Research Paper

Logics and interlocking directorships in a multi-stakeholder system

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ABSTRACT

This paper analyzes the salient stakeholders of a destination by investigating the logics of actors affiliated to more than one stakeholder group. It is hypothesized that: (1) the logics of individuals who belong to two stakeholder groups are not simply located between the logics of the other individuals who belong to only one stakeholder group, and (2) an individual in an interlocking position has a different attitude but not a distinct logic in comparison with stakeholders belonging to only one group. The paper investigates these topics in tourism destination communities, i.e. multi-stakeholder systems where both resources and activities are divided among numerous actors. In many cases, the logics of individuals in interlocking groups cannot be simply described as a 'mixed' logic. A descriptive approach does not reveal any distinct logic, but some nuances suggest that interlocking stakeholders' attitudes differ from those of members of just one group. It is concluded that actors in overlapping positions have different attitudes because of their *position* (they understand and successfully interpret the identity of the different groups they represent), their *salience* (they feel obliged to have a clear opinion) and their *structural function* (they ensure constant adaptation to different issues and challenges by proposing solutions and innovations to their peers in their respective stakeholder groups). The research reveals the logics of key players, thus providing valuable contribution in terms of marketing, management and governance. The paper suggests a different perspective from the traditional stakeholder approach and new directions for the analysis of stakeholders' logics in community destinations.

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1. Introduction

The traditional stakeholder research perspective emphasizes the importance of identifying various stakeholder groups that are ideally united by a particular set of interests and form a virtually homogeneous group (Freeman, 1984; Friedman & Miles, 2006). Our study explicitly challenges this assumption and suggests that individuals may have a certain degree of independence and unrelatedness, if only due to their multiple stakeholder group affiliation. In fact, it can be argued that salient individuals in business and politics sometimes appear to think and act irrationally, particularly when facing conflicting interests between the multiple peer groups to which they belong. This challenge is analyzed both within the fields of corporate governance (Fama & Jensen, 1983) and of interlocking directorships (Davis, 1996; Kaczmarek, Kimino, & Pye, 2014; O'Sullivan, 2009) in relation to big corporations, single businesses and social enterprises (Mason, Kirkbride, &

BrydeMason, 2007). There is a great deal of research on boards of directors, investigating their composition, their roles and the power they exercise within businesses and in the management of relationships between stakeholders and shareholders. Their influence on decision making (Stevenson & Radin, 2015), on firm performance and on competitiveness (Ben Barka & Dardour, 2015; Carney, Gedajlovic, & Sur, 2011; Galbreath, 2006; Hermalin & Weisbach, 2003) has also been examined. It is not yet known, however, whether these findings are also applicable to other contexts, such as communities.

This paper analyzes the different logics created by interlocking directorships in tourist destination communities where both resources and activities are divided between numerous actors, both public and private, all with different roles, capabilities, competences and levels of authority. Logics are defined by Horn (1983) as 'the underlying assumptions, deeply held, often unexamined, which form a framework within which reasoning takes place' (cited in Suddaby & Greenwood, 2005, p. 37). The extension of this concept to institutions, i.e. *institutional logics* (Friedland & Alford, 1991), allows conflicting logics to take place between the individual and organizational level.

Within tourism studies, the concept of logics is not widely used

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(e.g. see Elbe & Emmoth, 2014), but it can be considered to be very challenging for its managerial implications, especially with reference to community destinations in which several stakeholders are involved and collaboration is very difficult (Beritelli, 2011a; Fyall, Garrod, & Wang, 2012). These multi-stakeholder systems are characterized (Beeton, 2006; Bieger, 1996; Franch, 2010; Hall & Richards, 2003; Kaspar, 1995; Murphy & Murphy, 2004; Zehrer & Hallmann, 2015) by the following features:

- Tourism development affects both the businesses and organizations involved in the tourism service network and the local community.
- Most enterprises are small, local and family-run.
- Public assets, including environmental and landscape resources, are publicly controlled, and local government can take appropriate legislative decisions to support tourism and local enterprises. It also participates in bodies and organizations engaged in the development of the territory.
- Destination management organizations (DMOs) play a key role in destination planning and development. Coordination is particularly important since DMOs manage resources that they do not own. They have to engage in a sort of meta-management of the whole community, yet have no authority over any of the actors operating in the area.

This last point is one of the main challenges for the management and governance of community destinations: a DMO is supposed to fulfill a role similar to that of a board of directors in a business, but the context in which it operates is quite different (for a review of the roles and functions of DMOs see Beritelli, Buffa, & Martini, 2015; Pearce, 2015). It cannot influence stakeholder decision-making with the same tools, or to the same extent, as can a company's board of directors.

To sum up, this paper looks at community destinations as complex systems with multiple stakeholder groups and analyzes the responses of key actors to a given set of substantive logics. Extant research in tourist destination community planning implies a clear categorization of actors into distinct, virtually exclusive stakeholder groups (Bornhorst, Ritchie, & Sheehan, 2010; Pforr, 2006; Stokes, 2008). This categorization allows the researcher to compare these groups and to analyze their bargaining positions, interests and actions. Several actors may be affiliated to multiple stakeholder groups. A community in a tourist destination resembles a pluralist organizational setting (Kraatz & Block, 2008). Such environments present us with the frequently studied problem of analyzing multiple institutional logics (Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011). In this study two new perspectives are proposed:

1. Stakeholder interests are analyzed not by looking at one group of individuals, but at the aggregate of several individuals' interests and opinions. Therefore the logics within any one stakeholder group will not necessarily be homogeneous.
2. Overlapping stakeholder groups are believed to create a mix, or possibly an intermediate form, of perceptions, beliefs, opinions and, consequently, logics. We challenge this assumption by hypothesizing that interlocking directors may have a different logic, clearly distinct from those embraced by the actors who only belong to one stakeholder group.

Although this research is exploratory, the paper extends that 'theory and research which looks for organizational and managerial solutions to this basic dilemma of governance [i.e. in a pluralistic organizational setting]' (Kraatz & Block, 2008, p. 262).

2. Literature review

The following review addresses the three topics mentioned in the introduction: (1) the relevance of stakeholder theory and salient actors to community destinations, (2) the coexistence of institutional logics in a pluralistic setting, and (3) interlocking directorships. While the first explains the inter-organizational framework of tourist destinations and the role of salient actors, the second presents the reasons and conditions for coexisting multiple logics and the dynamics involved. The concept of interlocking directorships explains why and how actors are affiliated to multiple stakeholder groups, thus causing institutional logics to overlap.

2.1. Stakeholder groups and salient actors in tourist destinations

The frameworks suggested by stakeholder theory (Donaldson & Preston, 1995; Freeman, 1984; Freeman, Harrison, Wicks, Parmar, & De Colle, 2010; Friedman & Miles, 2006) are useful when studying issues in community-type destinations. Research on stakeholder definition and salience (Laplume, Sonpar, & Litz, 2008) provides a key to identifying, describing and classifying the stakeholders within a destination and to analyzing the factors that influence their relationships and decision-making processes. Many different approaches have been developed to the discussion of stakeholders (Friedman & Miles, 2006); of relevance to our study are those which classify categories or groups in order to highlight their varied roles and/or interests. Particularly useful are the contributions about primary and secondary stakeholders (Clarkson, 1995) and the classification of stakeholder salience (Mitchell, Agle, & Wood, 1997). In tourism *primary stakeholders* may be individuals or groups who ensure the existence of the destination in accordance with their roles and interests: the CEO of a ski-area company or the owner of the largest holiday resort in the region, for example. *Secondary stakeholders* are also important players, but they are not vital: a mayor who does not have other roles and responsibilities within the tourist industry, and who mainly considers the interests of other interest groups when making decisions, or the owner of a restaurant who is also president of the local catering association, may be considered a secondary stakeholder. *Stakeholder salience* (Mitchell et al., 1997) stresses the importance of a stakeholder according to their *power* as compared to that of other actors, the *legitimacy* they are accorded, and the *urgency* they command, i.e. their capacity to gain the attention of others. 'Highly salient stakeholders' include stakeholders who possess all three of the above attributes, and who are key players in the management and governance of tourism activities in community-type destinations.

Stakeholder theory has been widely applied in tourism research (for a review see Bornhorst, et al., 2010; Waligo, Clarke, & Hawkins, 2013). However, identifying stakeholders is a challenging task because stakeholder groups differ from destination to destination and their composition constantly changes (Timur & Getz, 2008; Elbe & Emmoth, 2014). For the purposes of this research, some contributions are especially relevant, i.e. those which underline: (1) the roles and characteristics of actors (Byrd, 2007; Currie, Seaton, & Wesley, 2009; Nilsson, 2007; Sheehan & Ritchie, 2005), (2) the relationship dynamics and strategic choices of the actors (D'Angella & Go, 2009; Robson & Robson, 1996; Sheehan, Ritchie, & Hudson, 2007; Timur & Getz, 2008), (3) the impact of tourism strategies and managerial choices on stakeholder groups (Byrd, Bosley, & Dronberger, 2009; Gu & Ryan, 2008; Simpson, 2008), and (4) stakeholders' views and perceptions (Franch, Martini, & Buffa, 2010; Tkaczynski, Rundle-Thiele, & Beaumont, 2010; Zehrer & Hallmann, 2015).

The above-mentioned literature argues that the key players are the main public and private actors involved in the local tourist