African Journal of Hospitality, Tourism and Leisure Vol. 4 (2) - (2015)
ISSN: 2223-814X

Tourism Stakeholder Theory in practice: instrumental business grounds, fundamental normative demands or a descriptive application?

Prof A Nicolaides
Graduate School of Business Leadership
University of South Africa
Nicola@unisa.ac.za

Abstract

Stakeholder management refers to how organizations deal with their shareholders as well as all the other stakeholders with whom they have dealings or upon whom their operations impact in some way or another. There are often adverse burdens placed upon organizations by competing stakeholder demands. There are those who support the traditional shareholder view of maximizing profits at all costs and who assert that 'the business of business is business' (Friedman, 1970). They also generally posit the opinion that to support society is a governmental task and that business should not be distracted by stakeholders who have not contributed to the business growth. Then there are those who support wider stakeholder inclusivity in the dealings of an organization so as to benefit society (Freeman, 1984).The aim of this research is to promote the notion of stakeholder management by showing how the relationship with non-market stakeholders in for example the tourism sector and how it can be enhanced to the benefit of all.

Theoretical conceptual analytical research was undertaken based on the review of relevant peer-reviewed literature about stakeholders and tourism in rural areas, and web-based relevant materials. The use of existing literature from a wide range of sources in a multi-disciplinary context, allowed the researcher to obtain an enhanced understanding of why stakeholder consideration and engagement is important for all organizations and the tourism sector. The collected information provided the basis for incorporating why local communities should be considered as important stakeholders of an organization and conceptualizes how stakeholder theory as a normative notion is critical to organizational sustainability.

Key words: Normative theory, stakeholders, sustainability, tourism

https://executivetrainingmile.files.wordpress.com/2014/05/stakeholders.jpg?w=1008

ISSN: 2223-814X Copyright: © 2014 AJHTL - Open Access- Online @ http//: www.ajhtl.com

Introduction

According to Schumpeter (1954) the most basic questions to be reflected on in the history of economics are those, firstly, of economic value and secondly, those relating to the distribution of economic value. Such questions are equally highly relevant in the strategic management area given that the notion of the only role of a business as being to maximize profits for its shareholders (Porter, 1980; Grant, 2002; Marcoux, 2003) is by today's standards a somewhat out of vogue idea. The exponents of this idea argue that when an organization makes great profits it is better positioned to pay employees well and it can then also be a demonstrably more responsible entity in society. They further argue that investors will not be interested in providing capital to an organization that is not a careful custodian of their financial inputs and that the shareholders take all the risks and should thus be the sole beneficiaries of profits. However, in contemporary turbulent economic times, the idea of the shareholder theory has been shattered by recent financial fiascos and scandals which have underscored its ethical frailties. Enron, Tyco International and Worldcom *inter alia*, have demonstrated in no uncertain terms that the shareholder theory is severely flawed.

The shareholder vs. stakeholder question is not a new one and has endured for almost a century (see Clark, 1916). In a pro-capitalistic stance Berle (1931) postulated what was termed the 'shareholder primacy view' and asserted that an organization exists with the sole purpose of maximizing shareholder wealth. A year later Dodd (1932) stated that the prime rationale for the existence of a corporation for example, was to provide secure employment opportunities, improved quality products for consumers, and a greater giving to the welfare of the community in which an organization was operating. Dodds' stance was to an extent a an almost prophetic demonstration of what is nowadays called 'conscious capitalism'.

The short-term focus of the shareholder theory is not able to provide benefits that stakeholder theorists believe to be necessary and thus heightens their concerns. The drive for economic growth and profit maximization at all costs without concern for broader society any flouting of regulatory intervention is however not sustainable. Stock market valuations placed upon shares is often false and the share value of many organizations is 'pie-in-the-sky'. Consequently the emphasis has tended to shift to the overall value of what a shareholder holds in an organization measured by stock market valuations on shareholding. Even this does not serve the greater good. It is no longer defensible, or morally or ethically justifiable, to consider the shareholders to be the only enduring claimants of an organization. This is where there are other claimants who are defined as either individuals or groups whose relationship with the organization gives rise to an often greater and enduring interest in either its success or failure. Managers and CEOs for example, are often in the 'firing-line' due to their sole intent of maximizing the shareholder's interest without at all considering other stakeholders' and their welfare. Such an approach often induces the resistance from people, government, and society (Blair,1998).

There have been numerous definitions of the term 'stakeholder' within literature, however the consistent thread that permeates through them is that stakeholders are those individuals and groups that have a claim or an interest in an organization and its endeavors and also possess the ability to influence those activities in some way (Savage, Nix, Whitehead & Blair, 1991). The crafting of a stakeholder approach to strategy gained momentum in the mid-1980's when R. Edward Freeman's 'Strategic Management- A Stakeholder Approach' was written. Freeman based his work on the notions of Mitroff, Mason, and Emshoff (1978). The notion of the 'stakeholder' has been used far more since the mid-1980s than ever before (Donaldson and Preston,

ISSN: 2223-814X Copyright: © 2014 AJHTL - Open Access- Online @ http//: www.ajhtl.com

1995). According to Freeman (1984) a stakeholder is any person or organization who can be positively or negatively impacted upon by, or cause an impact on the actions of a company. He also views customers and suppliers as important stakeholders. The Stakeholder concept extended the notion of strategic management way beyond it's purely profit maximization notion. The purely profit-driven shareholder wealth perspective is progressively more unsatisfactory for truthfully answering two basic questions relating to the theory of the firm namely, how is value created and how is it essentially distributed.

Creating value

Huber et al. (2000) argue that the notion of creating top quality customer value is a requirement for competitive advantage for any organization including what it does in CSR initiatives which impact the community in which it operates. Payne and Frow (2007) also suggest that value for customers is created through a succession of processes that support the total customer experience including CSR initiatives - customers including all stakeholders. They also argue that since experiences are constructed by the customer subjectively it is important that their emotions be carefully considered before embarking on any project. The manner in which stakeholders are valued and dealt with stimulates their emotions and this transcends beyond the consumption process. As a result, all customers tend to carefully examine what an organization does to support the local community. Due to the emotive nature of dealings with a community, the values that stakeholders attribute to the organization are generally viewed in terms of its social conscience and the extent to which it operates ethically and morally.

Freeman (cited in Freeman, Wicks & Parmar, 2004) indicates that there are two core questions that articulate the focus of stakeholder theory as it stands today. The first question probes into the primary focus of the firm, which encourages managers to express their shared sense of value of what they create and what brings the main stakeholders together. The second question focuses on the level of responsibility that managers have towards all stakeholders and it also exemplifies the kind of relationship that needs to be nurtured so that the business objectives can be met and exceeded. Also interesting to note is that the majority of research undertaken on the notion has been in either, strategic management, normative theories of business conduct, corporate planning and governance using organizational theory, or corporate social responsibility. The thrust driving the idea of stakeholder management was the need to create a framework for organizational managers by which they could seek to navigate through turbulent economic times in an ever more dynamic global and local business environment.

Towards a definition of stakeholders

There are of course many definitions of stakeholders in the literature. Some of these are partly formulated on the economic worth of a stakeholders to an organization (*inter alia,* Mitchell, Agle and Wood, 1997; Frooman, 1999; Coombs and Gilley, 2005; Kassinis and Vafeas, 2002; McWilliams and Siegel, 2001). Post, Preston and Sachs (2002) define stakeholders as individuals or groups which add value to the wealth creation of an organization and are also its potential beneficiaries. According to Clarkson (1995), they are all entities which become either willingly or unwillingly exposed to any activity of the organization which poses a risk to them in some or other way. By these definitions, shareholders, debt holders and employees are all stakeholders (Blair, 2005). All regulatory authorities may also be defined as stakeholders according to Post et al. (2002). Buysse and Verbeke (2003) define the environment as an important stakeholder alongside the local community (Morris, Rehbein, Hosseini and Armacost, 1990). Brouthers and Bamossy (1997) consider the government to be a critical stakeholder. Minoja (2012) states that the main assumption underlying the stakeholder theory is that the primary purpose of any organization is to create and distribute value to a wide range of stakeholders, each with different levels of needs and claims, and that the accomplishment of this purpose depends to a large extent on obtaining the co-operation and support of the stakeholders involved.

Tourism stakeholders

Who are the stakeholders in tourism organizations? Paskaleva-Shapira (2007) asserts that diverse management organizational structures, operating strategies and personalities can greatly affect who the stakeholders are perceived to be, and may also impact the manner in which their needs are perceived. This can clearly then impact upon the goals and directions of tourism management *per se.* According to the UNWTO, the stakeholders include *inter alia*, tourism professionals such as travel agents, tour operators, media, hotels, taxis, public authorities, the press and all the media. Other interest groups and individuals include local residents and indigenous groups (Macbeth, Burns, Chandler, Revitt, & Veitch, 2002). Robson and Robson (1996) maintain that the participation of stakeholders in tourism initiatives has the important potential to make available, due to their collaborative exertions, a framework within which sustainable tourism development can be provided to communities. Robson and Robson (1996) also maintain that a core key principle of stakeholder theory, is that any organization that is active in any community has essentially what is considered to be a ‘social contract’ with that community. This resides in the tacit or otherwise permission that they provide it to operate in the community.

Aas, Ladkin and Fletcher, (2005) consider tourism stakeholders as been any individual or group which is in some way involved, interested in, or affected either positively or negatively by tourism activities. Effective stakeholder engagement is considered to be critical if it ‘reduces potential conflicts between the tourists and host community by involving the latter in shaping the way in which tourism develops’ (Aas et al., 2005). Every group of stakeholder plays an important role in the development of tourism in a community but by virtue of their roles, some are considered to be of greater use and are thus deemed to be more important than others. This greatly impacts on the success or otherwise of activities that are undertaken in a community (Vincent, 1990). In considering the idea of sustainable tourism development, Swarbrooke (2001) divided stakeholders into five major categories namely government, tourists-both domestic and foreign, the host communities, tourism businesses and other related sectors. Every group of stakeholders is considered a critical constituent of the tourism destination. This is primarily due to the fact that the initiatives and thoughts of stakeholders are peripheral to the strategic planning and management processes of organizations (Dill, 1975). If sustainable tourism development is a desired objective at any destination, it is critical that destination stakeholders be fully aware and informed of what is anticipated and how they will be required play a role that will benefit their community as well as the tourism organizations concerned.

The stakeholders in synergy with organizations, thus have a very important role to play in the development process of a tourism destination and their buy-in is critical to success (Jamal & Getz, 1995).This is why SA Tourism states that its main role is to position South Africa as a tourism destination and business events destination and as such it requires ability to align every player in the value chain. Where impediments, are uncovered, SA Tourism works with the channel including *inter alia* tour operators, travel agencies through Joint Marketing Agreements (South African Tourism, 2012).A number of researchers (Hardy & Beeton, 2001; Leiper, 1995), have found that what stakeholders’ know and experience in tourism management, and their participation in tourism planning and development processes, and their long-term community involvement play a vital role in tourism destination management. It is also clear that local communities are primarily apprehensive about how tourism will impact on their locality and their way of life and their essential need for sustainability (Getz & Timur, 2005).

When it comes to tourism operations, their main focus inevitably tends to be on marketing of products and services on offer and on providing service quality excellence to tourists since this is what tourists are more concerned about when visiting a destination (Hardy & Beeton, 2001). Tourists and indeed all stakeholders seek ethical business and good corporate governance on the part of organizations. These should be encapsulated in the principles of integrity, transparency and accountability. A strong customer focus is non-negotiable and organizations are expected to provide services and solutions in a manner that is deemed to be efficient and which are also highly effective and responsive to stakeholder needs and expectations.

In Figure 1.the position on the grid indicates the actions that organizations have to take with stakeholders relating to their power and influence in an imaginary tourism venture in a rural community:

- High power, interested people: these are the people that must be fully engaged with, and with whom the greatest efforts made to satisfy them.
- High power, less interested people should be worked with to keep them satisfied, but not so much that they become bored with the organizations objectives.
- Low power, interested people: keep them adequately informed, and talk to them to ensure that no major issues arise.
- Low power, less interested people: monitor these people, but do not bore them with excessive communication on strategies or envisaged projects.

African Journal of Hospitality, Tourism and Leisure Vol. 4 (2) - (2015)
ISSN: 2223-814X Copyright: © 2014 AJHTL - Open Access- Online @ http//: www.ajhtl.com

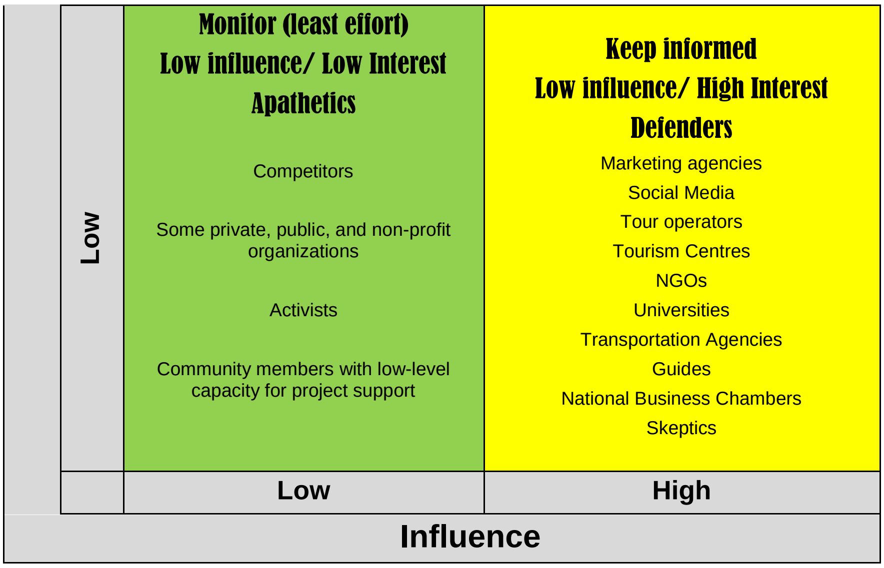

Figure 1. Power/Interest Grid for tourism stakeholders in a project (Author's own)

It is clear that a stakeholder is thus any an agency, organization, group or individual who has either some direct or indirect interest in what an organization does, especially in the community in which the organization operates.

Stakeholder group	Who are they?	How to engage and communicate
Keep engaged High Influence/ High Interest	These are the 'key' or 'core players'. They have a very high interest in the outcome of the organizations endeavours and also have the ability to influence this.	The greatest effort must be made to engage with and satisfy this group as their co-operation will be vital when creating new projects or making changes.They should be communicated with regularly and considered in participation in a project team.
Keep satisfied High Influence/ Low Interest	These may be senior employees within an organization who may not be aware of a project or who may not be affected by the outcome.	They may only have low interest in the project because they don't understand how it may benefit them. Try to involve them and link them to the project .
Keep informed Low influence/ High Interest	This group could be people or other organizations who are involved in the detailed execution of a change.	Maintain two-way communication with this group. They may have specialist knowledge. Even if they don't have influence over the proposed project as individuals, as a group they may be useful in influencing others.
Monitor Low influence/ Low Interest	They generally have little direct involvement with a project but need to be kept informed of progress.	Do not overburden them with detailed information or they may simply lose any slight interest they may have had

Table 1. Who are the stakeholders and how to engage with them
(Adapted from Durham-www.dur.ac.uk)

Analyzing stakeholders' positions

Power and Influence and Power and Legitimacy are regarded as attributes that are essential elements when it comes to forging a stakeholder typology (Mitchell et al., 1997). Legitimate stakeholders may include the businesses and industries that are impacted on by organizational decision-making. It also includes governmental agencies, private consulting firms, planners and community leaders. Over and above major local small, medium and micro enterprises (SMMEs) (Stuart, Pearce, & Weaver, 2005), a range of other private, public, and non-profit organizations are also acknowledged as active role-players, often with minor roles. They are also participants to an extent and partly responsible for contributing to the welfare of the community, especially when it comes to rural destinations (Aarsaether, 2005).

ISSN: 2223-814X Copyright: © 2014 AJHTL - Open Access- Online @ http//: www.ajhtl.com

Stakeholder analysis invariably yields useful and accurate information about persons and organizations that have an interest in what an organization is planning. The strategies employed organizations often undermine the quality of their relationship with the local communities and thus lose their trust. In order to be empowered to engage strategically with all stakeholders, it is critical to know who the stakeholders are, what their needs are, what their expectations are of a particular issue or project, how they are likely to react to what unfolds and what influence or power they may bring to bear on the issue at hand. This is why it is critical to answer the following questions:

- Who are the most important stakeholders?
- What is the stakeholders' knowledge of the planned project?
- What are the stakeholders' positions on the specific project?
- What do the stakeholders see as possible advantages or disadvantages of the project?
- Which stakeholders might form alliances?
- Is success likely in working with selected stakeholder groups, if not how can they be coaxed?

Based on what is uncovered after analysis the following aspects are possible to ascertain and become very important for an organization to focus on:

- What the total number of supporters is likely to be?
- How importance are the supporters?
- How much do supporters know about the proposed project?
- What are the advantages and disadvantages of the project implementation to the supporters?
- Are the supporters internal or external to the organization developing the project?
- Are there other support groups of stakeholders in the same sector who support the project? (cross-reference with organization information)
- What is the total number of opponents to the project?
- How critical are the opponents likely to be?
- What do opponents know?
- What should they know?
- What are the advantages and disadvantages of policy implementation to the opponents?
- Are the opponents internal or external to the organization developing the project?
- Are there additional groups of stakeholders in the same sector who oppose the project?
- Who are the neutral stakeholders, what is their importance, knowledge, and interests?

The findings of such questions and research in general have strong repercussions for stakeholder theory and also expose some critical practical considerations in the management of business enterprises. The role and responsibility of business in society is one in which there should be a mutual and indeed symbiotic interdependence between the organization and society. If the relationship is not harmonious, both parties could ultimately suffer the consequences. If an organization is responsive to society's needs and adopts a 'triple bottom line' approach considering 'people, planet and profits', it is likely to succeed and be sustainable. Given the 2010 quality standard 'Guidance on social responsibility ISO 26000' which was proposed as part of a 'new' economic agenda for business, it remains a difficult task for organizations to accede to all the needs of stakeholders. The lack of objective criteria makes this an even harder task to perform when it comes to senior management making the right decisions concerning stakeholder needs.However, and critically so, if an organization pursues a 'bottom-line' approach which neglects to consider other stakeholders it may well be on the path to destruction (Pfeffer and Salancik, 2003). Freeman (1984) suggested the

ISSN: 2223-814X Copyright: © 2014 AJHTL - Open Access- Online @ http//: www.ajhtl.com

stakeholder management approach for organizations by which they need to consider both clusters of, as well as individual stakeholders who may affect, or who are impacted upon by the accomplishment of their strategic objectives.

"We need to understand the complex interconnections between economic and social forces. Isolating 'social issues' as separate from the economic impact which they have, and conversely isolating economic issues as if they had no social effect, misses the mark both managerially and intellectually. Actions aimed at one side will not address the concerns of the other. Processes, techniques and theories that do not consider all of these forces will fail to describe and predict the business world as it really is". (R. Edward Freeman,1984).

The stakes of stakeholders whether real or imaginary, cannot be simply pushed aside. Acknowledging the impact of an organization's actions and their impacts on a community must become an integral part of the notion of taking a long-range strategic view of the business prospects of the organization. The organization should engage with stakeholders and seek to identify authentic stakes and then carefully consider these during strategic planning sessions and in all decisions that are made by it. Such engagement necessitates a genuine mind-shift by both managers and boards of companies (McCaskey, 1982). Managers need to be responsive to the changes that impact upon the internal micro and external macro environments so as to be able to adequately respond to all the stakeholders of the organization and thus promote its sustainability. Jensen (2002) assets that the stakeholder theory is useful in that it gives the organization a chance to serve diverse constituents rather than merely some shareholders but this requires careful planning and orchestration or the organization may be severely compromised by inefficiency and even managerial confusion. Freeman **(**1984) argues that an organization cannot survive without managing their relationships with all stakeholders with a legitimate claim. Freeman and McVea (2005) call for value creation for all stakeholders rather than merely profit maximization for the shareholders of a company. Ian Davis, the Managing Director of consulting firm McKinsey & Company, wrote in The Economist_in 2005, that a business needs to administer its contract with society actively if it is to preserve public trust and gain greater shareholder investment. The suggestion that business depends on society for its 'licence to operate' highlights the importance of stakeholder relations to sustain corporate feasibility.

Some scholars such as Mitchell et al., (1997), have attempted to promote the descriptive use of the stakeholder theory by crafting theoretical frameworks to assist in the important process of identifying stakeholders. On the other hand, Stieb (2008) and Jensen (2002) are amongst a group of scholars who maintain that stakeholder theory is misguided and that it undermines business strategic objectives and thus only those who invest financially in an organization should reap the benefit of its profits. Stakeholder theory is justifiable from a normative perspective but it also has a hugely influential possibilities. From a strategic perspective, many scholars have made a strong instrumental business case for stakeholder management (Orlitzky et al., 2003; Odgen and Watson, 1999; Kotter and Heskett, 1992). They make linkages between the financial performance of an organization and a stakeholder approach to strategic management.

Others have called for it to be implemented on normative grounds and thus link stakeholder management to ethical courses of action for business reasons (Kochan, 2000; Berman et al., 1999; Donaldson and Preston, 1995; Freeman and McVea, 2005). According to this rationale, stakeholders must be treated well and value must be created for them even if they are not investors.
Wood, D. 1995. After considering the many debates between scholars on the

ISSN: 2223-814X Copyright: © 2014 AJHTL - Open Access- Online @ http//: www.ajhtl.com

issue of stakeholders as evidenced in the literature, and based on a wide range of theories, the complementary understanding of 'organization' and 'stakeholders' manifests in the following three ways:

1) Given its own inherent worth, an organization is effectively a group of people delimited by collaborative and complementary relationships.
2) The stakeholders are identified by their relationships of a functional, social and legitimacy interest with an organization.
3) The term 'stakeholder' is in essence a general management concept, and taking their interests into account should be the foremost characteristics of stakeholder management.

Which stakeholders and how are they identified?

There may be many stakeholders with many different expectations for each organization ranging from the owner/s, to shareholders and investors who seek greater profits and a high return on capital invested. They usually require good corporate governance initiatives to be in place and seek sustainability based on measurable policies. Financial institutions require interest to be paid on loans while insurance businesses want an organization to better manage its business risks. The consumers as critical stakeholders generally require satisfactory ethical marketing, commercial and advertising to safeguard good quality. They also seek the right product/s at the right time and at the right price. They want their human rights to be respected. Suppliers mostly desire a consistent relationship with an organization with which they are conducting business. The employees seek a total conformance with labour legislation and understanding employers'. They also seek greater support for their local community when it comes to corporate social responsibility initiative and all issues of corporate citizenship and investing. Future employees usually interrogate organizational websites to read up on human resources policies and they also tend to scan the websites for corporate social responsibility initiatives as they wish work for ethical employers and be associated with 'doing the right thing'. The organizations auditors require their clients to adhere to the law when it comes to accounting matters. The competitors also have a stake in what an organization does as they seek competition of fair and equal terms and do not want competitors to be involved in corrupt practices such as cartel creation and bribery for example. Unions are important stakeholders as they have the power to bring an organization to its 'knees' if employees are treated unfairly. In terms of organizational transparency, the media also play an important role as they report on products and all the developments that may unfold in an organization which may impact society.

National, provincial, and local governmental also have a huge stake in what an organization does or what is fails to do. It is vital to get the buy-in and commitment of all stakeholders and to build a positive working relationship with them and eliminate obstacles as far as possible. There are of course various other key stakeholders for SA Tourism for example, the following *inter alia*, could be critical stakeholders: tour operators, local consultants, local administration, local businesses, IATA, travel agents, the Department of Home Affairs, ASATA, Airports Company of South Africa, airline companies, Statistics South Africa, CATHSSETA, SATSA, Immigration, restaurants, hotels, Field Guides Association, Tourism Business Council, World Travel and Tourism Council and transport and logistics companies.

Freeman (1984) asserts that in order to implement stakeholder theory, the organization needs to have a total appreciation of all the entities who have interests in the planning, processes, delivery and also the outcomes of a product or service. Clearly then, sustainable tourism development comprises both personal and contextual elements. The implication here is that what may be viewed as a sustainable practice in one location may indeed differ considerably when related to another location. It is thus important to identify the key stakeholders when seeking to implement sustainable tourism development. It is equally important to comprehend the manner in which diverse groups of stakeholders exert their interests in sustainable tourism development initiatives which are undertaken. An organization should strive to identify all stakeholders by having brainstorming sessions with specifically identified groups and sub-groups that may be involved in a decision that an organization is making or hoping to make. What is the range of activities that is to be to be undertaken and who is it likely to impact and in what way?

The extent of stakeholder involvement that is required should be sought but even those in low priority categories must be considered. What is the relative power and "strength" of needs of various stakeholder groups? When and how will the groups be engaged with? The diverse needs and interests must be ascertained based on the extent to which they provide for the organization. Stakeholder may be classified into interest groups by a process of stakeholder mapping and their interests and needs can be determined. Where there are potential conflict areas between stakeholder groups including the organization and its competitors and other stakeholders, these should be given priority and reconciled with organizational strategy.

It is desirable to as far as possible align the needs of the most important stakeholders with organizational strategy and for competing to demands to be thrashed out and balanced. In essence the stakeholders must be proactively managed in all activities so that the stakeholders' engagement is maintained.

Theories leading to the Stakeholder notion

Donaldson and Preston (1995) identified the descriptive, instrumental and normative aspects of stakeholder theory which elucidate various aspects. They considered 'Stakeholder Theory' to be essentially instrumental if it creates a framework for examining the connections, if there are indeed any, between the practice of stakeholder management and the attainment of numerous corporate performance objectives. It is considered to be descriptive if it defines the corporation as an arrangement of co-operative and competitive interests having inherent value. It has a 'fundamental basis' and is considered to be normative and involves acceptance of all the various stakeholders as persons or groups with legitimate interests in the procedural and /or substantive aspects of corporate activity. In this case, and "the interests of all stakeholders are of primary importance.

The normative aspect is considered to be the most important one and in this Donaldson and Preston are supported by Freeman (1998).The descriptive outlook reconnoiters the corporate characteristics which drive the behavior of the organization as it relates to relating to stakeholders. It also tends to assess management perceptions of the organizations obligations to stakeholders. A normative approach stresses stakeholder management theory as a somewhat doctrinaire instrument for management while the instrumental approach focusses on the outcomes of stakeholder management and how it impacts the organization's financial and social performance, promotes organizational learning, and drives innovation (Verbeke et al, 2013).

Pfeffer and Salancik (1978), state that various slants prefigured early attempts to emphasize the external macro-environment as a substantial descriptive factor of the micro-organization. Systems theory (Ackoff, 1974) also tended to emphasize the external relations that exist

ISSN: 2223-814X Copyright: © 2014 AJHTL - Open Access- Online @ http//: www.ajhtl.com

between an organization and others in society, which are an important aspect of the organizations survival. Organizations are thus viewed as 'open systems' which are part and parcel of a mutually dependent collection of many entities and they do not stand alone. This is why it is imperative to effectively identify the stakeholders and their links with an organization so that strategies can be developed to strengthen the links between the diverse role-players which add value to all parties. Organizational theory emanated from very much the same foundation as systems theory. Katz and Kahn (1966) instigated the development of organizational structures that demarcated organizations as being relative to the system in which they existed. It was Thompson (1967)who presented the notion of "clients" when referring to individuals and groups beyond the usual scope of the organization's activities. While both Systems theory and organization theory have limits, both have been useful in drawing greater attention to the importance of increasing enquiry in matters relating to strategy creation which is inclusive of all stakeholders.

The notion of corporate planning dictates that management needs to consider stakeholder needs since the latter may hinder business growth in some way or other. As such it is considered prudent in a corporate approach to create strategies which are cognizant of stakeholder needs and which integrate these into operational practices. This implies that a careful stakeholder analysis is required. This is organization-centric and strategic and instrumental where the organization maintains a central position and has direct links to all stakeholders.

The instrumental approach thus stresses reasons why an organization, acting ethically, should lead to competitive advantages. When a relationship exists between the stakeholders and the organization, it is clear that a 'contract' is in place and many stakeholders and may be considered a 'nexus of contracts'. Every organization is managed by professional managers who are contracting agents. The organizations exist in competitive environment which in itself places pressure on them. When organizations have ethically appropriate relationships with all stakeholders and where there exists mutual trust and cooperation, then the organization has an important a competitive advantage over.

In the Salience model of Mitchell, Agle and Wood (1997), stakeholders have power to influence the organization. They are also partners to a legitimate relationship with the organization and have an urgency claim on the organization. Power in itself does not make for classifying a stakeholder as possessing a high priority. What is needed is legitimacy which provides authority and urgency is required for execution. This implies that the stakeholders must be conscious of their power and be willing to use it.

Rowley (1997) posited a Network Theory of Stakeholder Influences- in which there are abundant and interdependent interactions that simultaneously exist in the stakeholder environment. He described how stakeholders influence an organization and how the latter respond to these influences is contingent upon the network of stakeholders that exists within the relationship. He considered 'density' (the interrelatedness between stakeholders) and 'centrality' (position in the system from a relative perspective) as very important aspects requiring deeper analysis. Friedman and Miles (2002) crafted a Critical Realist Stakeholder Theory and based their typology on two aspects needing clarity, namely is the relationship between the stakeholders and the organization compatible or incompatible in terms of diverse ideas and the material interests of each role player. Is the relationship between groups necessary or contingent?

Corporate Social Responsibility role

Corporate Social Responsibility (CSR) extends the range of stakeholder analysis and engenders in management a need to interrogate how stakeholders are dealt with.CSR influences organizations in many ways and the perceptions of have an impact on society and local communities. Where the stakeholders are not involved, this creates space for activism. CSR is an imperative aspect of modern business and cannot simply be ignored. From an ethical stance, all stakeholders are correspondingly important as all have moral standing. Although CSR has been exercised for many years by early practitioners including the Cadbury family in Britain and the Rockefeller family in the United States (Cannon, 1994), the role and duty of an organization in society has only manifested more lucidly in the last couple of decades (Carroll, 1999). CSR was classified as early as fifty years ago (Hennigfeld et al., 2006).

An organization that is involved in CSR activities to support local communities for example, must first and foremost be profitable enough to sustain itself and in a legal manner. They have a moral obligation to "do the right thing" beyond the legal requirements and regulations. Buchholtz and Carroll (2000) define CSR as follows: "Corporate social responsibility encompasses the economic, legal, ethical and philanthropic expectations place on organizations by society at a given point in time". The World Commission on Environment and Development in 1987 defined it as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" – clearly speaking to the issue of sustainability. First and foremost is the notion that organizations must be environmentally conscious but also consider the social and economic aspects that comprise the sustainability principle. This then is the 'Triple Bottom Line' that is desirable in which "People, Planet, Profit" are considered in all operations (Elkington, 1998). Carroll (1991) asserts that economic responsibility is the underpinning that must be in place before further steps towards social responsibility can be undertaken by any organization. Rivoli (1995) and Taylor (2001) both state that investors take careful note of who is doing what before investing in any organization –which represents what is termed socially responsible investing (Lott et al., 2001) but also includes dealing with stakeholders in a moral and ethical manner conducive to sustainability.

The Normative or Prescriptive View

There are various studies which have unequivocally justified a normative aspect to stakeholder theory (Freeman and McVea, 2001, Hansen et al., 2004). A stakeholder approach to strategic management, advocates that managers must carefully formulate and implement processes which please all groups which have some or other a stake in the business. It is then critical carefully engage with stakeholders that have been identified and manage and integrate the relationship with them. The interests of shareholders, employees, customers, suppliers, communities and other groups must be handled in a such a manner that the long-term success of the organization is ensured. The usually apparent focus on customer–supplier relationships should be further extended to the total network of all stakeholder relationships so that in the business environment, relationships with all stakeholders and the promotion of shared interests becomes essential to sustainability.

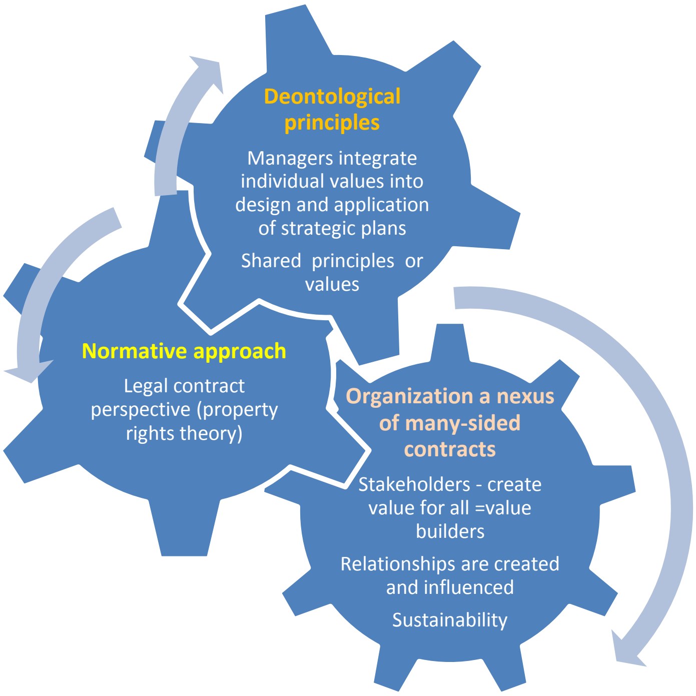

Figure 2. The Normative Approach (Author's own)

Freeman and Clarkson (1995) suggest a normative approach from a contract theory perspective. The normative approach is based on moral principles as to the way organizations should approach their operations. Freeman (1998) views the organization as a nexus of many-sided contracts between stakeholders. In terms of this notion, all individuals and groups that are involved offer distinct resources to the organization, and therefore have equal rights to convey their needs and wants with it. Donaldson and Preston (1995), maintain that all stakeholder-oriented policies are justifiable since stakeholders have legitimate interests in activities of the organization. In essence the issue is how is economic value attained and then distributed (Schumpeter, 1954). In this regard Strategic Management has made theoretical and empirical advances when it comes to the problem of economic value creation when it is mainly viewed from a shareholder wealth perspective rather than from a general stakeholder perspective (Blair, 1995). Clarkson considers property rights theory and states that 'the establishment of a company is not only contributed by shareholders but also by employees, suppliers, debt holders and clients, all of those who offer particular resources such as human capital other than Physic Capital (Clarkson, 1995). They invest and take risk, therefore deserve certain rights (rights of control and Residual rights of claim)', thus 'stakeholders are those groups and individuals who invest Physic Capital, Human Capital, financial capital or something valuable and take risk of doing so and/or voluntarily or involuntarily become exposed to risk from the activities of a firm.' The primary method of inquiry of the normative view of the theory involves stipulating which moral obligations the stakeholder theory will place on managers, more especially how they will approach shareholders and the other stakeholders (Boatright, 1994, Clarkson, 1995). The stakeholder approach stresses the importance of investing in the relationships with all individuals or groups which have a stake in the organization and the permenance of the relationship is generally determined by the recognition of shared core of principles or values.

Freeman and McVea (2005) assert that a normative stakeholder approach permits managers to integrate their individual values into the design and application of strategic plans which is generally useful. McVea and Freeman (2005) also propose that stakeholders be accepted as actual

ISSN: 2223-814X Copyright: © 2014 AJHTL - Open Access- Online @ http//: www.ajhtl.com

individuals. Only by this understanding can managers gain even the remotest awareness of how their actions impact others. In all their decisions, managers will need to consider both the moral and ethical facets of their decisions before reaching organizational decisions. Stakeholder theory must thus focus on the creation of value for all, carefully crafted decision-making processes and real relationships with real people with whom the interact. Whether of use or not, the fact remains that in the tourism industry for example, there are a myriad of both individuals and groups which have a stake in the success of a tourism related enterprise. It has however been commonplace practice that many stakeholders are simply ignored by organizations or marginalized. Various stakeholders with legitimate claims have also been sidelined as other are preferred due to bottom-line issues. Friedman and Miles (2006), suggest that normative stakeholder theory requires fair, ethical and morally acceptable behaviour by organizations (deontological principles). Furthermore the organizations interests must not be only based on profit maximization at all costs (utilitarian principles). The normative element does to an extent however, depend on other elements namely the descriptive and instrumental. Evan and Freeman (1988) state that every stakeholder has a right to be treated as an end in itself, and not as a means to some other end, "and therefore must participate in determining the future direction of the firm in which (it has) a stake." The main trial for the stakeholder view is how to bridge the divide between organizational and stakeholder values (Frederick, 2006).

The Descriptive View

The descriptive view of the stakeholder theory clarifies past, present and possible future statuses of affairs between organizations and their stakeholders and describes or explains explicit organizational characteristics and behaviours. It also analyses what managers really do concerning stakeholders and which groups are considered (Donaldson and Preston, 1995). It helps us to understand what organizations do with regard to stakeholders and elucidates on challenges faced and what opportunities may exist. Brenner and Cochran (1991) maintain that the descriptive view sheds light on an organization's stakeholders. It also unpacks their values and how they influence decisions taken and this aids in predicting organizational behavior.

There are three key issues in the descriptive view (Phillips et al., 2003).These are firstly, the nature of stakeholders, that is, stakeholder analysis. Secondly, the circumstances in which they exist and how they may or may not influence all organizational decisions and operations. Thirdly, the strategies they employ in dealing with them. Freeman and Clarkson (1995) also tend to regard stakeholders in a descriptive way and approach the idea by considering that all stakeholders have legal interests which must be taken into account as the core characteristic of stakeholder management. The interests of the key stakeholders must be integrated into the DNA of the organization, and the relationships with all of them must be managed in a rational and strategic manner. Jones and Wicks (1999) suggest stakeholder theory be considered as a normative ethic that ought to approach the issue by determining which obligations from the stakeholder model perspective, reside with management, and more especially ascertaining the level of importance of obligations ascribed to some stakeholders over others. Management thus need to be fixated on understanding why an organization needs to satisfy its stakeholders and how it intends to achieve this. The organization also needs to prescribe values when undertaking normative research projects (Freeman, 1998).

What is the motive then for organizations adopting a stakeholder approach? To answer this question the descriptive use of the stakeholder theory is investigated

(Donaldson and Preston, 1995). This unpacks and explains what organizations do in reality when it comes to managing diverse stakeholders. Effective stakeholder management and relations with especially the primary stakeholders to include all customers, employees, suppliers, community residents and the environment can all constitute intangible, highly socially complex resources that can greatly enhance the organization's ability to outdo competitors in the creation of especially long term value (Hillman et al, 2001). There is thus a need for even higher levels of interdependency between value chain partners such as an organization and stakeholders and it underlies the importance adopting a stakeholder centric approach in which there is synergy in the organizations actions that are mutually beneficially for all the stakeholders. Tipuric and Lovrincevic (2011) in similar vein, state that a stakeholder orientation or stakeholder management as such, can certainly be a source of competitive advantage. This is however dependent on the notion that it is viewed as an integral component of a long-term wealth generating strategy. Conversely, it may also be highly detrimental to an organization's performance if it is merely a part of an entrenchment strategy devised by an opportunistic and self-serving management core.

Organizations must basically devise strategies to make themselves more competitive in the global economy and should maximize shareholders value, but also balance the multiple, competing interests of many stakeholders (Freeman, 1984; Bowie, 1999; Jensen, 2002). Organizations are thus expected to support society and create an environment which is conducive for community growth and development. They should be accountable, and show respect and serve their stakeholders with honesty, respect and trustworthiness. In return the organization gets recognition and becomes more sustainable. Organizations must values their own people by ensuring fairness in their systems and processes, be supportive and recognize and reward employee performance. If they are to cope with the global environmental and economically turbulent times, organizations require a high level of integration between themselves and their various stakeholders. This should be of such a nature that there is an alignment and in fact a synergy in formulating and executing organizational strategies relating to stakeholders. Freeman et al. (2004)state that most organizations have developed and run their businesses in alignment to the guidelines and principles of stakeholder theory and this leads to success.

For success to result in stakeholder dealings, Frow et al. (2011) suggest that stakeholders be classified so that relevant strategies can be developed to create important synergistic relationships with various markets, with the prime objective being organizational sustainability and growth. They argue that the stakeholders need to be identified and their core values determined. After this the organization must
expedite dialogue and knowledge sharing with them as they identify and co-create opportunities for mutual growth. It is then the goal to co-create stakeholders' value proportions and Stakeholders must not only be understood in the current environment but also be nurtured and Managed strategically over many years.

Stakeholders and value proposition

Frow and Payne (2011) offer the view that there are six market domains of stakeholder model segments in which each group can be divided into specific stakeholder entities so as to unpack the value proposition and value creation they offer to an organization. The six domains include:

1. Customer markets - buyers, intermediaries and final consumers
2. Referral markets - customers and non-customer recommendation sources

ISSN: 2223-814X Copyright: © 2014 AJHTL - Open Access- Online @ http//: www.ajhtl.com

3. Supplier and alliance markets - providers of physical and knowledge-based resources
4. Influence markets - a broad range of stakeholder bodies that influence the firm, including financial,
political, environmental, media and competitors)
5. Recruitment markets - potential employees together with third parties who act as access channels
for potential recruits
6. Internal markets - employees with segments based on attributes including level, function, and type
of contact with customers)

Walters (2008) concurs with the above further says that if these 'value builders' are to be effective, they must be built on positional strategic initiatives and partnership relationships and must be capable in what they offer, for example, effective quality of management, proficiency and flexibility. Given that stakeholders are noteworthy partners towards an organization's resources, they are also a facilitator in that they enable the creation of valued intangible resources such as for example, ethical conduct, reputation and trust (Darabos et al., 2014).

The property rights theory of organizations

The discussion on the issue of shareholders versus stakeholders has been raging for many decades and it was Berle (1931) who drove the idea of 'shareholder primacy'. He was later opposed by Dodd (1932) who proposed the notion of a 'stakeholder approach' to business. In this latter outlook it was the task of an organization to provide secure employment for employees, provide quality products meeting customer expectations and also seek to serve the greater community's needs with especially welfare related issues. Property rights theory, facilitates an economic underpinning for stakeholder theory. Hart and Moore (1990) maintain that in the contemporary world of business, property rights theory associates possession with residual control rights. Successfully aligning any residual claims diminishes the possibility of *ex ante* contractual problems while a pertinent allocation of residual control rights diminishes *ex post* contractual problems. Residual claims and residual control matters are at the core of a definition of ownership. In classical property rights theory however, ownership is interpreted to be a residual right to income in which there is residual claimancy (Alchian and Demsetz, 1972). Property rights relates to any authorized or endorsed behavioural relations between decision makers when it comes to using critical resources for example. This allows parties to use resources in the class of non-prohibited uses. This then stresses the legal facet of property rights as well as the social principles that govern behaviour in an organization, which includes *inter alia* corporate culture, ethical practices and the reputation of an organization (North, 1990).

Shareholders are clearly not the only residual claimants, and especially in the case where residual claimants are deemed to be individuals or groups whose relationship with an organization contributes to a sizeable residual interest in the success or failure of the organizations endeavours. Providing stakeholders with property rights in an organization impacts on its economic value creation, and also enables careful analysis of conflicts relating to who is entitled to what from the organization (Kim and Mahoney, 2002). By developing a property rights theory of the organization, strategic management's principal theory is enabled, namely the resource-based theory (Wernerfelt, 1984) which is capable of develop the notion of sustainable strategic competitive advantage. This is also based on the nature of resources and if they are considered to be precious, uncommon, incomparable and non-substitutable outside a shareholder wealth perspective (Coff, 1999).

Property rights take account ofany social institutions that describe or restrict the variety of privileges concerning certain specific resources granted to individuals. The private ownership of some resources may entail property rights which include a right to prohibit non-owners from right to use and may allow the rights owners to take any economic rents from the use of and investments in the available resource. In addition to this the rights owner may sell or transfer the resources to third parties. The way we think of an organization is changing rapidly since the nature of the organization is changing daily. More and more importance is placed on knowledge-based resources and capabilities and issues such as intellectual property rights (McEvily and Chakravarthy, 2002).

The stakeholder view necessitates that the whole economic value of an organization be considered since it is not only the shareholders who obtain economic value from it. There are many other stakeholders whose benefits beyond their opportunity costs must be considered to fully grasp the real total economic value creation of an organization. It is clearly not only the economic value of an organization which has important value.

The currently dominant agency theory of corporate governance defines an organization as a nexus of contracts. From a purely mathematical perspective (Holmstrom, 1999) the solitary residual claimants are the shareholders and the economic basis for shareholders' preeminence is established. In reality however, there are many other affiliates of the nexus. In the case of employees, customers, suppliers, creditors and communities, for example, may also be very important residual claimants as they often have a greater claim, and so such stakeholders cannot be overlooked or negated (Stout, 2002). Kochan and Rubenstein, (2000) argue that employees for example, set themselves up as very influential stakeholders who contribute to problem- solving, conflict resolution, and quality improvement in an organization and as such are critical stakeholders. They also maintain that stakeholder firms will emerge when the stakeholders become property owners and then expose their assets to risk and have both influence and voice. Stakeholder organizations will however only be sustainable when leaders' incentives promote a keener responsiveness to stakeholders and when stakeholder legitimacy is able to subdue the skewed perception of organizations and society towards the issue of stakeholder management as an ethical imperative.

Donaldson and Preston (1995) state that "The theory of property rights, which is commonly supposed to support the shareholder theory of the firm, in its modern and pluralistic form supports the stakeholder theory of the firm instead". There is also a totally new conceptualization of the property rights theory of the firm, which reflects on both explicit and implicit contracting (Baker, Gibbons and Murphy, 2002). Berman et al. (1999) distinguish between an "instrumental approach" (Ogden and Watson, 1999) where concern for other stakeholders is based on the progressive self-interest of shareholders and another approach in which there is an "intrinsic commitment" view concern for all stakeholders as ends and not merely as means (Agle, Mitchell and Sonnenfeld, 1999).The theory of distributive justice (Rawls, 1971) should also be applied to the distribution of economic value among various stakeholders. Phillips (1997) grounded a stakeholder approach in the principle of fairness so that when groups or individuals enter into any sort of cooperative agreements they create an obligation to act fairly at all times. In such an approach, the business transactions create a moral obligation for organizations to treat all stakeholders fairly and to always consider their interests when making strategic decisions that impact on the broader community.

Burton and Dunn, (1996) justify a stakeholder approach on the notion of the 'ethics of care' which emphasizes the dominance of the nexus of networks that create the organization which is ultimately morally obliged to engage with stakeholders.

Implications for tourism

In an industry such as tourism, organizations that are leaders in building good relationships with stakeholders are better positioned able to entice government for example to provide financial capital and such organizations are generally well positioned to outperform competitors. By building and good handling of network linkages and stakeholder relationships an organization positions itself to have a sustained advantage (Coff, 1999). Tourism enterprises must seek to maximize shareholders' interest where applicable but also increase corporate value. Managers must strive to take all the stakeholders into account when making decisions. They should also effectively deal with the relationship between their organization and stakeholders. If it is desirable that sustainable tourism development be implemented successfully, the organization as a key role player must identify the other critical stakeholders in the implementation process. These could include for example, core expert stakeholders who provide tourism services, such organizers of local community activities, restaurant and pub owners in the area, accommodation of various types, custodians of attractions to visit, ecotourism activities such as natural attraction viewing, hiking, birding, game viewing, art and craft manufacturers and vendors, historical attractions, tourist guides and tour operators. It is critical that tourism stakeholders be supported if successful tourism operation, and long-term sustainability of tourism are sought.

When a tourism destination is successful, it invariably attracts new people with unique skills and businesses opportunities grow in the area. The new community members become stakeholders as well as they bring with them personal skills, knowledge and a range of experience that can be used be by the community (Huang & Stewart, 1996). Strategic management in tourism organizations should be constantly searching for new ways for their business be innovative and sustainable. They should thus consider how they can affect the environment and its stakeholders as well as how the environment and its stakeholders may affect them. As stated earlier, stakeholders in tourism include many different types of groups. These depend to a large extent on the geographic location so that key stakeholders in a rural village in Mpumalanga province for example would be villagers who stand to benefit from tourism ventures. There are opinion leaders who have sway over a community by virtue of their power and authority and who can via their support networks assist with entrepreneurial tourism ventures as they bring to bear social pressure and social support (Katz, 1957). An undoubtedly huge impact is also brought to bear by social media and the media in general as their reports or utterances can make or break a destination.

The 'core' and 'expert' stakeholders who provide tourism services to visitors usually benefit directly from the greater number of visitors that are attracted to a destination and should be viewed as important stakeholders to consider by government for example, in aspects such as marketing initiatives. In this regard the South Africa the Industrial Development Corporation finances tourism development projects in outlying areas and supports rural communities (Industrial Development Corporation 2011).There are also many stakeholders who support tourism through their support initiatives and that impact on tourist experiences. These are termed 'enablers' since their interest promotes development in a region and bolsters job opportunities. They are also important role-players when it comes to increasing job opportunities and protecting the natural environment and cultural heritage areas. All these activities by the 'enablers' help boost an area economically (Briedenhann and Wickens 2004). In addition to such stakeholders there are also various interest groups which play important roles such as members of historical, archeological, historical, birding and lepidoptery associations and societies. Education departments also play an important role as they can support programmes at schools which enhance the understanding of learners as to the vital importance of tourism and the need to preserve natural and heritage sites.

Consequently, such stakeholders could be supported by innovative initiatives including training of willing participants in guiding, birding, indigenous accommodation and food and beverage operations or art and craft development. There are specialists and suppliers of goods and services to consider. The prospective experts comprise a range of entities including *inter alia* national tourism departments, local tourism organizations, local municipalities, NGOs, travel operators and travel agents, guides and such like. The local community would be the suppliers of especially the natural resources that tourists wish to experience (WTO, 1998).

Given that the tourism industry comprises a large number of small to medium enterprises (SMEs), it is important that before initiating any tourism planning and investing in an area, that organizations contact local governments so as to have a clear appreciation of who is already active in tourism in that particular region. In this way sustainable destinations become those in which all stakeholders, including the local governments, tourism operators and agents and other suppliers, all work in tandem toward common goals. While local governments are undoubtedly the key partners, they also need to work closely with a wide range of inter-related organizations and the local community with whom regular meetings should be held. In such an inclusive arrangement, each stakeholder has a clear role to play and related responsibility. Organizations must thus communicate effectively with local, regional and state tourism bodies so as to have greater leverage from the actions of other stakeholders. The total travel experience has become a substantial constituent of many tourism route offerings and this is why the stakeholders in a tourism route need to also appreciate what each of them has to offer in order to expedite an acceptable visitor experience on the route (King, 2002).In combination with experts, it remains essential that both the well-being and needs of local communities are genuinely addressed and incorporated within the implementation and management processes of sustainable tourism development (Kamamba, 2003).Stakeholders have multi-dimension attributes which need to be considered. If organizations wish to be successful in stakeholder dealings and become more sustainable, then identifying, analyzing, classifying, managing and assessing the stakeholders is non-negotiable. Some stakeholders may contribute to a route initiative for very diverse reasons and with special levels of involvement and enthusiasm (Saxena, 2005). However it is the stakeholders on the route who are most likely to participate in the biggest way(Sheehan and Ritchie, 2005).

Global regulatory measures supporting stakeholders

There is no doubt that tourism has an important role to play in job creation and in driving the economies of nations but there is in certain quarters a lack of desire to act ethically when it comes to dealing with stakeholders, especially in rural communities. In South Africa there are also of course many other challenges for the tourism sector to deal with in each of the nine provinces. If social cohesion is to be achieved in part through tourism initiatives there should be no exploitative aspects, but rather a drive to focus on skills development and education on the how and why of tourism and especially the development and support of stakeholders whether they be ‘experts’, ‘enablers’ or members of interest groups or indeed any other group. A moral compass is required to steer South Africa in the right direction. It is evident from recent newspaper reports emanating from certain media that there is a great need for international guidelines, recommendations and codes of conduct which should be used as a framework for the different stakeholders involved in the tourism sector. The UNWTO Global Code of Ethics for

Tourism (GCET) was adopted by the UNWTO General Assembly in 1999 and later fully endorsed by the United Nations General Assembly in 2001 as a suitable framework for developing sustainable and responsible tourism development globally. It particularly speaks to governments, the travel industry in general, communities and domestic and foreign tourists alike. It assists in maximizing the sector's benefits while minimizing its often potentially negative impacts. The Code incorporates numerous ethical principles and standards relating to the environment, cultural heritage and societies across the globe. These are expected to be used in both national policies and organizational practices relating to tourism. The Code's implementation is monitored and regulated by the World Committee on Tourism Ethics, which is an neutral and independent body consisting of experts in tourism. The Codes priorities include fighting the exploitation of children in tourism initiatives, a drive against human trafficking and poaching and illegal wildlife trade. It seeks to make tourism accessible for all and thus promotes fair models of all-inclusive holidays. It frowns on organizations embellishing their offerings with 'green-washing' and false marketing initiatives and promotes the consideration of stakeholder property rights. The stakeholders property rights need to be considered and they should also be linked to building value.

In all organizational endeavours, morality and ethics should play a role in the global world of tourism business, and stakeholder engagement should be such that stakeholders are not exploited or manipulated for profit maximization but rather made part of the 'team'. The relationships that are forged will ensure long-term success if ethical conduct, commitment, responsible behaviour and transparency on the part of all stakeholders is a given. From this perspective it becomes abundantly clear that there is a very important part for values and 'values-based-management' to play. While organizations may have financial muscle, local communities may have critical knowledge and skills which are thus also key attributes in the search for sustainable tourism.

Conclusion and recommendations

South Africa and its neighbouring states are endowed with a very wide range of remarkable tourism assets, ranging from exceptionally tourist friendly weather, wildlife viewing, historical and cultural tourism to beach tourism. Yet despite the huge incontrovertible tourism potential, tourism growth has been severely stunted by tourist perceptions of crime and corruption amongst other aspects. Much thus needs to be done for South Africa and indeed it's neighbours' to fulfill their potential in tourism. Once core issues are addressed and stakeholders considered in all dealings relating to tourism, then it can become a significant contributor to the economic development of the region in general. This article draws attention to the important issue of engaging with stakeholders as an ethical imperative. In any event, the stakeholders have huge potential to influence either positively or negatively what is planned or being undertaken in a local community or society. The stakeholder approach is both a prescriptive and descriptive in orientation and based on normative thinking. Efforts must be made to identify and engage with all stakeholders who are impacted by or who could impact on the sustainable success of an organizations planned ventures.

The typology of tourism stakeholders and their characteristics are important considerations. Most importantly, without the full support of local communities, the sustainability of tourism is doubtful. A stakeholder approach is undoubtedly a strategic management process rather than a strategic planning process since the latter pays attention to trying to envisage a future operational environment and then self-sufficiently developing plans for the organization to seek to exploit a given situation. A stakeholder approach promotes the survival of an organization in turbulent economic times as by supporting stakeholders, the likelihood is greater that support will be reciprocal. The approach

ISSN: 2223-814X Copyright: © 2014 AJHTL - Open Access- Online @ http//: www.ajhtl.com

rejects outright the notion of maximizing profits as a singular organizational objective. Stakeholder management and engagement with them is an ongoing activity in a 'nexus' of many sided contracts in which value is created for all stakeholders. Long-term organizational success is only possible with the support of stakeholders and where business is highly values-based and where there are carefully crafted integrated business strategies that are deemed appropriate for the long-term. Stakeholders are similar to employees in that they bring economic value to an organization. They are also impacted upon negatively when organizations make bad decisions based on the idea of maximizing shareholder value at all costs. Consequently a property rights stakeholder theory recognizes the part played by each stakeholder group in the creation and distribution of economic value. Managers of tourism enterprises and indeed all organizations need to use stakeholder management to enrich their often limited understanding of the strategic options they could generate.

If an organization uses a substantive argument that involves stakeholders it is likely to lead to better decisions since they will have access to information that might not otherwise be accessible. They are also able to bring local knowledge and thus hands on practical experience to a project in a community. Critically, they can further make certain that social and cultural values are considered thus gaining greater support for a project. (Nutt, 2002; Wheeler and Sillanpaa, 1997.) Viewed instrumentally, stakeholder involvement implies that the any organizational decisions are more likely to be accepted by all those who are involved. Connecting stakeholders with a project results in greater transparency and accountability of the decision-making process. From a moral or normative perspective, stakeholder involvement in decisions that affect their local community strongly promote the notions of representative democracy and participative democracy. Stakeholder engagement is important for better informing all decision-making and for providing greater legitimacy for decisions taken. Glicken (1999) asserts that the norms and values of the wide range of stakeholders in a community should always be considered in the decision-making process as an ethical imperative.

Stakeholder management essentially necessitates an integrated approach to strategic decision making in which a wide range of multiple stakeholders must be satisfied and considered as far as possible in all organizational undertakings. It is not possible to please all stakeholders all the time, bur efforts should be made not to harm them either. Any decisions taken by managers without considering stakeholders may result in both financial and reputational cost to an organization.

References

Aarsaether, N. (2005). *Networking for rural development: Innovations in the Nordic periphery*. Paper presented at the Innovation Systems and Rural Development. (Proceedings from 10th Annual Conference University of Copenhagen), Nordic-Scottish University for Rural and Regional Development

Aas, C., Ladkin, A., & Fletcher, J. (2005).Stakeholder collaborations and heritage management. *Annals of Tourism Research*, 32(1), 28-48.
Ackoff, R. (1970). *A concept of corporate planning*, Wiley, New York.

Ackoff, R. (1974). *Redesigning the future*. Wiley, New York.

Agle, B. R., Mitchell, R.K. & Sonnenfeld, J.A.(1999). Who matters to CEOs? An investigation of stakeholder attributes and salience, corporate performance, and CEO values. *Academy of Management Journal,* 42, 507-525.

Aguilera, R. V. and G. Jackson (2003). The cross-national diversity of corporate governance: Dimensions and determinants. *Academy of Management Review*, 28 (3): 447-465.

Ansoff, I. (1965). *Corporate Strategy*, McGraw Hill, New York, NY.

Aronssen, L. 2000. *The development of sustainable tourism*, Continuum (Thomson Learning), London.

Burton, B. & Dunn, C. (1996). Collaborative control and the commons: Safeguarding employee rights. *Business Ethics Quarterly*, 6, 277-288.

Baker, G., R. Gibbons and K. J. Murphy (2001). Bringing the market inside the firm? *American Economic Review*, 91 (2), 212-218.

Berman, S. L., Wicks, A.C. Kotha, S.L. & Jones, T.M. (1999). Does stakeholder orientation matter? The relationship between stakeholder management models and firm financial performance. *Academy of Management Journal*, 42 (5), 488-506.

Blair, M. M. (1995). Ownership and Control. *Brookings Institution*, Washington, D.C

Blair, M.M. (1998). “For whom should corporations be run? An economic rationale for stakeholder management”, *Long Range Planning*, Vol. 32, no.2, 195 – 200.

Blair, M. M. (2005). Closing the theory gap: How the economic theory of property rights can bring ‘stakeholders’ back into theories of the firm. *Journal of Management and Governance*, 9 (1): 33-40.

Boatright, J. (1994). “Fiduciary duties and the shareholder-management relation: or what’s so special about shareholders?”,*Business Ethics Quarterly*, Vol. 4 No. 1, 393-408.

Bowie, N. (1999). *Business Ethics: A Kantian Perspective*, Blackwell, Oxford.

Briedenhann, J. & Wickens, E.(2004). Rural tourism – Meeting the challenges of the new South Africa.*The International Journal of Tourism Research*, 6(3),189–203.

Brouthers, K. D. & Bamossy, G.J. (1997). The role of key stakeholders in international joint venture negotiations: Case studies from Eastern Europe. *Journal of International Business Studies*, 28 (2): 285-308.

Buysse, K. & Verbeke, A. (2003). Proactive environmental strategies: A stakeholder management perspective. *Strategic Management Journal*, 24 (5): 453-470.

Cannon, T. (1994). *Corporate responsibility: a textbook on business ethics, governance, environment: roles and responsibilities*, Pearson, London.

Carroll, A. B. (1999). "Corporate Social Responsibility: Evolution of a Definitional Construct." *Business Society*.

Carroll, A. &Buchholtz, A. K. (2006).*Business and Society: Ethics and Stakeholder Management.* Mason, Thompson Learning.

Clark, J. M. (1916). The changing basis of economic responsibility, *Journal of Political Economy*, 24 (3): 209-229.

Clarkson, M. B. E. (1995). A stakeholder framework for analyzing and evaluating corporate social performance. *Academy of Management Review*, 20 (1), 92-117.

Coff, R. W. (1999). When competitive advantage doesn’t lead to performance: Resource-based theory and stakeholder bargaining power. *Organization Science*, 10, 119-133.

Coombs, J. E. &Gilley, K. M. (2005). Stakeholder management as a predictor of CEO compensation: Main effects and interactions with financial performance.

Strategic Management Journal, 26: 827-840.

Darabos, M. & Dvorski, K. (2014).Realizing the big picture of competitive advantage: the stakeholder approach. *Economic and Social Development, 7th International Scientific Conference*, New York City.

Dill, W. R. (1975).Public participation in corporate planning - Strategic management in a Kibitzer's World. *Long Range Planning*, 8(1), 57-63.

Dill, W. R. (1958). "Environment as an influence on managerial autonomy", *Administrative Science Quarterly*, Vol.2, no.4, 409-443.

Donaldson, T. & Preston, L. (1995). The stakeholder theory of the corporation: Concepts, evidence, and implications. *Academy of Management Review*, 20: 65-91.

Elkington, J. (1998).Cannibals With Forks: The Triple Bottom Line of the 21st Century Business, New Society Publishers.

Emshoff , J. 1978. *Managerial breakthroughs*. AMACOM, New York.

Freeman, R. E. (1984).*Strategic Management: A Stakeholder Approach,* Pitman, Boston.

Freeman, R. E. (1998). "A stakeholder's theory of the modern corporation", in Hartman, L. (Ed.),*Perspectives in Business Ethics*, McGraw-Hill, New York, NY, 12-19.

Freeman, R. E. & McVea, J. (2005).A Stakeholder Approach to Strategic Management. In Hitt, M. A., Freeman, R. E. & Harrison, J. S. (Eds.) *Handbook of Strategic Management.* Oxford, Blackwell Publishing.

Freeman, R. E., Wicks, A. C. & Parmar, B. (2004). Stakeholder Theory and The Corporate Objective Revisited. *Organization Science*, 15 (3), 364 - 369.

Friedman, M. (1970). The Social Responsibility of Business is to Increase Its Profit. *New York Times.*

Friedman, A. and Miles, S. (2006). *Stakeholders: Theory and Practice*, Oxford University Press,Oxford,

Frooman, J. (1999). Stakeholder influence strategies. *Academy of Management Review*, 24: 191-205.

Frow, P. & Payne, A. (2011). A stakeholder perspective of the value proposition concept. *European Journal of Marketing*, 45 (1), 223-240.

Harrison, J. & Fiet, J. (1999). New CEOs pursue their own self-interests by sacrificing stakeholder values. *Journal of Business Ethics*, 19: 301-308.

Hennigfeld, J., Pohl, M. et al. (2006).*The ICCA handbook on corporate social responsibility*, J. Wiley & Sons, London.

Huber, F., Herrmann, A. and Morgan, R. E. (2001), "Gaining competitive advantage through customer value oriented management", *The Journal of Consumer Marketing,* vol. 18, no. 1, 41.

Getz, D., & Timur, S. (2005). Stakeholder involvement in sustainable tourism: Balancing the voices. In W. F. Theobal (Ed.), *Global tourism* (3rd ed.,) ,Butterworth-Heineman, Maryland Heights, 230-247.

Glicken, J. (1999). "Effective Public Involvement in Public Decisions." *Science Communications,* 20 (3): 298-327

Grant, R.M. (2002). *Contemporary Strategy Analysis: Concepts, Techniques, Applications*, 4thedn., Blackwell, Oxford.

Hansen, U., Bode, M. and Moosmayer, D. (2004), "Stakeholder theory between general andcontextual approaches: a German view", *Zeitschrift fu r Wirtschafts- und Unternehmensethik*, Vol. 5 No. 3, 312-18.

Hardy, A. L., & Beeton, R. J. S. (2001). Sustainable tourism or maintainable tourism: Managing resources for more than average outcomes. *Journal of Sustainable Tourism*, 9(3), 168-192.

Hart, O. & Moore, J. (1990).Property rights and the nature of the firm. *Journal of Political Economy*, 98, 1119-1158.

Hillman, A. J. & Keim, G. D. (2001). Shareholder value, stakeholder management and social issues: What's the bottom line? *Strategic Management Journal*. 22 (2), 125-139

Holmstrom, B. (1999). The firm as a sub-economy. *Journal of Law, Economics, and Organization*, 15 (1), 74-102.

Huang, Y.H., & Stewart, W. P. (1996). Rural tourism development: Shifting basis of community solidarity, *Journal of Travel Research*, 34(4), 26-31.

Industrial Development Corporation. (2011). News Releases: 2011: IDC takes new path to grow the tourism industry. http://idc.co.za/media-room/press-release/media-releases-2011/98-idc-takes-new-path-togrow- the-tourism-industry [accessed 24 April 2015).

Jamal, T., & Getz, D. (1995).Collaboration theory and community tourism planning. *Annals of Tourism Research,* 22(1), 186-204.

Jensen, M. C. (2002) Value Maximization, Stakeholder Theory, and the Corporate Objective Function. *Business Ethics Quarterly,* 12**,** 235-256.

Jones, T. and Wicks, A. (1999), "Convergent stakeholder theory", *Academy of Management Review*, Vol. 24 No. 2, 206-21.

Kamamba, D. M. K. (2003). The challenges of sustainable cultural heritage/community tourism. Paper presented at the Second African Peace Though Tourism Conference.

Kassinis, G. & Vafeas, N. (2002).Corporate boards and outside stakeholders as determinants of environmental litigation. *Strategic Management Journal*, 23 (5): 399-415.

Katz, D. & Kahn, R. (1966).*The Social Psychology of Organizations*. Wiley, New York.

Key, S. (1999). "Toward a new theory of the firm: a critique of stakeholder 'theory' ", *Management Decision,* Vol. 37, no.4, 317-328.

Kim, J. &Mahoney, J.T. (2005). Property rights theory, transaction costs theory, and agency theory: An organizational economics approach to strategic management*. Managerial and Decision Economics,*223-242.

King, J. (2002). Destination marketing organisations – Connecting the experience rather than promoting the place. *Journal of Vacation Marketing*, 8(2),105–108.

Kochan, T. A. &Rubinstein, S.A. (2000). Toward a stakeholder theory of the firm: The Saturn partnership. *Organization Science*, 11 (4), 367-386.

Kochan, T. A. (2000) Toward a Stakeholder Theory of the Firm: The Saturn Partnership. *Organization Science,* 11.

Kotter, J. & Heskett, J. (1992) *Corporate Culture Performance,* Free Press, New York.

Leiper, N. (1995). *Tourism management*. RMIT Press, Melbourne.

Lott, C., R. Lowry, & Cooper, R. (2001). "Strategy - Socially Responsible Investing." [Accessed 7 May 2015], from http://www.invest-faq.com/articles/strat-sri.html

Macbeth, J., Burns, G. L., Chandler, L., Revitt, M., & Veitch, S. (2002). Community as tourism object: associated disciplinary understandings. Paper presented at the *CAUTHE conference*.

Marcoux, A.M. (2003). 'A fiduciary argument against stakeholder theory'. *Business Ethics Quarterly*, Vol. 13, no. 1, 1-24.

McEvily, S. K. & Chakravarthy, B. (2002). The persistence of knowledge-based advantage: An empirical test for product performance and technological knowledge. *Strategic Management Journal*, 23, 285-305.

McWilliams, A. &Siegel, D. (2001). Corporate social responsibility: A theory of the firm perspective. *Academy of Management Review*, 26 (1): 117-127.

Mitchel, M., & Hall, D. (2005). Rural Tourism as Sustainable Business: Key Themes and Issues. In D. Hall, I. Kirkpatrick & M. Mitchel (Eds.), *Rural Tourism and Sutainable Business*. Channel View Publications, Clevedon, UK, 3-16.

Mitchell, R., Agle, B. & Wood D. (1997). Toward a theory of stakeholder identification and salience: Defining the principle of who and what really counts. *Academy of Management Review*, 22: 853-886.

Minoja, M. (2012). Stakeholder Management Theory, Firm Strategy and Ambidexterity. *Journal of Business Ethics*. 109, 67-82.

Morris, S. A., Rehbein, K.A., Hosseini, J.C. & Armacost, R.A. (1990).Building a current profile of socially responsive firms.*IAB Proceedings*, 297-303.

North, D. C. (1990). *Institutions, Institutional Change and Economic Performance*. Cambridge University Press, Cambridge, MA

Nutt, P. (2002). *Why Decisions Fail,* Berrett-Koehler, San Francisco.

Ogden, S. &Watson, R. (1999). Corporate performance and stakeholder management: Balancing shareholder and customer interests in the UK privatized water industry. *Academy of Management Journal*, 42 (5), 526-538.

Orlitzky, M., Schmidt, F. L. & Rynes, S. L. (2003).Corporate Social and Financial Performance: A Meta-Analysis. *Organizational Studies,* 24**,** 403-439.

Payne, A. and Frow, P. (2007). A strategic framework for customer relationship management, *Journal of Marketing,* vol. 69, no. 4, 167-176.

Pfeffer, J. & Salancik, G. R. (1978).*The External Control of Organizations,* Harper & Row, New York.

Phillips, R. (1997). Stakeholder theory and a principle of fairness. *Business Ethics Quarterly*, 7, 51-66.

Phillips, R., Freeman, R. E. & Wicks, A. C. (2003).What Stakeholder Theory is Not. *Business Ethics Quarterly,* 13**,** 479-502.

Porter, M. E. (1980).*Competitive Strategy: Techniques for Analyzing Industries and Competitors.* The Free Press, New York.

Paskaleva-Shapira, K. (2007). New paradigms in city tourism management: Redefining destination promotion. *Journal of Tourism Research*, 46(1), 108-114.

Post, J. E., Preston, L.E. & Sachs, S. (2002). *Redefining the Corporation: Stakeholder Management and Organizational Wealth.* Stanford University Press, Stanford, CA.

Rawls, J. (1971). *A Theory of Justice*. Belknap Press of Harvard University Press, Cambridge, MA.

Rivoli, P. (1995). "Ethical Aspects of Investor Behavior." Journal of Business Ethics,14(4), 265-277.

Robson, J., & Robson, I. (1996). From shareholders to stakeholders: Critical issues for tourism marketers. *Tourism Management*, 17(7), 533-540.

Rowley, T. J. (1997). Moving Beyond Dyadic Ties: A Network Theory of Stakeholder Influences. *Academy of Management Review,* 22.

SA Tourism (2012). Marketing South Africa as a competitive tourist destination, *Local Government Conference*, 30 March 2015

Savage, G.T., Nix, T., W., Whitehead, C.J. & Blair, J.D. (1991). Strategies for Assessing and Managing Organizational Stakeholders. *The Executive,* 5 (2).61-75.

Saxena, G. (2005). Relationships, networks and the learning regions: Case evidence from the Peak District National Park. *Tourism Management*, 26(2), 277–89.

Schumpeter, J. (1954). *History of Economic Analysis*. Oxford University Press, New York, NY.

Stieb, J. A. (2008). Assessing Freeman's Stakeholder Theory. *Journal of Business Ethics,* 87**,**
401-414.

Stout, L. A. (2002). Bad and not-so-bad arguments for shareholder primacy. *Southern California Law Review*, 75 (5).1189-1209.

Stuart, P., Pearce, D., & Weaver, A. (2005). Tourism distribution channels in peripheral regions: The case of Southland, New Zealand. *Tourism Geographics,* 7(3), 235-256.

Swarbrooke, J. (2001). *Sustainable tourism management* (2rd ed.). CAB International, London.

Taylor, R. (2001). "Putting ethics into investment". Business Ethics: A European Review,10(1), 53-60.

Tipuric, D., & Lovrincevic, M. (2011). Stakeholder Orientation and firm performance: Value generating strategy or sophisticated entrenchment strategy? – Empirical evidence from Croatia'. *The Business Review,* 17 (2), 220 – 228.

Verbeke, A. & Tung, V. (2013). The future of stakeholder management theory: A temporal perspective. *Journal of Business Ethics,* 112. 529-543.

Walters, D. (2008). Demand chain management + response management = increased customer satisfaction. International Journal of Physical Distribution & Logistics Management, 38 (9).699 – 725.

Wernerfelt, B. (1984). A resource-based view of the firm, *Strategic Management Journal*, 5, 171-180.

Wheeler, D. & Sillanpaa, M. (1997). *The Stakeholder Corporation: a blueprint for maximising stakeholder value*, Pitman Publishing, London.

WTO. (1998). Guide for local authorities on developing sustainable tourism. World Tourism Organization, Madrid.