central positions within the network. Many stakeholder management studies (e.g. Pajunen, 2006; Rowley, 1997; Scott et al., 2008) seem to believe ‘betweenness’ centrality as the most appropriate measure to identify influential stakeholders. However, some disagreements have been found in other studies. For example, Gulati (1999) supports ‘closeness’ centrality, whereas Timur and Getz (2008) reveal insightful findings by using ‘degree’ centrality. As mentioned earlier, each of centrality measure explains a different structural power of a stakeholder. It is, therefore, interesting to evaluate ‘betweenness’ centrality as an optimal measure in the stakeholder identification in relation to their level of influence for a CVB.

Hypothesis 3: If a stakeholder is better positioned as an intermediary in the network, they are perceived as more influential.

4) From The Combined Perspective

There are some combined approaches of individual stakeholder attributes, relational attributes and network attributes to identify influential stakeholders. Agreeing on power as an important variable, Pajunen (2006) believes that power can be best drawn by the combined approaches based on two mainstream theories including resource dependency theory and network
theory. Basically, his proposed 3X3 matrix categorized stakeholders into nine different classes with a varying degree of influential power based on both individual stakeholder attributes and stakeholder network structural attributes. Timur and Getz (2008) took account of both individual stakeholder characteristics based on Mitchell et al.’s (1997) power and legitimacy and network structural characteristics to identify the salient destination stakeholders. Basically, these studies appreciate that heterogeneity of stakeholders may not be explained solely by one single aspect.

Cook and Whitmeyer (1977:77) are concerned that “some network analysts have downplayed any consideration of the individual actor, and some exchange theorists have under-theorized social structure”. Similarly, Jones and Wicks (1999) and Laplume et al. (2008) suggested that integration exercises are important to better understand stakeholders and develop the stakeholder theory. In line with this logic, a predicting ability of the combinational attributes can be expected to be superior in comparison to a single variable as it simultaneously reflects the multiple dimensions of power of stakeholders that drive the level of influent to a CVB.

**Hypothesis 4:** If a stakeholder is more experience, less dependent and better positioned in the network, they are perceived as more influential.

**METHODOLOGY**

This study is planning to take a case study approach in the context of Busan as a MICE destination to identify Busan CVB’s influential stakeholders for their recent development of the ‘MICE alliance’. According to the report issued by the Ministry of Culture and Tourism of Republic of Korea (2007), stakeholders of the MICE industry in Korea such as Korea CVB, regional CVBs, convention centers, PCOs, hotels, exhibitors, convention organizers, and academics, highly perceived an urgent need of establishing an integrated system for MICE business. In order to overcome this problem, Busan CVB has recently formed the ‘MICE Alliance’ with over 100 local MICE related stakeholders to develop an integrated destination marketing system. To be more effective and successful in the initial stage of the project, it is crucial to identify influential stakeholders for Busan CVB. More than 100 local stakeholders mainly from MICE related service companies, education facilities, accommodation, PCOs/PEOs, advertisement companies, travel agencies, associations, transportation, media, local government, and other public bodies were invited to the integrated destination marketing project. They are encouraged to participate in overseas destination advertisement programs, MICE related conferences, developing MICE packages and incentives, and other joint destination marketing activities.

Primary data collection will be carried out by means of interview and questionnaire. A structured interview will be conducted with Busan CVB executive to identify (a) a list of stakeholders; (b) a list of information they provide to stakeholders; (c) a list of joint destination marketing activities; (d) the degree of perceived influence of each stakeholder; and (e) the degree of dependence and interest of each stakeholder’s information and activities. As shown in the Table 1, the questionnaire is designed for local stakeholders. It is composed of four main sections to collect general information and measure three different dimensions of stakeholders: (a) the degree
of individual stakeholder knowledge through a length of experience at the organizational and individual level; (b) stakeholder’s relative dependence and interest to CVB’s information and activities; and (c) stakeholder’s connections with others in terms of information exchange. A list of information and activities provided by Busan CVB will be included in the questionnaire for respondents to indicate the degree of their dependence and interest on each item. A standardized stakeholder list will be also presented in the questionnaire and respondents will be asked to check off those with which they exchange information regarding to destination marketing.

### [Table 1] Questionnaire Design

<table>
<thead>
<tr>
<th>Categories</th>
<th>Details</th>
<th>Measurement</th>
<th>Items</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual</td>
<td>Year of founding</td>
<td>Ratio</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td>Stakeholder</td>
<td>Industrial working duration</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dyadic</td>
<td>Degree of dependence</td>
<td>Interval</td>
<td>2</td>
<td>Ruekert &amp; Walker, 1987</td>
</tr>
<tr>
<td>Relationship</td>
<td>Degree of interest</td>
<td>(5-point scale)</td>
<td>1</td>
<td>Wasserman &amp; Faust, 1994</td>
</tr>
<tr>
<td>Network</td>
<td>Name of partners</td>
<td>Nominal</td>
<td>1</td>
<td></td>
</tr>
</tbody>
</table>

The complete network analysis with a pre-determined list of the network members is known as the most suitable format to compute centralities (Wal and Boschma, 2009). As a high response rate is crucial for the complete network analysis, an on-site survey after their annual meeting will be conducted to collect data as the first step. To increase the response rate, the questionnaire kits will be mailed to non-respondents. Adopting the Dillman’s (1978) ‘total design method’, two weeks after the questionnaires are mailed, a reminder postcard will be sent, followed by a re-mailing of the entire package to those stakeholders that do not respond within three weeks. Additionally, a phone call will be made to ask for his/her cooperation for the survey.

Two main analysis tools can be used for the purpose of the study. First of all, the social network analysis program ‘UCINET v 6.211’ by Analytic Technologies can be used to compute three central positions of stakeholders, namely ‘degree’ centrality, ‘betweenness’ centrality and ‘closeness’ centrality. Next, the Statistical Package for Social Sciences (SPSS) v. 17.0 can be used for descriptive statistics and Multiple Regression to test the hypotheses between the independent variables (i.e. the length of individual stakeholder’s experience at the organizational and individual level, the degree of relational independence and interest of Busan CVB’s information and activities, and the three central positions of stakeholder in the information exchange network) and a dependent variable (i.e. the degree of perceived influence of each stakeholder by Busan CVB).

### CONCLUSION

Each stakeholder of the MICE industry shares its competitive or cooperative spirit with the regional CVB to form a destination team (Morrison, Bruen and Anderson, 1998). To create a more effective team, it is important to understand stakeholders, especially those influential ones. From the theoretical perspective, almost 20 percent of the mainstream management journal articles of stakeholder theory have attempted to answer the ‘who’ question, according to the content analysis conducted by Laplume et al. (2008). Some prefer narrower frames that only reflect individual stakeholder attributes, while others prefer broader views that encompass the characteristics of a whole stakeholder network. This paper focuses on the power dimensions, especially knowledge, and summarizes numerous approaches into four main aspects, namely
individual stakeholder level, dyadic relationship level, stakeholder network level and the combination level. Different approaches will be analyzed to derive an optimal stakeholder identification strategy for Busan CVB. This result will not only reduce the confusion increased by the diffusion of the stakeholder theory, but also provide a methodological suggestion on how to best identify influential stakeholders for a CVB. The limitation of the study, however, stems from not fully considering all types of stakeholders, such as consumers and employees. In addition to that, a case study can only tell a small part of the whole story. Further research should be designed to cover a wider scope of stakeholders in different circumstances.

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