1 Introduction to Stakeholder Theory
Lecture 1

1.1 Introduction

Depending on the students’ backgrounds, there might be a need to discuss epistemology and the nature of theory before starting on stakeholder theory. Like most management theory, we are not able to both explain and predict, and we have to make fragments that cannot necessarily be combined into a coherent whole.

The three opening scenarios are intended to get students thinking about the relevance of stakeholder theory by identifying fairly common situations in which stakeholders are a vital consideration. You can undoubtedly think of others, and it would certainly help to find locally relevant examples.

1.2 Key terms defined

There are always key definitions and it is up to the instructor to determine when to discuss them. Because this terminology might not be familiar with students, we think it wise to cover the terms early on. Note that a search of the internet and literature will uncover many variations!

A fundamental distinction to be made is between shareholder and stakeholder. To make this point, consider the ownership of festivals and events, because it can be legitimate to separate the interests of owners from those of other stakeholders. Events owned by private companies, especially those for profit, might follow a traditional owners-first approach to management.

A full understanding of stakeholder theory cannot be gained without looking at its historical evolution, links to other theories, and how the terms “stakeholder” is used. We provide examples of usage from the events and tourism literature (Table 1.1). While stakeholder theory has gone mainstream, there are many instances of the term ‘stakeholder’ being used without any clear theoretical foundation.

1.3 Case Study - The Octagon Experience in Dunedin, New Zealand

Willem Coetzee and Crystal Filep, University of Otago, New Zealand.

Discuss this key lesson in the words of the authors:

- “The key lesson learned was that stakeholder engagement is essential to get right. My team was complimented for our work in this regard, as we went ‘above and beyond’ what the DCC typically does (partially due to our inexperience of event planning – we are urban designers and landscape architects, and partially because of upper management’s risk-adverse stance due to Ed Sheeran’s high profile). What was surprising was the lack of an established systems (including a list of names and contact info, order of essential engagement steps, etc.) that we could use to help guide us through the engagement process. Although many events/road closures happen in The Octagon, my team was given very little information to work with and had to ‘reinvent the wheel’. A lot of unnecessary time, energy and stress could have been avoided if a system was established and re-used/adapted for similar events/road closures happening in a particular place or condition.”
Some possible discussion questions/points that relate to this case:

- What exactly did ‘engagement’ consist of in this case?
- What does Ed Sheeran have to do with stakeholder theory and management?
- Describe some of the risks associated with event stakeholders.
- Outline an event stakeholder management system for a city, making specific reference to the lessons learned in this case.

Lecture 2

1.4 Historical development of Stakeholder Theory

The most interesting point in this discussion is how stakeholder as a term and stakeholder theory have become established in the language of event studies - indeed, in all applied management fields. Consider the usage demonstrated in Table 1.1 and perhaps refer to some of the Research Notes elsewhere in the text for additional applications.

As an additional matter of interest, the following diagram (from the authors) looks at the term ‘stakeholder’ and its root ‘stake’, starting with dictionary definitions and then applying event-related context. Notice that the theoretical approach to ‘stakeholder’ (the bottom box) expands the word’s meanings beyond the dictionary definition (the top box). Also consider carefully what is ‘at stake’ when people invest in, or are committed to an event - it is usually more than just money. Understanding these terms makes it clear that we cannot separate ‘stakeholder’ from commitment and risk.

1.5 The relevance of other theories

Stakeholder theory does not stand on its own, there are strong links with those illustrated in the diagram (Figure 1.1, below). It will help to go through the basics, demonstrating how stakeholders’ figure in each. Elaborations are provided throughout the book, with references, so this diagram is a starting point.
**Figure 1.1:** The relevance of other theories to the stakeholder theory

*System theory* is one foundation, so you might want to reference the diagram below (variations appear in the books *Event Studies, Event Tourism,* and *Event Evaluation* (Getz, 2018). The concept of ‘open system’ should be addressed, as events are prime examples. Resources and support must be secured from the environment, often the immediate environment in which local government is paramount, and additional vital ‘inputs’ include policy, strategy and information that influences event planning. The event is a ‘transforming process’ or ‘agent of change’, generating measurable ‘outputs’ and quite possibly striving for longer-term, system-changing ‘outcomes’ that can have profound impact on various stakeholders. In *Event Evaluation* (Getz, 2018) logic models are employed to examine the evaluation of outputs, necessitating Key Performance Indicators, and in the book *Event Impact Assessment* a Theory of Change approach (Getz, 2018) is taken to measure and evaluate longer-term outcomes or impacts, necessitating Key Impact Indicators.
‘Internal evaluation’ occurs within the organization, but many ‘external stakeholders’ also evaluate from their perspective and can influence the event’s goals and future. In this context, ‘feedback’ is the management system (think of information management, or evidence-based decision making) that utilizes the results of research and evaluation, including impact assessments, for the continuous improvement of the organization and events. A permanent planning cycle is therefore established.

**Social Network Theory:** It is not difficult to find resource material, and the ensuing diagram is from an online slide-share (https://www.slideshare.net/ChristopherA/social-networking-5429019). One of the implications, reflected in stakeholder mapping, is that the event might be considered a node surrounded by an ecosystem of stakeholders that support, and are influenced by it, or an event might be peripheral to another organisation’s network. The term ‘event ecosystem’ is sometimes used by practitioners and analysts to describe the environment, and especially the stakeholder network, for an entire city or destination.

**Collaboration Theory** addresses important questions like: “Why should we help your event?”, “How can we work together to create social capital”, or “What degree of independence must we sacrifice in order to become a permanent institution in this community?” Collaboration can be thought of as a social network or “political market square” (discussed and illustrated later) in which all the key event stakeholders combine to create value. That perspective is in agreement with ‘service-dominant logic’ which is a theoretical perspective that has become established in marketing.

In the diagram below - which is a good starting point for discussion - **coordination, cooperation and collaboration** are differentiated. The source is the *Journal of Learning Spaces, “Collaborative knowledge creation in the higher education academic library”* Vol. 3, No 1 (2014) by Young S. Lee, & Matthew A. Schottenfeld (available online: http://libjournal.uncg.edu/jls/article/view/714/550).
Social Exchange Theory: You might find ‘exchange theory’ to be listed as an economic concept, whereas there are also sociological and psychological perspectives on exchange. It can be applied to interpersonal interactions, business-to-business exchanges, or the interactions of stakeholders engaged in collaboration.

It is often noted in the events and tourism literature that residents will favour events and tourism if they perceive that they personally gain (e.g. through employment, profit or participation), or that there is value (including non-user value such as perceived ‘public good’) that exceeds the personal costs. One might support a bid on the Olympics, for example, if you feel it is good for the city and it will cost you little or nothing. But if taxpayers perceive they will foot the bill for someone else’s gain (as was the case in the 2018 referendum that voted against an Olympic bid in Calgary), then we can conclude there was perceived to be an unacceptable exchange. This also raises the issue of equity, or the distribution of costs and benefits, which is often a more important issue than the typical cost-benefit ratio that economists like to calculate. Distributional effects and other equity issues are fully discussed in the book Event Impact Assessment (Getz, 2019).

There are a number of slides-share downloads available on exchange theory, including: https://www.slideshare.net/SinemBulkan/blaus-social-exchange-theory.

The diagram, from that slide-share download, illustrates a key tenet in Blau’s social exchange theory, the ‘indifference curves’. If you are interested, indifference curves are also relevant to Event Portfolio Theory and will be discussed in that book (by Donald Getz). The idea is that you can plot risk/cost versus reward and make a rational decision on the best choice. The problem, of course, is that it is not always easy to quantify risks and rewards or to secure agreement from all stakeholders on what to measure.

In all readings of social exchange theory, it is inevitable that expectations, perceptions, and power issues will arise.
Introduction to Stakeholder Theory

Recommended additional readings and resources

This entire, edited book is themed around stakeholder perspectives on sport events. In the Getz chapter, co-authored with Darlene MacDonald and Milena Parent, is a discussion of what ‘event ownership’ means. Then a case study is presented of a privately-owned event management and production company, TransRockies. The stakeholder management issues facing for-profit companies can be quite different from non-profits and government agencies. The building of legitimacy and trust was identified by TransRockies owners as a key element in their success.

Assessments
From the text: “Visit one of the major planned events in your area and identify its internal and external stakeholders. Try to understand which theories can be used to explain the stakeholders’ interactions and how to manage them.” This could lead to a group discussion, a term paper, or test questions. The case studies in this book can be used as a guide to do the field work, such as by having students prepare a set of questions in advance, listing desired contact persons/agencies, or designing an observation guide.

Both the learning objectives and the discussion questions in each chapter can be turned into test questions, long or short. Some examples are provided below, with ‘A’ indicating desirable contents for long answers.
Sample short-answer questions:

♦ Define the following terms: stake; stakeholder; shareholder; social responsibility.
♦ Explain “internal versus external stakeholders” and give examples of each.

Sample long-answer or essay questions:

♦ Is ‘stakeholder theory’ a theory that can both explain and predict real-world conditions?
  o A fuller definition and explanation of stakeholder theory and its applications will be possible after reading the next two chapters, but it should be understood from the onset that it is a collection of ideas, models, and propositions and not a predictive theory.
♦ What is the relevance of collaboration theory, systems theory, social exchange theory and social network theory to stakeholder theory?
  o An explanation of each theory is required. To keep it manageable, this could become four questions. Figure 1.1 provides key points for each. A central point is that stakeholders operate in networks, through formal and informal relationships, and these can be personal or institutional linkages.
♦ Why is stakeholder management critical to achieving sustainable events and tourism?
  o See the Byrd research note for the sustainable element, otherwise the purpose of the whole book is to emphasize how stakeholders and their management are critical.