

## Competitive paper

# INTERPARTNER LEGITIMACY IN A REGIONAL STRATEGIC NETWORK IN TOURISM

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## ABSTRACT

Network interaction by non-business actors for business purposes is receiving increased interest within research (cf. Hadjikhani and Ghauri, 2001) but much remain to further research. A typical example of such network interaction that still is little researched is collaboration in tourism destination networks. The purposes of this paper are to contribute to research on the formation and evolution of relationships within the tourism industry, and to test the interpartner legitimacy effect on network formation and development. The chosen method is a case study of a Swedish network formation initiative. Faced with the situation that their region was lagging behind other Swedish regions in the development of tourism, actors within the Dalarna region were spurred to form a Regional Strategic Network (RSN). Its central purposes were to consolidate the regional tourism industry, to strengthen the name of the region as a brand and to establish the entire region as a single destination. This paper contributes by showing how different types of interpartner legitimacies hinder and facilitate the network formation process.

**Keywords:** interpartner legitimacy, collective action, network formation processes, tourism industry

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## INTRODUCTION

Formation and evolution of business relationships is a research area that by now has received major interest (cf. Anderson et al., 1994; Håkansson and Snehota, 1989; Snehota, 1990). Such processes are initiated by one of the actors based on a win-win situation of resource combination and business exchange. It is a development process towards increasing commitment as long as the actors involved somehow benefit from it. Taken together these relationships form a network of direct and indirect interconnections among actors. Such networks have no specific leader but evolve in a self-organising manner.

However, in some situations there are win-win opportunities that remain unrealized since the size and number of actors involved form a complex context that is hard for a single company to overview and act upon. Taking action is then very resource demanding due to the challenges involved in coordinating and uniting a large number of actors with diverging interests. In such cases, network interaction can instead become designed and driven by non-business actors, who are financed by public funding but acting on behalf of companies in a network context of interactive relationships. Such network interaction by both business and non-business actors for business purposes is receiving increased interest by network researchers (cf. Hadjikhani and Håkansson, 1996; Hadjikhani and Sharma, 1999; Hadjikhani and Ghauri, 2001; Lundberg and Andresen, 2012). An example of such network interaction is collaboration in tourism destination networks, an area still little researched within the IMP tradition. Typical for the tourism industry is that it is dominated by small and micro-scale businesses operating in a spatial framing and partly reliant on zero-priced public goods, such as landscapes, mountains and the sea. There are furthermore a great number of secondary actors and the public sector takes an interest in the development of this industry both as an actor and as a sponsor. The tourism product is depicted as a composite product marketed jointly on a destination level (Smith, 1994). Such marketing, however, requires bringing actors, both private and public, together in heterogeneous networks. The processes of destination management, market sensing, information sharing and the planning and delivery of tourism products, requires considerable and complex interactions (Buhalis, 2000; Fyall and Garrod, 2005). In 1995 Jamal and Getz introduced their article on interorganizational collaboration in the tourism industry by stating “The lack of coordination and cohesion within the highly fragmented industry is a well-known problem to destination planners and managers” (p. 186). More than ten years later, Dredge (2006) concluded that there has been a shift within tourism towards a development of networks as enablers of innovation and community capacity builders, but that this still is an area that needs further research.

In spite of the widely recognized importance of cooperation in networks there is still a lack of knowledge on how such cooperation can be achieved and sustained (Zeng and Chen, 2003). Bell et al. (2006) furthermore criticize that not many studies of the dynamics of cooperation build upon each other. In the recently published article by Gebert-Persson et al. (2011) it is argued that the internal legitimacy negotiations on goals, rules and norms, called *interpartner legitimacy*, are vital to consider from a network formation and development perspective. Interpartner legitimacy is defined as: “acceptance of an organization by its internal constituencies” (Gebert-Persson et al., 2011:1024), i.e. a mutual agreement *between* members in a network on what actions are perceived as proper and appropriate within that context. By focusing on interpartner legitimacy as a factor influencing network formation the article added to the research on formation and evolution of cooperative network relationships. In their study further research was called upon in understanding interpartner legitimacy effects on network formations. We respond to this call for further studies and further elaborate their research by empirically testing the interpartner legitimacy effect on network formation and

development within the tourism industry in Dalarna. Dalarna is a sparsely populated region in the midland of Sweden. The network in question was founded in 2007 by the Regional Development Council as a publicly funded regional development project. Its central purposes were to consolidate the regional tourism industry, to strengthen the name of the region as a brand and to establish the entire region as a single destination. The underlying aims of the project were to strengthen tourism companies' competitiveness and to stimulate regional economic growth. Faced with the situation that their region was lagging behind other Swedish regions in the development of tourism, actors within the Dalarna region were spurred to form a so-called Regional Strategic Network (RSN).

An RSN is a designed network initiative where actors cooperate for the purpose of regional development by means of increased competitiveness of an industry sector or a certain type of operations (Huggins, 2001; Johanson and Lundberg, 2010; Rosenfeld, 1996) but also for increased competitive advantage of the individual company. In the categorisation suggested by Cova et al. (2010) it mostly resembles the meta-dimension denoted territory. A characteristic of RSNs is that they may include actors representing different layers in the society such as local government, local companies and local universities (Lundberg, 2008). The aims of the RSNs are often vaguely formulated by the initiator(s) in order to appeal to a variety of organizational forms and interests among potential participants but basically it is about developing cooperative relationships among the participants and stimulating their cooperation. The formation of relationships and common aims is often only a vision in the beginning as the participants join a strategically formed network and not one based on naturally evolved relationships. Furthermore, in many cases RSNs consist of actors competing about the same resources. This implies that the participants will need time and efforts to find common grounds and to identify shared goals. As a consequence, in order for the network interaction to gain momentum, a hub is often appointed and given the tasks of coordination and initiation of joint activities - comparable to how a lead company would act in organically developed business networks (Albino et al., 1999; Jarillo, 1988). RSN members are usually unwilling to take on or fund this role themselves at an early stage when the potential gains from participations remain distant and often fairly vague. There is furthermore a temptation for each participant to give priority to self-interest, especially in cases of cooperating competitors. Fear of such sub-optimization by others may cause participants to under invest in cooperation (Doz and Hamel, 1998). RSNs therefore tend to need financial support from public sources in order to get started.

The purposes of this paper are to contribute to research within IMP on the formation and evolution of relationships within the tourism industry and to test the interpartner legitimacy effect on network formation and development. In the following, we present three aspects of interpartner legitimacy and how they relate to two stages of network development. Thereafter we introduce the chosen method of study, followed by a presentation of the case, our analysis and finally our findings and some managerial implications.

## INTERPARTNER LEGITIMACY IN TWO STAGES OF NETWORK DEVELOPMENT

Trust is emphasized as a key component of cooperative business relationships (cf. Morgan and Hunt, 1994). Trust is experience-based and relationship specific (Ring and Van De Ven, 1994) and is earned through the development of long-term relationships. Especially the early stage in the development of buyer-seller relationships (see Ford, 1980:66 in Ford et al., 2002) can have a great impact on the development of business relationships built on trust. However, in order for cooperation and collaborations to function and trust to develop it is also

necessary that there is consent on accepted and appropriate behaviour in that context. In the same vein, mutual acknowledgement of members' actions as proper and appropriate in forming and developing an RSN is a necessary prerequisite for the cooperation in such contexts to function. A development of legitimacy is however, in contrast to a development of trust, not necessarily experience based but rather a perception of an actor's trustworthiness that can be based also on an actor's reputation or image in relation to the norms, values, rules and regulations within the context in question. With a mutual agreement on accepted behaviour a platform for trust is established as the members then will perceive a low risk that actors will act in own interests only, i.e. the participants perceive each other as well as the RSN as legitimate. In other words, when interpartner legitimacy is developed there is also a platform for trust to be stable as rules and norms for behaviours are established. The members will have reached a congruency of values which will render that a member of the RSN will accept the behaviours and decisions made by others in the RSN as being in line with one's own ideas and expectations (Gebert-Persson et al., 2011).

Legitimacy is rendered independently and to a varying extent by different constituents based on their degree of acceptance of perceived behaviour, but is also something that an actor can influence through different strategies (Ashforth and Gibbs, 1990; Pfeffer and Salancik, 1978). Developing interpartner legitimacy can thus be defined as developing a shared value system among the members. As the members of the RSN consist of representatives for different actors it is not only necessary that the member participants perceive each other's actions as proper and appropriate but also that the representatives have authority from their own organizations to act and to make decisions. In an organically developed network the relationships are formed over time as norms and rules develop in the long run. This can be contrasted to the RSN where an actor takes the initiative of forming a network by inviting a number of other actors to participate for a common good. The aims of the RSN are often fuzzy in order to appeal to a large number of participants (Lundberg, 2008). An RSN is thus initiated out of a strategic decision and is formed through membership as opposed to the organically developed network based on business interaction. In this formation participants bring in latent knowledge on the nature of task, i.e. how they handle the interface with partners. The larger the discrepancies in latent knowledge between partners, the higher the risk of problems in coordinating activities (Kumar and Das, 2007). As an organization can be engaged in different activities, the member companies can also be embedded in different types of relationships and hence be exposed to different expectations on behavior and perceptions of values (Halinen and Törnroos, 1998).

Another factor affecting cooperation is that the member companies bring in a priori expectations on RSN participation in terms of its effects on efficiency and equity. The higher the probability of positive expectations coming true the more committed they will be towards the RSN and the lower the risk that they will walk out of the network. If the RSN meets the expectations on return on equity and efficiency it will be perceived as having *pragmatic interpartner legitimacy* and the participant company will recognize the cooperation within the strategic network as a means to reach better results. For this to be achieved it is though important that the members also can agree on proper behaviours within that context, called *moral interpartner legitimacy*. This type of legitimacy is based on normative evaluations of if a member's behaviour within the network is appropriate. (Gebert Persson et al., 2011). Finally, given that the participants identify advantages of the cooperation and the behaviours of the other participants are perceived as having moral interpartner legitimacy, participation in the RSN will be taken for granted and *cognitive interpartner legitimacy* will be reached. (Kumar and Das, 2007)

Interpartner legitimacy is not static but rather evolves and changes over time. This implies that in order to understand the level of interpartner legitimacy it is vital to focus on the process of the RSN formation and development where the different types of interpartner legitimacy play different roles at different stages. In order to understand the dynamics we adopt the framework by Kumar and Das (2007). Their discussion concerns organically developed strategic alliances but the suggested development stages: formation, operation and outcome, can be considered generic. In these different stages the three types of interpartner legitimacy have different importance for the process. As we are focusing on Regional Strategic Networks, which to a large extent resemble strategic alliances, we will adopt this framework in order to analyze the RSN process. RSN participants are generally likely to start from lower levels of interpartner legitimacy than members of strategic networks since the former are designed and have rather vague purposes to begin with whereas the latter are organically developed and have a more specific business purpose. In both cases, nevertheless, interpartner legitimacy is key to success. Our empirical data does however not include the outcome stage and consequently this stage will also be excluded from this paper.

As the RSN is initiated, the formation stage of agreeing on the role and aim of the RSN begins and the norms and rules for behaviours need to be settled. During this stage the pragmatic interpartner legitimacy is the most critical as the members need to agree on mutual benefits of the RSN. Pragmatic interpartner legitimacy will fail if benefits of cooperating within the RSN are lacking and thus also the reasons for the individual participants to be members of the RSN. The participants need to agree on a number of issues which will be more complicated in the case where there is no or little prior history of interaction between the actors or if there is a high uncertainty about the possibilities of achieving positive outcomes of the RSN cooperation. In addition, negotiations are hampered when participants are potential competitors since they in such cases may be reluctant to share information and be sensitive to potential partner opportunism (Kumar and Das, 2011). In this formation stage it therefore becomes of central importance for an RSN coordinator to allay the uncertainties of the participants so that pragmatic legitimacy can be attained (Kumar and Das, 2007). Moral interpartner legitimacy will also be affected by the formation process as it is dependent on how the participants negotiate with each other. The behaviour at this stage will form expectations of, and set the platform for, how the members behave in the following stages.

When the RSN has been formed, the operation stage follows and implementation of the agreements will be in focus. Interpartner negotiations will at this stage be concerned with new opportunities but there will also be a need for resolution of conflicts arising from partner interactions (Kumar and Das, 2011). During this stage, the moral and the cognitive interpartner legitimacy become more critical for the RSN than the pragmatic interpartner legitimacy. The members need to trust each other and behave in accordance with the established agreements for proper behaviour (i.e. the moral interpartner legitimacy). A high level of moral interpartner legitimacy is central to a high degree of commitment among the participants and will depend on whether the member companies are perceived to behave in an accepted manner or not. If a member company acts in an unacceptable way according to the RSN agreements on proper and appropriate behaviours, the other participants may either start questioning the whole logic of the RSN (the cognitive interpartner legitimacy) or may become more cautious as to what information they are sharing. It is important that the RSN is recognized as being of strategic importance for the respective members as they will otherwise not keep investing resources and develop activities to keep and develop the RSN. As the RSN is built on an idea of cooperation to develop an industry or region, there is a need to have the foundations from which trust can develop, e.g. the expectations that participants will not take advantage of information in a way that may hurt the other participants. The level of

commitment may otherwise decrease as a consequence due to the questioning of the reliability of other participants' behaviours. At the operation stage it is therefore critical that the member companies perform in line with their commitments.

## METHODOLOGY

In order to capture the formation of the tourism destination network, how the network development process was perceived by the organizers and how it evolved, a case study strategy was chosen. A case study is a recommended research approach where the studied process is of an explorative and longitudinal character and where the boundaries between phenomenon and context are not clearly evident (Yin, 2009). Case studies are also considered as suitable research strategies when studying network development processes (Halinen and Törnroos, 2005; Heikkinen et al., 2007). The case was selected due to an excellent opportunity to apply an ethnographic method, since one of the authors was invited to attend the RSN meetings during a two-year period of time. Another justification for the selection of a case is associated with the industry, which we considered to be interesting because very few RSNs are initiated within service-intensive industries such as tourism. Due to the time-consuming ethnographic method we were constrained to limit our study to just one case, which may be interpreted as a disadvantage. However, we prioritized to gather in-depth data rather than broad data.

### Data Collection and Analysis

For the purpose of this paper the chosen methods for data collection have an ethnographic character. We have, through interviews and observations, tried to understand events and processes from the point of view of those involved and to capture the meaning they attach to different happenings (Denscombe, 2009). Ethnographic research theorizes that individuals actively shape situations instead of being passive responders to external events and thus the context and behaviour are regarded to be interlinked. Based on this premise the interviews were conducted in an open manner only using a topic guide. Questions were not asked in any specific order, but were governed by the interview situation and the respondents were encouraged to elaborate on emergent themes and ideas. The respondents were the members of the studied Regional Strategic Network, a number of public officials responsible for regional economic development issues and two consultants. The interviews, which lasted one to two hours, were all recorded and transcribed.

In addition to the interviews, one of the authors has attended 10 strategic planning meetings with the network and two meetings with a working group including some of the network participants and a few company representatives. The observations can be described as direct but passive, since the researcher only took notes and did not participate in the conversations. The attendance at meetings allowed the researcher to sense the atmosphere within the network and furthered the understanding of how the members of the RSN interacted and collaborated. Finally, to enforce the validity of the research and to develop a general understanding of the wider context, other sources of evidence, such as official documents, websites and internal documents have been studied.

The ethnography approach allowed a rich body of contextual information to be collected from the participants. The research process generated large amounts of data and in order to analyse the data and interpret the process it was sorted by identifying different episodes, which the participants perceived as important to the evolving processes. Interviews and

observations proved to be a useful complement to each other and some episodes relatively soon emerged as more noteworthy than others in the process. These episodes were continuously compiled and discussed during coming interviews.

Once the data was sorted, we analysed it from an interpartner legitimacy perspective. Every episode was therefore deconstructed and investigated in accordance to the pragmatic, moral and cognitive classifications. The distinction between external and internal legitimacy was drawn from the RSN's perspective, i.e. all actors except the RSN members were considered external. This meant that also the companies and organizations that the RSN participants represented were regarded as external to the RSN.

## THE CASE

The studied case was the first RSN to be initiated in the Swedish tourism industry (Nordensky, 2011). The RSN was established in 2007, in Dalarna, a sparsely populated Swedish region with the approximate size of the Netherlands. Dalarna has 277 000 inhabitants, compared to the Netherlands with a population of 16 million inhabitants. The central purposes of the network were to consolidate the regional tourism industry, to strengthen the name of the region as a brand and to establish the entire region as a single destination. The underlying aims of the RSN initiative were to strengthen tourism companies' competitiveness and to stimulate regional economic growth.

This section of the paper provides an introduction to the case, outlining the background to the RSN initiative and some influential precondition factors, followed by an account of the first 4 years of the RSN formation process.

### Background and organisational structure

The Dalarna region has a long tradition in tourism and is one of the most visited in Sweden in terms of the number of guest nights. The region consists of 15 municipalities, which in turn are divided into five different tourism destinations<sup>3</sup>. Dalarna's municipalities have transferred responsibility for the strategic planning and marketing of the destinations to specific organisations, so called Destination Management Organisations (DMOs). The DMOs differ with respect to organisational structure and ownership, but the municipalities are the main principals of all five DMOs.

In the tourism literature, research calls for a broad involvement and collaboration of diverse actors in tourism networks (c. f. Lemmetyinen and Go, 2005; Murphy, 1988) and particularly in the case of destination planning and management (d'Angella and Go; 2009; Jamal and Getz, 1995; Keogh, 1990; Sautter and Leisen, 1999). Within tourism literature *the destination* is often a primary unit of study and a frequently cited definition is provided by Dimitrios Buhalis (2000) "destinations are amalgams of tourism products, offering an integrated experience to consumers". For the purpose of this paper destinations are considered to be a defined geographical region which is understood by its visitors as a unique entity, with a political and legislative framework for tourism marketing and planning. Destination marketing organizations (DMOs) are non-profit organisations with the explicit responsibility to coordinate destination activity in order to attract visitors (Elbe et al., 2009; Gretzel et al.,

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<sup>3</sup> At the studied period of time, there were five destinations, but in the beginning of 2012 two of the destinations have merged to one.

2006). It has been argued that local DMOs are perceived to hold the greatest legitimacy and have power over others regarding destination development (Timur and Getz, 2008).

The destinations in Dalarna are significantly diverse regarding target markets since the region constitutes a two-season belt. Two of the destinations have an apparent concentration on the winter season and the other three are mainly focused on the summer period. In the following we give a brief account of each destination, numbering them from 1 to 5:

**Destination 1** extends over one municipality and includes a popular winter sports resort and a well-known mountain area. The municipality has outsourced the management of the tourist offices to a DMO, which is operated by an economic association with around 80 member companies. Thus, even though the municipality is principal, the DMO is entirely business owned and managed.

**Destination 2** embraces four municipalities where the DMO is run as a public limited company. An economic association (with 650 company members) holds 68% of the shares and the four municipalities hold 8% of the shares each. Destination 2 has a rich cultural heritage and many folklore traditions and the focus is on the summer season.

**Destination 3** has an apparent winter concentration, holding one of the most visited ski resorts in Sweden. In the destination, which comprises one municipality, there are two different organisations with interests in the marketing and development of the destination. On one hand there is the DMO, which is entirely owned and managed by the municipality and on the other hand there is a business association comprising more than one hundred companies operating in the ski resort.

**Destination 4** comprises two urban areas in the region. The DMO, a public limited company, is jointly owned by the two municipalities and an economic association with 150 company members. The destination attracts both private and business tourism and has no specific seasonal focus.

**Destination 5** consists of five municipalities with a rich industrial heritage. The DMO is organized as a non-formal partnership between the five municipalities and is run in a project form by means of rather limited financial resources and only one staff person. All five municipalities in the destinations are financial contributors to the “DMO project” and the presidency rotates between them. The destination has no seasonal emphasis, but markets both summer and winter small-scale activities towards families.

#### Precondition factors

The five destinations have previously, to some extent, regarded themselves as competitors, since they competed for both regional funding and visitors. Therefore, direct cooperation between the destinations was almost non-existent before the founding of the RSN.

Regional tourism issues were in the beginning of the 2000's coordinated by a regional association, known as the Regional Board of Tourism. The board consisted of 18 members, representing both the 15 municipalities in the region and three regional public agencies, all with scattered functions and responsibilities. Interviews with the DMO managers revealed rather poor experiences of the regional wide tourism collaboration at that time. It was basically only two yearly activities that the board members agreed on and apart from that the board functioned more as an information centre. In addition, another interesting revelation from the interviews was that some of the DMOs in the beginning of the 2000's were



dissatisfied with the distribution of regional funds, which caused mistrust towards regional authorities in general regarding their capability to pursue tourism issues.

#### INSERT FIGURE 1 HERE

In 2003 a new organisational construction on the regional level, the Regional Development Council (RDC), was founded by all the local municipalities together with the County Council. According to official and internal documents as well as interviews, there was an on-going discussion among public officials and private tourism entrepreneurs in the region, about the localisation of the responsibility of coordinating regional tourism development issues. The Regional Board of Tourism had long called for a region-wide public body with mandate to act on behalf of all 15 municipalities, since the Regional Board of Tourism in itself did not have the required decision power. Historically, this responsibility had been divided and transferred between several organisations and associations, both formal and informal, for decades. Therefore, the founders of the RDC made a strategic decision to place regional tourism development issues on this new organisational body and to employ a Regional Tourism Manager from the very beginning. In addition the RDC was empowered, by the national government, with some crucial responsibilities, for example to draw up programmes for the region's economic development and to prioritise between and prepare applications for funding from the EU structural funds (McCallion and Tallberg, 2008). The establishment of an RDC would prove to be a landmark in the development of the RSN for two different reasons. First, the RDC meant that the region had one unifying organisation, representing all municipalities, with insight into the planning and funding of the regional development projects and overall responsibility of tourism development issues. Second, the organisation of the RDC board, encompassing locally active politicians from all 15 municipalities, implied a much better understanding of the regional strategic work on the local municipality level. As one of the interviewees remarked: "the gain of putting the responsibility of these questions on the region was that it resulted in a completely different level of commitment from the municipalities/.../it has been much easier to push through a decision in my DMO board now when several of my board members have a place in the RDC board as well".

When the RDC board in 2003 made a long-term strategic decision to adopt a "cluster development strategy" with the intent to stimulate regional competitiveness and growth, it would prove to be yet another important prerequisite to the RSN formation. As a corollary RDC officials, including the recently employed Regional Tourism Manager, started to work on the idea of forming an RSN within an, in this context, entirely untried industry - the tourism industry.

#### The RSN formation process

The RDC officials drafted a project proposal in line with the regional "cluster development strategy" to set up a tourism RSN, which the RDC board approved of. In the end of 2006, after several years of effort and lobbying towards national funding bodies, the RDC eventually obtained a funding approval to develop a business plan for a potential tourism RSN. With financing arranged, the Regional Tourism Manager decided to anchor the decision to establish a Regional Strategic Network with the still existing Regional Board of Tourism. Thus, at the subsequent meeting with the Regional Board of Tourism the question was raised if they would approve of setting up a tourism RSN and since the board was in favour of the idea, a new network was formed – a Regional Strategic Network had been initiated. The RSN had one representative from each of the five destinations and a

coordinator, which was the Regional Tourism Manager; thus six people in total<sup>4</sup>. The Regional Tourism Manager landed in the hub role from the very beginning, since she was the one appointed the post of coordinating regional tourism development issues. The network formed a completely new forum and the network participants perceived it as a great opportunity, as one respondent stated: “I felt we got a huge chance to actually sit down together, some selected people/.../, we sat down with a blank paper and just started to create”. Interviews revealed that the Regional Board of Tourism was perceived as more of an informational forum than an executive forum, partly due to the fact that its members had different types of duties, roles and power in their respective municipalities. In contrast, this network was composed of people with similar duties, roles and power. Four of them were CEOs of a DMO (DMO 1, 2, 4 and 5) and the fifth person was the chairman of a business network (DMO 3). Hence the network members had experiences from the same kind of business context, unlike the case in the Board of Tourism. Furthermore the size of the RSN was perceived as another facilitating factor by all of the members, as they were only six (including the coordinator), instead of 18 people as in the former Regional Board of Tourism: “if 18 people sit together during a break you will disappear, but if five people sit together during a break it is like a handful of people that can really communicate, which makes it a handy little group. And then I feel that we’ve had a lot of meetings, I mean tight meetings, that somehow have enabled us to grow tighter together”. This new organisational structure empowered the RSN in a way that one respondent described like this: “we started a process and we didn’t do the same as usual, but we managed to create more excellence in our work”.

INSERT FIGURE 2 HERE

#### The process slows down but change brings new energy

Once the RSN was established, the members found it difficult to get started. Even though they realized that the RSN formation could be the injection the industry was in need of, some hindering factors appeared at this stage of the process. First, there was still some uncertainty among the members about the purpose of the RSN and the probability of the collaboration to be successful. Second, they felt inconvenient with the label of the network. They labelled themselves a “cluster” and this concept caused confusion. Third, one of the members was acting in a protectionist manner and showed no interest in cooperation with the other DMOs, which caused further puzzlement among the RSN members. The person concerned was eventually replaced by a person that showed a completely different attitude. She had previous experience from successful cooperative projects and was totally convinced that in order to be successful on the international market they had to join forces and create a new coherent destination. In this network constellation the members found new energy and started to open up more and more towards each other, both professionally and personally.

When the RSN received their second funding approval from the Swedish Agency for Economic and Regional Growth, in January 2008, the approval was critical for several reasons. First, it implied a financial base for subsequent activities. Second, it served as a door opener to the Swedish National Cluster Program and the meetings they arranged for cluster initiatives in Sweden. Finally, it provided reasons to set up a marketing umbrella with its own

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<sup>4</sup> At first the group had a few additional members, but they soon opted out.

'network identity'. At this stage the RSN was also officially launched with the publication of a web site.

There were yet another essential factors that strengthened the RSN formation. One important factor has reference to a decision by the RDC to carry out a survey among companies and other organisations related to tourism in the region. The result of the survey revealed that the total amount of planned investments in the region until 2020 was as much as 1 billion Euro with 35 000 new guest beds, which would generate approximately 2200 new jobs. Historically, the tourism industry had had problems to compete with other industries for regional funding but these new investments figures put tourism matters on top of the political agenda. All members of the RSN witnessed that these figures, revealing a hidden growth potential in tourism, resulted in substantially increased support from senior politicians and officials in the region. One participant said: "I would say that among the politicians in this region it became very trendy to support the development of tourism". Another participant said: "the political leadership in the region has been enormously clear and has given us very good feedback". In addition, the forecast would prove to give new energy to the network, because it entailed a joint challenge – the challenge to fill the 35 000 beds with new guests. The RSN members reached consensus on the importance of helping the companies in this strive and since the domestic market was considered saturated an unanimous decision was taken to expand into foreign markets and to act collectively in this effort.

#### Engaging a cluster coach

However, even though the RSN had found a common aim in the challenge of filling 35,000 beds, the network still had a poor meeting discipline and they felt that the meetings were rather unstructured. In order to improve the meeting content and efficiency a cluster coach was tied up to support the Regional Tourism Manager in the hub role. Together with the cluster coach, the RSN decided on some basic meeting rules regarding attendance and decision making. During the following autumn, they had several creative all-day meetings together with the cluster coach. According to interviews the members felt that the cluster coach had a role to play in setting up agendas, documenting and following up, which created space for the network to focus on the overall issue which was to agree on a shared vision for the new joint destination. As a result of those meetings, they identified five potential areas of cooperation.

Until then, the RSN had been working behind closed doors. At this stage they sensed a need to present the network and its purpose to the regional industry; therefore they arranged a one-day seminar called the "Vision Day". The seminar was held in March 2009 in a big sports arena and was attended by around 200 people, representing both private and public organizations, all of which had a common interest in the development of the regional tourism industry. The activity during the seminar was intense and the members of the RSN all shared the same conviction that the "Vision Day" was a complete success, as demonstrated by these quotes: "On the Vision Day we as a group obtained a mandate to bring this strategic development into the future and it's a very big and accountable mission."; "It felt like it was the milestone where we really received credits for our ideas and that was great of course but above all we got ideas in return that proved to be what we already was working on which even further reinforced the feeling that we had the mandate to continue."

Before the Vision day took place, none of the RSN members had expressed a need for a better support and contact with the regional tourism businesses. However, afterwards all of them have stated that the seminar was decisive because they all experienced a massive

support from the audience regarding the network formation and the proposed strategic areas of cooperation. The documentation from the seminar discussions was analysed and as a result three of the proposed areas were prioritized in the short term. The network members now felt that it was time to push thought into action and therefore a number of projects were set up in line with the prioritized areas of cooperation.

One of these projects aimed at creating a joint selling-and-booking on-line platform, which in turn demanded that all DMOs were to be integrated into one single distribution system. At the time, the network lacked a representative from the DMO in Destination 3. To fill the gap they invited the DMO manager to be part of the RSN and he accepted. The network thus became a homogenous group of five DMO managers and a Regional Tourism Manager.

In December 2009 the RSN received the third funding approval from the Swedish Agency for Economic and Regional Growth, which secured the continuation of the project for two more years. Again, this was a prerequisite for subsequent activities as well as a validation of the achievements so far. In a way the approval meant an empowerment of the RSN, both with financial muscles and confidence from the national level to continue along this line. There were several projects running in parallel at this time, but the funding of this umbrella project was critical because it was the project aimed to form and organize the tourism RSN and therefore it constituted the base for all the other projects.

As the online booking system project began to take off, the discussions became more and more detailed. The network participants witnessed that they handled very concrete technical and operational questions during the meetings, but they still had not settled on the overall purpose with the network. Some of the participants wanted to focus the meetings on the development of an integrated online booking system, while others were more preoccupied with the vision to form one single destination. This situation with two different tracks running simultaneously proved to be quite a challenge, because the tracks counteracted each other and caused confusion in the network. Some participants interpreted the booking system as the overall purpose, and therefore, in the beginning of 2010, two of the participants were of the opinion that it was time to “pull the handbrake” and to recapture an overview of the RSN and all its activities.

## DISCUSSION

The purpose of the article is to analyse the interpartner legitimacy's influence on the processes of formation and development on a network level in regional strategic networks (RSNs) within tourism. We argue that adding an interpartner legitimacy perspective to the existing network approach will increase our understanding of network formation and development processes. The case illustrates an RSN formation in the tourism industry in a mid-sized Swedish region, composed of five separate destinations. Prior to the RSN formation the destinations regarded themselves as competitors and there was almost no history of direct cooperation between them. Due to their competitive perception of each other and scepticism among several DMOs regarding the regional authorities' capability to handle tourism development issues, the network initially showed weak moral interpartner legitimacy. Moreover, the participants doubted that the other members would act properly according to the justice norms. This made them question the likelihood of a win-win outcome from RSN participation, resulting in low pragmatic interpartner legitimacy as well. The low levels of moral and pragmatic interpartner legitimacy did not spark cognitive interpartner legitimacy markedly. On the other hand, there had been a recent reorganisation on the regional level and the newly established Regional Development Council (RDC) had a much better position to

build a region wide network than the former Board of Tourism. The DMOs had long called for a worthy negotiation partner on the regional level and the RDC seemed to measure up so far. Thus the confidence in the regional authorities had increased and the starting position for a network formation had significantly improved. Moreover, the “cluster development” method was a new kind of working method that created a certain curiosity among the participants.

The funding approval to develop a business plan for a potential tourism RSN proved to be the actual starting point of the network formation process. The funding approval showed that the idea of setting up a regional tourism RSN had external legitimacy, which raised the pragmatic and cognitive interpartner legitimacy as the participants started to see potential gains in strengthened relations between destinations. Especially the pragmatic interpartner legitimacy increased since the participants saw an opportunity to influence the regional political agenda and the distribution of regional funding, which appealed to their self-interests and thereby also functioned as a facilitator in the network formation process.

The RSN formation further strengthened the moral interpartner legitimacy, since the new network regarded themselves as legitimate representatives for the five destinations and the RDC. The small size of the RSN, compared to the former alignment of 18 members in the Board of Tourism, was another facilitating factor. In the Board of Tourism there were officials representing a tiny little municipality side-by-side with DMO managers representing hundreds of companies in a destination. Now, the RSN formation meant that the destination managers finally had found a meeting venue and that the participants started to believe in the likelihood of building up a productive strategic collaboration between destinations. This indicates that participants started to build up moral interpartner legitimacy at this stage of the process. However, the RSN faced some initial difficulties, partly due to an uncertainty among the participants regarding the purpose of the network, which to them was so vague and abstract that they found it hard to explain to their shareholders or member companies what the RSN aimed at. This reveals initial problems with the pragmatic interpartner legitimacy as well as with commitment and trust. The difficulties can also partly be attributed to the protectionist behavior of one of the participants, which caused confusion in the group and again made the members sceptical about the gain of RSN participation implying decreased pragmatic and cognitive interpartner legitimacy. When the protectionist network member was replaced by a person with a completely different approach the climate within the network turned more positive and encouraging, which was a turnaround for the development of all three forms of interpartner legitimacy. In other words, for the new representative the cognitive interpartner legitimacy was high from the start due to previous positive experiences of interorganizational cooperation. In contrast, it had been low for the predecessor. Furthermore, the commitment and trust increased as the pragmatic interpartner legitimacy increased.

The second funding approval in January 2008 was another crucial factor. The support from the national level did not only provide financial means, but once again it provided external legitimacy to the RSN as such, which reinforced the participants' conception of being part of a promising initiative. The increased external legitimacy in turn increased cognitive interpartner legitimacy, a development that was further strengthened by the additional external legitimacy resulting from the positive forecast on future investments in the tourism sector. The forecast also increased the pragmatic interpartner legitimacy as the group could agree on a common goal to expand into foreign markets and to act collectively. Again, the members could further commit to the collaboration and thereby the strength of the network increased.

As a result of a series of all-day meetings led by the cluster coach, the network managed to identify five potential areas of cooperation. This conformity was a necessary step in the legitimacy process, as it radically increased the pragmatic interpartner legitimacy and thereby also increased the cognitive interpartner legitimacy. The RSN had finally found some concrete purpose with the RSN, which certainly facilitated their communication towards external stakeholders.

The Vision day was another important event which reinforced the RSN's external legitimacy. The network participants experienced support from the tourism businesses both regarding the RSN as such and the proposed strategic areas of cooperation. The support of the RSN as such strengthened the members' confidence in the rationale of the network as well as their perception of participation incentives, which increased the cognitive interpartner legitimacy. Similarly, the support on the areas of cooperation raised the interpartner legitimacy and gave the RSN momentum to start up a number of activity projects. One of the projects required representation from all five DMOs for organisational reasons. When the fifth DMO manager entered the group it resulted in a very homogenous group, which added to the moral interpartner legitimacy as they perceived that they could more easily predict the behavior of the other participants, being in the same kind of organisational and business context. This also further strengthened the network evolving process. The RSN acquired yet another funding approval in December 2009. This sanctioning of the RSN from the national level was of great importance. Not only did it provide financial means, but also external legitimacy which further strengthened the cognitive interpartner legitimacy and made the members more committed towards the RSN

In the beginning of 2010, several projects and activities had been launched and outwards it seemed that the RSN developed smoothly, but the internal experience within the network was inconsistent. An increasing number of processes were running simultaneously and the participants did finally not manage to capture the entire picture of the RSN and also made different priorities which caused conflict. Two of the participant regarded the situation troublesome and confusing enough to "pull the handbrake". The study therefore shows that the legitimacy process is not a linear one, which also affects the network formation process as the degree of commitment will fluctuate with the legitimacy process. New events can both strengthen and weaken moral, pragmatic and cognitive interpartner legitimacy. Furthermore, the different types of interpartner legitimacy may develop in divergent directions. This was for instance the case in 2010 when pragmatic interpartner legitimacy was increasing as many different opportunities were discovered and acted upon. At the same time, this development of increasing pragmatic interpartner legitimacy caused fragmentation as the priorities varied among the participants, resulting in decreasing moral and cognitive interpartner legitimacy, where the commitment also decreased as a consequence.

## FINDINGS AND MAIN CONTRIBUTIONS

Interorganizational cooperation has been showed to increase the 'collective legitimacy' of the industry as such (Sharfman et al., 1991 in Dacin et al., 2007). However, the case and the following discussion illuminate that in order to reach that stage, interpartner legitimacy has to be considered. It has to be incorporated into the analytical model if we wish to understand the processes of negotiations on the rules and norms which set the future possibilities for multi-actor interactions and the formation and development of networks. It furthermore highlights the complexity of actors being involved in different institutional settings such as the RSN, the

destination and the own organization implying different legitimacy pressures on the participants as they act in different network contexts at different geographical levels. The five DMO:s therefore had to take the wishes of all their stakeholders into account: namely the local residents, the local businesses, visitors, business partners and shareholding municipalities. This implies an intractable complexity which makes the legitimacy process challenging and time consuming. This paper contributes by showing how different types of interpartner legitimacies hinder and facilitate the network formation process when actors intend to coordinate activities in order to gain common, or at least compatible, goals. Increasing pragmatic, moral and cognitive interpartner legitimacy strengthened the network processes whereas decreasing pragmatic, moral and cognitive interpartner legitimacy harmed the network processes. Finally it seems that while pragmatic and moral interpartner legitimacy may develop independently, the outcome in terms of cognitive interpartner legitimacy is dependent on the development of pragmatic and moral interpartner legitimacy both jointly and separately. An increase in or decrease of pragmatic and/or moral interpartner legitimacy will influence cognitive interpartner legitimacy in the same direction. However, it seems unlikely that a shared high level of cognitive legitimacy can be reached unless both pragmatic and moral interpartner legitimacy are at a high level as well which is in line with Kumar and Das (2007) arguments. It is also likely that in most cases fairly high levels of both pragmatic and moral interpartner legitimacy have to be reached before cognitive interpartner legitimacy starts to develop.

Nevertheless, it is important to notice that the replacement of one of the network participants had a major impact on both pragmatic and moral interpartner legitimacy. In other words, not only the participating organizations as such but also the individuals representing them make a difference in the formation and evolving processes of interorganizational network cooperation.

Furthermore, for the new representative, the cognitive interpartner legitimacy was high from the start as a result of previous positive experiences of interorganizational cooperation. She was totally convinced that interorganizational cooperation was the best way forward and did not question the RSN idea. This impact of the learning effect of networking (Dacin et al., 2007) on interpartner legitimacy has previously not been fully noticed. It is a noteworthy exception from the proposition by Kumar and Daz (2007) that cognitive interpartner legitimacy usually shows at late stages of network development. We therefore argue that cognitive interpartner legitimacy is important to consider from the start of network formation and that how it co-develops with pragmatic and moral interpartner legitimacy during network development should be further developed in future research. Another area of interest for further research is the parallel processes that could be observed in the case. Different members came to be involved in different projects and aims, e.g. the development of the integrated online booking system that came to be put against the parallel work of creating the vision to form one single destination. This indicates that there were structural issues in the RSN, which created parallel processes and thereby competition about the resources within the RSN. Hence, the process created interest conflicts due to the structure of the RSN.

During the collection of data it also became evident that the tourist companies were left outside the RSN formation process. They were in some destinations partly owners of the DMO through public limited companies but the DMO representatives did not ask for their view of the RSN much, their focus was on the more general destination level. It would be interesting to further explore how the companies perceived this process and to what extent they consider the RSN outcomes to have contributed to their development.

It was finally noticed that it became hard to separate and define internal and external legitimacy as the actors were embedded in many different contexts. It was however decided in this paper to consider the activities inside the RSN as internal. This meant, for instance, that when the DMOs presented their work in the RSN to the tourist companies, which they represented, it was an audience external to their RSN context. It was noted that the perceived external legitimacy then markedly affected the interpartner legitimacy. In the case there were several examples of how increased external legitimacy, such as positive feed-back on their work from public bodies or the companies and organizations they represented, positively affected interpartner legitimacy. The experience that the work they did was valued by others made the RSN participants more motivated to continue and expand their work. It can accordingly be assumed that also reduced external legitimacy would affect interpartner legitimacy. If their work would be questioned by outsiders the RSN participants might react by intensifying their efforts to succeed or come to doubt the cause themselves. Finally, it is likely that a lack of interpartner legitimacy will markedly reduce external legitimacy whereas high interpartner legitimacy would pave the way for high external legitimacy. A project that cannot gain the support of its participants is unlikely to obtain external legitimacy whereas high interpartner legitimacy is likely to improve the work and thereby increase external legitimacy. In sum, not only internal factors but also external, contextual factors need to be taken into account when addressing interpartner legitimacy issues. It would further the process of understanding interpartner legitimacy affect on network formations if research would develop the concepts of internal and external legitimacy and study their interplay even further than was done within this paper.

#### MANAGERIAL IMPLICATIONS

This paper argues that in order for a network to be formed interpartner legitimacy is an important factor to consider. It implies that managers involved in the tourism industry considering forming a Regional Strategic Network need to consider not only what resources and activities that could be created through the RSN but also how the necessary cooperation can be achieved by creating platforms for interpartner legitimacy to be developed. Shared goals of high value have to be agreed on so that pragmatic interpartner legitimacy develops but, in addition, codes of conduct have to be discussed and agreed upon so that also moral interpartner legitimacy grows. When this stage is set, the perceived legitimacy of the RSN as a whole, the cognitive interpartner legitimacy, can take off as well. In addressing the legitimacy issue, also the impact of external legitimacy has to be considered since the degree of external legitimacy achieved and communicated will affect the development of internal interpartner legitimacy. In other words, exposing an RSN to external audiences will increase the degree of external legitimacy communicated to the RSN members and thereby affect the development of interpartner legitimacy. If interpartner legitimacy is lacking it will impede creating an RSN where the members trust each other and are committed to the network's aims.



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