

## Cooperative and Instrumental Stakeholder Networks: A Case Analysis of Two Urban Neighborhoods

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*Drawing on scholarship from resource dependency, social network analysis, trust, and institutional theories, we present a model that describes the factors that shape relationships among organizations and their stakeholders. We propose that networks comprised by companies and their stakeholders can be primarily cooperative or opportunistic in character. The qualities of the organizations in the network as well as the relationships and structure of those relationships determine whether or not the resulting network can be characterized as cooperative or opportunistic. We illustrate the model by comparing and contrasting the stakeholder networks of two neighborhood development projects.*

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In the years following Freeman's (1984) groundbreaking work, stakeholder theory developed rapidly, making significant strides in our understanding of normative and instrumental uses of ethics in managing stakeholder relations (Jones, 1995; Quinn & Jones, 1995). Research during this time suggested that competitive advantages may arise out of successfully recognizing stakeholder traits and adapting strategically to them (Jones, 1995; Wicks, Berman, & Jones, 1999), and create typologies that distinguish between stakeholders pursuing opportunistic ends and those seeking value-based goals (Mitchell, Agle, & Wood, 1997; Phillips, 1998). The pace of advancement in stakeholder research has been remarkable, but in spite of these advances, considerable opportunity to further the power and usefulness of stakeholder theory remains.

Cooperative approaches to stakeholder theory or those that evaluate multiple perspectives of firm-stakeholder relations are emerging. While prominent research in stakeholder theory has focused attention on examination of the instrumental side of stakeholder relationships (Freeman, 1984; Jones, 1995; Mitchell et al., 1997), investigation of cooperative relationships are being explored as researchers investigate factors that encourage stakeholders to form alliances to influence organizations (Rowley & Moldoveanu, 2003; Neville & Menguc, 2006). Another focus of stakeholder research has been the development of typologies to identify who a firm's stakeholders are and to determine the types of influences that they have over a firm (Mitchell et al., 1997; Phillips, 1998; Driscoll & Starik, 2004). While they are important avenues of research, cooperative arrangements among stakeholders present an opportunity to advance our understanding of stakeholder relationships further. A network approach to studying stakeholder relations allows us to consider cooperation among stakeholders as well as opportunistic behavior.

Social network analysis is a useful theoretical framework for further understanding the other constituents in society. The actors in the network are individual organizations. Each pair of actors in the network is potentially involved in some type of relationship (Markovsky, Willer, & Patton, 1988). A network approach to stakeholder theory is ultimately about how the business develops and maintains relationships with its stakeholders. Rowley (1997) was the first to meld a network approach to stakeholder theory, suggesting that stakeholder ties need to be evaluated on more than a dyadic basis. He also argued that an organization's stakeholders interact bilaterally. Stakeholders know of, and interact with one another. Some networks will be characterized by cooperative relationships, other networks by instrumental relationships.

Organizations in cooperative networks have multilateral stakeholder relationships. Instead of positioning the organization as a member of a network that is solely instrumental thriving only in the short-term, the cooperative network is a value-filled community that may perpetuate indefinitely. Participant organizations must promote cultural values that give it long-term direction and purpose for the cooperative network to endure. With such an ideological fit, contracting stakeholders may develop trust in one another. Eventually, the parties could reduce transaction costs that would otherwise be associated with an opportunistic approach - incentives and monitoring costs (Jones, 1995; Wicks et al., 1999). The result is a more efficient relationship that allows the retention of greater levels of available resources for maintaining unavoidable instrumental stakeholder relationships. While participants in the networks have dyads of exchange, there are repercussions for the other network members through transitivity (Neville & Menguc, 2006). Members in a cooperative network are either directly linked through each other or through a relationship that they have in common with another organization (Rowley & Moldoveanu, 2003). Opportunistic behavior in such a network not only damages the relationship with the stakeholder that is harmed, but any other networked stakeholder the

injured stakeholder interacts with. The creation of cooperative networks leads to investments embodying long-term commitments which cannot be achieved through remote ties that are based on immediate gain.

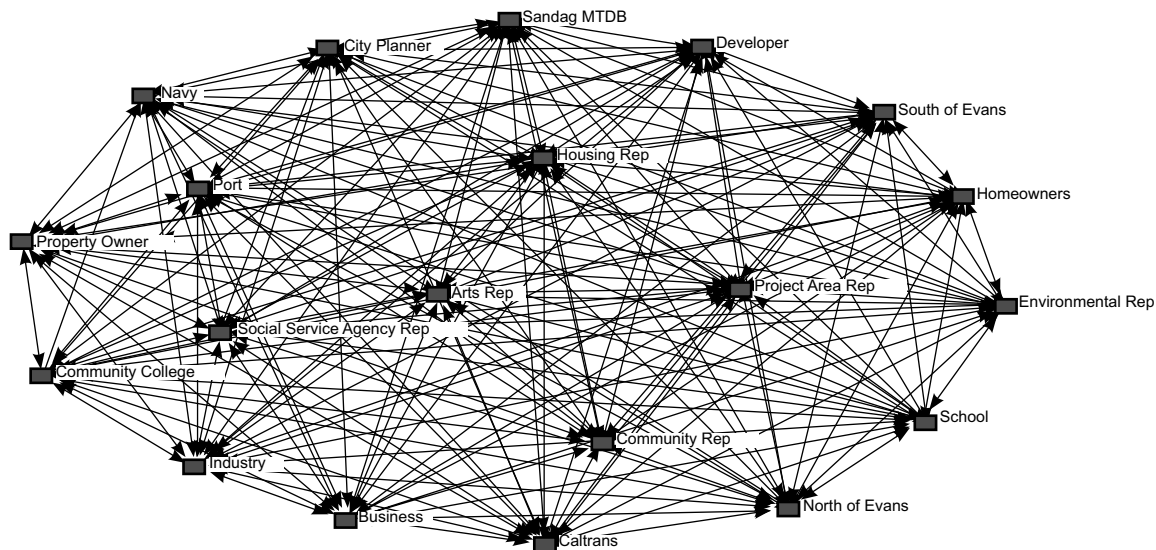
Instrumental networks on the other hand, are characterized by arm's length transactional arrangements between loosely affiliated opportunistic parties (Uzzi, 1997). The primary characteristics of the participants in this arrangement are: remote transactions, an emphasis on self-interest, an absence of loyalty, a focus on competition for limited resources, and impersonal relationships. The potential competitive advantages of remote approaches are the ability to rapidly shift to new conditions, opportunities, and relationships as they emerge (Uzzi, 1997). Among the disadvantages of participating instrumental networks are transaction, monitoring, and inducement costs. Instrumental networks are characterized by remote or loosely joined, short-term relationships, among stakeholders who do not trust each other and who engage in various techniques to monitor behavior of other actors to avoid exploitation.

In this paper, we propose a synthesis of social network analysis with stakeholder theory. We present cooperative and instrumental stakeholder models based on actor characteristics, relationships, and position in a stakeholder network. Our model distinguishes between stakeholder networks that are primarily cooperative or opportunistic by how these networks vary on stakeholder attributes, types of relationships, and the structural qualities of the networks. We illustrate the models with a case study of the redevelopment efforts of two urban neighborhoods.

### Stakeholder Networks

This model describes when relationships among stakeholder groups are characterized by either cooperative or opportunistic qualities. For the sake of clarity, we illustrate the model considering a network that is primarily cooperative (Barrio Logan represented in Figure 1), and a network that is primarily opportunistic (Roxbury represented in Figure 2). It is quite possible that cooperative networks will have actors that behave opportunistically, as well as actors in opportunistic networks that behave cooperatively. Our model describes the mechanisms that allow stakeholders to work together in each network situation.

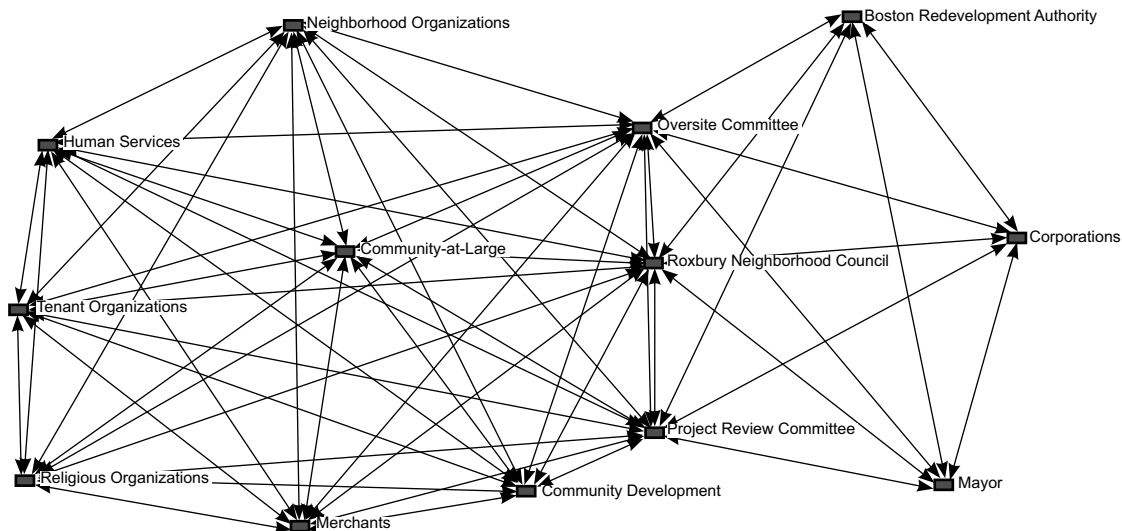
**Figure 1: Barrio Logan Stakeholder Network**



The nodes, represent the actors, or organizations, involved in the stakeholder network. The lines between the actors represent that a relationship exists between two organizations. The direction of the arrows illustrates the direction of the relationship. For example, in Figure 1, all of the relationships among actors in the network are bi-directional. This means that each organization in the network has a relationship with every other organization in the network. Figure 2 is characterized by both uni-directional and bi-directional relationships. In this figure, the mayor's office is noted as having a relationship with community development, but community development does not reciprocate this relationship. Finally the placement of the nodes in relation to each other represents a stakeholder's position in the network relative to other actors. The distinction does not matter when considering Barrio Logan. Actors in this network are connected to each other in exactly the same way. However, in Roxbury we see that the network is partitioned into two groups, with the Oversight Committee, the Project Review Committee, and the

Roxbury Neighborhood Council (RNC) as parts of both groups. This is represented by the nodes for these actors being placed in the center of the network graph between two groups of actors. The placement of the nodes indicates that these actors may serve as intermediaries between groups. This discussion has used broad examples to illustrate the interpretation of the nodes, lines, and position of the lines. The nature of these relationships which provide the context for the networks is discussed more extensively in subsequent sections.

**Figure 2: Roxbury Stakeholder Network**



### Smart Growth: An Illustration of Stakeholder Networks

Smart Growth is an emerging paradigm and social movement in the discussion of urban development and redevelopment. Smart Growth emerged of a concern that key stakeholders were excluded from decisions and policy making regarding community economic development. Critiques of traditional approaches to economic development charge that emphasis is put on creating a business friendly environment limited in its focus to creating favorable corporate tax and zoning policies. An imbalanced emphasis on creating business incentives resulted in harmful externalities affecting the environment, public health, and community vitality (EPA, 2008). Ten Smart Growth principles are widely accepted as benchmarks behavior for community development plans. Table 1 shows those ten principles.

**Table 1: Smart Growth Principles**

Principle 1	Mixed land uses
Principle 2	Take advantage of compact building design
Principle 3	Create a range of housing opportunities and choices
Principle 4	Create walkable neighborhoods
Principle 5	Foster distinctive attractive communities with a strong sense of place
Principle 6	Preserve open space farmland natural beauty and critical environmental areas
Principle 7	Strengthen and direct development towards existing communities
Principle 8	Provide a variety of transportation choices
Principle 9	Make development decisions predictable fair and cost effective
Principle 10	Encourage community and stakeholder collaboration in development decisions

Smart Growth is based on relationships among key stakeholder groups, which can be either cooperative or opportunistic. We examine the development of two urban neighborhoods; Barrio Logan in San Diego California, and Roxbury, in Boston, Massachusetts.

## Barrio Logan Case

Barrio Logan was recognized by the Environmental Protection Agency as a redevelopment project that demonstrated Smart Growth principles (EPA, 2008). Barrio Logan's largest constituencies are the residents, the U.S. Navy, and industry. The residents are primarily Latino and earn modest incomes. Barrio Logan's proximity to the Port of San Diego attracted the interest of the U.S. Navy. In the 1940's the U.S. Navy appropriated land to bring in defense industries, changing Barrio Logan to an industrial rather than residential community. The City of San Diego supported this industrialization by passing mixed zoning laws that allow the Navy and business to develop residential areas. Business owners took advantage of the favorable zoning laws to build junkyards next to schools and residences, transforming the neighborhood into an industrial rather than residential center (Delgado, 1998).

Influenced by the Civil Rights and agricultural workers movements, Barrio Logan residents organized to lobby for development plans and services to revitalize the community. The residents successfully petitioned the city of San Diego to build a park under the Coronado Bay Bridge. This was the first time that residents had fought for something and won (Barrio Logan in San Diego, 2000). However, subsequent events eventually led to the creation of cooperative relationships among Barrio Logan's stakeholder groups.

In 1968 the City of San Diego enters the Model Cities Program. Entering the program, the city performed an extensive study of Barrio Logan. Barrio Logan was designated as a redevelopment area and the residents were formally recognized by the city government as a stakeholder group. In 1974 the City recognized the Community Planning Association comprised of Barrio Logan property owners, businesses, small industry, and large industry stakeholders. This association contracted consultants who provided recommendations for the redevelopment of Barrio Logan. This plan was an important first step in the development of a cooperative stakeholder network. For the first time a plan including input from all key stakeholders was proposed for implementation. The plan articulated a set of guiding principles that the key stakeholders contributed to developing. This went a long way toward healing hard feelings, and developing trust resulting in the current realization of the Smart Growth principle of stakeholder inclusion. Consequently, we use Barrio Logan's approach to development to illustrate the cooperative stakeholder network. Table 2 defines the key actors represented by the nodes in the network.

**Table 2: Key Actors in the Barrio Logan Stakeholder Network**

Actor	Corresponding abbreviation
Residential Property Owners	Homeowners
Residential Tenants	North of Evans, South of Evans
Non-Residential Property Owners	Property Owner
Business Owners/Representatives	Business
Industrial Owners	Industry
Environmental Representative	Environmental Rep
Community Representative	Community Rep
Arts Representative	Arts Rep
Project Area Committee Representative	Project Area Rep
Housing Representative	Housing Rep
San Diego Unified School District	School
San Diego Unified Port District	Port
Center City Development Corp	Developer
United States Navy	Navy
Southeaster San Diego Planning Committee	City Planner
San Diego Association of Governments/Metropolitan Transit Development Board	Sandag MTDB
California Department of Transportation	Caltrans
San Diego Community College District	Community College

## Roxbury Case

At first glance, it would appear that Smart Growth development projects would favor a cooperative stakeholder network. Jennings' (2004) case study of the Roxbury Master Plan shows that adherence to Smart Growth principles emphasizing participation of all stakeholder groups is not always part of Smart Growth initiatives: "Another reason that the Roxbury Master Plan is important in the field of urban development is that it serves as a lens by which to critique planning theories that call for community participation but ignore social and class obstacles to participatory democracy at the local level. In fact Smart Growth and New Urbanism can be a cover for perpetuating structured inequalities at the local level" (Jennings, 2004: 14).

Roxbury is one of seventeen neighborhoods in Boston. It is predominantly black neighborhood located in close proximity to downtown and is characterized by a high concentration of poverty. The neighborhood reports the highest proportion of families living on public assistance in Massachusetts. This is in stark contrast to redevelopment efforts that focus on building luxury homes to attract high income professionals, escalating property taxes that push current lower income residents out of their homes (Jennings, 2004). Small businesses in the neighborhood also struggle, as they are less able to afford higher leases for their retail/work space. As in the case of Barrio Logan, the residents of Roxbury had little political influence as they are poorly represented among elected officials in proportion to their population (Jennings, 2004). Like Barrio Logan, the residents of Roxbury organized and lobbied for participation in the planning process for the redevelopment of Roxbury. Unlike Barrio Logan, recognition of Roxbury residents as a stakeholder constituency is involuntary and as a result of contractual obligations. The Roxbury development process is characterized by distrust and limited participation by key stakeholders (Jennings, 2004). Stakeholder relationships are managed by rules and layers of oversight (Roxbury Strategic Master Plan, 2008). Thus, the Roxbury planning process as an illustrative of an instrumental/or opportunistic network. Table 3 defines the key actors embodied by the nodes in the network (as shown in Figure 1).

**Table 3: Key Actors in the Roxbury Stakeholder Network**

<b>Actors</b>	<b>Corresponding abbreviation</b>
Boston Redevelopment Authority	Boston Redevelopment Authority
Mayor	Mayor
Oversite Committee	Oversite Committee
Project Review Committee	Project Review Committee
Roxbury Neighborhood Council	Roxbury Neighborhood Council
Merchant Association	Merchants
Tenant Organizations	Tenants
Religious Organizations	Religious Organizations
Human Service Organizations	Human Services
Neighborhood Organizations	Neighborhood Organizations
Corporations	Corporations

### Network Actor Qualities

We propose that variation on two network actor qualities describe the members of cooperative and opportunistic stakeholder networks. First, legitimacy motivates stakeholders to forge and maintain relationships with other members of a stakeholder network. Second, reputation is perceptual and is attributed to organizations the stakeholders interact with. Legitimacy and reputation are important because they encourage relationships to develop and endure among network actors.

**Legitimacy:** Legitimacy is an important consideration in any relationship between organizations and stakeholders. Maurer (1971:361) defined legitimacy as “the process whereby an organization justifies to a peer or superordinate system its right to exist.” Legitimacy is essential to an organization’s survival because stakeholders are most likely to supply resources to organizations, whose values are congruent with their own (Parsons, 1960) or which fulfill an important instrumental need (Pfeffer & Salancik, 1978).

Suchman, (1995) distinguishes between two types of organizational legitimacy; institutional and strategic. Institutional legitimacy is a set of constitutive beliefs, cultural definitions that determine how the organization will act. Institutional legitimacy is an essential component of the cooperative network. This form of legitimacy helps to assure the participating stakeholders that the cooperative network has an existence that extends beyond the attainment of any particular task. Strategic legitimacy is accomplished partly through the organization’s espousing goals that are consistent with guiding principles and partly through its own value system (Pfeffer & Salancik, 1978). Strategic legitimacy is externally focused as an operating resource to attain some desired outcome. In this respect, strategic legitimacy is purposive, calculated and frequently oppositional. In this light, value similarity between the focal organization and stakeholders is not very important because the relationships are inherently low-trust and remote. Accordingly, parties protect their interests through contracts, monitoring and the pursuit of legal remedies.

Considering Barrio Logan, the value congruency necessary for institutional legitimacy is established through several mechanisms. Firstly, common values for the Barrio Logan project emanated through the 1968 Model Cities Program which over the years evolved into the City of San Diego’s General Plan. While every neighborhood has the flexibility to identify and define a development plan to address the unique concerns of each neighborhood, every neighborhood development project in San Diego is guided by the Strategic Framework Core Values defined in

San Diego's general plan. Secondly, state law requires that all cities in California adopt a general plan to guide its future development. Finally, value congruency among key stakeholders in Barrio Logan was further strengthened by the establishment of a Community Planning Association in 1974. The Community Planning Association who created the development plan for Barrio Logan represents a broad cross section of residents and businesses in Barrio Logan. These stakeholders commissioned studies that were used to inform the development plan adopted in 1978. Consequently, the key stakeholder groups were involved in defining the goals and principles associated with the current plan. Key stakeholders in Barrio Logan community planning network perceive that key stakeholders have the same goals and principles.

The key stakeholders in the Roxbury network are united by common strategic goals, to redevelop the neighborhood providing housing and business opportunities. However, the criteria for success among key stakeholders varied significantly. Based on past history, the residents of Roxbury believed that city government and large business interests desired to displace them to acquire cheap land proximally located to downtown. The city government and large businesses worked together to create policies that addressed their interests to the exclusion of residents. Mixed zoning laws encouraged apartment conversions to condominiums and construction of expensive homes. The residents of Roxbury were interested in redevelopment; however, they wanted plans that emphasized affordable housing, building public schools, improved transportation, and economic development. This is an example of stakeholders having the same strategic goal, redevelopment, but different interpretations and values regarding its attainment.

Proposition 1: Actors in cooperative networks will tend to exhibit institutional forms of legitimacy to other actors in their stakeholder network while actors in instrumental networks will tend to exhibit strategic forms of legitimacy to other actors in their stakeholder network.

**Reputation:** Reputation is not an attribute, but a perception of the focal organization by other stakeholders in the network. Reputation is derived from information accessed through other relationships. Reputation is defined as the summation of other actor's perceptions and beliefs about the characteristics and behaviors of the focal organization (Knoke, 1998). Reputation is theoretically important to a stakeholder network because it provides information about a potential stakeholder partner in lieu of actual past experience with that organization. On an organizational level, reputation enhances the goodwill of other organizations toward the focal organization in rough times. Larsen (1992) observed the willingness of other organizations to assist a business whose property was destroyed by fire. The business' reputation assured the assisting organizations it would not be opportunistic, and would someday be in a position to reciprocate the favor. Without past experience to go on, organizations in this network used reputation to predict risk associated with assisting the ailing focal organization.

Reputation has multiple dimensions. According to Knoke (1998) reputation can be thought of in terms of influence, the extent to which the actor is perceived as having the ability to get things done or to shape outcomes. Reputation can also be conceptualized as the degree of ethical behavior exhibited by the organization during interaction with others in the network. Thus, reputation is a surrogate for quality control. In terms of evaluating prospects for new membership, reputation is an effective screen for inappropriate members.

For actors within Barrio Logan and Roxbury stakeholder networks, past experience and sullied reputations were obstacles to overcome. Actors in the Barrio Logan stakeholder network came to an understanding that cooperation was to everyone's benefit. When it was accepted that the exclusion and mistreatment of key stakeholders resulted in failed redevelopment, it led to a revised governance which was transparent, representative, and inclusive (Barrio Logan Harbor 101: Community Plan, 1978). This is not meant to imply a utopia. Disagreement regarding priorities and implementation still existed. However, unlike before, the disagreements were acknowledged and documented even if they are not acted on, maintaining the voice and contribution of all stakeholders. These norms enhance good reputations of actors in this network.

Instead of repairing reputations, actors in the Roxbury stakeholder network accepted poor reputations as an unavoidable reality. Interactions among actors in this stakeholder network were mediated by rules and procedures to keep other actors at arm's length so that unethical treatment persisted. Past injuries and injustices were not reconciled. Instead, stakeholders remained vigilant, informed by the reputations of other stakeholder network actors.

Proposition 2: Actors in cooperative networks will tend to attribute good reputations to other actors in their stakeholder network while actors in instrumental networks will tend to attribute poor reputations to other actors in their stakeholder network.

### **Relationships Among Network Actors**

Cooperative and instrumental stakeholder networks vary in trust and power relationships. Relationships among stakeholder network members will influence the manner in which any single organization functions in the network. The nature of the relationships influences the frequency and the quality of interactions between actors in a stakeholder network.

Trust: Organizations must be careful to avoid relationships that will leave it vulnerable to opportunistic behavior. Trust determines how stakeholder network members will respond to mitigate the risk involved in exposing vulnerabilities in the process of interacting with other stakeholder network members. We enter this discussion by acknowledging that the definition and conceptualization of the trust construct has been an elusive task (Gill, Boies, Finegan, & McNally, 2005; Mayer, Davis, & Schoorman, 1995). Therefore, we begin the examination of the influence of trust relationships in cooperative and instrumental stakeholder networks by defining the trust concept and identifying the components of trust that are relevant to our model.

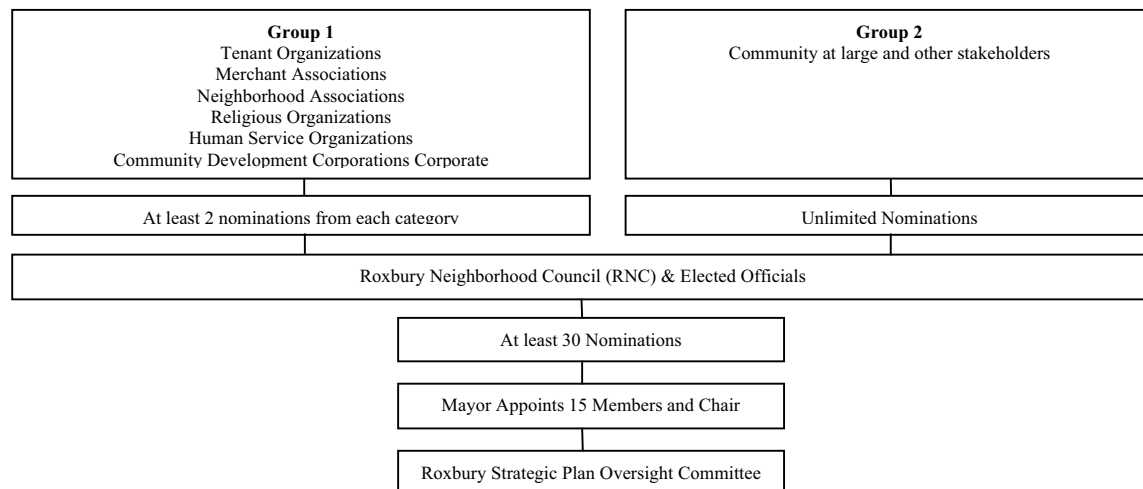
In our model, we use Mayer et al. (1995:712) definition of trust as: "...the willingness of a party to be vulnerable to another party based on the expectation that the other will perform a particular action important to the trustor irrespective of the ability to monitor or control the other party." This definition allows us to focus on the relational aspects of trust separate from the concept as a qualitative attribution. Accordingly the attributes of ability, benevolence, and integrity increase the likelihood of trust. However Mayer and his colleagues very clearly point out that these attributes do not constitute trust. The behavioral manifestation of trust is the assumption of risk.

Factors that promote trust facilitate the behavioral manifestation of trust realized in risk-taking behavior. In situations characterized by trust, there is a high level of confidence that the other party involved will behave in a cooperative manner. The assumption of risk is easier in this situation. Conversely, in situations characterized by distrust, there is a high level of confidence that the other party will behave opportunistically, exploiting vulnerabilities to one's disadvantage (Lewicki, McAllister, & Bies, 1998). Trust provides the glue that holds relationships together in cooperative stakeholder networks. High levels of trust are demonstrated by stakeholder network members making themselves vulnerable to other members. This results in an absence of contracts and other monitoring processes. In instrumental stakeholder networks, low levels of trust necessitate interactions that function with the use of contracts and monitoring.

Comparing and contrasting the governance structure of the Barrio Logan and the Roxbury stakeholder networks illustrates the impact of trust on relationships among stakeholder actors. Barrio Logan's Community Plan is governed by a Stakeholder Committee. The stakeholder committee consists of 25 voting members and eight non-voting members representing five stakeholder groups. The 25 voting members are chosen by a popular vote. Everyone eligible to vote is eligible to run for a seat on the stakeholder committee. The eight non-voting members are appointed to the committee by their organization. Leadership and representation is accessible to all stakeholders involved in Barrio Logan. The process is simple, easy to understand, and few rules. The high level of trust that this process of popular vote indicates is represented by lines linking every actor of the Barrio Logan stakeholder network to each other in Figure 1.

There are risks involved with this approach to governance. If there is an imbalance of power, or unethical behavior, the integrity of the popular vote could be compromised. This could result in electing committee members that represent the interest of other stakeholder groups to the detriment of others. In order for this process to work, actors in the network have to be willing to take a risk and a leap of faith trusting that other actors will support the process, participating in good faith and acting with integrity.

Alternatively, stakeholder networks that are characterized by low levels of trust require formalized processes and oversight structures to facilitate actor's willingness to interact with others in the network. Roxbury's governance structure and selection of representatives is more complex than Barrio Logan's. Residents of Roxbury are less willing to be vulnerable to other stakeholders in their network. Many community residents, however, believed that while lofty, the ideal planning concepts did not answer ipso facto, two basic questions facing Roxbury residents: Who would benefit? And who would control decision making regarding the application of these ideas.

**Figure 3: Formation Process for Roxbury Master Plan Oversight Committee**

From *The Roxbury Strategic Master Plan: Building a 21<sup>st</sup> Century Community*

Instead of a popular vote, various groups are asked to nominate candidates. These candidates are then screened by the neighborhood council. The neighborhood council advances 30 or more nominations to the mayor. The mayor appoints 15 members and a chair. From individual to committee there are three degrees of separation. In the Barrio Logan process, members of the community vote for representatives on the stakeholder committee directly. According to Jennings (2004) the protocol for this process was hard fought. The mayor and local government were accustomed to appointing their candidates to leadership positions in the planning process. A formalized structure like the one described was an attempt to ensure that the composition of the oversight committee represented the broadest cross-section of affected stakeholders as much as possible. High levels of distrust among actors in the Roxbury stakeholder network made these procedures necessary to ensure cooperation. The lines drawn among actors in Figure 2 represent both trust and power relationships. The position of the actors is important to note here. While in the Barrio Logan network actors are drawn in a circle and are connected to each other, in the Roxbury stakeholder network, the proximity of actors to each other indicate the level of trust and the relative power of the organizations. The pockets of trust are indicated by the pockets of actors on opposing sides of the network. The voting procedures seem to indicate that members of groups 1 and 2 would be inclined to trust each other and trust the oversight committee, the project review committee and the RNC. On the other hand the Boston Redevelopment Authority, Corporations, and the local government through the mayor's office would trust each other and the Oversight Committee, the Project Review committee and the RNC.

Trust is essential for stakeholders to maintain their position in a cooperative network. Absent trust, stakeholder cooperation in any context will be short-lived and transitory. Trust connects actors together in a cooperative network, while resource dependence is essential to the instrumental network.

Proposition 3: High levels of trust will tend to be exhibited in cooperative stakeholder networks and low trust will tend to be exhibited in instrumental stakeholder networks.

Power: Podolny & Page (1998) suggest that the primary reason organizations must enter into alliances is to acquire access to a resource that is essential to its success. Based on resource dependence theory (Pfeffer & Salancik, 1978), power in the context of the stakeholder network is determined by the extent to which an actor controls a resource that other actors' desire or need. Powerful stakeholders can set the terms of the relationship with other stakeholders. They are able to define agendas and set priorities to address their needs and concerns. Traditional approaches to economic and community growth emerged from networks where power is concentrated or centralized among a few stakeholders. These approaches to economic development focused on the concerns of large business and industrial stakeholders to control labor costs, provide tax breaks and subsidies and to de-regulate. Local governments in doing so act on a belief that the large and industrial business sector possesses the resources (job creation, tax revenue, investment) that make urban centers thrive (Jennings, 2004). Despite governance processes that seek to be inclusive, power in Roxbury's stakeholder network is still concentrated in the local government who gets to make the final selection of members to serve on the oversight committee. Power concentration is characteristic of an instrumental stakeholder network.



The Smart Growth paradigm seeks to diffuse power among network actors. Planners for the Barrio Logan Project recognized that centralization of decision making to the exclusion of other stakeholder groups resulted in failed attempts at redevelopment. In the community plan, planners state that the concentration of decision making to a few key stakeholders resulted in "...a lack of coordination between key government agencies that often work at cross-purposes, ignoring everything outside of their territorial limits" (Barrio Logan Harbor 101: Community Plan, 1978: 9). Past failures motivated the decentralization of power in two significant ways. The first: an attempt would be made to give voice to all affected stakeholder groups in planning decisions. The second: representation on the stakeholder committee represented the proportion of that constituency in Barrio Logan. For example, Barrio Logan residents had the most voting members on the Stakeholder Committee followed by Non-Profits and Community Organizations, and Business and Industry, with Non-Resident Property Owners having the fewest votes (Barrio Logan Community Plan Update, 2009). In this manner, the influence in decisions was not primarily decided by the amount of material resources that a stakeholder could bring to the table. The decentralization of power in the Barrio Logan Stakeholder network is represented by the circular structure of the network and the bi-directional lines emanating from each node to the other. In the Roxbury Network, power is centralized in the oversight committee, project review committee and the Roxbury Neighborhood Council. This is demonstrated by the position of these actors relative to the others. These actors are a bridge from the community stakeholder groups to the government and corporate stakeholder groups. In this capacity the oversight committee, project review committee and the RNC have influence on all of the network actors as a clearinghouse for ideas, final decisions, and implementation of strategy.

Proposition 4: Power tends to be decentralized in cooperative stakeholder networks, and centralized in instrumental stakeholder networks.

### Structure of Network Relationships

We propose that the intensity of the relationships among network actors influence behaviors of organizations embedded in the network. Intensity of relationship among network actors is a product of the number of relationships between dyads of actors and the degree to which actors in the network interact with each other. Multiplexity occurs when actors have two or more relationships with other network actors. There may be more than economic reasons for a firm to enter a partnership. The more types of relationships actors are involved in, the higher the cost of behaving unethically (Brass, Butterfield, & Skaggs, 1998). Furthermore, having multiple relationships reinforces the strength of ties among other stakeholder partners (Husted, 1994).

Multiplexity: Actors in the Barrio Logan stakeholder network interact with each for reasons other than the realization of the redevelopment plan. Business owners interact with residents as customers and employees as well as members of the planning committee. Non-profit organizations interact with businesses as patrons and clients as well as members of the planning committee. Multiple relationships with stakeholder actors increases the importance of that relationship, as harm to the relationship in one context - the planning project - could harm the relationship in other contexts, as customers, employees, or clients. The increased complexity of the relationships discourages unethical treatment of other network actors. According to Jennings (2004) a point of contention was the one dimensional quality of relationships among actors in the Roxbury stakeholder network. For example, residents complained that the city provided incentives to encourage large businesses to move in that did not offer jobs that residents could compete for with their current level of education and skills. As a result large business stakeholders saw the relationship with residents as a means (or possibly, obstacle) to their development ends instead of as a rich interaction that provided a context for multiple relationships. Lack of interest on the part of large business was noted by their absence in community and neighborhood meetings (Jennings, 2004). Real estate developers pushed projects for housing that current residents could not afford and commercial projects that would push leases to rents that current small business owners could not afford. In this manner Roxbury relationships with Roxbury residents and small business owners were only sought as it related to redevelopment.

Proposition 5: Relationships in cooperative networks are more likely to be multi-dimensional than relationships in instrumental networks.

Density: Density is a social network measure that identifies the degree to which members of a network interact with each other. A dense network is characterized by strong ties among all its members. A network is dense to the degree that all actors have relationships with each other. A network is sparse if actors are not well connected with each other. High levels of interconnectedness among stakeholder partners reduce the need for costly legal forms of network governance. Instead the high level of density in the stakeholder network creates a macro-culture where stakeholder partners have similar values, norms, and thus experience a relationship characterized by high levels of trust (Jones, Hesterly, & Borgatti, 1997). Density increases the level of trust as knowledge of other stakeholder partners which comes through interactions with them, increases the amount of information, and reduces the amount

of ambiguity regarding the stakeholder partner's behavior (Burt & Knez, 1995). Unethical behavior is most likely to occur where relationships are absent among members (Brass et al., 1998).

Density ensures monitoring because members are passively informed about the activity of other members through their routine interactions. In the event of unethical behavior on the part of a member, other members quickly learn about the breach because of frequent interactions. Dense networks produce strong constraints on the focal organization's actions because as linkages multiply, communication cross the network becomes more efficient (Rowley, 1997). A consequence of this is the transfer of fine-grained information. As a result, the need for overt monitoring to ensure compliance with agreed-upon actions ebbs away.

While information about stakeholder partners is increased through higher density, high levels of interconnectedness also present problems for the flow and accuracy of information among stakeholder partners. Burt & Knez (1995) contend that information about a network member is attenuated by the other members of the network. That is, a stakeholder's perception of another stakeholder partner is influenced by the perception of other stakeholder network members. Gossip positively or negatively influences the assessment of a stakeholder network member. High levels of density make the behavior of stakeholder partners more transparent, making it more difficult to conceal unethical behavior. Unethical behavior in a dense network leads to strict sanctions, loss of legitimacy among other stakeholder network members, and even expulsion from the network. Density is important in the stakeholder network because it provides information about the behavior of partnered stakeholders, decreasing the probability of opportunistic behavior.

In dense structures, norms are diffused across the network (Meyer & Rowan, 1977; Oliver, 1991). Density increases constraints. It also makes it difficult for organizations to conceal information. Increasing density leads to an increase in the number of inter-organizational linkages, leading to greater communication efficiency.

Proposition 6: Cooperative stakeholder networks are characterized by high density of relationships among actors, instrumental stakeholder networks are characterized by low density of relationships among actors.

## CONCLUSIONS

Current conceptualizations of managing relationships among stakeholders do not fully integrate theoretical insights regarding the importance of social context in driving socially responsible behavior. An application of network theory to the stakeholder model advances current thinking by providing a dynamic framework explaining factors that contribute to how organization's define a strategy to attending to stakeholder needs. This application of network theory to the stakeholder model incorporates insight from the rich body of research conducted in both literatures. Building from this rich tradition, we have provided a framework that describes the process of forging and maintaining relationships that influence whether or not stakeholders will work together to meet their individual needs. The stakeholder network addresses theoretical issues of how stakeholder partners are identified, what relationships actors engage in and how the structure of those relationships influences the strategies that are used to address stakeholder concerns as well as the likelihood that stakeholder partners will behave opportunistically.

Cooperative networks enjoy added efficiency and effectiveness. Jones (1995) argues that long-term relationships with stakeholders will outperform competitive arrangements. The examples of urban redevelopment projects presented in this paper demonstrate that mutual adjustment occurs as stakeholders develop complex multi-dimensional relationships that encourage balance of power, trust, value congruency, and frequent interactions. Our model attempts to describe how organization's behavior is shaped under conditions of cooperation in the cooperative stakeholder network and opportunism in instrumental stakeholder networks. Additionally, it examines the impacts of stakeholder attributes, relationships and network structure simultaneously. The primary limitation of this model is that it is limited to description of boundary conditions, networks that are primarily cooperative and those that are primarily instrumental. Many networks will be hybrids exhibiting elements of both. Within a network that is primarily instrumental, there may be pockets of cooperation among actors who trust each other, are equal in power, share principles, regard each other well, and interact with each other frequently. Conversely within cooperative networks there may be pockets of opportunism among actors who don't trust each other, unequal in power, don't share or acknowledge principles, think poorly of each other and interact with each other infrequently. Our model is less helpful in describing how organizations behave under these conditions.

We suggest four areas for future research. First, to test the propositions proposed in this paper, a case study of two urban development projects should be used to illustrate the propositions proposed here. An empirical test of the propositions would yield more insight. Second, to continue to advance stakeholder typologies that offer predictive value. Third, to continue the development of models that further refines an analysis of relationships between corporation and stakeholders. And last, to undertake the ambitious task of formulating a workable stakeholder theory of the firm.

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