THE DIALOGUE OF ENGAGEMENT
An Enquiry Into the Role of Stakeholders in Quality
Management Theory

Een wetenschappelijke proeve op het gebied van de
Managementwetenschappen

Proefschrift

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DAVID JOHN FOSTER

geboren op 08 May 1948
te Ulverston, England
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SECTION I
Chapter 1

Introduction and Overview

Abstract
This chapter provides an overview of the research including its context, the conceptual framework, the research question, the methodology used and an outline of the structure of the thesis.

The research is concerned with the way in which an organisation engages with its stakeholders. It does this by investigating the way in which one public sector organisation sought to develop and introduce a significant change to the way in which services were delivered within the protected areas that it manages.

As the question concerns the way that an organisation dealt with a controversial strategy, the phenomenon of interest – stakeholder engagement – is viewed from the perspective of management. The focus is on the way in which those responsible for determining and implementing strategy – managers – undertook this engagement. Taking this perspective therefore places the issue squarely within the context of the quality of management and the role that stakeholder engagement plays in this. The conceptual framework established for the research is that of quality management which itself is undergoing substantial change as its attempts to adapt to the changing circumstances of modern organisations. Despite extensive interest and research amongst general management scholars, the quality management literature has only recently recognised the potential role of stakeholders in determining management quality. By looking at the phenomenon in a particular way, the current research provided an opportunity to contribute to our understanding of stakeholder engagement practices and their influence of organisational success.

As an example of interpretive research concerned with only one particular case, the focus is on theoretical generalization. Consequently, a considerable part of the thesis is spent addressing the question of management quality from the perspective of its theoretical underpinnings. This is opportune as scholars have recently suggested that for the quality movement to itself survive, it needs to move from its current atheoretical formulation to one that is firmly linked to the broader management literature and stated in theoretical terms. The phenomenon of stakeholder engagement is therefore addressed in a way that contributes to this broad endeavour.

1.1 Introduction

This research was originally founded on an interest in the use of concessions (or private commercial operators) as a management strategy to deliver visitor services in protected areas. While this strategy has been common in parks overseas, particularly in the United States of America, its use in Australia has been limited. However, in the last decade there have been a number of park management agencies around the
country considering either the introduction or expansion of their use. Moreover, there have been an increasing number of proposals from the private sector seeking opportunities to establish concessions in protected areas. It therefore appeared opportune to investigate the nature of this strategy and its implications for protected areas, the quality of service delivery available for visitors, the broader community, the park management agency and the operator of the concession.

Overseas, concessions have been used as a management strategy in park and protected area management for well over 100 years (Hummel, 1987). The reasons for adopting such a strategy have changed over that time as the context within which management agencies operate has itself evolved. This context plays a particularly significant role in determining the use of the strategy and its implementation in particular situations.

The first concessions were introduced in the USA in the late 19th Century. Their appearance was linked to the establishment of the first national parks in the western states (Runte, 1990; Frome, 1992). In a number of cases it was the pressure brought about by the potential concessionaire that resulted in the establishment of the park itself (Hummel, 1987). In more recent times, the establishment and on-going existence of concessions is more likely to result from changes in the perceived role of the agency concerned and the pressures that it faces to focus on its ‘core business’ and reduce its costs (Hamilton-Smith and Foster, 1988).

The introduction of these private developments in parks has raised a number of issues. These revolve around the potential conflict created by the imperative of maintaining the commercial viability of enterprises and the need to maintain the ecological and social values of the parks. In particular, there are concerns about the way the commercial imperative of business growth could conflict, both conceptually and practically, with conservation goals and a static resource. These concerns have been verified through work in Gurig National Park in the Northern Territory, Australia (Foster, 1997).

Despite the extensive use made of this strategy, there has been very little analysis of it in the academic or even general literature. However, as the research progressed it became obvious that the strategy itself was particularly controversial and the subject of very heated debate and public protest. The focus of the research was therefore modified from a focus on the nature of concessions per se to an analysis of the way that one government agency dealt with a controversial issue that had become the subject of major community, industry and professional debate. While park agencies deal with controversial issues quite regularly, few have stirred up emotions and dissension as much as proposals to introduce what some regard as commercialism into designated protected areas. The park and recreation literature is full of both polemic and serious analysis of several aspects of this topic (Figgis, 1994; Carter, 1996; Figgis, 1999). However, none have looked at it from the perspective of the decision-making process itself. The attempt by Victoria’s park management agency to introduce the delivery of visitor services through private third parties (concessions) therefore provided an excellent opportunity to analyse the way at least one public agency dealt with stakeholder interests and the influence that these stakeholders had on the final decision process.
Therefore, this thesis seeks to investigate the attempted introduction of concessions as a means of understanding the way in which obviously conflicting interests were handled. The particular focus of the research is therefore the way in which stakeholders were involved in the process. On the basis of this experience, the implications for stakeholder involvement in similar controversial issues are analysed.

1.2 Context

Management of National Parks and similar reserves has had to respond to enormous changes during the last few decades. The number of visitors and range of services has increased greatly; the number of tourist operators using parks is now far more than ever before; and in many countries park managers have had to respond to the increasing involvement of indigenous groups in management. All this has occurred within a completely changed political and social environment that has resulted in far less public resources and increased pressure to involve the private sector in service delivery. Over a decade ago McLean and Russell (1992) predicted that these changes would continue and that park management would require a paradigm shift in order to adapt. Their prophecy was accurate.

The context of the research therefore includes the changing perceptions of the role(s) of government, increased ‘tourist’ activity, reduced financial support by government, privatisation and increased expectations of improved service provision.

The last two decades have witnessed a major re-evaluation of the role of government in society. This was driven by concerns over the sustainability of government finances and the growing recognition of the effect of the global economy on Australia. “The latter manifested itself in a worsening balance of trade situation and the clear lack of international competitiveness of our protected domestic industries” (Coaldrake and Stedman, 1998). Governments of all persuasions gradually became aware of the consequences of increased social and economic reliance on the state particularly as the population ages and expectations of what social welfare could deliver rise. This occurred within a context of mounting pressures to reduce taxes and to free up industry from the perceived burdens of government regulation.

Running in parallel was increasing criticisms of government as a poor provider of services at a time when service expectations were rising. When compared to the private sector, people felt that government agencies provided a much lower standard of service.

Pressures to lower government expenditures and the national debt, to free up markets from government regulation and to introduce competition into the public sector resulted in the gradual ascendancy of the ‘contractual’ view of government. This resulted in a shift from government as being a provider of services to that of a purchaser on behalf of ‘clients’ of those services. Advocates suggest that while the agencies that provide those services might be publicly funded, they should be privately owned. This “purchaser-provider” separation came to characterise many of the British reforms under Margaret Thatcher in the late 1980s, and became a notable feature of public sector reforms in Australia (Coaldrake and Stedman, 1998).
The implications of these changes for parks have been quite profound. Significantly, funding levels have been either reduced or not increased in line with increased visitation (Hamilton-Smith and Foster, 1988). This led to the introduction of charges, sometimes for basic entry, but more often for non-essential visitor services offered in parks. In other cases, services were simply reduced.

More significantly, however, was the introduction of the so-called ‘purchaser-provider’ model into the park management scene in Victoria with the establishment of Parks Victoria as the provider of services to the Department of Natural Resources and Environment. This was accompanied by an increasing emphasis on business principles and a focus on accountability and agency performance. Under this approach, introduced by the Kennett Liberal Government in the mid 1990s, there was less direct government intervention in the operations of Parks Victoria (the inputs) with a concomitant focus on matters of output, accreditation and quality assessment. The government was more concerned with what the park agencies do (outcomes) rather than how they do it (process).

As the ‘purchaser’ more clearly specifies what type and level of service is required for a given level of financial outlay, then the ‘provider’ began to focus on its core business, out-sourced many of its operations and/or looked for ways to reduce costs and increase its income. These included contracting out certain operations and the establishment of concession arrangements with private firms. The latter aimed to deliver visitor services that were traditionally undertaken by the park agency (eg. visitor information) or to increase the range of services available in its parks.

At a much broader level, the last 30 years has seen enormous changes in society, including in the patterns of work and leisure, income distribution, attitudes to the environment, the levels of consumerism and expectations of choice, service and quality. These and other major trends have all had a major influence on the way society views and uses parks (Charters, 1992; Charters, Gabriel et al., 1996).

One particularly interesting feature that has emerged is the increasing acceptance of the instrumental value of parks. The alternative view, that parks are there as protective mechanisms for the natural environment, which itself has a right to exist irrespective of its value to mankind, has tended to recede into the background. By the mid 1990s most expenditure on parks was evaluated in terms of its value to humankind, whether this be in the short term by the provision of certain leisure opportunities, or in the long term by the protection of species for future use in medical science.

The last 20 years has also witnessed an amazing increase in the number of visitors to parks. Part of this growth has been attributable to increasing visits by ‘tourists’ rather than by those traditionally called ‘recreationists’. This has created a perceived change in the market for parks which has influenced the way that they are now managed. Tourists, especially interstate and international tourists, very often require different services to the traditional recreationist. Park agencies have responded by looking at ways to offer these services while at the same time recognising that such provision could be an important source of income generation.
Indeed, at the state level there was increasing co-operation between park agencies and state tourism authorities with the latter seeing parks as an important part of their marketing and business development plans. In Victoria this extended as far as Tourism Victoria identifying Victoria’s parks as being an increasingly significant part of the product development proposals in their Strategic Business Plan 1997-2001. Several parks were targetted for ‘development’ with proposals ranging from cabin developments through visitor centres to large ‘up-market’ hotels. Managers of individual parks responded to this by including such proposals in their plans of management. In most cases, these plans suggested that these developments should be privately funded and commercially operated.

Where development proposals have moved forward, the results have been, at best, mixed. In the case of Wilsons Promontory National Park, where a hotel development was proposed in 1996, the public outcry was so great that Parks Victoria retreated and the proposal was abandoned. In the case of the Seal Rocks development at Phillip Island, the proposal did result in a facility that is now operating but the public was again very critical and the result was the loss of a seat by the Government in a bi-election and an expensive public buy-back. In other cases involving smaller scale proposals, development has commenced but neither the proponent, the park agency nor the local community was pleased with the result. The development at Cape Schank Lighthouse is a prime example.

Finally, the increase in consumerism has been accompanied by an increased emphasis on quality in the delivery of goods and services. This has included tourism and leisure services offered in parks (Reisinger and Waryszak, 1994). Tourists and other visitors to parks now expect higher quality services (Hamilton, Crompton et al., 1991). In order to accommodate this, park agencies have tried to develop a variety of planning and management models to address the problem of visitor services. These include management approaches and techniques such as the Recreation Opportunity Spectrum (ROS) model, the Visitor Activity Management Program (VAMP), and the Visitor Information Management (VIM) System. Some of these have acknowledged the involvement of a third party (a concession) in the delivery equation.

Ensuring quality through a third party becomes particularly problematic, as the agency is not involved directly yet has ultimate responsibility (Dean and Terziiovski 1999). Recognising this, several park agencies have addressed the problem in a number of different ways. Some have sought to increase penalties for non-performance, others have introduced greater specifications into the contracts while others have considered introducing client satisfaction monitoring. In this state, Parks Victoria focussed on establishing operational and service standards that all concessions must conform to when conducting business within the park system. These remained at a very early stage of development and were never fully integrated into the concession management system.

In summary, it is clear that there are a number of external and internal forces that have encouraged park management agencies to look very seriously at the way visitor services are delivered in their estates. At least one of the options available to them has been the use of private commercial operators or concessionaires. Because the introduction of this strategy became so controversial, it provides an excellent case study of the way an organisation attempted to achieve its strategic ends in the face of
enormous public opposition. A detailed analysis of this situation provides an insight into the role that stakeholders could play in organisational management with the potential to become the basis of the further development of quality management theory based on a stakeholder perspective.

1.3 Theoretical Framework

The primary conceptual framework for the research is that of quality management. At about the time that the study commenced, the author had developed a major interest in quality and its application in tourism and park management. Likewise, a number of studies had emerged that focussed on quality issues and tourism (Fick and Ritchie, 1991; Witt and Muhlemann, 1994; Augustyn and Ho, 1998; Augustyn, 1998). Added to this, the fact that this rich area of scholarly activity appeared to be undergoing enormous change made it ripe for further development. In response to recent criticisms of having over-promised and under delivered (Nwabueze, 2001), scholars working in this field were attempting to move it beyond a collection of techniques and principles to become a mainstream ‘theory of management’ (Foley, 1999). In this process, considerable attention has been paid to the role of stakeholders in organisational functioning and development. Given the nature of the topic, this seemed to be an appropriate framework to adopt. Finally, as most quality research activity had been directed towards profit-oriented corporations, the current project provided an opportunity to look at the application of these ideas in other public or not-for-profit organisations.

For over a decade a significant theme in the management literature has been issues associated with quality. Although work on quality began in Japan in the 1950’s theoretical literature only began appearing in the early 1980s (Deming, 1986; Juran, 1988b; a). At first this focussed entirely on the manufacture of goods with the primary aim being to minimize variation in production and reduce defects. Gradually this was extended to services (Lovelo, 1991; 1992).

As with many of the management ‘solutions’ introduced in earlier times, advocates have sometimes been over zealous in their claims of what a quality approach can deliver (Foley, Barton et al., 1997). The mid 1990s therefore witnessed a strong focus on the question of the link between the adoption of a quality approach and the financial outcomes achieved. Even today there is still an obsession with this issue (Dalrymple, 1999; Ho and Dalrymple, 2002; Kanji and Baccarani, 2002).

The focus of much of the research output has been on these financial outcomes and the mechanisms that need to be introduced to bring these about. These have included the introduction of teams, methods to empower employees, the establishment of production standards and the development of techniques to measure customer satisfaction. These and related mechanisms have been subjected to all sorts of empirical testing and conceptual development.

However, there is an emerging understanding that quality is more than simply a series of loosely connected mechanisms; it has the potential to become a theory of management that seeks to explain enterprise development (Foley, Barton et al., 1997). The focus is therefore changing from one involving the analysis of individual techniques to one that focusses on understanding the operation of the enterprise as a
whole and its relationships with the external world. Indeed, (Foley, Barton et al., 1997) have suggested that a theory of quality management could have an explicit focus on shareholders, suppliers, customers and staff and not simply on internal operations. This broader focus would make it unique amongst management theories and thereby become highly relevant to the needs of modern enterprises.

This theme has been developed by Foley (1999) to create a quality management model that focuses on the processes involved in relating to stakeholders. He suggests that this model provides a sufficiently robust explanation of organisational activity for it to become the basis of a theory of quality management (Foley, 2000b).

This initial work has become the framework within which the current study has proceeded. The driving force was the observation that although the proposed ‘theory’ had many attractions, it tended to focus only on the business enterprise. Indeed, one of its self-proclaimed strengths was that for the first time it presented a theory of quality management that was thoroughly grounded in an understanding of the role and purpose of the business enterprise. That is, it was explicitly based on the theory of the firm that has underpinned most management theory to date. As the organisation of interest in this thesis was not a business enterprise (even though as shall be shown in Chapter 2 it sought to adopt ‘business principles’), the issue of whether this proposed theory could be applied to all forms of organisations arose. The motive for the study therefore became a desire to understand whether such an inherently appealing ‘theory’ could be made applicable to all forms of organisations. As the emphasis in the ‘theory’ is on stakeholder relationships, the opportunity to explore this issue by a review of what happened in the Parks Victoria case is particularly appropriate.

1.4 Research Question

Recognising the significant role that stakeholders play in the controversy over the implementation of the strategy to introduce concessions, the empirical part of this study looks at the manner in which Parks Victoria engaged with stakeholders during this important period. It seeks to investigate the nature of stakeholders, how and why Parks Victoria dealt with them, and the issues raised by those involved. The primary focus, however, is the lessons that can be learned for the development of the stakeholder theory of quality management applicable to all types of organisations.

The focus of the research is therefore the role(s) played by stakeholders in the implementation of management strategies by organisations. The particular management strategy that provides the focus for this research is the use of commercial concessions for providing visitor services within protected areas. In particular, it investigates the experience of Parks Victoria, which has been amongst the leading advocates of this type of service delivery strategy. As will be demonstrated, the success of this organisation in implementing the strategy has been limited. Despite substantial government support and encouragement, it faced enormous opposition and criticism and ultimately failed to achieve its goals.

While the thesis seeks to investigate this experience, it does so with a view to investigating whether it has any consequences for management theory, especially the development of a theory of quality management based on a stakeholder perspective.
Chapter 1

The research question is therefore: *How were stakeholders involved in the strategic management decision to introduce concessions into protected areas in Victoria and what lessons can be learned from this involvement that can contribute to a theory of quality management based on a stakeholder perspective?*

This research question suggests a number of sub-questions that will be addressed:

- What was the role of stakeholders in Parks Victoria’s attempt to introduce concessions into protected area management?
- How did Parks Victoria manage the involvement of stakeholders and why was it handled that way?
- Given the controversial nature of the proposed strategy, what form of dialogue was involved and why?
- What was the experience of those involved and what does this suggest about stakeholder and management attitudes towards that involvement?
- What are the implications of this particular case for Quality Management theory?

Figure 1-1 outlines a conceptual mapping of the framework within which the research questions are to be addressed. Based on the conceptual framework outlined by Maxwell (1996), this links purpose (why questions) with the research questions (what questions) and places them within a conceptual context. It also links all of the above to the methodologies and methods (how questions) that are dealt with below. Unlike Maxwell’s original framework, Figure 1-1 also outlines the paradigmatic assumptions that support the study.

1.5 Methodology

The proposed research is an example of qualitative social research with its emphasis on capturing reality as seen and experienced by respondents. While the theoretical foundations of this approach are pluralistic (Jacob, 1988) it is possible to identify particular streams within it (Sarantakos, 1993). The most relevant to the proposed research is phenomenology.

The methodology involves interpretation within a naturalistic setting. It utilises naturalistic methods such as fieldwork, personal interviewing and other techniques that aim to describe people and events in a naturalistic setting. Theory building occurs through this interpretation.

This should be seen within the interpretive paradigm, which has its roots in the work of Vico, Dilthey and Weber (Sarantakos, 1993). This perspective suggests that reality is not an objective phenomenon that is to be uncovered. Rather, it is a subjective phenomenon that is socially constructed and constantly interpreted by the actors involved. With this in mind, the focus is on searching for the meaning (Crotty, 1998) that those involved use to interpret their world. Using an inductive approach that moves from the specific to the general it seeks to bring those underlying meanings and interpretations to the fore so that greater understanding can be achieved. The purpose is to interpret and understand what is happening in the situation at hand.

The methods employed are derived from the methodological framework. Most relevant here are the ‘object directed methods’ (Sarantakos, 1993) in particular those
based on observation, questioning and document analysis. The particular topic of this research lends itself most appropriately to the application of Grounded Theory (Strauss, 1987; Strauss and Corbin, 1990; 1998) to a specific case in which the phenomenon occurred.

Although it is important to understand the ‘big picture’ (ie. the whole of Australia as well as some international comparisons), the thesis has focussed on a particular case to obtain detailed information from which to draw conclusions. This provides an opportunity to make a detailed analysis of individual developments and overcomes the problems associated with drawing conclusions from examples drawn from different contexts, jurisdictions and operating conditions.

The subject of the study is Parks Victoria, which has responsibility for the management of Victoria’s protected area system. This case has been chosen because the management of concessions has been the subject of much activity. Although this agency has subsequently changed direction, for several years the introduction of concessions was a major strategic initiative that would change the way visitor services were to be delivered in protected areas around the state.

1.6 The Purpose and Value of the Research

The use of concessions in protected areas has been the subject of extremely heated debate over the last few decades (Charters, 1992; Carter, 1996; Charters, Gabriel et al., 1996; Cohen, 1996; Figgis, 1994; Figgis, 1999). Much of this debate is of a philosophical, if not ideological, nature with very little understanding of the actual situation from a park-system perspective. While both critics and proponents alike would benefit from a detailed examination of the ways in which this strategy has been operationalised and the resultant effect on social and environmental objectives, such an analysis would be inevitably ideologically driven.

However, as the debate generated by this strategy is very common in the delivery of public services, an analysis of the way that it was handled could identify lessons to be learned. In particular, it could provide a better understanding of the role that stakeholders play in such controversial issues.
Figure 1-1 : Research Design

**Paradigmatic Assumptions:**
- That organisations are social phenomenon
- That social phenomenon are created in the minds of those involved
- That knowledge is socially constructed

**Methods:**
- Case study of Parks Victoria and a specific example of the introduction of concessions
- Participant observation
- In-depth interviewing
- Analysis of documents
- Analysis using Grounded Theory

**Purpose (Why):**
- Better understand the complexities of stakeholder involvement in organisational activities.
- Improve the process by which stakeholder values are addressed
- Clarify the relevance of quality management theory to public sector organisations

**Conceptual Context:**
- Quality theory
- Stakeholder theory
- Organisational theory
- Political theory

**Research Question and Sub-Questions:**
- How were stakeholders involved in the strategic management decision to introduce concessions into protected areas in Victoria and what lessons can be learned from this involvement that can contribute to a theory of quality management based on a stakeholder perspective?
  - What was the role of stakeholders in Parks Victoria’s attempt to introduce concessions into protected area management?
  - How did Parks Victoria manage the involvement of stakeholders and why was it handled that way?
  - Given the controversial nature of the proposed strategy, what form of dialogue was involved and why?
  - What was the experience of those involved and what does this suggest about stakeholder and management attitudes towards that involvement?
  - What are the implications of this particular case for Quality Management theory?

Source: After (Maxwell, 1996)
The purpose and practical value of the research is therefore to improve the way organisations understand and address the needs and expectations of stakeholders and attempt to ‘manage’ stakeholder-organisation interactions. In particular, it will help to clarify the complexity of stakeholder involvement in any decision process and the potential implications of an approach that involves ‘management’ rather than ‘engagement’ with stakeholders.

Of greater significance will be the contribution of the study to quality management theory which has begun to address the role of stakeholders. To date, most work on this topic has been limited to private corporations and based on the classical economic ‘theory of the firm’. As quality management is intended to be applicable to both public and private organisations, this approach is limited. The research addresses this issue and provides an alternative theoretical rationale for the application of stakeholder ideas to quality management theory.

In summary, the prime purpose and value of the thesis is to better understand stakeholder involvement and the implications of this for the management of both business enterprises and not-for-profit organisations. Given the acknowledged role of stakeholders in the on-going success of organisations, any attempt to improve the way they are managed should be welcomed.

1.7 Structure of the Thesis

The thesis has been structured in a reasonably traditional manner. However, to reflect the way that the research was conducted, it is divided into four (4) separate sections.

a) **Section I** introduces the whole study and provides a conceptual framework for the empirical component. Comprising only one chapter, this section outlines the nature of the research question and provides an overview of the context of the study.

b) **Section II** looks at the context of the study. Chapter 2 describes the focal organisation and the sociopolitical context in which it operated. The focal organisation had gone through major structural change as it responded to changes in the broader social and political context. The result was an organisation that was quite different to its predecessors and exhibiting many of the problems that arise when rapid change occurs. Chapter 3 then looks at the specific strategy that the organisation attempted to implement. This seeks to provide some understanding of the issues that were involved and why they were potentially so inflammatory. As the focus of the controversy is the introduction of these commercial activities, it is important for the reader to get a clear picture of them and how they were intended to operate.

c) **Section III** establishes a conceptual framework for the empirical work that follows in the next section. Given the attempt to understand the phenomenon of stakeholder engagement from a quality perspective, Chapter 4 looks at the way quality theory has changed over time. It suggests that while the focus of the Quality Movement on the principles and techniques being applied to organisations has been somewhat successful, there are early signs that its influence is beginning to wane. In response, some scholars
have suggested that there is a need to bring quality thinking more in line with broader management concepts and theories. This has led to a proposed theory of quality management (Foley, 1999). The chapter outlines the development of this theory and its underlying assumptions. It concludes that while it is conceptually very strong, the fact that it focuses on profit-driven organisations is an inherent weakness.

Chapter 5 addresses this issue by reviewing the theory of the firm that provided the basis for Foley’s work. It does this by establishing the criteria to be met in order to become a theory, then applies these criteria to the propositions that have been put forward regarding a ‘stakeholder theory of the firm’. This is then developed into a ‘theory of the organisation’ that satisfies the established criteria. Finally, it proposes a perspective on organisations that could be useful in conceptualising the nature of stakeholder involvement in organisational decision-making.

Chapter 6 focuses more directly on the stakeholder and stakeholder theory. It reviews how the literature identifies who is, and who is not, a stakeholder, what their stakes are, what is known about the relationship between organizations and their stakeholders; and the internal processes used to ‘manage’ stakeholders. Finally it looks at the question of what criteria we use to evaluate the stakeholder ‘management’ process. It concludes by outlining a conceptual framework that is used to guide the empirical work that follows in the next section.

d) **Section IV** focuses directly on the involvement of stakeholders in one particular case where the focal agency attempted to introduce concessions. This example is explored to better understand the nature of stakeholder-organisation engagement. It is primarily intended to contribute to an emerging theoretical understanding of quality management based on a stakeholder perspective.

Chapter 7 outlines the methodology used in the empirical research. This methodology is best described as interpretative in that it seeks to capture the reality of the situation as experienced by those involved. Analysis of these experiences is undertaken using the Grounded Theory approach with a view to generating a theoretical understanding of what happened in a form that contributes to the broader theory of quality management.

Chapters 8, 9 and 10 outline the results of the empirical analysis. This includes a description of what went on during the period under review followed by an analysis of the process of engagement. This appears to support the proposition that stakeholders play a significant role in the ongoing success of organisations and therefore should be incorporated in any theory of quality management. However, it also suggests that the theory of quality management as proposed at present needs to be revisited and its under-pinning paradigmatic assumptions need to be clarified.

Chapter 8 provides a description of what actually happened. In line with the suggestion of Winn (2001) it seeks to generate a narrative for the period in
question with a view to organizing case-related events and stakeholder actions chronologically.

Chapter 9 looks at the engagement that occurred through the lense of politics and power. Inevitably, any involvement of different groups in strategy making will involve politics, which is usually seen in very negative or dysfunctional terms. The chapter seeks to outline what happened in order to ‘tease out’ the nature of the power relationships between the parties. It is argued that the engagement was inevitably political but that its negative nature was a consequence of the approach adopted by the organisation. It then develops an alternative perspective that suggests that such debates could be a positive force in social groups – at both the organisational level and the societal level. It argues that debates and discussions involving different points of view can contribute to the achievement of goals, provided that there is agreement on the framework for this debate.

Chapter 10 then focuses on the second element identified in the conceptual framework outlined in Chapter 6 above – namely, the dialogic. It focuses on the nature of the communication that formed the basis of the engagement. It shows that, like the whole process itself, this aspect of the engagement was particularly asymmetrical. While the form of communication engaged in by the stakeholders is diverse and superficially antagonistic to the goals of the focal agency, a more substantive analysis indicates that it could have become the basis of very serious consideration of the proposed strategy and led to outcomes that could be acceptable to many of those involved. On the basis of this analysis it acknowledges the importance of looking at all aspects of an issue, including those that are usually dismissed as having no role in ‘rational’ decision-making.

Section V outlines the implications of this theoretical work for management. While the thesis is intended to make a primary contribution to the theory of quality management, the obligation to look at the implications for management and managers is addressed in this section. It argues that engagement with the apparently ‘new’ stakeholder groups that are often regarded as being outside the firm is essentially the same as engaging with other more traditional groups. It is a process which at its core involves communication. In turn, this communication is quite complex and involves an understanding of the dimensions of rationality that extend beyond simple subject-object relations. Quality organisations need to develop communicative competence in order to appropriately engage with all forms of stakeholders. This is quite different to engagement that focusses on strategic action based on extrinsic rewards, confrontation or manipulation. It is sufficiently different to previous approaches to quality for it to be described as a ‘generational change’ in quality thinking.

This structure does not reflect the way in which the research was conducted. As will be explained in the chapter on methodology, the inter-relationship between the analysis of the literature and the empirical field research was complex and distinctly interactive (Winn, 2001). As empirical questions and issues arose, further analysis of the literature was undertaken, which in
turn influenced the further stages of investigation, and so on. Linearity, as exemplified in most research methods texts (Babbie, 1989; Ritchie and Goeldner, 1994; Kumar, 1996), was not a characteristic of the current study.

Several of the chapters that make up this thesis have been published in international journals as ‘stand-alone’ articles. Whilst every attempt has been made to reduce the level of repetition that arises when such an approach is taken, some is unavoidable. Hopefully this does not detract from the ‘flow’ of the argument being presented.
SECTION II
Chapter 2

The Focal Organisation and its Socio-Political Context

Abstract

The focal organisation is Parks Victoria, which is a state government agency responsible for management of a range of parks and protected areas in the state of Victoria, Australia. These parks and protected areas are all publicly owned land, managed for the purpose of both protection and public use. However, there are various designations of parks (National Parks, State Parks, Regional Parks, etc) reflecting a differing emphasis on protection and use.

Parks Victoria was established in 1996 following a government decision to bring all park management functions together in one agency. At that time it employed 875 staff and took over responsibility for 3.6 million hectares of public land, which represents 16% of the total area of Victoria (Parks Victoria Annual Report, 1996/7). Funding was provided by the state, although a small proportion was raised through entrance charges and other user-pays initiatives.

Of particular interest is the distinct organisational structure of Parks Victoria. While an agency of government, it was established along corporate lines under a 'purchaser-provider' model of management. As an independent entity, separated from a government department, it was not under the direct control of a Minister of Government. The adopted structure introduced the possibility of competition with Parks Victoria becoming one of an undefined number of potential suppliers of park management services. Government, through its Department of Natural Resources and Environment, would establish the park services required and these would be supplied by one or more park management agencies. The mechanism by which these services would be delivered was to be determined by the particular park management agency. Despite this potential, during the period reviewed in this research, only one agency (Parks Victoria) was established.

2.1 Introduction

Although concessions have been a feature of protected area management for a long period, interest in their establishment has increased in the last few decades. This chapter seeks to outline the context within which this has come about and how it fits in with other developments in public sector management.

It begins with a description of Victoria’s protected area system, how this has evolved over time and the way it is currently managed. This system is particularly extensive and consists of a variety of different types of parks and reserves. While management is required by legislation to provide for both protection and use, this is problematic and often the subject of debate and controversy (Figgis, 1999).
An aspect of this controversy has been the numerous proposals for concession development within some of the parks and reserves (Carter, 1997). One series of proposals to provide for a range of tourist accommodation and other infrastructure through a concession arrangement proved to be particularly controversial. This chapter seeks to outline the organisational and broader societal context within which these proposals arose.

Part of this context is the general changes that occurred in public sector management and the promotion of out-sourcing as a new mode of delivery for government services. This reflected a move to smaller government, a desire to be less involved in service delivery, and an attempt to privatise non-essential services.

2.2 The Victorian Protected Area System

Victoria has an extensive protected area system covering 3.6 million hectares which represents 16% of the total land area of the state. This system includes a range of different reserve types ranging from national parks through state parks, regional parks to scientific reference areas (See Figure 2-1). Although each is managed under some form of state legislation, the specific objects of management are different. In some cases, conservation is primary while in others there is an equal balance between conservation and use. In some instances, such as Wilderness Areas, the specific form of use is prescribed in the enabling legislation and management is required to establish strategies to ensure that this is adhered to. In others, it is a general over-arching piece of legislation which is interpreted through a plan of management for the specific park or protected area.

Under the constitution adopted when Australia became a nation in 1901, management of the park system was vested in the states rather than the federal government. Because of rivalry between the states, the constitution detailed specific powers to be granted to the newly established federal or national government. These powers mainly concerned things that required co-operation between the states such as external affairs, defence and trade. Control over land did not require such cooperation and was retained by the states. Agencies with responsibility to look after that land (including forestry, mining, or protected area departments) were therefore established by the separate state governments. Hence, despite the fact that Australia boasts an extensive ‘national’ park system, its management does not rest with the national government. Each state has an agency that is responsible for their establishment and on-going management.

The reasons for the designation of areas to be ‘protected’ are diverse and subject to on-going debate (Coveney, 1996). Some were clearly established as a result of pressure by conservation groups that promoted protection because of either a particularly rare habitat or endangered species of fauna or flora (Anderson, 2001). A good example of the latter is Wilsons Promontory National Park (Bardwell, 1982).

In other cases, such as Mount Buffalo National Park, protected status was the result of lobbying by tourism groups / interests who sought protection to retain the value of a
Figure 2-1  Protected Areas in Victoria

<table>
<thead>
<tr>
<th>Reserve Type</th>
<th>Objectives of Management</th>
<th>Number of Reserves</th>
<th>Total Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Park</td>
<td>Preserve and protect the natural condition of the park and its natural and other features, subject to this, provide for use by the public for enjoyment, recreation and education.</td>
<td>39</td>
<td>2,653,924</td>
</tr>
<tr>
<td>Wilderness Parks</td>
<td>Protect as wilderness and provide for solitude and appropriate self-reliant recreation.</td>
<td>3</td>
<td>202,050</td>
</tr>
<tr>
<td>State Park</td>
<td>Preserve and protect the natural condition of the park and its natural and other features, subject to this, provide for use by the public for enjoyment, recreation and education.</td>
<td>30</td>
<td>185,152</td>
</tr>
<tr>
<td>Other Parks &amp; Reserves</td>
<td>Protect the natural and cultural values and provide opportunities for appropriate enjoyment, recreation and education.</td>
<td>22</td>
<td>77,735</td>
</tr>
<tr>
<td>Marine National Parks</td>
<td>Preserve and protect the natural condition of the park and its natural and other features, subject to this, provide for use by the public for enjoyment, recreation and education.</td>
<td>13</td>
<td>52,900</td>
</tr>
</tbody>
</table>

particular resource or destination. Indeed, the history of protected area designation is long and complex and the subject of a number of monographs and other publications (cf. Johnson, 1974).

Despite the general emphasis on conservation, the protected area system is used extensively for recreation and tourism purposes. In 2003, approximately 24.9m visits were made to the whole system. Individual parks received up to 3 visits (Mornington Peninsular National Park) while some received as little as 220 (Alfred National Park). Activities permitted in the parks and reserves vary but are generally of the non-mechanised types such as walking, swimming, camping, fishing, sightseeing, etc. Active motorised activities such as off-road driving, car racing, power boating, etc. are generally prohibited.
2.3 Parks Victoria

In Victoria, Australia’s smallest mainland state, the organisational structure of park management has changed greatly over the last 50 years. Prior to 1955, there was no state agency responsible for the management of protected areas. The State Department of Crown Lands had responsibility for managing all public land in the state whether or not the land had any values to protect. Its prime activity was the dispersion of government owned land to either freehold or leasehold. It acted as a ‘land bank’ with responsibilities for ensuring that the process of dispersion was fair and orderly. While there were a number of local bodies responsible for particular blocks or reserves, the other main state agency was the Forests Commission of Victoria that had responsibility for managing timber harvesting in state forests.

Those protected areas that did exist were managed by committees of management made up of local interested people and representatives of local and state government. Each operated independently and was generally responsible for raising most of their operating capital themselves.

In 1954 the National Parks Act was passed. Its purpose was to provide protection through the establishment of the National Park Authority which was to have responsibility for the management of all national parks and other protected areas in the state (Johnson, 1974). Although it began very humbly, this was the first attempt...
at a state-wide management regime where state funding supported a single body to oversee parks in a coordinated fashion.

The objects of the National Park Act, 1954 were:

- to provide for the establishment and control of national parks;
- to protect and preserve indigenous plant and animal wildlife and features of special scenic, scientific or historical interest in national parks;
- to maintain the existing environment of national parks; and
- to provide for the education and enjoyment of visitors to national parks and to encourage and control such visitors.

Since its initial establishment, the agency responsible for parks in the state has gone through a number of metamorphoses. From its very humble beginnings, the National Park Authority grew into a National Park Service established under the State Development Act, 1970 and with its powers being formalised under a revised National Parks Act, 1975. At the same time, the estate that it managed grew enormously until by 1992 it was responsible for over 12.8% of the area of the state. This growth was helped along by a state-wide review of public land conducted under the auspices of the Land Conservation Council established in 1970. This review continued for almost 20 years and recommended the establishment of many new national, state and regional parks through most regions of the state and placed them under the management of the National Parks Service.

The main rival to the National Park Service (NPS) was the Forest Commission of Victoria (FCV) that had responsibilities for all production forests in the state. The area under FCV control (and therefore available for production forestry) had been significantly reduced as a result of the Land Conservation Council’s recommendations. This did not sit well with an agency that had been pre-eminent among those connected with the land. Rivalry was endemic and direct confrontation surfaced occasionally. One of the main points of conflict resulted from a quirk of administrative history which gave the Forests Commission of Victoria control of fire management on all public land, including parks.

On the pretext of financial rationalisation and improved operational strength, the National Park Service, the Forests Commission and other smaller land management agencies were amalgamated together into one mega-department in 1982. This organisation, called the Department of Conservation and Land Management, had 4,400 employees and assumed responsibility for all matters concerning public land, whether for production or protection purposes (Land Conservation Council, 1993). The National Parks Service was effectively swallowed up by its former rival that was much larger and stronger. This was an unsettling time for management and staff of the new Department as their focus, professional orientation and even cultural identify were threatened by attempts to develop a shared purpose and ethos (Land Conservation Council, 1993).

Following its election in October 1992, the Kennett Liberal Government decided that the interests of protected areas warranted the re-establishment of a separate National Parks Service to assume responsibilities for all protected areas and parks outside of metropolitan Melbourne (Land Conservation Council, 1993). The National Parks Service was established in May 1993 as one of five businesses within the Department
of Conservation and Natural Resources, thereby giving it regained organisational viability and clear accountability for the management of natural area parks. This had been lost in previous restructures (DNRE, 1993: 6).

The major objectives of the National Parks Service, as documented in its Annual Report on the National Parks Act, 1992-93 were:

- “to develop a system of national parks, wilderness parks and state parks and other parks and reserves that adequately represents and conserves Victoria’s diverse natural features;
- to ensure that the natural, cultural and historical values in those areas are adequately preserved and protected;
- to provide, where appropriate, for all people to use the system of parks and reserves for the purposes of enjoyment, recreation, tourism, education and research; and
- to ensure that the requirements of the National Parks Act and related legislation and regulations are met”.

The Director of the re-established National Parks Service was the same person who had been Director of the previous Service that had been abolished 10 years earlier. Under the direction of a new more interventionist, ‘can-do’ government this person struggled to maintain the primacy of the conservation focus that had characterised his earlier incumbency. His concerns over the internal “reform agenda” (DNRE, 1995) driven by the overarching DNRE and responsible Minister, eventually led to his resignation and replacement by a new Director of National Parks in late 1994.

A separate but related series of changes had occurred in agencies responsible for park management in metropolitan Melbourne. In the early 1970s the agency responsible for planning, water and sewerage in metropolitan Melbourne (Melbourne and Metropolitan Board of Works) realised that the waterways that it was responsible for managing had great potential as parks. This led to an ambitious plan to establish a vast metropolitan park system that covered most of the major waterways around the metropolitan area. What began as an ancillary activity of an engineering organisation grew into a significant part of the whole agency. Gradually, those responsible for so-called ‘metropolitan’ parks were able to establish a distinct identity within the organisation and by the late 1980s were actively seeking the establishment of a separate urban park authority. Once again this came to fruition through the reform agenda of the Kennett Government which moved to corporatise the MMBW, including the establishment of separate entities to perform certain distinct functions. In July 1994 the Melbourne Parks and Waterways (MPW) was established as an independent state body under the State Owned Enterprises Act, 1992. It achieved the status of full statutory corporation in January 1995 under the Water Industry Act, 1994. The function of the MPW, as set out in the latter Act, was (inter alia) “... to own, manage and control open space, parks and waterways for the purpose of conservation, recreation, leisure, tourism and navigation”. This corporation became responsible for 5,855 hectares of parkland which received 5m visits in 1994/5 (Melbourne Parks and Waterways, 1995: 11).

In its first Annual Report, the Melbourne Parks and Waterways described its role as “the general manager of regional recreation assets (both open space and waterways
based) and a custodian of environmental and cultural significant assets”. They went on the point out that it is “a general manager in the sense that the specialist operational management of individual facilities within the regional open space network assets is largely contracted out, either direct to a service contractor or to a third party operator”. Elaborating further, the Report suggests that “as a general manager Melbourne Parks and Waterways plays a key role in the development of Melbourne’s recreation and tourism infrastructure . . .” (Melbourne Parks and Waterways, 1995: 7). The Board of Directors of the statutory corporation included the Chairman of a multinational food producing firm, a partner in a major accounting firm, a partner in a major legal practice as well as a retired microbiologist and Chairman of the National Trust of Victoria. It was clearly weighted towards business rather than the environmental or heritage communities.

The emphasis on business management is evident in other aspects of the Annual Report. Much of the focus is on the measurement of performance and results, with many of these being used for the first time in a park management context. These included non-financial indicators such as ‘Customer Satisfaction’ and ‘Community Satisfaction with MPW’s Performance as a Manager of Recreational Settings’. Financial indicators included ‘Total Cost per hectare Open to Public’, ‘Total Cost per Visit’ and ‘User Pays to Total Revenue’. Employee indicators included ‘Percentage of Staff on Performance Plans’, ‘Total Sick Days per Employee per Annum’ and ‘Total Days Lost in Industrial Disputation’.

Meanwhile, the newly established National Parks Service had not made the same transition to a more business-focussed management regime. As noted above, the inaugural Director left the organisation, partly because of his concerns over the pressures to adopt a more business focus. This had been brought on through the initiation of an Audit Review by the Auditor Generals’ Department. The overall objectives of this Audit were “to determine:

- the effectiveness, efficiency and economy of the NPS in managing parks and reserves in Victoria;
- the ability of the NPS to meets its obligations under the National Parks Act, 1975 . . ; and
- the benefits to Victoria, from a conservation and tourism perspective, of the parks system currently managed by the NPS” (Auditor General Victoria, 1995: 25).

The Audit Report was quite scathing about the way the NPS was managed, pointing to such things as “shortcomings in the NPS’s strategic management processes” (p34), “the absence of minimum performance standards” (p43), and a “lack of timeliness and efficiency in the finalisation of park management plans” (p48). Its primary conclusion was that “. . the Service has not been in a position to assess its own effectiveness in the management of parks, principally because of long-standing uncoordinated and rather haphazard approaches to strategic management” (Auditor General Victoria, 1995: 3). The Audit recommended that “the NPS examine approaches followed by Melbourne Parks and Waterways in assessing the effectiveness of park management practices” (Auditor General Victoria, 1995: 45). Clearly the audit team saw the corporate approach of MPW as an appropriate model to follow.
However, as a new Director had been appointed while the audit was being conducted, various references were made to the way in which the organisation was moving towards what it called ‘best practice’. For example, following their criticism of the lack of minimum standards the Audit states that “...it is pleasing to find that, in recognition of the need for corrective action, the NPS has convened a special working party to develop minimum standards for visitor facilities...” (Auditor General Victoria, 1995: 43). In its summary statement the Audit made the following point:

“In commenting on the above shortcomings, it is very appropriate for audit to recognise the momentum for positive change which was quickly gathering pace within the National Parks Service throughout the period of this review. The Director of the Service is developing a major change program focussing on key areas of significance for the Service. With a long-term goal of achieving world’s best practice in the management of national parks and conservation reserves, many aspects of organisational activity are under review or at the early stages of reform” (Auditor General Victoria, 1995: 3).

Of particular interest to this research is the fact that the Audit also focussed on tourism development and visitor services within the park estate. It suggested that the Service should develop a “specific tourism strategy in relation to parks” (p62) and praised the fact that the Director of NPS “is in the process of forging stronger links with Tourism Victoria and overcoming the current lack of tourism expertise within NPS” (p9). Finally, the Audit also recommended that “the NPS needs to develop more reliable mechanisms for evaluating visitor satisfaction and numbers and for the integration of relevant data into its decisions on strategic planning and resource allocation” (Auditor General Victoria, 1995: 9). There was a clear emphasis on the instrumental values of parks and the efficiency and effectiveness of achieving these values.

A review of the Annual Reports of Department of Natural Resources and Environment (DNRE) and the National Parks Service1 indicates that the National Parks Service gradually became more business and tourism oriented under the framework of DNRE and the relevant Minister. Reference was made to tourism developments more frequently, entries were submitted to the Victoria Tourism Awards and the focus was much more on visitor use. Even the order in which the topics were dealt with in the 1994-95 Annual Report (DNRE, 1995) was quite different to those written in earlier years. ‘Promoting Parks’, ‘Tourism Services’ and ‘Enhancing the Park Visit’ were the three lead items rather than conservation, park planning and related issues. Achievements in the internal ‘reform agenda’ were detailed in the 1994-95 Annual Report (DNRE, 1995) including such things as the sale of plant nurseries, the contracting out of fleet management, the reduction of 200 staff in one year and the implementation of service agreements which specify the inputs (funds) and the outputs to be achieved by various business units within the organisation. All of these were seen as important ways to put “service delivery functions onto a business-like basis” (DNRE, 1995: 6).

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1 Under Section 35 of the National Parks Act, 1975 the agency responsible for management of national parks is required to report to parliament directly.
After only a short time, the Kennett Liberal Government decided to ‘rationalise’ all park management agencies within the state. In December 1996, Parks Victoria was created by the amalgamation of the operational arm of the National Parks Service and the Melbourne Parks and Waterways. The newly created entity became responsible for managing nearly 4 million hectares or 16% of the state of Victoria. This amalgamation reflected the government’s commitment to the separation of the policy functions of departments from their operational activities (National Parks Service, 1997: 1).

While apparently eminently sensible, this amalgamation brought together agencies with quite different histories, culture and priorities. The National Park Service had been the child of ardent conservationists who had a strong preservationist ethos. Moreover, most of its estate was outside the metropolitan area and usually consisted of large pristine environments. Despite the recommendations of the Audit and the changes introduced by the new Director, the general modus operandi was to focus on the protection of the environment and allow human intrusion only where it was clear that it would not lead to deterioration of the habitat.

On the other hand, Melbourne Parks and Waterways had been the off-shoot of an engineering organisation with a very strong utilitarian approach to the land. Its parks were mainly developed on land that had previously been degraded and subject to all forms of abuse. The agency felt that the parks existed to be used by people and therefore visitation should be encouraged as much as possible. The 1995 Annual Report provides an indication of the strength of this orientation. Most of the first half of the document is devoted to sections on ‘Knowing Our Customers’, ‘Satisfying Our Customers’, ‘Attracting People to Waterways’ and ‘Raising Public Awareness’. Other sections included ‘Achieving Best Practice’, ‘Continuous Improvement’ and ‘Monitoring Performance and Results’. These were quite different to the contents of the more traditional reports of the National Parks Service and its predecessors.

The creation of Parks Victoria was therefore fraught with controversy. As it turned out, the organisation became dominated by the values of the Melbourne Parks and Waterways with many of the senior positions going to former staff of that agency. The new Chief Executive Officer (CEO) was the former CEO of MPW and five of the six General Managers of MPW were appointed to similar positions in Parks Victoria and all members of the Board (except the Chairman\(^2\)) became members of the Parks Victoria (Annual Reports of PV and NPS, 1995 and 1997). Moreover, MPW performance indicators were used to measure the achievements of the new organisation (Parks Victoria, 1997).

As will be noted below, the significance of the changes heralded by the establishment of Parks Victoria with its business orientation and corporate culture were indicative of the broad changes that were occurring in the public sector at that time. The establishment of Parks Victoria was a physical manifestation of the changes that were

\(^2\) The Chairman of MPW had been the Secretary of DNRE hence it would not have been appropriate for him to serve on the Board of Parks Victoria which was to supply services to his Department.
being introduced into the whole park management scene. The phenomenon of interest – stakeholder engagement – needs to be seen within the context of these broader changes that were essentially designed to introduce business principles into the delivery of services by public sector organisations. It is to these broader changes that the rest of the chapter now turns.

2.4 Socio-Political Context

In Australia there have been significant changes in the role of government over the last few decades. Following WWII, government started to take a major role in all aspects of the economy. “The view at this time was that government could and should play a central role in national development whether economic or social . . . . The public sector played a dominant role in society, and the Commonwealth seemed to be expanding indefinitely; by the mid 1970s nearly one in every 15 workers in Australia was employed in the Commonwealth public sector.” (Coaldrake and Stedman 1998 : 50).

In the 1960s there were challenges to the role of government in most western countries, including Australia. This was driven by concerns over the sustainability of government finances and the growing recognition of the effect of the global economy on Australia. The latter manifested itself in a worsening balance of trade situation and the clear lack of international competitiveness of protected domestic industries.

Governments of all persuasions became aware of the consequences of increased social and economic reliance on the state, particularly as the population was aging and expectations of what social welfare should deliver were increasing rapidly.

In Australia, the perceptions of government as a poor provider of services became pronounced during the Whitlam Labour era in the early 1970s. People began to question whether the public sector could really deliver what it promised. There are many examples of attempts to ‘improve’ the provision of services (eg. through better needs surveys, community involvement in the decision-making processes, etc.) but most resulted in increased costs and often extended delays.

While there were no dramatic changes to the public sector during the left-leaning Hawke Labour Government in the 1980s, even it emphasized the need to reduce government spending and the size of the public sector. This reflected a general desire to reduce government expenditure and the national debt. It was also part of a proposed solution to global competition involving freeing up markets from government regulation and introducing competition into the public sector.

Walker and Smith (1995) suggest that the latter was based on an ideology that goes back to Adam Smith (1727-1790) who promoted the idea that ‘Society gains when men compete to better their position’. They suggest that this philosophy was behind the views of Regan and Thatcher and is partly responsible for the dismantling of government monopolies around the world.

By the mid 1990s the emphasis was on individual choice where services are provided on a competitive basis in order to ensure that they meet the customer’s, not the
provider’s needs. The theoretical result is that the organisation should provide a cheaper and better service.

This resulted in a gradual ascendancy of the ‘contractual’ view of government - a shift from the government as being a provider of services, to that of a purchaser on behalf of ‘clients’ of those services. The agencies providing those services may be publicly funded, but they might (and many advocates of such arrangements argue that they should) be privately owned. This ‘purchaser-provider’ separation characterised many of the British reforms under Margaret Thatcher in the late 1980s, and became a very significant feature of public sector reforms in Australia (Coaldrake and Stedman, 1998).

This contractual view of government represented more than a change in the management of public services. It went to the heart of the way government relates to citizens. Rather than the traditional political and legal relationship, what emerged was a contractual one. Electors became clients with their rights and expectations being encapsulated in a ‘guarantee of service’. This contract binds the state to provide a certain level of service and specifies penalties for non-compliance. “The model of principals and agents, their mutual obligations spelled out in writing, becomes an organising ideal for public life” (Davis, 1996: 22).

Guthrie (1993) noted that the trend at the time of writing was to move public sector operations from departments and statutory authorities towards corporatised and privatised entities controlled by market performance. Despite complexities and differences in levels, government organisations were “normally characterised by a confluence of regulatory, fiscal, organizational and employment power” (Moon, 1999: 114). In the last two decades these have been “differentiated” and separate organisational structures have appeared. Burritt and Welch (1997) note that in the 1990s a large number of Australian public sector entities adopted a corporate form, primarily for governance, legal, accounting, auditing and accountability purposes.

A similar process has occurred in other OECD countries. Bennington and Cummame (1999) suggest that governments all over the world have attempted to reform the public sector. This reform aimed to achieve an improvement in the performance of public servants and the establishment of a better balance between service, quality and cost (de Coninck-Smith, 1991). Bennington and Cummame (1999) suggest that structural reforms “have ranged from commercialism at one end of the spectrum to privatisation at the other end of the spectrum” (1999: 15) Some governments separated the policy development and funding of services from the delivery of services. “This pave(d) the way for service delivery to become subject to contracting out and to market forces” (1999: 15). It was assumed that this pressure will improve service delivery and introduce certain efficiencies.

Moon (1999) argues that these changes make the public sector harder to define and lead to questions about the nature of government authority, responsibility and accountability. He noted that in the 1940s and 1950s the involvement of various Australian Governments in industrial enterprises was more than in any other country. However, because of the changes referred to above, by the end of the century “the
Australian public sector, by fiscal measures at least, is smaller than most” (Moon 1999:114).

Prior to the early 1980s, governments had also tended to increase their regulatory roles. However, in the 1990s the Australian Commonwealth government pursued a strategy of deregulation following the Hilmer Report and the establishment of the National Competition Council (Burritt and Welch 1997). This encouraged general deregulation - including in areas where government had long held a monopoly.

In line with these changes, many governments attempted to contract out services that had been traditionally delivered by its own bureaucracy. This was justified by claims of greater flexibility, efficiency and expertise. The greatest exponent of this approach was the Kennett Liberal Government in Victoria, which introduced outsourcing and compulsory competitive tendering as a legal obligation of local and state government agencies (Carson, 1998).

According to Burritt and Welch (1997) and Corbett (1992), public choice theory provides the theoretical rationale for the changes in the public sector. This theory prescribes policies to increase consumer power over the outcomes generated by public institutions (Burritt and Welch 1997). In public choice theory politicians and bureaucrats are seen as self-interested individuals whose personal aims for wealth, status, influence and security can only be controlled by transparent public sector accounting and accountability systems. “Information about decisions should be freely available, decision-making processes should involve the full range of interested parties or stakeholders, and appropriate market-based incentives are needed to ensure that bureaucrats and politicians are accountable for their actions” (Burritt and Welch 1997:537). While citizens had the ability (at least theoretically) to influence the delivery of services by government departments and agencies through the political process, the changes created a need for a new model based on stakeholder thinking. However, as will be shown below, this reference to stakeholders generally meant ‘external customers’.

This section has shown that there has been a major change in the nature of public sector organisations and the delivery of services to the citizenry in most western countries. One implication of this has been the introduction of new public sector management that is strongly aligned with the practices of private corporations. This has included at least a passing interest in the various aspects of Quality Management.

In the case that is the subject of this thesis, the organisation concerned went through major change in the manner outlined above. Although the origins of Parks Victoria are diverse, a major part of it was originally a division of a government department under the direction of a Minister of the Government. The new organisation was established as a separate corporate entity at ‘arms length’ from direct government control and operated under the auspices of a ‘purchaser-provider’ model (see above). In this sense, it was a quasi-public organisation being run along corporate lines.

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3 As will be seen below, this was eventually changed in 2000 when Parks Victoria was reverted back into a departmental structure.
Chapter 2

2.5 Conclusion

This chapter has been designed to ‘set the scene’ for the research activity outlined below. It described the way in which the focal organisation evolved and outlined the context in which this evolution took place. It can be seen that the focal organisation was an amalgam of various predecessors and that its then form and *modus operandi* was established by a government desire to introduce business principles into park management. Despite this general push, the maintenance of some of the previous practices, specifically the practice of seeking stakeholder views on strategic decisions, meant that it was in reality a hybrid organisation. It therefore provides an excellent opportunity to look at the way in which ‘traditional’ stakeholder engagement was incorporated into a more ‘can-do’ business ethos.
Chapter 3

The Logic of Concessions: A Strategy to Improve Service Delivery

Abstract

Parks Victoria manages some of the state’s most spectacular landscapes including much of the coast and mountainous environment. Because of their inherent beauty, these areas are also regarded as prime assets by the tourism industry and for many years have been the target of numerous proposals to develop them as tourist attractions. On the other hand, these areas are also regarded as ecologically very sensitive and many environmental groups, who were instrumental in their original designation as parks, have opposed such developments. Over the last three decades, there have been several examples where conflict arose between the pro-development and anti-development groups.

This conflict became heightened during the establishment phase of Parks Victoria under the auspices of a ‘can-do’ government with a major economic development agenda (as outlined in Chapter 2). Proposals were put forward to develop tourism infrastructure within some of the most popular parks in the state and for these facilities to be managed by private operators under a concession arrangement. Some included proposals for Build Own Operate and Transfer (BOOT) schemes which did not require major government investment but necessitated the establishment of complex mechanisms for maintaining some form of public interest in the on-going operations of the concession. When these proposals became public, a major outcry erupted from amongst those opposed to such developments and the so-called ‘privatisation’ of parks. In most cases, the proposal was abandoned despite a concerted effort by Parks Victoria to achieve its objectives. In others, where the proposal did go ahead, the results have, judged on many criteria, proved a failure.

This chapter seeks to outline the logic behind the proposed strategy. Seen within a particular framework, the strategy of delivering services to those who visit protected areas through third party concessionaires was a mechanism that could be used to save government financial resources while at the same time improve the quality of delivery. This chapter outlines the arguments to support this position.

3.1 Introduction

This chapter seeks to explore the logic of the decision by Parks Victoria to adopt the management strategy of delivering visitor services via concession arrangements. While a small number of concession arrangements had existed within the protected area system for a long time, just prior to and during the establishment phase of Parks Victoria it was decided that this would be an appropriate way for most services to be delivered and set about introducing them in various parks and reserves. This was all part of a greater emphasis on the instrumental values of parks and an acceptance of their greater commercialisation.
The chapter begins with an outline of what happened. It then looks at the nature of concessions as a form of outsourcing. In other words, the strategy being proposed by Parks Victoria was very similar to that being adopted – in various forms – by agencies responsible for the delivery of alternative services. The strengths and weaknesses of this form of service delivery are therefore reviewed in order to ensure that the reader can recognise the logic behind the proposals.

3.2 The Introduction of Concessions into the Protected Area System

For many years, visitor services in most parks had been delivered by the park management agency itself. The exception was where a shop or small café was granted permission to operate within a park or reserve. These were special arrangements known as concessions where a private operator was permitted to run a commercial establishment under a form of leasing arrangement. While there had been some examples of this type of arrangement within the protected area system, its use was quite rare and usually involved very small-scale operations (Crocker, 1988). However, in the USA concessional arrangements are much more common and include major hotels and commercial centres (Hummell, 1987).

The particular strategy that is the focus of this research is Parks Victoria’s attempt to introduce a substantial change in the way services were to be delivered within its estate. This strategy was to substantially extend the use of third party commercial operators for the delivery of visitor services. This reflected an approach that had been established in the former Melbourne Parks and Waterways (See Chapter 2). It was also in line with the views of the recently elected Kennett Liberal Government that had a focus on the commercial development of the state and a belief in the private sector as the most efficient way of delivering services. Of particular significance was the strategy of encouraging, within selected parks, the construction of tourist infrastructure by the private sector under a concession arrangement. The latter generally involved a Build, Own, Operate and Transfer (BOOT) scheme that had not previously been used in protected areas (see below).

There were several proposals that were considered as part of this strategy:

- a major hotel and lodge at Wilsons Promontory National Park;
- a major hotel and associated tourist infrastructure at Port Campbell National Park;
- a major visitor centre at The Nobbies on Phillip Island;
- a 400 seat restaurant in the Dandenong Ranges National Park;
- accommodation facilities at Cape Schank National Park;
- accommodation facilities at Cape Otway National Park; and
- a private wildlife park in the You Yangs Regional Park.

In most cases, these proposals were initiated by Parks Victoria itself. In others, the agency called for expressions of interest regarding possible developments within the parks. In some situations, the idea was initiated by an external private developer who approached Parks Victoria for exclusive rights to undertake the proposed development.
The legal authority under which Parks Victoria can provide for the establishment of concessions is the National Parks Act, 1975. This established the need for the agency to provide such services but did not specify the way in which these could be done. However, it did provide for licenses and leases to be offered to commercial operators if the need arose. This primarily provided an opportunity for tourism operators to enter protected areas and conduct a variety of tours. In other cases, it provided for private operators to run stores, cafes or similar operations in parks.

Tender specifications are generally drawn up after some form of management planning process. Usually, this is part of the development of a plan of management for the park or reserve conducted under Section 27 of the National Parks Act, 1975. This plan would provide only broad guidelines for the proposed development of a service. Often this would be no more than a few sentences indicating the type of use that could occur in the general location. Only rarely would it include a detailed statement regarding the specific service that was envisaged.

On a number of occasions Parks Victoria called for ‘Expressions of Interest’ from corporations or individuals to establish some form of commercial operation within their estate. This was done without any preconceived ideas regarding what the agency considers to be the most appropriate development for the park under consideration. Indeed, as a matter of policy MPW and Parks Victoria deliberately adopted this course of action on several occasions as the agency believed that this was the best way to ensure that fresh or novel ideas could be generated. It was felt that it would be inappropriate to expect that the best ideas would arise through some form of planning exercise or internal processes.

As a corollary to this, Parks Victoria received numerous unsolicited suggestions for developments in parks and protected areas. These ranged from proposals to construct restaurants through to one which would involve the conversion of the entire You Yangs State Park into a private free-range zoo. These suggestions came from a myriad of different sources and arrived through a variety of different channels, sometimes through the personal involvement of Parliamentarians (Cohen, 1992). This is how the proposal to construct Seal Rocks originated (See Chapter 8 below). It is understood that in every case of this type, Parks Victoria insisted that the proposal be handled through some form of tender process. While this provided the opportunity for some form of ‘public’ scrutiny, many proponents have been critical as they consider their proposal to be intellectual capital for which the tender process does not provide protection.

Despite this criticism, Parks Victoria adhered to Government policy of establishing concessions through a public tendering process. Advertisements were placed in papers and other publications. Usually applicants had to pay a small fee to obtain the detailed tender documents. This was designed to discourage enquiries from parties that were not really serious about submitting a tender.

In some instances, where there is not a high level of interest, Parks Victoria staff have encouraged various parties to apply. This was the case with one reluctant proponent for one of the lighthouse tender (pers. comm.). That person received a call a few days before the tenders closed encouraging him/her to submit an application.
Contracts established between Parks Victoria and concessions include a range of conditions. Under the former Kennett Government the details of these contracts were all regarded as ‘Commercial-in-Confidence’ and not available for public scrutiny. Access to them has remained restricted, hence there was no opportunity to view them directly.

Contracts are designed to ensure at least two things. Firstly, they are meant to protect government from the risks associated with any activity undertaken by the concessionaire under the terms of the Lease. Secondly, they are designed to ensure a certain standard of service. These were often specified in detail in order to ensure that all parties were aware of their obligations.

Risk can take a variety of forms. The greatest concern of most park managers is the risk that the business will fail and that creditors and others may take action against Parks Victoria to recover any outstanding debts that may not be covered by the concessionaire. Other risks include the risk that any developments commenced will not be completed and Parks Victoria will be left with an unfinished facility that cannot be finished because of litigation between various parties. Others include the risk of environmental damage and the impact of the operation on other visitors to the park.

Contracts also specify the consideration that is to be provided by the concessionaire in return for the right to operate within the protected area. Sometimes they are written with a view to ensuring that the agency shares in the income earned by the operation. There are several examples where the contract provides for a share of profits and/or turn-over. This contrasts with those that are based on an annual fee or rent. In the latter cases, the income is fixed and the agency has no interest in the financial success of the operation, other than a concern that it does not become insolvent.

The issue of possessory interest has not been fully addressed in most concession contracts. Possessory interest is the value that the concessionaire has in the investment that has been made in the operation. It could include new equipment that has been purchased or, in limited cases, new buildings or facilities that have been constructed. In some concession arrangements overseas, particularly those let by the United States National Parks Service, the concessionaire has the right to obtain financial compensation for any ‘improvements’ that have been undertaken. In some instances this can amount to millions of dollars. Although Parks Victoria has considered the appropriateness of this they have not introduced such a provision. This has implications for the financial viability of a concession arrangement. All financial returns must be achieved within the lifetime of the concession. An operator cannot expect to recoup part of their expenditure from the next concessionaire should they not be successful in renewing their contract.

In terms of commercial concessions, the main quality control mechanism is the lease or licence under which the concession operates. As with other forms of out-sourcing, the establishment of a lease or licence has meant that the agency has had to consider what type and standard of service is required (Industry Commission of Australia,
In some of the concessions these documents have been extremely comprehensive with one cited by the author being almost 8cm thick. While the details of this contract are confidential, it is known that it includes specification as to the length of time that clients should be expected to spend in the facility and the proportion of clients that should come from particular visitor groups (e.g., school children). There are also requirements for the concessionaire to undertake visitor satisfaction monitoring with target levels being specified. There are a number of penalties that can be imposed if these and similar quality measures are not achieved.

3.3 Concessions as a Form of Outsourcing

3.3.1 The Nature of Outsourcing

One of the ways in which the broad socio-political changes outlined in the previous chapter were manifested was through the increased use of outsourcing to deliver government services (Rimmer, 1998). As Parks Victoria’s strategy of promoting concessions to deliver visitor services in their estate was a form of outsourcing, this section provides a general introduction to outsourcing as well as its perceived advantages and disadvantages. This is designed to demonstrate the logic behind the strategy being proposed.

In Australia, outsourcing is generally referred to as competitive tendering and contracting (CTC). The Industry Commission defined this as “clearly defining services that have traditionally been provided by public sector agencies and then periodically opening them up to competition and external providers” (Industry Commission of Australia 1995: 49). There are two differences between CTC and traditional internal provision. The first is the organisational separation of the purchaser of services from the provider. The second is that CTC introduces contestibility of services previously shielded from the ‘discipline of competition’ (Industry Commission of Australia 1995: 52).

The use of contractors by public sector agencies to deliver services on their behalf was not new. For example, mail delivery has been contracted out since it was introduced in Australia (Industry Commission of Australia, 1995). What was new was the extent to which this was adopted by public sector agencies and its use in areas traditionally regarded as ‘core’ government activities (e.g., prison management and in this case protected area management). A study by the Industry Commission contemporary to the period of interest estimated that the value of services contracted out by public sector agencies at that time was at least $A13 billion a year (Industry Commission of Australia, 1995). It had become a significant strategy in the provision of a range of public sector services.

There are a number of arguments in favour of this form of service delivery. It could potentially provide increased flexibility in service delivery, greater focus on outputs and outcomes rather than inputs, as well as the opportunity for suppliers to provide innovative solutions and cost savings (Industry Commission of Australia, 1995). Increased clarification of the objectives of the particular service being considered was also expected. Direct government service provision had often been based on inadequate information. Prior to the introduction of CTC many suggested that
“service could not be effective in achieving its objectives because it did not know what they were” (Sayers 1997 :15). Often, even the beneficiaries of the service were not clear. The preparation of contract specifications required an explicit focus on these issues.

It was felt that exposing the service to market forces would create savings. This would be mainly in staffing where antiquated work practices were perceived to exist in public sector agencies. Supporters of CTC lauded the heightened level of discipline and rational decision-making which contestability was expected to bring to the management of service delivery (Steane and Walker, 2000). It was expected that CTC could give service managers more discretion so that they could be flexible and respond to market changes. It was also hoped that it would improve quality. By making managers aware of income and its relationship to the number of people who use the service, CTC would stimulate a desire to provide a higher quality of service and thereby attract higher patronage.

Critics of outsourcing questioned the extent of the benefits and point to the costs of specifying, awarding and monitoring the contracts and the potential impact on accountability, quality and the achievement of social objectives. Many saw it as the start of privatisation (Nichols, 1997). Several suggested that CTC could result in a market led service profile that is delivered at the cost of social objectives. Services that are not justified by the market would not be provided even where adequate social justification existed. Others suggest that the contractor’s focus on profit would lead them to increase income and reduce expenditure. On the other hand, they also feared that it would lead to increased costs - costs associated with writing contract specifications and monitoring contracts. Moreover, Boyne (1998) suggests that the introduction of CTC creates unanticipated additional costs that are associated with “rent-seeking”. This is the cost of the behaviour by organisations attempting to win government contracts. These include the costs of lobbying and, in extreme cases, bribery. These costs are not there when bureaucrats were in a position of permanent monopoly.

Boyne (1998) suggests that CTC may result in a higher level of technical efficiency: “that is, the ratio of financial inputs to service outputs will improve” (1998: 697). Thus the costs per unit of output should fall. However, CTC may have no effect on ‘allocative efficiency’ (ie. the responsiveness of outputs to public preferences and needs). This is because the decision as to the nature and distribution of services remains the responsibility of politicians and officials. CTC does not necessarily improve the power of the consumer. At worst it may result in the more efficient provision of services for which there is no genuine demand.

Proponents argued that many of these problems could be overcome by adequate contract formulation and monitoring regimes. However, many question whether this could ensure that social objectives are met and point to the potential to ignore local citizens who wanted a say in the pattern of provision and subsidy. “The fear was that the right to influence local decisions as a citizen, based on the right to vote, would be replaced by the right to influence decisions as a consumer or customer, on the basis of the amount of money spent” (Sayers, 1997 : 18).
Critics also pointed to the implications of deteriorating client-contractor relations that may result from complex monitoring systems (Boyne, 1998). For example, Wintrobe and Breton (1986) argue that when trust no longer exists, the costs of scrutiny increases the overall real costs of delivery of the service.

3.3.2 Outsourcing and Quality

One of the issues that is of direct concern to this research is that of the impact that third party delivery of services has on quality. Critics such as Borland (1994) suggest that because tenders are usually judged on price alone, there is very little incentive for private sector suppliers to improve quality. Recognising this potential, the Industry Commission (Industry Commission of Australia, 1995) identified three factors which influence the effect on quality of competitive tendering and contracts. Firstly, the adequacy of the process, including the specification and monitoring of the contracts. Secondly, the separation of roles of the purchaser and provider creates the problem of ensuring that the contractor is responsive to those specifications. Thirdly, the effects of competition may lead to a focus on price not quality. All of these can affect the quality of services provided in outsourcing or concession arrangements.

Contract specification is important, particularly when complex services are involved. Nichols (1997) states that “it is easier to write a contract that will result in a dustbin being emptied once a week, than it is to write one that specifies the management of a complex facility with multiple objectives” (Nichols, 1997: 17). When the latter type of contracts are involved, they must be written in an appropriate form to encapsulate the essence of the service being sought. This is not an easy task. Most of the developments being considered by Parks Victoria were extremely complex and involved the delivery of a range of services to a diverse and evolving market. Contracts were therefore very complex and reflected the need to cover a range of contingencies. The Industry Commission notes that, in turn, the responsiveness to those contract specifications can be affected by two elements of risk. Firstly, whether the contractor has the capacity to perform to the agreed standards and, secondly, whether those standards are then maintained.

The former is addressed by the adoption of a quality assurance framework while the latter is addressed by the development of a performance-monitoring regime. Hardy and Wistow (1998) suggest that securing quality in outsourcing depends on the nurturing of long-term relationships and trust. There are a number of quality assurance strategies that can be adopted to ensure the selection of a capable contractor. These range from an accreditation program developed by the contracting agency or an industry association, third party certification (eg. ISO 9000), or requiring contractors to provide evidence of appropriate internal management systems.

The latter is addressed by performance monitoring wherein an agency oversees the contractor’s performance to ensure that performance standards specified in the contract are actually met. This ensures that the contractor is fulfilling the terms of the contract or assesses whether clients are satisfied with the service provided (Australian Industry Commission, 1996: 359).
However, monitoring regimes have their own problems. Frey (1993) notes that principal-agent theory assumes that rigorous monitoring leads to higher efficiency. However, “the agent may perceive more intensive monitoring by the principal as an indication of distrust, or a unilateral break in the contract based on mutual trust. As a consequence the agent may see no reason why he or she may not behave in an opportunistic way ..” (1993: 664). Frey (1993) and Boyne (1998) therefore suggest that the introduction of legal contracts and formal monitoring may lead to agents working to contract. Indeed, Walsh, Deakin et al. (1997) argue that “highly formalistic approaches to contracts may be seen as preventing the development of precisely those social relationships that are necessary to make them work” (1997: 34).

3.3.3 Outsourcing and Risk

Many of the concession arrangements that were proposed during the period under consideration involved the construction of infrastructure in protected areas. This included such things as hotels, visitor centres, lodges and restaurants.

Given their acknowledged fiscal problems, the Kennett Liberal Government looked for ways to finance such developments through the private sector. In line with emerging developments overseas, the Government explored new forms of public infrastructure development involving the private sector. One of these was the mechanism known as Build Operate and Transfer (BOT)\(^1\) which is used to involve the private sector in all forms of public infrastructure developments, especially large scale developments such as roads, railways and energy projects. The application of this development option had not been utilised in protected areas in Victoria before.

Before the election of the Kennett Liberal Government all infrastructure development in protected areas had been planned, funded and developed by a government agency\(^2\). While this process was regarded as ‘normal’, it was not without its critics. For example, Grimwade (1996) suggested that the planning and evaluation of infrastructure proposals has lacked financial rigour and market justification resulting in excessive waste and inappropriate developments. General observation would confirm this. There are a number of examples of visitor centres that cost society an enormous amount of money to construct that essentially now operate as offices for park staff or remain totally under-utilised.

Looking beyond parks to the broader tourism industry, a number of commentators expressed concerns about the government’s neglect of the supply side. These writers suggest that without adequate attention to this issue tourism would not achieve the projected high rates of growth. Several official publications of the government agencies responsible for tourism development had joined this call for greater infrastructure development in protected areas (Tourism Victoria, 1997). Others, such as Mistilis (1999), have suggested that part of the problem is the lack of an

\(^1\) This becomes BOOT when ownership rights form part of the contractual formula.

\(^2\) There is one example of a chalet in Mt Buffalo National Park that could be regarded as having been built in the early Twentieth Century by the private sector. However, this was the Victoria Railway, which at that time was in public ownership.
appropriate mechanism for eager private sector investors to become involved in the provision of such infrastructure. Concessions, which involve the private sector in infrastructure development in protected areas, is one such mechanism.

Over the last two decades, the BOT model has become a feature of major infrastructure developments in the western world. The fact that this mechanism was being proposed for protected areas was in reality nothing new. However, as noted below, the introduction of this form of concession arrangement became extremely controversial. Before looking at that controversy, it is necessary to explore the characteristics of this strategy further.

Walker and Smith (1995) suggest that the trend towards the private development of infrastructure indicates that “we are returning to the model of a century ago when most of the world’s major public works . . . were financed and built by private enterprise” (Walker and Smith 1995 : (i)). According to Walker and Smith (1995), there are good reasons for this change:

“Many governments are either unable, or unwilling, to raise taxes or to issue the debt needed to finance large scale, capital intensive projects. They may also be ill-equipped to oversee the construction or subsequent management of such projects. In contrast private investors are willing to take the risk if there are sufficient rewards, and private companies, which must operate subject to the discipline of the marketplace, are often efficient at handling the infrastructure development” (Walker and Smith 1995 (i)).

Advocates suggest that the BOT arrangement forms a win-win situation - a costless scenario for financially constrained governments. Others, while not necessarily advocating the use of the BOT mechanism, suggest that there is a clear need for greater involvement of the private sector in public infrastructure development. Without this, such infrastructure would not be built.

Although the BOT/BOOT formula has evolved, the crux “is to address the relationship necessary to satisfy the political, financial and construction demands and to ensure that the revenues generated by the completed entity satisfy all three” (Walker and Smith 1995 in Preface). Although each case is different, the basic criteria is the same - to have a transparent formula that ensures that the risks involved are placed with those best able to carry and therefore to price them.

As more risk and control is passed to the private sector the contribution of government becomes limited. Lenders have to judge whether they will get their money back and equity investors have to decide whether they would get a better return elsewhere. A series of disciplines often not previously applied to purely public investments are therefore brought to bear.

The BOT formula is an alternative to privatisation of major infrastructure developments. It involves ‘non-recourse’ financing where lenders look solely to cash flows of a project to repay the debt and where they have no recourse to other assets of the project participants should things go wrong. The non-recourse approach is only used where the project is clearly capable of supporting the debt (eg. a stand alone
tollled tunnel or motorway). The concept requires three constituents: a willing government, a viable project and funders willing to take the risk and bankroll the project.

“The technique that characterises the BOT arrangement is the granting of a concession which empowers the right to operate and profit from an entity created by that concession. On the expiry of the concession the entity, bridge, canal, etc. transfers at no cost to those who granted the concession . .” (Walker and Smith 1995: 6).

The formalised risk relationships between government, lenders, investors and contractors are central to the project’s success. There must be a workable transparent formula that gives all involved the confidence that no single party is taking unreasonable risks or benefiting from unentitled reward. A major principle of the arrangement is that risk should be assumed by the party within whom that risk most lies. A major function of the BOT arrangement is, therefore, to recognise and provide a mechanism for the assignment and management of those risks. These include both construction risk and then operational risk. The BOT vehicle must address both.

### 3.3.4 Outsourcing and Accountability

The introduction of third party delivery of services previously delivered by government raises a number of issues, including that of accountability. While these issues are highly relevant to the private sector where shareholders are becoming increasingly vocal, similar issues arise in the public sector. Alford and O’Neill (1994) and Boston (1995) question whether governments are able to make executives in the government agencies accountable when so many activities are contracted out.

The concept of accountability involves:

“a defined capacity by some person or institution to call an authority into account, in the sense of having to answer for its conduct; a responsible authority or person with a duty to answer and explain such conduct; an agreed language and criteria for judgement; and upward, downward and outward reporting or answering process” (Doern 1993: 4).

It is recognised that “ . . when governments contract out activities they had once performed, their responsibility is not necessarily erased: that depends on why they were contracted out (Hood, 1997). “In cases where governments contract out activities for which there is a residual expectation of at least indirect public responsibility they have an interest in the success of a contracting regime. They not only seek to design a regime that will secure their purposes, but they also intervene to avoid contract failure” (Moon, 1999: 116).

Moon (1999) suggests that we can call this ‘new governance’. “New governance is associated with the introduction of regimes of governing based on managerialism, markets and contracts rather than of bureaucracy and direct performance of government tasks.” Osborne and Gaebler (1992) call this ‘steering’ rather than ‘rowing’.
“New governance is not simply a matter of governments privatising and walking away from their responsibilities. They retain an interest in a policy area but retain it by other means . . . the means governments choose reflect wider political preferences and imperatives” (Moon, 1999: 116). In most situations, regulatory responsibility is retained - both for the contracts and the market that it has created. The “ability to make or remake rules is critical to the extent to which the public sector is reconfigured or simply replaced and to conclusions as to the continuing government purpose” (Moon 1999 : 116).

According to Gilmour and Jensen (1998), “more than marketplace efficiency is required to hold the government and its proxies and surrogates accountable for the exercise of authority on behalf of the state” (1998 : 247). In other words, it is recognised that when a government agency contracts out its service delivery obligations, the success of those operations is not left to the market alone. It is very different to the situation where the government withdraws from the delivery of a service altogether (eg. it sells an airline, or sells a communication carrier, etc.).

Gilmour and Jensen (1998) argue that there are two fundamental ways that government officials may be held accountable for action taken on behalf of the state. These are either politically, via the voting public or the elected representatives, or legally either through the force of law or judicial review of their actions against constitutional or statutory mandates and limits (Gilmour and Jensen, 1998). Even when services are delivered through third parties the government agency is still accountable for them. While never tested with regard to protected area management, a number of legal cases faced by local government in Victoria confirmed that despite the arm’s-length relationship between council and its contractors, councils can be held responsible for the negligence of their contractors and can be held responsible for occupiers’ liability claims where the contractor occupies council land (Gramberg and Teicher, 2000: 484).

In the case of concessions, park organisations in most western countries take on the role of a management agency. They are therefore responsible for the delivery of certain services on behalf of the elected government of the day. With the possible exception of England, their role is not one of a planning authority which simply adjudicates on whether a particular use/service/activity is legitimate in a specific location and then provides a mechanism for others to engage in that activity (either by permit or licence). Rather, as a management agency, Parks Victoria’s enabling legislation gives it the responsibility to manage the delivery of services within its estate. While it may chose to do this through a third party, it is still involved in the delivery of the service and therefore has to be assured that the deliverer of that service is doing the right thing. In this sense, park agencies are therefore accountable for the services delivered in their domain. This does not appear to be in dispute. What is debatable is the extent of this accountability and how is it derived.

Burritt and Welch (1997) suggest that effective accountability mechanisms rest on the provision of information by the ‘accountor’ to the ‘accountee’. However, the provision of such information is not enough: “there has to be a process for holding the accountor to account for actions taken and the consequences incurred. Hence enforcement mechanisms are crucial to accountability” (Burritt and Welch, 1997: 108).
According to Benston (1982) this accountability is far more complex in the public sector than in the private sector.

The Industry Commission review of this issue in the context of outsourcing was within a framework provided by principal-agent theory (Industry Commission of Australia, 1995). This theory recognises that many activities are too complicated or extensive to do oneself hence a ‘principal’ often hires an ‘agent’ with specialised skills to perform those tasks (Sappington, 1991). The main consideration in accountability is how those whose money is used to finance an activity (the principal) are able to control the performance of those who act on their behalf (the agents) and the ability to exercise sanctions where necessary (Smith, 1990). The concept of accountability is more than providing information or answering questions, but includes setting goals, providing and reporting on results and the visible consequences for getting things right or wrong (Management Advisory Board - Management Improvement Advisory Committee, 1992).

Accountability is an accepted principle in the public sector. It permeates the extensive principal-agent relationships that exist in that sector starting from the citizens (principals) who pay taxes and elect governments who act as representatives (agents) of their electorates through to public servants who are employed by the government (principals) to manage the services (agents) (Industry Commission of Australia, 1995). The issue is: to what extent does it extend to private firms providing services on behalf of public sector agencies?

Eisenhardt (1989b) outlines the nature and potential of agency theory which is concerned with the relationship between principals and agents. In private firms, the former could include shareholders and the latter managers. The focus of the theory is the situation when the goals of the principal and agent may be conflicting. The theory has two strands: one where the contract is output oriented and the other where it is behaviour/information based (to find out what is going on). Eisenhardt (1989b) looks at the impact of these on the allocation of risk and puts forward a series of propositions about the different form of relationship between the principals and agents that each generates. For example, she notes that where a service provided by an agent can be ‘programmed’ (ie. the behaviour specified in advance) then the more attractive are behaviour-based contracts “because the information about the agent’s behaviour is more readily determined” (Eisenhardt, 1989b: 62).

She reflects on the similarity between agency theory and political models of organisations in that in both perspectives “information asymmetry is linked to the power of lower order participants” (Eisenhardt, 1989b: 63). However, in political models goal conflicts are resolved through the power mechanisms of political science (negotiation, bargaining, etc.) whereas in agency theory they are resolved through the co-alignment of incentives - the price mechanism of economics” (Eisenhardt, 1989b: 63). In other words, while the resolution of goal conflicts between concessionaires and the parks agency can be resolved by political mechanisms, it is more likely to be resolved using economic considerations.

Accountability problems start to arise when the principal and agent do not share the same objectives. The greater the level of discretion available to the agent, the greater
the opportunity for them to diverge from the principal’s interests. This is often exhibited in the context of protected areas when a private operator seeks to undertake certain developments or activities to enhance their profitability or avoid bankruptcy. These often place the managing agency in an invidious position where agreement has to be given. This has included granting permission to undertake activities or developments that would not otherwise be condoned in protected areas (Foster, 1997). What is required are mechanisms or incentives designed and implemented to induce the agent to act in the interests of the principal (Industry Commission of Australia, 1995). In the case of concessions, there is a conflict that is inherent to the activity itself. While the operators of the concession would be driven by profit, the context in which that profit is derived is often supported by those who deride profit as an objective (Figgis, 1994). Decisions may be made by concessionaires to ensure a profitable outcome that could be less than desirable from an ecological perspective.

There is also the problem of opportunistic behaviour by contractors. In principal-agent theory all contractual relations have two essential characteristics: agents pursue their own interests rather than that of the principal and information asymmetries confer power on agents (Barrow, 1996; Moe, 1984; Tullock, 1965; and Downs, 1967). Principal-agent theory does not assume that market forces are sufficient to ensure that agents fulfil the objectives of principals (Klein and Leffler, 1981). CTC may highlight ideas regarding the costs of service delivery but not necessarily provide good information regarding service quality. Boyne (1998) suggests that the incentive to shirk on quality is bigger for private providers - once a contract price is determined then contractors can boost profits by reducing service quality (Domberger and Hensher, 1993). Boyne (1998) suggests that this is unlikely to occur in the public sector where managers do not receive personal monetary rewards for such actions.

To maintain quality the principal must be able to exercise control over the agent in at least three areas:

- it must be clearly established who is responsible for what aspect of the service delivered through the principal-agent relationship;
- sufficient information must be available to ensure that the performance of the principal-agent relationship is transparent; and
- there is sufficient opportunity for redress where substandard performance is identified and that there is the capacity for this to be corrected or sanctions imposed (Industry Commission of Australia, 1995).

A concession can be regarded as a special form of principal-agent relationship. The public agency given responsibility for the delivery of certain services specified through legislation may decide to deliver some through a concession arrangement. In the case of national parks and other protected area managers, the agency would be charged with the responsibility to achieve conservation and recreational use objectives. The agency may elect to deliver the recreational service through a concession arrangement. The agency’s accountability for the achievement of certain objectives cannot be divested through this arrangement. The relationship is therefore quite different to the private firm establishing an operation on freehold land, or even on leasehold land.
The introduction of a contractor creates an additional principal-agent relationship. The Industry Commission suggested that the introduction of outsourcing actually enhances accountability. The Commission argued that it forces agencies to specify its service objectives clearly and makes it easier to identify who is responsible for different aspects of the service; contract specification and the establishment of objective performance criteria make it easier to measure the performance of the organisation delivering the service; and finally because of the improvement in the level of information on the performance of service providers the capacity to impose effective sanctions increases (Industry Commission of Australia, 1995 : 85).

3.4 Conclusion

This chapter has outlined the nature of the phenomenon that the focal agency was attempting to introduce. It demonstrated that concessions were a logical strategy that had been introduced to deliver a wide range of services in other areas. Their introduction was therefore logical and, some would argue, appropriate.

Of particular importance is that the introduction of this strategy did not mean that the agency could abdicate its management responsibilities. It still had to ensure that the delivery of services was conducted in a satisfactory manner and that they did not result in unacceptable environmental impacts. They were therefore still accountable for what happened in their estate.

Parks Victoria was not attempting to do anything that was necessarily wrong or inappropriate. It was simply an alternative strategy. This is important to recognise in order to understand the significance of the stakeholder backlash that is described in the empirical part of the thesis.
Section Conclusion:

The Context of the Research

This section of the thesis has sought to establish the context within which the research question, outlined in Section I, has arisen.

Protected area management in Victoria has undergone considerable structural and operational amendment over the last half century. In response to broad governmental and societal changes, the 1990s saw an attempt to put the agency responsible for managing Victoria’s protected areas onto a business-like footing. Inter alia, this involved the introduction of many of the principles, techniques and methods associated with the quality movement. Included in these were a greater focus on the quality of services, a greater focus on the customer and a complete change in the way that some services were to be delivered.

The latter involved the introduction of a strategy to deliver services through third party, commercial operators. While this had been common overseas, the attempt by Parks Victoria and its immediate predecessor represented a major change for protected areas management agencies in Australia. It was seen as an opportunity to deliver more and better services without increasing the financial commitment or risk of government.

The proposed strategy has been shown to be both logical and appropriate to the circumstances faced by the focal agency. Similar management arrangements had successfully been introduced in other areas of public service delivery (usually termed competitive tendering and contracting - CTC). Indeed, there had been so many proposals that scholarly attention had been focussed on their introduction and implications for issues like the quality of services delivered through such a system, the effect of those arrangements on accountability and the way the inherent risks are handled. As no research focussing specifically on those issues in the context of protected area management were uncovered, these issues were addressed with reference to the more general issue of CTC.

This section therefore demonstrated that while there are a number of issues raised by the introduction of third party concessions, the strategy itself is fundamentally sound. There is no obvious, inherent reason why such a strategy would be inappropriate within the context that it was being introduced. However, as will be demonstrated in Section IV, the focal agency failed to successfully introduce it and this failure almost resulted in the dismantling of the agency itself.

As will be seen, a major factor adversely affecting the attempt to introduce the strategy was the views and actions of stakeholders. Given the context outlined in this section, this is unexpected as the agency was simply introducing a strategy that had been used to deliver many other services.
The challenge therefore became one of trying to understand how this happened and what the circumstances of this situation tell us about management actions. This required an analysis of the nature of stakeholders and how they fitted within the organisational structure and functions. This is turn led to the question of whether the way the stakeholders and their role is conceptualised is itself affected by the way the organisation is itself conceptualised? It also required an analysis of what the quality management literature was saying, if anything, about the expected role that stakeholders play in achieving organisational success.

The next section seeks to address these questions in a way that establishes a conceptual framework for the empirical analysis outlined in the subsequent section.
SECTION III
Chapter 4

The Quality Framework: The Affect of Quality Thinking on Strategy Implementation

ABSTRACT
Having established the strategy of interest and described the focal organisation, this chapter seeks to set the framework for the whole study. This framework is based on a quality perspective, which is shown to have been adopted by the focal organisation. Once this is established the chapter looks at recent attempts to move quality management thinking from a focus on its under-pinning principles and techniques to a recent attempt to develop a theory of quality management. The chapter outlines the progress made towards this theory and shows its dependence on a particular organisational purpose. It is then argued that the development of such a theory of quality management based on a particular purpose is flawed if it is to become relevant to all organisations.

4.1 Introduction

As noted in Chapter 1, quality management provides the conceptual framework for this research. This reflects a personal interest in the quality management ‘movement’ and the fact that the focal organisation at the time under consideration was attempting to adopt many of the principles of quality management as it tried to transform itself to become more business-oriented.

While the particular phenomenon being researched is that of stakeholder engagement, this is considered within the context of management and how it relates to recent attempts to develop a theory of quality management. The fact that the focal organisation engaged with stakeholders reflected a long-standing approach, one that can be traced back to the public sector traditions of focussing on process (Ryan, 1997). However, as shown in previous chapters, the focal organisation and its predecessors had been going through a major transformation as it attempted to adopt management principles usually associated with the private sector. These included various initiatives to adopt the principles of quality management.

It is argued here that the focal organisation and its predecessors (especially MPW) had adopted many of these principles. However, most of these reflected what could be described as a ‘text-book’ approach to quality management. That is, the focal organisation did adopt what was contemporaneously outlined and promoted in textbooks and by government agencies as being the essence of quality management, namely a series of techniques and principles.

Despite this, the focal organisation was not able to achieve its strategic goals, became the target of extensive criticism and was almost disbanded. This would suggest that either the quality management principles (based as they are on private sector organisations) were not appropriate to a quasi-public organisation, or they were not properly applied, or the principles - as espoused at the time – were inadequate or
inappropriate. The answer to this question is provided through the empirical research outlined in the next section.

Before heading into that research, it is important that the nature of quality management thinking is itself reviewed and placed into an historical context. This is the focus of this chapter.

4.2 Brief Overview of Quality Management

Among the principles and ideas that have come to the attention of the business management literature in the last decade is the concept of quality. Although work on quality began in Japan in the 1950’s, scholarly literature only began appearing in the 1980s (Deming, 1986; Juran, 1988b; Juran, 1988a). The key message of the so-called ‘quality movement’ has been that management must focus on improving organisational systems to provide superior customer value (Clarke and Clegg, 1998). At first the literature focussed entirely on the manufacture of goods with the primary aim being to minimize variation in production and reduce defects. Gradually this was extended to services (Lovelock, 1991, 1992; Chase, 1981; Voss, Armistead, et.al. 1985; Zeithaml, Parasuraman, et.al. 1990; Haskett, Sassar, et al. 1990).

While this has been an international movement, the major driving force behind improving quality in organisations in Australia has been the Federal Government (Gray, Sohal et al., 1996). In 1987 the government-initiated Report of the Committee of Review of Standards, Accreditation and Quality Control and Assurance identified poor quality of Australian goods and services as one of the main causes of Australia’s competitive problems. This led to a number of on-going initiatives and programs to tackle these problems. A number of organisations, mainly funded by government, were established and became part of what has been called the ‘Quality Movement’.

The concepts and ideas coming under the broad umbrella of quality have evolved over the last few decades. While there are varied descriptions of this evolution their appears to be general acceptance that we have moved from a focus on inspection of the finished output (product) to consideration of the whole management system and how this affects the nature of the output (product) (Gray, Sohal et al., 1996). Bounds, Yorks et al. (1994) suggest that we have moved through a number of ‘quality eras’: from inspection (1800s) to statistical quality control (1930s) to quality assurance (1950s) to strategic quality management (1980s) to total quality management (1990s). It could be suggested that at the present time we are witnessing a further move from TQM to Business Excellence (Dalrymple, 1999; Boxer, 2003).

Integral to this evolution has been the shift in focus from viewing quality as inherent in the product itself to one which focusses on quality as a characteristic of the management system which is responsible for producing the finished product (Hardjono, et al., n.d.). Hardjono, et. al. (n.d.) describe 35 quality organisations and point out that they all “focus on the quality of products and services and underline quality management principles, but in the end are primarily concerned with aspects of management” (Hardjono, nd: 14; emphasis in the original).

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1 Dalrymple (2000) would argue that it started a long way before this. He suggests that many of the ideas of Frederick Winslow Taylor were concerned with quality issues and draws a parallel between Taylor’s views and those of Deming.
One of the two supporting pillars of the quality movement is quality system standards (Saizarbitoria, Errasti, Fa and Toro, 2003). These originated with documents prepared by the United States Defense Department during WWII. In the post war period these were extended into a more general definition of what constitutes a standard system for assuring the quality of a product and resulted in generic standards in several western countries in the mid 1970s (Australian Quality Council, 1994). This led to the creation of an international body (International Standards Organisation) that took on the challenge of establishing an international standard relating to quality assurance. First published in 1987, these standards have become known as the ‘ISO 9000 Series’ and, although developed primarily for goods, have gradually extended to embrace services.

One of the series (ISO 9004) provides a non-prescriptive listing of aspects (called elements) that an organisation could consider when implementing a quality management system. Organisations are expected to use the documents as a guide to the appropriate elements of a quality system that suits the particular conditions and culture of their organisation. This guide is for internal use within an organisation (Australian Quality Council, 1994 : 3.16).

Once an organisation’s quality management system is in place it is possible for external assessment of that system to be undertaken. Other parts of the ISO 9000 Series (namely ISO 9001 to ISO 9003) are the standards used for this external assessment. This may be undertaken by current or intended customers (called a second party audit) or by a completely independent body whose function is to certify that the quality systems comply with the requirements of the standard (called a third party audit).

Although the intent of the ISO series was to become a catalyst for introducing quality concepts and ideas into organisations, the focus has been on certification. Large purchasing organisations, including government, have insisted that their suppliers have a certified quality system in place before they will do business with them. In these circumstances, many suppliers sought certification to retain access to a market rather than for the purposes of introducing quality into their management systems. This problem has been so significant that the Chairman of the standards writing committees has “warned that if an organisations only motivation is to get a certificate they should forget the whole idea” (Australian Quality Council, 1994 : 3.17). It could therefore been argued that this pillar of the quality movement has not been as successful as was hoped.

As noted above, most proponents of quality have now moved beyond the focus on the quality of the product or service itself to a consideration of the whole organisation or company and how it is managed (Bounds, Yorks et al., 1994). This has led to the second pillar, one based on the concept of Total Quality Management (TQM).

Total Quality Management has been described as a philosophy of management that strives to make the best use of available resources and opportunities by constant improvement. Oakland, and Sohal (1996) who acknowledge that it is “difficult to find a universally accepted definition of what it actually means” describe TQM as “an approach to improving the competitiveness, effectiveness and flexibility of a whole organisation” (Oakland and Sohal, 1996 :18).
Following an extensive review of the literature Terziovski (1997) describes TQM in a similar manner as a “... management philosophy that integrates business strategy, management practice and organisational outcomes to create a quality organisation that continuously improves and sustains performance” (Terziovski, 1997: 10). Dawson and Palmer, (1995) suggests that there are seven main elements of TQM:

- a management philosophy of change;
- an emphasis on continuous improvement;
- application of appropriate quality control techniques;
- group problem solving of process operations;
- a focus on internal as well as external customer-supplier relations;
- a commitment to employee involvement; and
- a climate of trust and co-operation, and a non-adversarial system of industrial relations.

As a management philosophy, TQM encourages organisations to look beyond the quality of the products or services they provide to the quality of all aspects of organisational activity and to continuously improve the way things are done. TQM focuses on seven key areas of organisational performance. These are:

- focussing on the customer;
- continuously improving processes, products and services;
- leadership;
- policy and planning;
- information and analysis;
- involving and empowering people; and
- business performance (AusINDUSTRY, 1994).

Given the acknowledged diversity of definitions of TQM and the desire of organisations to assess their progress in implementing the many ideas and techniques, there has been a search for a standard or framework against which organisations may be assessed or compare themselves. This has resulted in a range of such frameworks which include the Baldrige Award developed in the USA, the UK Quality Award, the European Excellence Model developed in the European Union and the Australian Quality Awards developed in Australia (Evans and Lindsay, 1995). Although developed independently, and often reflecting the needs and particular circumstances of the country in which it was developed, they all have a lot in common. These include a focus on the organisation’s processes, quality management system, human resource management, results and customer satisfaction (Oakland and Sohal, 1996: 97). With respect to the Baldrige Award, the criteria “are aimed as much at overall organizational performance as at product or service quality. Or stated another way, product and service quality excellence and operating performance excellence both derive from overall excellence in process management” (Reimann quoted in Bounds, et. al., 1994: 23).

All models are intended to be used as a form of audit of total quality, whether this is done by an external reviewer or through self-assessment. However, these ‘audits’ are not intended to lead to certification in the same way as the ISO 9000 Series. Nor do they necessarily require third party involvement.

The ISO Certification system and the Quality Awards can be seen to complement each other. It has been estimated that if a well implemented quality management system is certified to ISO 9001 or 9002 then approximately 30-35% of an Awards’
process would be covered. In particular, the aspects of leadership, planning, people and customers are dealt with more extensively in the award criteria than in the assurance Standards (Australian Quality Council, 1994: 3.18). However, there has always been confusion amongst practitioners about the differences, similarities and links between these two pillars of the quality movement (Campbell, 1996). In the latest review of the ISO series in 2000, an attempt was made to make the quality management Standards more closely aligned to the Quality Awards criteria. This appears to have partly resolved the confusion.

As with many of the management paradigms introduced in earlier times, the advocates have sometimes been over zealous in their claims of what a quality approach can deliver (Hilmer and Donaldson, 1996). As a consequence, practitioners and researchers have begun to question the very value of the whole quality movement (McManus, 1999). Indeed, the 1990s witnessed a strong focus on the question of the link between the adoption of a quality approach and the financial outcomes achieved (Adam, Corbett, et. al. 1997; Capon, 1990; Flynn, Schroeder, et. al. 1995; Maani, 1994; Terziovski, 1997; Terziovski, Samson et al., 1997). Even today there is still an obsession with this issue (Dalrymple, 1999; Ho and Dalrymple, 2002; Kanji and Baccarani, 2002). While many studies have been able to demonstrate a link between quality and performance “there is little commonality between how performance is measured and how quality is defined” (Dick, Gallimore, et. al., 2001: 116). This is again indicative of the confusion that surrounds the whole area of quality management.

Another focus of on-going research has been on improving the processes that need to be introduced to bring about financial success and improved organisational performance. These have included research into the effect of improved leadership, changed reporting procedures, the development of production standards, and the techniques to measure customer satisfaction. These and related mechanisms have been subjected to all sorts of empirical testing and conceptual development (Ho and Dalrymple, 2002).

The current research is also concerned with management processes and how these affect organisational performance. It seeks to focus on the mechanisms used to engage with stakeholders and the affect that such engagement has on organisational success.

The quality management literature has emphasised that the processes involved in many aspects of organisational behaviour will determine success. To date, the process of stakeholder engagement has not been acknowledged as having the potential to significantly impact on success, despite extensive research and discussion in the broader management literature. Where stakeholders have been referred to in the context of quality management, they are usually regarded as being part of the external environment of the organisation. They are regarded as playing neither an ongoing nor an essential role in organisational behaviour. The principles and techniques espoused by quality management proponents rarely include any reference to stakeholders.

However, the recent work by Foley and others to develop a stakeholder perspective on quality management has suggested that stakeholders play a central role in organisational behaviour. The perspective they have established has become part of a
significant effort to develop a strong theoretical basis for quality management. Given this, a focus on stakeholder engagement is appropriate.

However, before looking at this in detail, the following section outlines the roles that quality management principles and techniques played in the management of the focal organisation.

### 4.3 Parks Victoria and Quality Management

As was demonstrated in Chapter 2, the focal organisation and its predecessors had gone through major changes in an attempt to put its “service delivery functions onto a business-like basis” (DNRE, 1995: 6). These changes included the adoption of several quality management principles and techniques. This was confirmed by several Parks Victoria staff interviewed during the empirical stage of the research. They suggested that the key driver of the strategy was to improve the quality of service delivery. This was also a major thrust of the audit of NPS that was referred to above.

One respondent (R6) interviewed as part of the empirical research stated that the strategy to introduce third party delivery of visitor services was driven by an attempt to improve service delivery standards to a point where they would more closely match those in the private sector. He stated that this included an attempt to “finish managing for minimum cost and to manage it for maximum customer satisfaction”. Others suggested that it was all part of an organisation-wide attempt to introduce quality management thinking and philosophy.

As noted above, the focus of this analysis is on the mid 1990s when management at Parks Victoria and its immediate predecessors was being changed to become more ‘corporate’ in its orientation. Part of this change was the adoption of a business orientation as well as quality thinking and principles. The audit of the NPS that was referred to in Chapter 2, was clearly aimed at bringing the former NPS into line with this thinking. While the term was not mentioned, many of its recommendations were in line with what would be described as a TQM approach, an approach that had only just started to be introduced following the appointment of a new Director in December 1994. By the time that Parks Victoria was actually established, many of the principles and techniques associated with a quality management approach were a feature of the way the organisation was managed.

Parks Victoria’s ‘Vision and Values Statement’ demonstrated its interest in and commitment to quality customer service. The vision statement highlighted the importance of people: “an outstanding park and waterway system, protected and enhanced for people, forever”. Its key values were: “a custodial role; openness and honesty; outstanding leadership; enjoyment; quality service; decisiveness; community participation; taking responsibility; personal and professional development; diversity of people and ideas; rewarding achievement; innovative financial and asset management; fostering teamwork; appropriate commercial partnerships; and respect, encouragement and support for others”. These certainly reflect a ‘quality’ framework.

Parks Victoria’s Annual Reports provide further insights into the organisation’s view of quality. Unlike most park management agencies, Parks Victoria established a number of non-financial targets by which its performance could be judged each year. These key performance indicators included the number of ‘visit days’ spent in
different parks, the number of phone calls to a centralised information service, and a number of measures of customer satisfaction. The latter included measures of satisfaction with different groups of parks (metropolitan vs. protected area parks), satisfaction with the information service, the adequacy of metropolitan recreational opportunities and the adequacy of regional open space. There were also measures of the community’s perception of Parks Victoria as an organisation.

Parks Victoria, through its predecessor the NPS, was the convenor of a best practice program run under the auspices of a nation wide Working Group on National Parks and Protected Area Managers. This program undertook benchmarking projects of various aspects of park management.

Perhaps the most widely acknowledged principle of TQM is the focus on the customer. “Each part of an organisation has customers . . and the need to identify what the customer requirements are, and then set about meeting them, forms the core of a quality management approach” (Oakland, 1993 : 225). Understanding how and when this should be done has been the subject of much research. So too has the challenge of measuring customer satisfaction (Parasuraman, Zeithaml et al., 1985 ; Parasuraman, Berry et al., 1990; Parasuraman, Zeithaml et al., 1994; Zeithaml, Berry et al., 1996).

The centrality of the customer in the quality paradigm is normally unquestioned. “Customers . . will be sovereign, because quality is defined by the customer” (Clarke and Clegg, 1998). Bounds et. al. (1994) suggest that TQM is about enhancing ‘customer value’ which they define as “a combination of benefits and sacrifices occurring when a customer uses a product or service to meet certain needs” (Bounds, Yorks et al., 1994 : 64). Thinking of quality in terms of customer value (ie. from the perspective of the customer) overcomes the tendency for staff in different functional areas of the organisation to have different views of what is quality (Garvin, 1988).

Commercial/private sector organisations see the centrality of the internal and external customer as appropriate, although the idea of doing whatever the customer wants has been queried (Rust, Zahorik et al., 1994). This focus is partly because the nature of the customer is very clear-cut. They are the persons (current or potential) paying for and receiving the service. However, in public sector organisations the situation is far more complex as there are a wide range of ‘customers’ many of whom are detached from the service arena in terms of direct payment (Donnelly, 1999). These include those who may be non-users of the service, those who are unwilling to receive the service or those that aren’t even aware that the service exists.

The audit into one of the predecessors of Parks Victoria (the National Parks Service) had emphasised the value of thinking in terms of the customer. Prior to that time, people who went to national and other parks had been viewed within the organisation as ‘visitors’. The audit team recommended that they be viewed as customers rather than visitors. They went on to suggest that: “this difference in definition is critical if one accepts the view that visitors are in a particular place by invitation or personal desire, whereas customers are seen as being entitled to expect a particular level of service and have their expectations met” (Auditor-General of Victoria, 1995: 63; italics in original). The auditor went on to note that changes in this area had already commenced by pointing to the statements in the NPS’s 10 Year Vision that was included in the DNRE Corporate Plan 1993-96 (DNRE, 1993). This included a statement that the NPS would have “an understanding of the visitors and non-visitors
to parks and reserves, the needs of those groups and their attitudes towards park management" (DNRE, 1993). The audit applauded this approach stating that “this emphasis on user requirements is, of course, fundamental to the work of service agencies such as NPS and, in this case, highly relevant in forming views on the level of its effectiveness in satisfying community expectations on parks” (Auditor-General of Victoria, 1995: 66).

Based on the approach adopted by the other predecessor agency (MPW), considerable money and effort was expended by Parks Victoria’s to understand its customers. A monitoring system was introduced to more accurately determine the number of people who visited parks throughout the state. Even this basic data was previously lacking as many of the parks are quite isolated and are not staffed at all times. A system to monitor customer satisfaction was also introduced. Approximately 10,000 visitors at 22 national, state and regional parks, 17 metropolitan parks and four piers were surveyed each year. They were asked one standard question then asked to rate the park or pier they had visited on a sliding scale of satisfaction. To gain an insight into the perceptions of the broader community (including those who do not visit parks) a telephone survey asked approximately 1,000 Victorians questions about Parks Victoria’s performance as a manager.

Quality assurance measures were also introduced into various aspects of management. For example, tour operators wishing to take clients into parks and other public land reserves were required to hold a permit from Parks Victoria. A condition of this permit is that the operator must be accredited through the Victorian Tour Operators Association (VTOA) Accreditation Program\(^2\). This permit seeks to ensure that tour operators act in a responsible manner and that they provide a reasonable quality of service, including an appropriate interpretation or educational component.

Parks Victoria also introduced customer service standards for all commercial operations conducted on its estate. These standards covered five commercial products: roofed accommodation; food services; camping; commercial tour operations; information and education. Their introduction sought to improve the level of service offered to visitors. “In customer service terms, if a facility has been developed . . then visitors have an expectation that the services and facilities they use will be of a high standard and that the operators are good park ‘citizens’ ”(Parks Victoria, 1999). The introduction of the customer service standards has been an attempt to ensure that all commercial activity in the parks would meet these expectations.

At the national level considerable work was undertaken on benchmarking processes in the delivery of commercial park services (Parks and Wildlife Commission of the Northern Territory, 1999). This sought to establish best practice amongst all park management agencies in Australia and New Zealand. Parks Victoria was actively involved in this exercise and was found to perform very well compared with agencies in other states.

Because of the conceptual confusion regarding exactly what constitutes quality management, it is not possible to claim definitively that Parks Victoria adopted a

\(^2\) This has subsequently been replaced by the Better Business Program which is a very similar tourism accreditation program but covers a greater range of operator types.
‘quality management approach’. However, these examples of initiatives undertaken by Parks Victoria demonstrate a commitment to quality principles and outcomes. There was certainly a recognition of the value of these ideas and concepts in improving organisational performance. Amongst park agencies around the world, Parks Victoria was recognised as being at the forefront in introducing quality to park management. This was evidenced in the delivery of an international conference on Quality Management organised and run by Parks Victoria.

4.4 Towards a ‘Theory of Quality Management’

As noted above, one of the key characteristics acknowledged in most recent approaches to Quality Management has been the emphasis on the holistic nature of management. This is reflected in the use of ‘total’ in the TQM literature and the holistic nature of the quality awards. For example, the Australia Quality Council states the following in its introduction to the Australian Quality Awards Criteria booklet.

“‘Quality’ is not just a feature of a finished product or service but involves a focus on internal processes and outputs and includes the reduction of waste and improvement of productivity. . . ‘Quality’ in this sense is often referred to as ‘Total Quality’” (Australian Quality Council, 1995: 5).

This has been supported by the empirical work of Kristensen and Juhl (1999) which emphasised the importance of taking a holistic approach to quality management and demonstrated that performance is higher when this occurs.

This emphasis on the whole organisation has been partly due to the influence of Senge (1990) who promotes the value of systems thinking. He suggests that systems thinking is a “powerful language, augmenting and changing the ordinary ways we think and talk about complex issues” (Senge, Kleiner et al., 1994 : 88). This allows us to talk about inter-relationships more easily. “At its broadest level, systems thinking encompasses a large and fairly amorphous body of methods, tools and principles, all oriented to looking at the inter-relatedness of forces and seeing them as part of a common process” (Senge, Kleiner et al., 1994 : 89). One form of systems thinking is that of “systems dynamics” which has been developed by Jay Forrester at MIT. “A system is a perceived whole whose elements ‘hang together’ because they continually affect each other and operate towards a common purpose” (Senge, Kleiner et al., 1994 : 90). In systems thinking the structure is the pattern of inter-relationships among key components of the system. “Systemic structures are often invisible - until someone points them out” and “structures in systems are not necessarily built consciously. They are built out of the choices people make consciously or unconsciously, over time” (1991: 90).

In systems thinking it is possible to identify links between one element and another. These links represent the influence that one element has on the other. They reveal cycles that “repeat themselves, time after time, making situations better or worse” (1991: 113). These links usually create a circle of causality “in which every element is both ‘cause’ and ‘effect’ - influenced by some and influencing others” (1991: 113).

A key aspect of Senge’s work is the idea that we can use systems thinking to understand the way organisations function and the problems that they face.
However, this is often done in the wrong way, where the system is characterised in terms of ‘detailed complexity’ which tends to obscure meaningful relationships and interactions. Moreover, some researchers often look at a particular period in time and offer no understanding of how the problems have developed over time. What is required is an ability to step back, see the whole, and look at fundamental interactions in the system. This is what this thesis seeks to do.

Using Senge’s ideas, Total Quality Management can be viewed as an approach to management that views an organisation or enterprise as a system made up of a number of inter-connected parts. While it is not necessary to specify at this stage precisely what all the parts are, systems thinking helps us to focus on the whole rather than the individual components. It also emphasises the significant relationships and interactions that affect the operation and development of the system itself.

While this provided a way in which the confusion alluded to above could be addressed, it was not able to overcome growing concerns about the value of quality as a management approach. Indeed, the quality movement itself was the subject of major public criticism during the 1990s even though some organisations claimed to have experienced major success (Anon, 1996). In 1996, the ‘Wider Quality Movement’, a national forum comprising public and private sector organisations involved in Quality, resolved to find ways to address these criticisms. The result was a major report to Government on the role of quality in Australia’s social and economic development (Foley, et. al., 1997).

That report took a rather unusual approach to the problem. Rather than providing a ‘quick fix’, it argued that the problems faced by the quality movement were fundamental and reflect a lack of a rigorous and coherent theoretical framework within which the various quality principles and techniques can be understood. The report suggested that there is a need to view quality management as more than a model composed of a series of loosely connected mechanisms. It should not be seen as “a grab bag of management principles and statistical techniques, but rather as a coherent, overarching and unifying (all aspects of an organization) system of management” (Foley, et. al., 1997 : 12). The principles and techniques of quality need to be linked to broader management thinking and ideas regarding organisational behaviour and development.

This is a view that was espoused by Bounds et. al. (1994) who suggest that TQM is essentially a “convenient label” for the concept and methodologies that are different to ‘traditional management’. “In the period of paradigm shifting, managers often use a label to signify that they are doing something different. Once the shift to the new paradigm is complete, the buzzword will no longer be needed. Managers will simply refer to these new ideas and practices as management. In the interim, it is useful to think of TQM as simply an important milestone in an on-going evolution of the field of management” (Bounds, et. al, 1994: xxi ; emphasis in original). In other words, the primary focus of quality management should be on-going management. The aim is to improve the way the organisation is managed to deliver customer value.

Foley, et. al. (1987) argue that while the basic philosophy, principles and techniques of quality are sound, problems arise due to “the lack of explicit statement (theory) of enterprise behaviour based on quality . . ”(1987: 2). They argue that such a theory of management based on quality would have its roots in economics, science, metrology and statistics and would help to overarch and link other theories of management.
This should ensure that quality is viewed systemically and be understood as more than the sum of its parts. It would overcome the consistent criticism that when the focus is entirely on techniques to improve quality, some enterprises have applied them successfully but have not been able to survive. There is therefore a need to link these principles and techniques into a comprehensive whole that focuses on organisational behaviour, performance and effectiveness.

Focussing entirely on private sector organisations, (Foley, et. al., 1997) developed a theoretical perspective on quality by considering the purpose of business enterprise. This work is valuable because very little consideration has been given to this question in the quality management literature (Demsetz, 1990). This is despite the fact that it is crucial to our understanding of how firms behave and why. It reflects the limited academic attention paid to quality management as its genesis was amongst practitioners rather than the university research community (Grant, et. al., 1994). Quality management has been developed from the initial thoughts of a few management experts who exhibited great success in reviving struggling companies, mainly in Japan. The principles, ideas and techniques were driven by pragmatic considerations with very little link to the broad management or social science literature. In particular, no link was made to the nature of organisations or the way in which they behaved.

Although the question is rarely even addressed, much of the quality management literature (and most of its advocates) assume implicitly that the objective of the enterprise is the continuous pursuit of improving quality. However, since Adam Smith it has been accepted by the wider management and economics literature that the raison d’être of business is to survive and to do this in the longer term it needs to make a profit. Taking the latter view, Foley, et. al. (1987) argue that:

“Continuous improvement of quality of service and/or product cannot be the end to which competitive business is directed. Whilst ever business wants to remain viable . . . continuous improvement and customer satisfaction can only be a means to an end and not an end in itself. There may be times in the life of an enterprise where, to satisfy its survival (profit) criterion, it will be necessary to discontinue or slow down the rate of quality improvement activity, however clear it might be that those activities would increase quality of product and/or service and customer satisfaction” (p3).

This view had also been espoused by Rust (1985) several years earlier: “. . it is clear that there are diminishing returns to expenditure on quality. Improving quality helps to a point, but past that point further expenditures on quality are unprofitable. . . . . . How to make profitable decisions about quality expenditures is the key managerial problem. This involves justifying all quality improvement efforts financially, knowing where to spend and not spend on quality improvement and knowing when to reduce spending” (Rust, 1985 : 58).

In other words, none of the principles or techniques of quality are ends in themselves but should be seen as potential contributors to the goal of maximizing long-term value. This suggests that firms who undertake quality improvements do so in order to improve the long-term value of the firm. Foley et. al. (1987) therefore proposed
the following initial statement of what a ‘theory’ of quality management would involve:

“The maximization of quality in the short term (subject to the condition that a certain level is achieved) will maximize the long term value of the firm” (1997: 62).

While this perspective on quality appears to have had very little impact on the general literature or work of consultants\(^3\), it is a valuable first step in coming to terms with quality as a holistic management issue linked to the overall survival of the firm.

Interestingly the ‘theory’ uses the term ‘enterprise value’ rather than profit. Profit is regarded as too restrictive and suggests that the only beneficiaries of an enterprise are its shareholders. This, as will be seen below, leaves the door open for the extension to a stakeholder theory of the firm.

4.5 A Stakeholder Perspective on Quality Management

As mentioned above, the focus of some parts of the quality literature has changed from one of analysing individual management techniques seeking to improve the quality of products and services, to an understanding of the operation of the enterprise as a whole in order to ensure its on-going survival. This is now relatively well accepted and provides a greater understanding of the rationale for the introduction of internal ‘quality’ mechanisms and techniques. This has been an important achievement that contributed to the continued interest in quality, long after the use of individual techniques had become commonplace.

By the late 1990s some of the scholars working on quality had begun to suggest that the survival of the firm also depended on its relationship with the external world. This tended to reflect the quite independent thinking that had been emerging as stakeholder theory and contingency theory. For example, work by Clarke and Clegg (1998) investigated the role that stakeholders play in quality management in private sector companies and introduced what is called a “Stakeholder Model”. Likewise, Greenley and Foxall (1997) go so far as to suggest that “the interests of stakeholder groups are wide and diverse, and failure by companies to address these interests may be detrimental to their performance” (Greenley and Foxall, 1997: 259).

Foley (1999) was one of the writers who recognised that survival also depends on the firm’s relationships with the external world. Taking up a theme that he had begun a decade earlier, Foley suggested that there was a need to further develop a theory of quality management and that this should have an explicit focus on shareholders, suppliers, customers and staff and not simply on internal operations. He argued that this broader focus would be unique amongst management theories and make it highly relevant to the needs of modern enterprises. This section outlines Foley’s thinking on this topic.

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\(^3\) To the author’s knowledge, there have been no academic articles that have picked up the whole issue of developing a link between quality management and the broader organisational theory literature. Likewise, even at conferences where these views have been expressed, most delegates focus on the further refinement of their tools and techniques rather than this issue.
The idea of looking beyond the internal operations of the organisation was not new. The Quality Awards in most nations have alluded to this fact in several of their criteria. For example, in the Baldrige Award this area is considered under leadership and is titled ‘Corporate Responsibility and Corporate Citizenship’. Under this criteria an applicant must “describe how the company includes its responsibilities to the public in its quality policies and improvement practices” and also how the company “leads as a corporate citizen in its key communities” (Brown, 1993). This takes a very broad view of corporate responsibilities including such things as “environmental protection, charity, support for the arts, support for education and help of (sic) the community” (Brown, 1993 : 113). Applicants choose which areas they consider to be relevant to their own circumstances and the whole criteria is written from the point of view of demonstrating that the company is performing according to the acceptable standards of the day.

The Australian Quality Awards also acknowledged the importance of this under its leadership category and is titled ‘Leadership in the Community’. This deals with community responsibility and good corporate citizenship which includes recognising community risk in the organisation’s activities, complying with all legislative requirements and exhibiting sensitivity to ‘matters of community concern’. Environmental responsibility is highlighted as one of the latter concerns and as being of increasing importance to all organisations. It suggests that “it may be appropriate to address how they meet industry standards for environmental protection, how they are actively involved in setting the standards, or the extent to which their environmental management practices meet the International Standards on Environmental Management (ISO14000)” (Australian Quality Council, 1995: 12). The outcomes component of the Australian Quality Awards is called ‘Organisational Performance’ which is to be “interpreted in a broad sense . . . not being restricted to financial performance but including benefits achieved for all the stakeholders of the organisation. How value is added to both the organisation and its stakeholders is the most important consideration” (Australian Quality Council, 1995: 51). They include ‘the wider community’ as one of the key stakeholders. This component is an opportunity for applicants to describe how management initiatives (described in other components) are “contributing to demonstrably superior performance” (Australian Quality Council, 1995: 51). The award criteria requires applicants to identify the organisation’s approach to this criteria including its key objectives, the indicators used to measure performance against those objectives and how the information is used for routine management, an input to improvement activities and as a predictor of future performance. It also requires a statement about the results seen to date with trend data over as long a period as possible. “Where appropriate results should include comparisons against . . . . similar organisations, and/or best practice on a national or international scale” (Australian Quality Council, 1995: 52).

Likewise, some of the early conceptual literature on quality has made reference to aspects of quality that extend beyond the operations of the firm. For example, Hoyle (1994) differentiated between three dimensions of quality : product quality, business quality and organisational quality. Most of the research to that time had focused on product quality with its emphasis on the extent to which products and services meet the needs of specific customers. Organisational quality refers to the extent to which the organisation maximizes its efficiency and effectiveness through minimizing waste, good human relations, etc. This has been the focus of much of the TQM work in the 1990s. Business quality, on the other hand, is about “the extent to which the business services the needs of society” (Hoyle, 1994 : 11). This latter dimension
extends the focus beyond the internal operations to suggest that long-term enterprise development must recognise the significance of its relationship to the broader society.

When one looks closely at the formulations of TQM they emphasise the role of at least one external component – the customer. According to Bounds, Yorks, et. al. (1994) the central theme of TQM is that “managers must think and act to improve organisational systems to provide superior customer value” (1994: 5). In all quality management literature, the customer is recognised as the key driver determining the nature and direction of organisational improvement. While some of them are internal to the organisation, the role played by external customers is axiomatic (Oakland and Sohal, 1996).

Quality management, as espoused in the 1990s, did therefore require consideration of influences external to the firm. The ‘theory of quality management’ referred to above, acknowledged this implicitly in its focus on the long term survival of the enterprise. Those with the greatest interest in this long-term survival are shareholders who are external to the firm. It also acknowledged this through its implicit understanding of the role that customers play in determining quality. However, Foley (1999) attempts to make this external focus explicit within an enhanced theory of quality management while at the same time reconciling it with the traditional view of business as a profit maximizing organisation (Friedman, 1962). He therefore develops a stakeholder theory of quality management that seeks to incorporate both internal and external stakeholders who can influence what happens in the organisation and the nature of their issues or concerns.

Foley (1999) argues that it is not possible to understand the nature of modern enterprise “without a deep understanding of the nature of stakeholders, the interests which shape their behaviour and the dynamic interaction of their interests” (Foley, 1999: 95). He begins by looking at the way the community regards business. While there are always those who have regarded business as squalid and self-serving, over the last century at least business has been generally regarded as having contributed to the common good by the creation of wealth and the expansion of opportunities (Foley, 1999: 90). However, Gray (1986) has demonstrated that from about 1960 there has been a decline in community confidence in business and business itself has become confused about its own motives, priorities and aims (Foley, 1999).

Despite this, there is evidence that business does not want to be seen as simply self-serving and is very conscious of being a ‘good corporate citizen’ (Sethi, 1977). Business enterprises often express concern about the interests of other stakeholders besides its shareholders such as employees, customers, the local community, etc. (Charkham, 1994). However, (Foley, 1999) asks the rhetorical question whether being sensitive to community, environmental and other issues are really part of the aim of business? In others words, do businesses have a duty to do more than make profits? Like Levitt (1958), his answer is no. “The business enterprise exists to provide goods and services in order to make profits; if it is not making profits, its raison d’être is violated” (Foley, 1999: 91). He does go on to point out, however, that:

“This is only another way of saying that in seeking to provide the conditions for profit making, the business enterprise will ignore staff, suppliers, customers, the environment and the community interest at its peril. It is not the purpose or aim of business to
provide personal fulfillment, spiritual development, a clean environment or full employment; business enterprise is concerned with the development of its staff and the interests of its other stakeholders only to the extent that they contribute to the aim of business, which is to create sufficient profit to satisfy the needs and expectations of shareholders. Viewed in this way, the social ‘responsibility’ of business is not the business aim but a business strategy; a way of determining direction and creating and maintaining relationships and structures which enhance performance” (Foley, 1999: 92; emphasis in original).

Foley’s contribution is significant in that he has demonstrated the irrelevance of the debate about whether profit as a goal is enough (Belohlav, 1993). He has shown that even if profit is the only goal, business enterprises still need to address issues such as the social and environmental impact of their operations. The focus moves from whether or not seeking to make a profit is a good or bad thing to one of how to manage stakeholders who can have an affect on the achievement of that profit. It accepts Jensen’s (2002) argument that purposeful behaviour requires the existence of a single-valued objective function – in this case, the long term value of the firm.

On the basis of this conceptualization, Foley (1999) develops a ‘Stakeholder Model’ that is useful in considering organisational effectiveness or “health”. As the name implies, the model suggests that effectiveness is concerned with meeting the needs of stakeholders. Foley (1999) believes that inter alia business enterprises should be developing ways to identify and meet the needs of stakeholders and the ways to present information on actions taken to meet those needs. However, given the aim of business, this occurs only in so far as it contributes to the long term survival of the firm.

Foley (1999) suggests that for stakeholders to be satisfied they must have sufficient information about the “state of the enterprise and plans for future actions (in terms relevant to each and providing confidence in the integrity of that information) to ensure that they will not take action detrimental to the enterprise” (Foley, 1999: 107; emphasis in original).

The Stakeholder Model is presented as a matrix with one axis representing the stakeholders and the other representing the various issues or outputs of concern to stakeholders. The latter are the determinants of stakeholder behaviour (i.e. “the issues or outputs on which they base their behaviour in relation to that business” (1999: 104). These issues become “the strategic imperatives of the enterprise”.

In other words, the stakeholder model focusses on the whole operation of the organisation, and this focus is in terms of those issues which are of relevance to the stakeholders. Effectiveness (or quality of management) is judged by the organisation’s ability to adapt to changing circumstances (or new initiatives) in a manner acceptable to stakeholders. This will ensure survival.

What we have then is a model that has incorporated both (and distinguished between) the aim and the strategy of business. The aim is to deliver value to the shareholders. The strategy is to do this in a manner that ensures acceptance by the other stakeholders. The model acknowledges the existence of parties (stakeholders) other
than shareholders and their potential for affecting the achievement on performance measured as shareholder value.

**Figure 4-1 : Foley’s Stakeholder Model of the Business Enterprise**

<table>
<thead>
<tr>
<th>Stakeholder Issues/Outputs</th>
<th>Customers</th>
<th>Management</th>
<th>Staff</th>
<th>Suppliers</th>
<th>Shareholder</th>
<th>Conservation Groups</th>
<th>Wider Community</th>
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<tr>
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<td>Strategy/Plans/Planning</td>
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</tbody>
</table>

Source: Foley, 1999

The model can be seen as within the ‘quality family’ as it focusses on business processes that address this question: how can management respond to the needs and expectations of these diverse groups while still deliver shareholder value? Many of the principles and techniques of quality management have been concerned with stakeholder needs and expectations. This includes such things as customer satisfaction, employee involvement, etc. This model provides a theoretical justification and conceptual framework within which the interests of the stakeholder groups can be explicitly considered and addressed in a holistic manner. It also provides a conceptual link to other key areas of scholastic concern within the organisational theory literature.

Despite the significance of the output of shareholder value (*ie.* the aim of business), Foley (1999) suggests that the model also helps us to understand and evaluate organisational health or management quality. The matrix model demonstrates the systemic nature of the relationships between the independent parts and suggests that each element should be regarded as part of the whole system and not reviewed individually. Therefore “any assessment of... management, must relate to the entire management system and, as a minimum, deal explicitly with those issues used by stakeholders to assess their entire attitude to the enterprise” (Foley, 1999: 101). “Acknowledging that every system has multiple functions and that it exists within an environment that provides unpredictable inputs, a system’s effectiveness can be defined as its capacity to survive, adapt, maintain itself and grow, regardless of the particular function it fulfils” (Foley, 1999: 101). Indeed, Bennis and Nanus, (1985) notes that “if we view organisations as adaptive, problem-solving, organic structures,
then inferences about effectiveness have to be made, not from static measures of output, though these may be helpful, but on the basis of the processes through which the organisation approaches problems” (Quoted in Foley, 1999 : 102).

### 4.6 A Stakeholder Theory of Quality Management

Building on the work of Anderson, Rungtusanatham, et al., (1994) and Dunphy and Griffiths, (1998), Foley (2000a, b) extends his stakeholder model even further to present what he calls a ‘stakeholder theory of quality management’. As with his previously outlined model, this is clearly based on the characteristics of the contemporary business enterprise and its goal of achieving long term success (survival). The theory put forward is that the long-term success of the business enterprise is accomplished if management acts:

“to optimise the quality of product and service to customers, subject to meeting the needs and expectations of non-customer stakeholders” (Foley, 2000 : 89).

Foley goes on to argue that the theory as presented is different to those developed by others in a number of ways. Firstly, quality is a constrained optimum objective that is sought only to the point where it encounters diminishing returns or clashes with the needs of other stakeholders. Secondly, it is stated as a parsimonious theory rather than a set of ‘principles’ to be followed in some way. Thirdly, it is consistent with customer-value based views of business enterprise operations. Fourthly, it recognises the difference between the aim of the enterprise and what management needs to do to ensure its survival (management strategy). Finally, it is stated in a testable form and appears to be supported by empirical research that has already been conducted (he quotes the work of Hausner and Arndt, 1999).

While there are several weaknesses in Foley’s model (eg. other stakeholders, unforeseen issues, useability), it certainly helps to move the quality literature to a point where it is more closely linked to mainstream management thinking. Its explicit link to the theory of the firm helps to ground it in the key issues that scholars working in general management are grappling with. It moves it beyond an obsession with improvement techniques, the origins of quality thinking and the work of the ‘founding fathers’.

However, its very strength is also its inherent weakness. The focus on the business enterprise – to the exclusion of other types of organisations – creates major problems for a field that seeks to be of relevance to all organisational types. It is particularly important in the current study as the focus is on an organisation that, while attempting to run on ‘business principles’ and adopt quality ideas, is essentially a not-for profit or public organisation.

### 4.7 Organisational Purpose

Foley has provided a valuable conceptualisation of the way that quality of management could be judged in the business enterprise. However, in that work no reference was made to other organisations that are not driven by profit. While there are many variants, these are usually called ‘public’ or ‘not-for-profit’ organisations (Gazell, 2000). This omission is unfortunate, as the quality movement has been concerned with all forms of organisations, including the not-for-profit sector (Reavill, 1999). Discussions with Foley (pers. comm., 2002) suggest that the same model
would be appropriate for all types of organisations. He calls these other types of organisations ‘task organisations’ because their raison d’être is to deliver a service(s) to a particular group (customers) within a budgetary framework (that does not include profit). In the same way that the business enterprise operates, management of the task organisation would ensure that the needs and interests of stakeholders are considered so that their actions will not adversely affect the achievement of the tasks.

However, it is argued here that while all organisations have a lot in common, the similarity is not the existence of a singular purpose or raison d’être. Donnelly (1999) has pointed out that while most public sector organisations engage in the direct delivery of services to the public, many also have additional, quite different purposes. He suggests that in the case of local government in Scotland some of these additional purposes include a builder of community pride, a community governing itself, a promoter of choice, an arena for voice and focus, a builder of diversity, an active political process and a channel for learning. These “clearly transcend direct service provision to embrace broader social aims” (Donnelly, 1999: 2). For example, by engaging in image enhancing activities local government can act as a builder of community pride and demonstrate the power of the community to govern itself (Donnelly, 1999).

The existence of these additional broader societal purposes are also a characteristic of public sector organisations operating in other western democracies and at other levels of government. These have been referred to in the leisure literature as the ‘community development’ role of government, which is contrasted to the ‘service delivery’ role (Murphy and Howard, 1977; Mercer and Hamilton-Smith, 1980). In the case of Parks Victoria, key stakeholders such as environmental groups and recreational organisations argue that the direct delivery of services is only one part of a park management agency role (Figgis, 1996, 1999). The service delivery role includes the provision of recreation and tourist opportunities, environmental educational services, the protection of environmental values and biodiversity, fire protection and weed eradication. In contrast, the community development purpose includes the identification and articulation of diversity of views regarding recreational opportunity, an advocate of choice, a promoter of the conservation ethic, a supporter of community involvement in decision-making, a builder of community pride and a facilitator of active political processes. These community development functions mainly come under the rubric of Hoyle’s business quality dimension.

Some could argue that the community development purposes identified above all need to be delivered in some way and therefore are not unlike those called service delivery. However, it is suspected that this would change the very nature of those purposes, as fundamental to the difference is the way the agency relates to its constituents. Instead of regarding them as recipients of a service (customers?) they become partners in the creation of a something that is of value to both. The engagement itself is an essential part of the process.

As Donnelly (1999) has pointed out, non direct-service aims can be achieved through involvement rather than the receipt of a service. He provides an example of allowing a local community to decide on community leisure projects to support the development of community pride, even though it may not necessarily end up with ‘top quality leisure activities’.
Exercises such as the latter can be very expensive and time consuming and are often criticised for focusing more on process than outcome. However, in some instances the process is more important than the outcome. The author has had personal experience in one such instance. As a member of a community committee attempting to convince the former Melbourne and Metropolitan Board of Works (MMBW) to change its policy of prohibiting sailing on any of its reservoirs, we faced enormous opposition. As an organisation the MMBW was fulfilling is primary service delivery aim by providing some of the cleanest drinking water in the world. After considerable debate and lobbying the agency agreed to allow such activity but would not provide the service itself (it did not believe that it should subsidise such an activity from fees raised for drinking water). Despite the initial disappointment of the Committee, this decision turned out to be decisive in terms of the success of the exercise. The community committee had to find ways of delivering and managing the service itself within guidelines laid down by the agency. Despite enormous difficulties, it rose to the occasion and is now a very successful community-based organisation providing sailing opportunities to a wide range of people in the northeast of Melbourne. The involvement of members in the production and delivery of the service has been instrumental in developing community pride, commitment and resolve.

A number of organisations in the not-for-profit sector have functions that therefore can be better described as a ‘community development’ role. This may be the function of the entire organisation (eg. Community Advisory Bureaux) or may be one of several functions (eg. Universities). In undertaking this role, the process of engagement is more important than the delivery of a service to client groups. This reflects a more general criticism that some organisations (what Druker (1973) described as “public-service institutions”) cannot be characterised by the neo-liberal market ideology of business. This is exemplified by Handy’s brief comment: “A hospital, and my life, is more than a business” (Handy, 1997: 2). Some organisations can be described as “an organisation of society rather than of the market economy” (Houston, 2002: 1154). According to Druker, management of these types of organisations face unique differences that complicate their quest for greater effectiveness (Gazell, 2000).

With this in mind, it is suggested that a theoretically sound framework for a theory of quality management cannot be based on the explicit purpose of an organisation as claimed by Foley (2000). This has lead to the very common criticism of the quality movement that it is based on a particular ideology that is not appropriate to non-business organisations (Houston, 2002). It also reflects the more general view that improvements in public administration do not come from borrowing techniques and models used in the private sector (Allison, 1984). Rather than accept this criticism, a theory of quality management should avoid dependence on the purpose of the organisation. Instead, it must be linked to the nature of an organisation per se. The primary challenge of the quality movement as it seeks to link to the mainstream of organisational thinking is therefore to ensure that its concepts and frameworks are not limited to a particular type of organisation defined primarily by its purpose. This challenge is the focus of the next chapter where an organisation is conceptualised as being constituted by stakeholders where success (effectiveness) or survival is determined by the way in which they become involved in the on-going activities of the organisation.
4.8 Conclusions and Implications

This chapter has described the evolution of quality management thinking to its current position where it appears to be facing a major crossroad. On the one hand, it can continue down its current path whereby its essential philosophy and techniques can be applied to increasingly disparate organisations in a variety of social and cultural settings in blissful isolation from mainstream management thinking. On the other, it can start the process of theoretical reflection to determine its relationship to the broader management and organisational literature. The work by Foley has been highlighted as a first significant step in the latter direction.

While the latter has not yet been taken up by the literature in general, the current author recognises the great potential that his ideas have for the longer-term survival of the so-called quality movement. However, this chapter has also pointed out that Foley’s ideas, based as they are on the private sector organisation, may not be applicable to all organisational types – despite claims (at least by expensive consultants) that quality is applicable to all. This leaves his work open to the same criticism that has bedevilled the atheoretical developments that preceded his work. With its instrumental, functional approach to organisational behaviour located within a market ideology, there is no wonder that the application to what have been described as “public sector institutions” (Druker, 1973) or the “non-profit sector” (Etzioni, 1973) has been the subject of much criticism and derision.

This thesis takes a different approach to most. Instead of simply rejecting the quality movement as a sinister attempt to subvert the distinctively attractive features of these different types of organisations, the development of a theoretical framework for quality management provides an opportunity to make sure that this issue of applicability is addressed head-on. It is argued here that the stakeholder theory of quality management may provide such an opportunity.

Put simply, the approach adopted here can be seen as being linked to the Corporate Social Responsibility movement where corporations are encouraged to recognise, and act upon, their broader social and environmental responsibilities that had hitherto had been ignored or played down (Andriof and Waddock, 2002). While this ‘movement’ has sought to make private corporations behave more like their public counterparts, the quality movement, as exhibited to date, has sought the reverse (Jonker, 2000). Perhaps the development of a theoretical basis for quality management may recognise the potential value in the convergence of these two movements in order to make it’s ideas applicable to all forms of organisations, irrespective of their particular purpose.

In terms of the focal public sector organisation, this chapter has described what appeared to be the successful implementation of many of the principles of TQM. However, as will be seen in the empirical section below, the organisation faced many difficulties and reached a point where it was almost dismantled. Given claims that organisations that adopt TQM will be successful, what questions does this situation raise about TQM theory and its application to public sector organisations?

Firstly, it may be the result of the point made above that the application of quality principles to public sector organisations suffers from the fact that they differ from their private sector counterparts. This difference revolves around the existence of multiple purposes, some of which do not involve the delivery of services. As many of
the procedures and techniques of TQM focus on the service delivery function, their application to these other purposes is problematic.

Secondly, if the focus of quality is to move from customers to stakeholders, the question of who or what is a stakeholder needs to be addressed. Clarkson defines them as “persons or groups that have, or claim, ownership, rights, or interests in a corporation and its activities . . .” (Clarkson, 1995). In a similar vein Greenley and Foxall, (1997) suggest that a stakeholder is “any group who can effect, or is affected by, the achievement of an organisation’s purpose” (Greenley and Foxall, 1997 : 260). This very broad definition includes shareholders, management itself, employees, consumers, competitors, suppliers and unions. Foley (1999) adds the wider community to this list while others include inanimate objects such as the natural environment (Mitchell, Agle et al., 1997). Given the extensive, on-going and yet inconclusive debate about this issue, perhaps it needs to be addressed quite differently. It is suggested here that it is better to look a this question from the perspective of organisational functioning. This is best explained by an analogy with astronomy. Instead of trying to identify whether a particular entity discovered through telescope observations is a star (cf stakeholder), it is more productive to look at how that entity fits into the cosmos (cf organisation and society). The question then becomes, given the existence of stakeholders in the system, of which the organisations is a part, how does the system perform?

Thirdly, if those responsible for managing organisations do devote time and resources to addressing stakeholder needs and expectations, what approach should be adopted? Can organisations expect to manage these relationships in such a fashion that they remain in control? Scholars working in this field would suggest not (Andriof, Waddock, Husted and Rahman, 2002). If not, what form of engagement would be most effective?

Finally, what do these observations tell us about quality management theory in general? It appears from the initial analysis of what occurred at Parks Victoria that managers adopted a ‘text book’ approach to quality management with its focus of various techniques and procedures. These appeared to be almost ‘tacked on’ to a traditional management approach. Is there a firmer theoretical framework that could help managers in this situation to understand how quality could be built in to the management function?

Further research is needed to explore these initial observations. Such research should, in the first instance, concentrate on those public sector agencies where the influence of stakeholders is obvious and the agency itself has multiple purposes. The aim of this research would not be to demonstrate that these organisations “got it wrong”. Rather, it should be to look for ways to improve the quality models to ensure their relevance to both public and private organisations. This challenge is taken up in the remainder of the thesis. The first step, however, is to describe the context within which this challenge will be addressed by looking at the way we can conceptualise an organisation.
Chapter 5

Towards a ‘Theory of the Organisation’

Abstract
The aim of this chapter is to answer the question of whether organisations can be regarded as being similar even though they have different purposes. How can we conceptualise such a phenomenon? This is partly in response to the suggestion made in the last chapter that the focus should change from identifying who or what is a stakeholder to understanding how they fit into the organisation and its functional environment.

This chapter attempts to provide a contemporary (quality) perspective on organisations based upon their increasing impact on society. It is grounded upon the growth and recognition of the number and role of stakeholders inside and outside the organisation and involves serious questioning of assumptions and notions underlying current conceptualisations. It is argued that we need a completely revised theory of the organisation.

5.1 Introduction

In the preceding chapter it has been demonstrated that there appears to be a change in quality thinking to one which aims to link the nature of quality management back to the broader organisational theory literature through the development of a theory of quality management. This is exemplified by the work of Foley and others who have developed a stakeholder view of quality management wherein effectiveness (or quality of management) is judged (at least partly) by an organisation’s ability to optimise the quality of its products and services in a manner that is acceptable to stakeholders. The successful adoption of the ideas and techniques more traditionally associated with quality management is not sufficient to ensure long-term success or indeed survival. These need to be adopted in a manner that enhances or acknowledges the needs and interests of stakeholders. What is therefore needed is a focus on relationships. These relationships are with stakeholders that are now acknowledged as having the power to affect organisational performance.

These points have been made against a backdrop of a societal landscape that has changed dramatically over the past decades. There is now an established and growing concern about the environmental and social consequences of actions undertaken by organisations. They are questioned about their role and purpose and their actions are assessed in terms of 'fit' within the societal context of which they are unmistakably part (Zadek, 2001). Given their dominant economic and social impact, many believe they ought to have a central role in maintaining the 'fabric' of society (Jonker, 2000). Terms such as 'sustainability', 'corporate social responsibility' and 'civic society', now commonly used in this context, are indicative of changing views about organisations. However the underlying organisational concepts these changes are based upon, remain unclear.
To better understand the stakeholder theory of quality management – including the pivotal role that it gives to stakeholders – and the changing perceptions of organisations and their societal connections, requires a new perspective on "the firm". It is argued here that our understanding of the phenomenon of stakeholders is not helped by the retention of a traditional (Friedmanite) view of the firm. Such a view does not easily incorporate the role that stakeholders play in organisational behaviour and the contribution that stakeholder relations can make to ensuring that organisations are embedded in the society in which they operate. Moreover, the traditional view is specific to the business enterprise. If a theory of quality management is to be of value it needs to refer to all forms of organisations, not simply those focussed on profit.

To develop such a new, broader theory necessitates a questioning of the assumptions and notions underlying 'organisations'. Through such questioning, well known 'hidden values' such as 'survival', 'profit' and 'aim' may be given new meaning. This chapter primarily focuses on the development of a new theory of the organisation and the ontological and paradigmatic assumptions underpinning such a theory. The latter will include reference to views and assumptions about the society in which ‘the organisation’ is located. The way society and its influence on social behaviour are viewed is also intimately inter-twined with one’s perspective on the firm.

5.2 Stakeholders

As discussed in detail in the next chapter, the contemporary stakeholder literature can be traced back to the seminal work of Freeman (1984) who articulated a 'Stakeholder Model' to replace the 'Managerial Model' of the firm. The latter, which had served managers well for many years, focussed on the role of employees, suppliers, shareholders and customers. He drew attention to the role of external stakeholders defined as "any group who can affect, or is affected by, the accomplishment of organisational purpose" (1984: 25). He proposed a new conceptual model of the firm that had up to then incorporated only a limited number of groups or interests. As will be seen in the next chapter, this was more than the establishment of a simple model incorporating new groups. Rather, it was a call for real understanding of the needs and expectations of all stakeholders, taking into account their increasingly diverse and sophisticated ways of influencing firm behaviour and effectiveness.

Freeman re-conceptualised the nature of the firm to encourage and legitimise new forms of managerial action necessary in the changed circumstances of the modern world. In the older 'Managerial View of the Firm' the external environment was conceptualised as being anything that did not include the corporation itself, the owners, the suppliers and the customers. The proposed 'Stakeholder View of the Firm' expanded the conceptual boundaries to incorporate other external parties. Instead of regarding them as external to the firm, Freeman suggested that they should be "integrated" into the firm in some way. While managers had developed ways of understanding and addressing the dynamics of the 'traditional' stakeholders, he suggested that managers needed to develop this same understanding of those stakeholders that were previously perceived to be external to the firm.

Stakeholder theory may be viewed as a logical extension of contingency theory, which has its roots in the open systems approach, and the work of Lawrence and Lorsch (1967). In their view, an important function of the organisation is to adapt to
what is happening in the world around it. They saw the organisation as an internally differentiated system that needs to achieve sufficient integration to adapt to the situation in its external world. Their suggestion that different organisational principles should be applied in different environmental circumstances challenged the basic canons of both classical management and human relations theories. Building on those ideas, scholars such as Osborn (1974) argued that the organisation and its environment operate in a state of mutual influence and interdependence. Moreover, the relationship between the organisation and its environment can be seen in terms of the organisation's need to survive. Stakeholder theory emphasises one aspect of the external environment: the conceptualisation of external interests into groupings given the common title of 'stakeholders'. Organisations can engage with much of this external environment by creating a dialogue with stakeholders. Continuity depends on the firm's relationships with those stakeholders and, in particular, the way they are able to satisfy their needs and expectations. Moreover, it is the satisfaction of those needs and expectations that in the end creates profit.

However, there is an alternative way that stakeholder theory can be seen. In their categorisation of the 'schools of thought' of strategy formulation, Mintzberg, Ahlstrand and Lampel (1998) have included stakeholder theory in the 'Power School' rather than the 'Environment School'. While acknowledging that it does involve the 'external' world, the significance of this school of thought is its emphasis on the political dimensions of the organisation. Within this and other strands of the 'Power School', strategy formation is seen as "an overt process of influence, emphasising the use of power and politics to negotiate strategies favourable to particular interests" (1998:234). While it is the external nature of stakeholder theory that is often emphasised in the literature, for the purposes of this research the emphasis on the political nature of the theory is most relevant. It is the way the various stakeholder groups interact or engage with the firm that is the focus, rather than their internal or external location.

The role of stakeholders has been the subject of an impressive amount of research since the seminal work by Freeman (1984). While he only sought to develop a general approach to strategic decision-making, it has subsequently become the basis of a new theory of the firm (Donaldson and Preston, 1995). This so-called 'stakeholder theory of the firm' was originally proposed by Brenner and Cochran (1991) and subsequently developed by other scholars (Brenner, 1993; Donaldson and Preston, 1995; and Jones, 1995). It has provided a framework for research in the 'Business and Society' field (Carroll, 1989) and taken on the status of a "master theory in its own right" (Rowley, 1997:889) by seeking to describe how organisations will operate under certain conditions. It is presented by many as an alternative theory of the firm, one that should replace the traditional Friedmanite economic theory of the firm (Andriof and Waddock, 2002).

However, Key (1999) has suggested that although recognition of identifiable actors in the external environment is a valuable strategic tool, it does not warrant the status of a theory, particularly one that seeks to be regarded as a new theory of the firm. In particular, it does not provide an adequate theoretical basis for explaining firm behaviour or the behaviour of individual internal or external actors. She suggests that what is missing is a methodology explaining the dynamics that link the firm to the stakeholders that are identified (Key, 1999). While the motivations of profit and
efficiency may be what Freeman and subsequent scholars had in mind, these are not made explicit and could easily be replaced by alternatives such as Davis' 'Iron law of Responsibility' (Davis, 1973) or some normatively based social responsibility (Wood, 1991).

Foley’s ‘stakeholder theory of quality management’ is ostensibly based on the significant role that stakeholders play in the functioning and survival of the firm. However, in its conceptualisation Foley relies on the traditional Friedmanite theory of the firm. This places stakeholders in a position of bounded influence, where the achievement of purpose is restrained by the consideration of stakeholder needs and expectations. Perhaps the emerging stakeholder theory of the firm may provide a better theoretical framework for a stakeholder theory of quality management by focussing on the complexity of the multiple relationships between all stakeholders rather than on the primacy of one. This may also provide an opportunity to extend the focus beyond that of the profit-driven corporation to include all organisations. The remainder of this chapter takes up this challenge by looking at the assumptions underpinning the theory as presented then develops an alternative that reflects other – equally valid – assumptions and ontological perspectives.

5.3 Some Words on Theory

Given the focus of this chapter it is appropriate at this stage to define what constitutes 'theory' as the term is used in many different ways (Bessant and Watts, 2002). Key (1999) defines theory as "a systematic attempt to understand what is observable in the world. It creates order and logic from observable facts that appear tumultuous and disconnected". Good theory would "identify relevant variables and the connections between them in a way that testable hypotheses can be generated and empirically established" (Key, 1999: 317). The essence of a theory is the demonstration of associations between variables within a conceptual framework. In a similar vein, Bacharach (1989) has defined theory as "a statement of relations among concepts within a set of boundary assumptions and constraints" (1989: 496). He suggests that 'good' theory in the social sciences should meet the following criteria: it must be falsifiable, logically coherent, capable of being operationalised, useful and possess sufficient explanatory power in terms of scope and comprehensiveness. Ideally, good theory should have both explanatory value and predictive value. A theory should also include the underlying logic and values that explain the observable phenomenon. It also must be supported by a plausible or logical explanation to suggest how it happens (Labovitz and Hagedorn, 1971).

At a more specific level, Brenner (1993) has looked at what constitutes a theory of the firm. He suggests that such a theory "posits either a single decision principle or set of principles which explain a significant aspect of the organisation's behaviours" (Brenner, 1993: 206). He proposed that a theory of the firm should have three components: a world view, basic propositions and choice process(es) (Brenner and Cochran, 1991).

Amalgamating this, a theory should offer a conceptual framework grounded upon a world view (paradigm) containing basic propositions and choice processes. These should be guided by a set of (boundary) assumptions and principles offering explanatory power in terms of scope and comprehensiveness. As such, good theory
5.4 Towards a Theory of the Organisation

What is needed is the further development of a contemporary theory of the firm that is consistent with the view of the stakeholder perspective as espoused above. To be of value to the quality management movement, such a theory should be concerned with all forms of organisations, not only those seeking to make a profit. The position being developed here recognises 'the firm' (or as it is sometimes called, the 'business enterprise') as being one form of organisation with a particular objectives and consequential behaviour. Much of the extant literature views 'the firm' as a distinct phenomenon that is different in both kind and nature from other forms of organisations. Other scholars use the terms 'the firm', 'the business enterprise' and 'the organisation' interchangeably, as though they refer to the same phenomenon (Brenner, 1993). It is suggested here that it is more appropriate to regard the firm as one type of organisation with motivation and purposes that explain the exhibited particular pattern of behaviour within a broader framework applicable to all organisations. Despite their differences, their essential characteristics are the same as other organisations. Therefore, what is required is a 'theory of the organisation' that is applicable to all types of organisations, including those that engage in the generation of profit. The firm may be the most dominant form of organisation in the modern world (Jonker 2000), but it is still an organisation albeit with particular characteristics.

If neoclassical theory is placed within this framework then the firm can be viewed as one form of organisation seeking to maximise the wealth of the owners by evaluating decisions using a rational, utility maximising choice process (Brenner, 1993). This is encapsulated in Milton Friedman's view of the firm as a set of assets of the shareholders for whom the board of directors and executives are simply agents (Ambler and Wilson, 1995). The main aim of these agents is to increase the value of the shareholder assets (Hamilton and Clark, 1996). Other types of organisations may have different purposes (such as community development) and different ownership structures, but their features and basic operations are similar.

As noted above, several writers have attempted to develop an alternative theory of the firm based on a stakeholder perspective. What follows is a further attempt, this time within this broader framework whereby the theory relates to all forms of organisations, not simply those driven by profit. The focus is on the phenomenon itself, not the objective it seeks to achieve. This gets away from the issue referred to in the last chapter where the distinction between public and private organisations was raised. They are different, but only with regard to their primary purpose, not their general characteristics. This is equivalent to making an attempt to conceptualise human beings irrespective of their disparate personal objectives in life.

The work by Key (1999) provides an excellent starting point. She suggests that "central to a new theory of the firm is an understanding of the reciprocal contractual rights and duties that organisations have with different stakeholders. Many of these

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1 Druker’s recognizes differences but these are actually quite trivial
contracts are clearly outlined as legal ones such as those with employees and suppliers. Relationships with consumers, communities and others are also guided by legal standards such as tort law or regulation and thus may be considered 'social' contracts that are potentially enforceable in court" (1999: 325). The basic proposition in this theory is that the firm is essentially a 'nexus of contracts'. Importantly, this view does not require any reference to ownership or the primacy of one of the parties involved in this nexus. Key (1999) suggests that firm behaviour (choice processes) with regard to stakeholders is motivated by the economic benefits derived by honouring their contractual duties to those parties.

Understanding the origin and nature of these contractual duties is in turn based on two theoretical approaches. The first is the role of transaction costs between parties that determines which contracts are negotiated within the firm and which are outsourced (Coase, 1937). According to this theory, management decides to produce a product or service if the coordination and process costs are less than the price of the product in the market. If it costs more to produce the product, the firm purchases it from the market at a price (transaction costs). Hence, dealing with external groups is driven by the rationality of cost relativities associated with production versus purchase. It is "these contractual relationships which determine the behaviour of the firm across the entirety of its operations" (Key, 1999). These contractual relationships are essentially stakeholder relationships which, according to this theory, are driven by economic considerations.

The second theory that Key regards as providing a foundation for a stakeholder theory of the firm is "Integrated Social Contract Theory" (Donaldson and Dunfee, 1994). This takes a broader view of a contract as a 'social contract'. A social contract builds on the legal concept of reciprocal rights and duties between parties and between the organisation and broader society. These duties and rights may be guided by both corporate law and social norms regarding the duties owed by parties to each other. This adds a normative dimension to decision-making. The relationships that ‘firms’ have with stakeholders are driven by these deontological forces of ‘duties’ and rights’.

While Key's views have merit, firm behaviour is still primarily explained in terms of the economic consequences of decisions. However, both within and beyond the business enterprise the singular focus on economic criteria for decision-making appears to be less significant than she suggests (Cope and Kalantzis, 1997; Etzioni, 1988). Alternatively, there is very little evidence that behaviour is the result of deontological forces.

In the remainder of this section an attempt is made to revisit this 'contractual' perspective to provide an alternative explanation of organisational behaviour, including behaviour in the business enterprise. The aim is to provide a different theory of the organisation that may help our understanding of organisational behaviour vis-à-vis stakeholders in terms of the nexus of multilateral contracts. The basic proposition is that the firm can be interpreted as a particular expression of the more general perspective that an organisation is a resource conversion phenomenon exhibiting a pattern of interaction worked out by self-interested participants through negotiated and tentative agreement on lines of behaviour in order to achieve collective goals (after Cyert and March, 1963; Keeley, 1980). The organisation's existence or raison d'être is to achieve collectively agreed goals, and its success relies
on its ability to attract and satisfy enough participants willing and able to cooperate in mutually beneficial exchange (Chaffee, 1985). So if the organisation seeks to achieve something it must engage with the participants in the process. This ‘something’ could be profit, the delivery of a service within budget, community development, or any one of a myriad of different things.

The use of the term 'participants' is both deliberate and significant. It is used in preference to the term 'members' which has connotations for the nature of the relationship within the organisation. A participant is anyone (or any entity) who interacts in a system of behaviour - this could include managers, workers, shareholders, suppliers, customers, lawyers, tax collectors, and even regulatory agencies (Cyert and March, 1963). The organisation operates through transactions among participants for benefits generated by their collective action. These transactions can range in type from the very informal to the formal contract. A crucial implicit notion here is transaction. If the result of cooperation is not mutually beneficial, participants can withdraw their involvement and support. It is the 'quality' of the transactions that determines the continuity of the firm.

In line with the previously provided conceptualisation of theory, there is also a requirement to identify decision processes that drive the relationships within this 'coalition of self-interested parties'. In the extant literature on the business enterprise the dominant process is that of bounded economic rationality in which the objective of minimising transaction costs is paramount (Coase, 1937; Foley, 1999; Hensler, 2002). Brenner (1993) has identified the limitations and difficulties associated with adopting this view. In particular, it tends to ignore the fact that organisational decisions and actions are often the result of "political processes, bargaining processes, and power games within organizations" (Schwenk, 1988: 51). The influence that the various participants have over the situation (the nexus of contracts) is affected by their inputs to the decision-making process. Schwenk (1988) suggests that their influence is at least partly based on their control of resources needed to achieve the goals established for the organisation. These could include such resources as finances, information or even support. One can thus see the decision process "not in terms of problem, search and choice, but rather in terms of activation of individuals and units, mobilisation of others into a coalition, negotiations with other units and coalitions, and compromise, accommodation, or consensus to reach final choice" (Bass, 1983: 100; cited in Brenner, 1993).

In terms of the motivation for those involved in the choice processes, Jensen and Meckling (1976) have identified several schools of thought to explain behaviour of individuals in organisations. Of these, the so-called Resourceful, Evaluative, Maximizing Model (REMM) is seen as the most appropriate here. According to Hensler (2002), this model is based on a series of assumptions: (i) individuals care and can evaluate; (ii) individual wants are unlimited; (iii) individuals are maximisers and (iv) the individual is resourceful. Those involved in the decision-making processes are therefore seen as resourceful, purposive individuals who coalesce as groups to achieve their self-interests. They are not driven by entirely economic ends (such as minimising transaction costs and maximising profits), social ends (such as social constraints or demands) or psychological need (such as safety), but some combination of all. This combination is driven by cues derived from a variety of
sources depending on the local situation and the specific context. Moreover, any choice made is temporary and can change when the cues or the participants change.

This conceptualisation clarifies the role of stakeholders in organisations. The whole organisation is composed of stakeholders with different needs and expectations. These stakeholders could interact through the market (and therefore remain totally independent) or within the boundaries of a firm or organisation. This therefore removes the distinction between internal and external stakeholders as the distinction is artificial and depends on where the (temporary) boundary of the phenomenon we call an organisation is located. As will be shown later, the need to identify a boundary reflects a particular (organismic) view of an organisation.

The assumption that these participants are driven by self interest is, of course, controversial. Recognising that Andriof and Waddock’s (2002) warning that any attempt to make assumptions about human behaviour would be ‘heroic’, some reference needs to be made to this issue. What is being suggested is not at all related to the assumption of rational self-interest that underpins economic theory. Self interest is being used here in the sense of making decisions on the basis of what one considers (within the limit’s of bounded knowledge and understanding) to be in one’s best interests in terms of longer-term survival in all its forms. Most arguments against self-interest as a motivating force are presented within the context of the market or see it in terms of individualism as a western concept that ignores the community perspective of other cultures. For example, Cope and Kalantzis’ (1997) strong criticism of the role of self-interest as a motivating force is an example of the former. They claim that “according to market logic, economic life is a series of transactions in which participants maximise self-interest” (1997: 281). They suggest that enthusiasts of the market claim the “core of human motivation is individual will, and that ego and self-interest drive human activity” (1997: 234). They present a counter view that the market is a “system of social reflexivity, an instance of culture in the most profound human sense. The market . . . not only involves seeing (an individual phenomenon), but observing other people seeing and observing other people observing (a reflexive, cultural process). Decisions are made on the basis of an assessment of how other people are likely to see us and our wares” (1997: 234). This however, does not deny self-interest in the process; it simply places it within a broader reflexive, cultural framework. Similarly, while different cultures live by a more communitarian philosophy, the sense of self and its interests seem to remain fundamental to interdependent group membership. Indeed, the existence of individual interests is the basis of interdependency.

Give the self-evident observation that some organisations do have boundaries, the question becomes why do these self-interested parties come together within an administrative arrangement that we call an organisation?

Following Key (1999), Transaction Cost Economics can be used to explain that organisations exist to economise on the marketing or transaction costs in the market

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2 Note that Freeman and Phillips (2002) have a good discussion of self interest and its role in stakeholder theory. However, they equate self-interest with being selfish and contrast it with altruism. The meaning of self-interest as it is used here is more in line with what Freeman and Gilbert (1988) call ‘personal projects’.
(Coase, 1937). The vertical boundaries of the organisation are determined by the trade-off between transaction and production costs within the organisation and across the market (Williamson and Winter, 1991). Transaction costs are particularly important because of the presence of bounded rationality and opportunism. In this view, the interested parties come together within the boundaries of a firm or organisation for reasons of minimising exchange costs. The internalisation of a market transaction that results in a reduction in the transaction costs greater than the costs of hierarchical authority, leads to greater efficiencies (Williamson and Winter, 1991).

Penrose (1959) provides an alternative explanation of why organisations exist. According to her, the administrative hierarchical organisation does not exist to align incentives and reduce opportunism but rather to generate production economies through the on-going proximity of interacting and interdependent human resources (Pitelis and Wahl, 1998). Only through the administrative setting of an organisation can the necessary cohesion to develop and retain knowledge be guaranteed. She calls the retention of this knowledge as ‘knowledge capital’.

“...The cohesive character that an administrative organisation imparts to the activities of the people operating within it provides the justification for separating for analytical purposes such a group from all other groups” (Penrose, 1959, quoted in Pitelis and Wahl, 1998: 256)

Referring specifically to corporations, Penrose argues that competitive differences between firms are due to the ‘socially complex and tacit knowledge’ that is built up through experience as an operating entity. This form of knowledge is quite different to ‘objective’ knowledge and is not tradeable in the spot market. It is based on experience and on-going learning through the interaction and experience of those involved. Hence, the administrative framework provided by an organisation enables the capturing of this form of knowledge and the production economies that result.

Hence the transactions that go on in the marketplace are replicated within the organisation whose boundaries are explained by either transaction cost reductions or production economies derived from on-going internal relationships. In reality, the existence of the administrative boundaries around the firm, while explainable through the arguments outlined above, are less significant than the relationships that may cross those boundaries (Harrison and St. John, 1996). The corporate walls and boardroom do not define the organisation and make it distinct and separated from society as in the neoclassical view. The boundaries are significant from certain perspectives (eg. determining legal obligations) but are themselves subject to change and should not be seen as establishing a barrier between the organisation and society (Andriof, Waddock, Husted and Rahman, 2002).

The implications of the view proposed here are as follows. It acknowledges that the motivation for involvement in an organisation is self-interest in all its forms, including the economic. The focus of the theory is on the involvement of various parties, which in Freeman’s terminology can be regarded as stakeholders. Some of these parties may be within the administrative structure we call an organisation; others may remain outside. Even those that can be located within the administrative boundaries, also exist in another capacity within that social milieux (shareholders may also be customers, etc.). All these stakeholders have needs and expectations, some of which
are addressed through their involvement and collective action. From the perspective of management, in order to achieve certain outcomes from this collective action, they must transact with the parties (stakeholders) including those who have ownership rights (shareholders). This transaction takes various forms and is based on far more than legal or economic power. The view that management can just ‘order’ something to occur, or for the parties to do what they say, does not fit in this conceptualisation. It has been demonstrated that this does not occur in practice (Hardy and Clegg, 1998; Blau, 1964; Coch & French, 1948); this conceptualisation helps us to understand why. A principal management focus therefore becomes the process by which transactions occur with these groups (stakeholders) to achieve the goals for the organisation. There is no doubt that management has to engage in some way – the question becomes how can this be done to achieve their strategic goals in a situation of mutual acceptability within a complex moral and legislative framework? This will be addressed in Chapter 11.

5.5 Assumptions

The elaborated view of organisations presented here is based on a number of assumptions. First, the organisation is recognised as a social artefact, not a product of nature. "People create them. People make them what they are, and people might have chosen to make them differently" (Donaldson and Dunfee, 1994: 257). As Penrose (1959: 9-10) stated so eloquently almost fifty years ago: "A firm is by no means an unambiguous clear-cut entity; it is not an observable object physically separable from other objects, and it is difficult to define except with reference to what it does or what is done within it". Organisational reality is therefore socially constructed. The organisation is a social artefact constructed and defined through a process of social interchange between participants and the collective goals that are being sought through this interchange.

This assumption is of particular interest as the way one conceptualises an organisation directly influences the nature of any theory that is developed to explain organisational behaviour (Morgan, 1968). The literature would suggest that there are now two predominant ways of conceptualising organisations: as an organism or as a social collective. These conceptualisations are best exemplified through their influence on the way the goals of the organisation are perceived. If an organisation is viewed as a "biological entity", it is usually perceived as having welfare over and above the welfare of its individual participants (Keeley, 1980). In the case of the firm, this is regarded as 'survival' which is ensured by generating profit (Foley, 1999). When an organisation is viewed as a social collective (as is the case here), the idea of an organisation having aims and interests of its own is brought into question. Keeley (1980) has argued convincingly that while organisations may have many properties, welfare-entailing properties (defined as goals, needs, interests, etc) are not among them. He argues that the "purpose as well as the binding element of social organisation is the satisfaction of diverse individual interests; and collective welfare, to the extent that the term is meaningful at all, is a direct function of individual welfares" (Keeley, 1980:343).

3 In the past, an alternative conceptualisation was of the organisation as a machine (Taylor, 1911). This has been largely discredited and will be ignored.
Organisations do have goals; but these are goals for the organisation not of the organisation. The goals for the organisation are derived from the participants and may or may not be commonly held. Often they reflect the views of powerful groups in the relationship. In the case of the firm, these may be the goals of the shareholders who may seek greater returns on their investment. However, common views and understandings can be negotiated to become the basis of newly established contractual relationships. Moreover, Keeley (1980) argues that the social contract view of the organisation is still consistent with a systems perspective that exhibits regulative and synergistic properties. Such systems of human interaction can also produce consequences of organisation ‘behaviour’, including such things as goods, services, profits, pollution, growth and survival. The rejection of organismic properties does not imply that organisations have no properties of their own or that they are simply aggregates of individuals. These consequences are more than the result of individual action; they result from the interaction of the participants. The fact that there are ‘consequences’ suggests a need to take account of the needs and expectations of those involved in this interaction.

A second assumption that needs clarification is what it means for the firm to be regarded as the property of the shareholders, and whether this bestows a special position on them. The traditional neo-classical view of the firm justifies the dominance of shareholder interests on the basis that the firm is their property. However, this view of property as a commodity is outdated. Deck (1994), like Donaldson and Preston (1995), argues that property needs to be reconceptualised as an entitlement to a number of ‘rights’: "... ownership is not an absolute principle adhering to capital. Rather, what we understand by ownership is a 'bundle of rights' relating to capital" (1994: 109). Ownership of an organisation (in most cases a business enterprise or firm), does not mean incontrovertible control and benefits. Instead, it means that owners have certain rights and expectations that stand alongside the rights and expectations of other participants. Indeed Handy (1999) suggests that those who own the business enterprise can be viewed as the providers of finance "with financial privileges proportional to the risks they run" (1999: 353). The theory being developed here therefore sees shareholders as one of the many ‘participants’ in the nexus of contracts. They have interests and perspectives that are important but by no means the only ones that will determine outcomes.

5.6 Blending It All Together

All participants in the (inter)organisational arrangements may be considered stakeholders. In past decades the focus has been primarily on ‘internal’ stakeholders (employers, suppliers, customers and shareholders). The growth and recognition of the number of (external) stakeholders has increased management complexity by the need to consider their views and expectations. Adopting a contractual view of organisations as a social collective helps to understand the crucial role all types of stakeholders play in organisational strategic thinking and decision-making and the fact that the distinction between internal and external stakeholders is artificial and affected by many considerations. Basically, stakeholders potentially have the power to influence the behaviour of the organisation. Some, more than others, may play a central role in the complex relationships that ensue. Each is motivated by self-interest, which is moderated by the need to work with other participants to produce the outcomes sought through collective action. If this need for the involvement of
others were non-existent then they would not be involved. Collective (self-) interest is not exclusively seen within rational-economic parameters but may include the social, the cultural and the environmental. Nor is it seen as being the same as ‘selfishness’. The latter implies achieving one’s ends at the expense of others rather than in the milieu of others. Self-interest exists within a milieu of mutually related self-interests, not a framework of mutually destructive selfishness.

As noted by Freeman (1984), managers have to deal with the complexity of economic, formal and political power and influence used variously by different types of stakeholders in diverse situations. Management is about designing and implementing strategic processes and controlling systems (Hensler, 2002) in order to satisfy needs and expectations of various stakeholders. Those with responsibility for managing this 'nexus of contracts' (executives and senior managers) operate within the context of multiple interests and expectations. Managers can be seen as 'interest balancers' and are judged by their ability to satisfy the needs and expectations of participants within the constraints of achieving the goals for the organisation. Managers, as one of the coalition of participants, play a leading role in negotiating with other participants to establish both objectives for the organisation and the strategies to achieve those objectives. However, this 'negotiation' is not simply at their discretion. When decisions are made that are either not supported by other participants, or the needs and expectations of those participants are either not considered or ignored, then some form of conflict will arise. Given the complexity, the (potentially) conflicting interest and the changing nature of needs and expectations, it is no wonder that such conflict arises. This is exacerbated by the fact that it is literally impossible for any organisation to totally satisfy all needs and expectations of all participants or stakeholders.

Figure 5-1 is a schematic diagram designed to visually represent the proposed Stakeholder Theory of the Organisation. It demonstrates the complexity of the conceptualisation with all the participants overlapping and each individual group having a role and existence that transcends beyond that of the organisation. For example, the participants labelled ‘shareholders’ may also be variously ‘customers’, ‘suppliers’ and even members of various ‘conservation groups’. Alternatively, they may also be ‘shareholders’ in yet another organisation. The organisation itself is essentially represented by the Board and Management Group and is indicated by a broken line reflecting the temporary nature of the boundary. The most important feature is the fact that the roles and activities of the various participants overlap, rather than their location vis-à-vis the boundary. The Management Group is responsible for ensuring that the ‘nexus of contracts’ continues to function to achieve organisational goals.

The conceptualisation is quite different to the ‘hub-and-spoke’ model that is usually associated with stakeholder literature and reflects the complexity of the situation and the linkages that each group, individually and collectively, has with the broader society of which it is a part. While this can not be shown on a two dimensional diagram of this type, this cluster of participants sits within a very complex cluster of clusters. It is not meant to be seen as an isolated nucleus floating in an abstract disconnected world.
5.7 Implications

As noted in the Chapter 4, Foley’s stakeholder theory of quality management emphasises the role that stakeholders play in influencing the long-term survival of the business enterprise. In his theory, while the focus of management is on the products and services for customers (outputs of the firm), this is undertaken with consideration for the needs and expectations of non-customer stakeholders. Instead of the choice processes being driven by only one stakeholder (the shareholders), the views of a range of stakeholders become significant.
What this chapter has done is to demonstrate that this is very similar to the so-called ‘stakeholder theory of the firm’ which also recognises the role of stakeholders in the behaviour of all types of organisations. Moreover, it has established that such a theory makes even more sense when alternative under-pinning assumptions are explored.

The assumptions underpinning the perspective of this chapter include that organisational reality is socially constructed. The organisation is a social artefact defined through a process of social interchange between participants. This is manifested as a 'nexus of contracts'. This perspective also has implications for the relationships between the participants or stakeholders. As with most contractual arrangements, the relationship itself, the objectives established and the consequences that ensue are socially constructed. Chaffee (1985) – among others - has described any resultant strategy for the organisation as 'frames of reference' that provide a mechanism for continued agreement and participation. Those frames are plural because these cannot be enforced as an agreement with all on a single interpretation. As different participants have different perspectives on the organisation, its goals, other stakeholders and the environment at large, the mutual construction of social reality will impact on their support for transactions in the organisation (as shown by Rahman, 2003).

The implication of this is that management is no longer a matter of adapting the organisation to the changing external reality, even if this reality is conceptualised in terms of stakeholders. To date, the external environment has often been regarded as an exogenous entity which imposes constraints on opportunities for strategic action. Such action requires the isolated manager to navigate obstacles in hostile terrain in order to achieve egoistic success. However, obstacles are not so much discovered as created. The current conceptualisation suggests that the environment of which the organisation is a part is no longer faceless nor intractable (Andriof and Waddock, 2002). Rather, it is composed of stakeholders which organisations need to engage with in order to create the domain in which they operate. This involves active engagement through symbolic actions and communication on the one hand, and mutual projects and business on the other, all leading to the satisfaction of various, changeable and sometimes conflicting needs and expectations. Managers acting in the 'nexus of contracts' need to engage with the social reality in which they are embedded. Part of this engagement involves the construction of reality itself. The emphasis therefore is on the attitudinal and cognitive complexity of the engagement with diverse stakeholders.

5.8 Conclusions

This chapter has introduced and elaborated an alternative theory of the organisation based on a stakeholder perspective. This is a particularly complex perspective that involves an understanding of the diverse socially constructed nature of reality. What is still required is a discussion of the ‘world-view’ on which this is based. Organisations, including the firm or corporation, exist within a societal framework. There is also a need to understand the way that the organisation, as understood through the theory being proposed here, fits into that society. This in turn requires an analysis of society itself. This issue is partly addressed in a later chapter but is clearly beyond the scope of this thesis.
It was argued that for organisations this implies a need to assess actions in terms of 'fit' within the societal context of which they are unmistakably part. At a more fundamental level it reflects an increasing focus on the contribution of organisations to society. We are not driven to look at this because of purpose but because they are a social phenomenon that exists within a societal framework. The very contributors to the on-going performance of the organisation are themselves part of the broader phenomenon we call society, making the situation very complex, reflexive and ever changing. Developing ways to engage in this system appropriately will not be easy for organisations that have been used to 'managing' stakeholders on their own terms (Andriof, Waddock, Husted, and Rahman, 2002). It is likely that this will lead to new perspectives on societal arrangements. This transformation process will be unavoidably political and may possibly require new rules for society. Organisations, including business enterprises, will not be able to avoid confronting the issues and concerns of the broader society. This does not mean that all organisations will suddenly become concerned about alleviating poverty, addressing world peace or promoting community development. Rather, it suggests that in achieving agreement on strategic direction and its implementation, managers will have to recognise the societal framework within which they operate and the way in which their multiple stakeholders in turn perceive and engage within that framework (Andriof and Waddock, 2002). This adds great complexity to the role of managers who may have previously felt that these issues and concerns were not relevant to the achievement of their organisational goals.

Future-oriented quality management will require engagement in the current social and political debate and influencing it by taking responsible action. The 'political' will no longer be seen in negative terms but as part and parcel of the reality of organisational life. As explained in a later chapter, political activity can be seen as an integrative feature of the modern organisation.

However, before developing this theme further, the next chapter looks at the way stakeholders have been conceptualised in the extant literature. The will help to further elaborate the stakeholder basis for the developed theory of quality management. It will also provide an additional basis and focus for the empirical work that follows.
Chapter 6

Stakeholder Theory: A Framework for Stakeholder Relationships

ABSTRACT
Analysing and dealing with the needs and demands of stakeholders is a major concern of modern business. In order to understand this phenomenon, it is imperative that a critical review of the stakeholder literature and stakeholder theory be undertaken. This should help to clarify whether underpinning a theory of quality management with a stakeholder model will be productive.

This chapter therefore attempts to frame, systematise and conceptualise a number of the underlying issues related to stakeholder theory. As a result, a vast array of unaddressed and unanswered questions emerges. What unites these is the implicit acceptance of an emerging (contemporary) stakeholder theory of the firm. This largely normative theory provides some understanding of what constitutes a stakeholder, what stakes they seek to protect and the way in which transactions between the stakeholder and the organisations are handled. While brevity necessitates a somewhat superficial treatment of the issues, the chapter leads inevitably to the conclusion that the demonstrated complexity of really engaging with stakeholders means that both theory-development and practice still have a long way to go.

6.1 Introduction

Analysing and dealing with the needs and demands of stakeholders seems to have become the ultimate managerial panacea. There are numerous textbooks and articles promoting the idea that organisations must manage their stakeholders or face dire consequences. In line with most fads, a booming consulting business advising on stakeholder management has emerged around the world. It appears that any self-respecting enterprise is currently establishing some form of stakeholder management process. There are also numerous examples of firms holding an annual ‘Report to Stakeholders’ meeting in addition to the traditional Annual General Meeting of shareholders. However, when one takes a critical look at many examples of the implementation of stakeholder management, it is hardly scratching the surface of ongoing business practice (Clarke and Clegg 1998). Is this yet another case of ‘old wine in new barrels’?

While the stakeholder model has much potential, including that of becoming a conceptual framework for quality, it is argued here that before heading further down this track there is a need for the theoretical foundations to be clarified to provide the basis for sound practical advice. In order to frame the empirical study outlined below there is a need to more clearly understand what the literature has said about stakeholders and how they fit into the broader conceptualisation of the organisation. This chapter begins to address this challenge by identifying the current theoretical foundations of stakeholder management and confronts its strengths and weaknesses.
6.2 Origins of the Stakeholder Model

The stakeholder management literature can be traced back to the seminal work of Freeman (1984) who articulated a ‘Stakeholder Model’ to replace the ‘Managerial Model’ of the firm. The latter, which served managers well for many years, focussed on the role of employees, suppliers, shareholders and customers. At the strategic level managers could achieve their objectives by understanding these groups and their changing needs and expectations. However, changes in the external environment of the firm have become so turbulent and relevant to the achievement of a firm’s objectives that managers need to develop ways of understanding and addressing these issues as well. He proposed a new conceptual model of the firm that essentially incorporates the external environment. Successful managers must extend their focus of interest to understand and respond to the needs and aspirations of those groups in this environment. He calls these ‘stakeholders’ which he defines as “any group that can affect, or is affected by, the accomplishment of organisational purpose” (1984: 25).

Freeman (1984) was doing more than pointing out that managers need to address issues and ideas that had not been looked at before. He re-conceptualised the nature of the firm to encourage and legitimise new forms of managerial action. While managers had developed ways to understand and address the dynamics of the ‘traditional’ groups in the extant management model, they now need to develop the same understanding of groups previously perceived to be external to the firm. These have been variously called ‘influencers’, ‘claimants’, ‘constituents’, or ‘interest groups’ (Freeman and Reed 1983; Starik 1994). However, it is not just a matter of knowing that these ‘new’ groups are ‘out there’. Rather, managers need to develop “new theories and models” about these new groups to really understand how they operate, how issues arise, the importance of issues to them and their willingness to expend their own resources either helping or hurting the firm. But this was not a simple model incorporating new groups. The attention drawn to their existence had highlighted the need to develop new understandings of the way all groups operate and seek to engage with the focal organisation. Previous understandings, based on legal or economic relationships, need to be supplemented by new ways to conceptualise and operationalise alternative forms of relationships, ones that are more nebulous, complex and dynamic than previously experienced.

6.3 Challenging the Assumptions Behind the Stakeholder Model

While the specific nature of this model has evolved over time, the literature indicates that the basic assumptions upon which it rests remain the same. Acceptance of the ‘systems’ view of organisations acknowledges that they need to interact with their environment. Specific interest groups (stakeholders) exist in that environment and believe that they have a stake in the organisation or may have an impact on the behaviour and effectiveness of that organisation. While these groups can be identified and classified in various ways, they have in common a willingness and competency to act with the intent to influence the organisation. In turn, the organisation is aware of these groups and recognises the need to deal with them. To do so, the organisation develops strategies that guide their behaviour with regard to those groups and their interests. This behaviour and supporting strategies are in turn based on the assumption that the groups (stakeholders) can be ‘managed’ to enable the organisation to achieve its goals. As will be seen below, this assumption has been at the heart of the problem faced by those looking to implement Freeman’s conceptual framework. The idea that
stakeholder relationships can be managed is frequently translated into a view that stakeholders themselves can be managed. This is patently not the case (Andriof, Waddock, Husted and Rahman, 2002). While the organisation plays a central (focal) role in the perspective adopted by most researchers and practitioners, this organocentric view is often translated into an untested belief that the organisation is in control of its environment and destiny.

The previous chapter has challenged a number of fundamental assumptions about the nature of the organisation itself and the nature of the reality in which it exists. In turn, this has implications for the assumptions behind the traditional stakeholder model.

Given the conceptualisation outlined in Chapter 5, the organisation is seen as being a social-constructed phenomenon whose very existence is established through the interactivity of different participants or stakeholders. The relationships between these stakeholders become a particularly significant factor affecting the on-going existence of this social collective. Instead of visualising some form of objective reality (organism) engaging with an equally objective external reality through a number of groups (read stakeholders), the complexity of the socially-constructed reality of the organisation itself is acknowledged. The organisation is not an isolated phenomenon rationally selecting between alternative ways to engage with or manipulate the external reality in which they find themselves. Rather, it is a social construct that can only be understood within a broader societal framework that they, consciously or otherwise, help to create.

Another consequence of the previous chapter’s reconceptualisation of the organisation is the need to move away from the generally accepted view of stakeholders as being constraining or limiting. The Traditional view suggests that managers need to be aware of stakeholder needs and expectations so that they can be overcome, avoided or renounced. This ‘adversarial’ view appears to underpin much of the stakeholder literature as exemplified by the focus on power and legitimacy (see below). Like the very idea of manipulation itself, this view is outdated. Stakeholders do not have to be viewed as necessarily adversarial. They can be seen more positively in the sense that their involvement is a necessary part of the achievement of acceptable goals for the organisation. Engagement with stakeholders is a positive process, one that contributes to the achievement of sustainable outcomes. Stakeholders can be viewed as risk-bearers (Clarkson, 1995) or constituencies (Blair, 1998) that may contribute to, rather than restrain, the organisation’s performance.

6.4 The Components of Stakeholder Relationships

Organisational relationships with stakeholders can be viewed as a process composed of a number of identifiable components. Freeman (1984) recognises three levels that can be used to analyse this process. The first is the ‘rational’ that addresses the issue of who are the stakeholders and what are their perceived stakes. The second is the ‘transactional’ where the focus is on the dealings between the organisation and the stakeholders. Finally, there is the ‘processional’ which concerns the organisational processes used implicitly or explicitly to manage the relationships.

The ‘rational’ level: Most research conducted at the rational level attempts to clarify who or what is a stakeholder (Clarkson 1995a; Campbell 1997) to help management avoid wasting time on non-stakeholders (Mitchell, Agle et al. 1997). It is generally accepted that a stakeholder is an entity with some form of claim on the focal
organisation and with sufficient power to influence that organisation. A number of scholars use the latter to limit stakeholders to entities such as employees, customers, suppliers and shareholders (Drago 1998; Drago 1999). However, Freeman (1984) introduced the concept to extend managers’ attention beyond these groups to those that had not been considered before. Therefore, while these groups may be stakeholders, they are certainly not limited to them.

The question of who is a stakeholder and what are their stakes is difficult to answer and varies according to the organisation and its context. In some cases legal claims on the organisation may be involved (eg. by shareholders). In others, the claims may be very general such as the public’s interest in how the organisation affects the country’s economic growth (Polonsky, 1995). In some situations the same individual may play multiple roles, being at the same time an employee, a customer and a member of a special interest group. Reverting to the origins of the model, the focus was on broadening the concept to allow an analysis of all external forces and pressures whether they are friendly or hostile (Freeman & Reed, 1983; Charan and Freeman, 1980).

Mitchell, Agle et al. (1997) have provided a detailed analysis of stakeholder attributes suggesting that they can be identified through the three attributes of power, legitimacy and urgency. They argue that there are various classes of stakeholders of concern to the firm (seven are identified) and that membership is a function of the possession of one or more of these attributes. Stakeholders may hold any combination of these three attributes and this combination affects their relative salience to the focal organisation. Managers pay a certain kind of attention to a stakeholder according to which class that stakeholder belongs. The greater the number of attributes possessed, the more salient the stakeholder class. For example, the so-called ‘definitive’ stakeholder is one who possesses all three attributes. Where this is the case, “managers have a clear and immediate mandate to attend to and give priority to a stakeholder’s claim” (1997 : 878). At the other extreme, those possessing only one attribute are referred to by Mitchell, Agle et al. (1997) as being ‘low salient’ classes.

While Mitchell, Agle et al. (1997) have made one of the most comprehensive reviews of the nature of stakeholders, its usefulness can be questioned. Certainly, they identified a range of attributes but in so doing they have demonstrated that these are variously attributes of the stake, the relationship and the stakeholder. Moreover, by focussing on salience they may be inadvertently distracting management activity away from the engagement with the external world that they face (Berman, et. al., 1999). The original purpose of stakeholder theory was to encourage managers to engage with the external world in determining a strategic direction and how it could be implemented successfully. Mitchell, Agle et al. (1997)’s work could make this engagement very selective. Groups will pursue their ends irrespective of whether the focal organisation regards them as legitimate.

The ‘transactional’ level: At this level, much of the analysis is prescriptive and based on anecdotes about the consequences of failure to interact with stakeholders appropriately. Moreover, most has concerned traditional stakeholders such as customers, employees, shareholders and suppliers (Clarke & Clegg, 1998).

A focus of investigation is the nature of the relationships established between the focal organisation and stakeholders. Freeman (1984) presented a hub-and-spoke conceptualisation of these relationships. Many scholars are critical of this dyadic
conceptualisation suggesting that it is very simplistic and ignores the complexities of the interactions between stakeholders themselves (Rowley, 1997; Frooman, 1999; Payne and Calton, 2002). Using social network analysis, Rowley (1997) hypothesised that the ability of a firm to influence its stakeholders is a function of the density and centrality of the stakeholder network. While there has been no empirical verification, this points to the potential complexity of interactions between stakeholder and focal organisation. Likewise, Frooman (1999) demonstrates that stakeholders can influence the focal organisation either directly or indirectly through alliances with the media. This is supported by the work of Amber and Wilson (1995).

Crane and Livesey (2003) have also recognised the complexity of the relationships and developed a stakeholder ‘network model’. In this model, stakeholders are understood to be not just related to the firm but are also recognised as relating in many ways to each other, whether by exchange, communication or whatever other form of interaction. Thus, just as firms have relationships with diverse stakeholders, so too do those stakeholders have relationships with their own stakeholders and those stakeholders in turn have relationships with a further set of stakeholders and so on” (2003: 41). They call this a ‘differentiated’ stakeholder perspective which acknowledges the complex dynamics created by stakeholder interdependence. In many ways it is similar to the conceptualisation outlined in the previous chapter.

There is now considerable evidence to demonstrate the extreme complexity of the relationships created and the way that stakeholders harness the media and other allies in an adversarial situation (Zadek, 2001). Similarly, the evidence shows that these relationships are not capable of being ‘managed’ by the focal organisation (Harrison and St. John, 1996). Attempts to manipulate the relationship are increasingly seen for what they are. Most stakeholder groups have developed quite sophisticated skills and are not willing to be put off easily. Freeman (1983, 1984) did not suddenly discover the existence of a number of external organisations or interests that could affect the future directions of the firm. Rather, he recognised that those groups were not neatly pigeonholed according to their stake or the type of power they exercised. Instead, groups with different types of stakes (equity, economic and influencer) could exert influence on the organisation through formal/voting power, economic power or political power. It is the use of a complex mix of power by different groups in various forms of direct and indirect connections that creates the turbulence organisations need to address through a stakeholder approach.

The ‘process’ level: As noted, Freeman introduced the concept within the context of strategic management. He wanted managers to take into account the influence of external groups on the process of direction setting in the organisation. This requires the introduction of certain internal procedures to ensure that it is done systematically and efficiently (Miles, 1987).

While very little empirical research has been undertaken on the procedures themselves, Zadek (2001) points out that there is considerable extant experience in establishing and implementing ‘participatory’ or ‘consultative’ approaches designed to involve external people or groups in decision-making at various levels. These include surveys, charettes, calls for submissions, public meetings, focus groups, etc. More recent procedures include ‘ethical audits’ and ‘stakeholder reporting’.

Of course, every procedure can be utilised to enhance or thwart effective stakeholder dialogue or involvement in decision-making. Indeed, scholars have developed various
‘ladders of participation’ where the procedures employed can be evaluated in these terms (eg. Arstein, 1969; Estrella & Gaventa, 1998; New Economics Foundation, 1998). It is the way these procedures are used that determines their effectiveness. Freeman (1984) hinted at this when he went beyond specific procedures to suggest changes to make the organisation responsive to stakeholder demands. These included changes to organisational structure and budget allocation. Likewise, he advocated processes to ensure staff commitment to the stakeholder model through participation, incentives and shared values. However, subsequent researchers have largely ignored the creation of structure and process that focus on stakeholder relationships (Scholes & Clutterbuck, 1998).

6.5 Drivers Influencing the Outcomes of Stakeholder Relationships

Having identified the components that constitute stakeholder relationships, it is appropriate to turn to the things that could influence the outcome. These have been called ‘Drivers’. A review of the literature has indicated that these are identified primarily as legitimacy and power. Mitchell, Agle et al. (1997) have also introduced urgency. Each will be reviewed before the presentation of a final list of power, criticality and rationality. The rationale for this final choice is outlined below.

Legitimacy: The role of legitimacy is problematic despite the fact that it has been used by a number of scholars. Frooman (1999) questions whether it matters that society thinks of a stakeholder’s claim as legitimate. He points out that the more important issue is whether the stakeholder has the ability to influence the organisation. Likewise, Freeman (1984) did not use the term legitimate in the same sense as Mitchell, Agle et al. (1997). He used it in the sense of whether it was appropriate from the firms’ perspective (measured in terms of the cost of allocating scarce resources) to spend time ‘dealing’ with the stakeholder. There was no reference to any moral, ethical or social evaluation of the appropriateness of the claims. If the actions of a stakeholder can affect the firm then it would be appropriate to address them. Taking a critical perspective, Banerjee (2000) has also demonstrated that the notion of legitimacy is problematic. Using the case of the Jabiluka Uranium Mine in Kakadu National Park (Australia), he demonstrated that ‘legitimacy’ is determined by economic systems, government and institutions. While Aboriginal Traditional Owners were regarded as legitimate stakeholders in the debate, their interests (or stakes) were not. Banerjee (2000) explains this by suggesting that while stakeholder theory calls for organisations to be “publicly responsible for outcomes” (Preston and Post, 1975), this public responsibility is usually defined and framed by larger principles of legitimacy. The latter include such things as what is good for the country, what is in the national interest, etc and is “typically framed from the perspective of economic rationalism” (Banerjee 2000: 26). Legitimacy is usually viewed in these terms.

One can therefore question the relevance of legitimacy as a construct underpinning the outcome of stakeholder relationships. Like the problem that conservation groups formerly faced establishing ‘standing’ in the British legal system, efforts to use legitimacy to exclude parties from a relationship is ultimately self-defeating and will not seriously affect outcomes in the longer term. Its use is essentially an exercise in power and will be dealt within that context rather than as an independent element.

Power: One aspect of stakeholder relationships is the question of why an organisation responds to the pressures exerted by stakeholders. As this response can be in varying degrees, Oliver (1991) developed a typology of organisational responses ranging from
compliance to external pressures through to outright resistance. In trying to explain why organisations respond as they do, scholars have turned to various theories of power. The most popular is resource dependency theory (Pfeffer and Salancik, 1978) which suggests that a response is forthcoming when one of the parties is dependent on obtaining resources of some kind from the other. Where this is not relevant, others have turned to institutional theory for an explanation (Oliver, 1991). However, neither theory appears to be sufficient to explain the full range of stakeholder power. Indeed, these theories appear to ignore the essence of what Freeman (1983, 1984) was drawing attention to. Resource dependency theory and institutional theory are valuable explanations of reactions to economic or formal/legal pressures (respectively), but fail to account for political pressures.

In cases where environmental or social interest stakeholders are involved, there is neither resource dependency nor pressures to conform (Frooman 1999). What is involved is political or social power. It was the use of this form of power that Freeman and Reed (1983) were drawing attention to. They suggested that most organisations had developed expertise and experience in dealing with formal and economic power. The changing circumstances were that all groups, including what he called ‘the influencers’, were becoming adept at using a different form of power – political/social/influencer power – and that organisations should develop mechanisms to respond appropriately. However, to the author’s knowledge, the role of this type of power has not been investigated in the stakeholder literature. Despite this, it certainly plays a role in the outcomes of stakeholder relationships and should be addressed.

**Criticality:** In the literature reviewed by the author, ‘criticality’ has not received much attention. Mitchell, Agle et al. (1997) refer to it obliquely under the auspice of urgency. While very little explanation of the concept of urgency was offered, it appears that they were attempting to introduce the idea that not all issues are of concern to all groups at all times.

Johnson-Cramer, Berman and Post (2003) again don’t use the term but look at a related phenomenon. They argue that ‘conflict’ between the organisation and its stakeholders is natural when one sees ‘conflict’ as a difference of opinion regarding goals, interests or means. They suggest that there is a critical moment when conflict escalates from being latent (when the differences are perceived and not acted upon) to manifest (when one of the parties actively opposes the behaviour of the other). The moment of escalation is particularly critical; this is when stakeholders turn from organisation-mediated channels of conflict resolution to “external channels such as courts, regulatory agencies, or the media” (2003: 154).

The term ‘criticality’ is being used in a similar sense here. It is being used in the sense of some incident or issue being significant, momentous or serious or even a ‘defining moment’. This is consistent with its use in the strategic management literature (Ansoff, 1987). While a range of issues or subjects appear to be alive in the background most of the time, any particular one may suddenly become critical in the minds of some groups or individuals. It is at this point that the form of stakeholder relationship with the focal organisation becomes more critical. Even organisations whose purpose is to be a lobby or pressure group do not get actively involved in all situations all of the time. There is a form of threshold that needs to be crossed before they are willing to expend either time or resources on a particular issue or case.
Dialogic: The author has not uncovered any research that addresses stakeholder theory from the perspective of the focal issue or debate. Behind many conceptualisations of stakeholder theory is the view that the involvement of external parties should lead to better decisions, at least decisions that are more rational. Moreover, given the focus on strategic management, the conceptualisation and presentation of the proposition by the parties involved is crucial. There are many examples where a proposition or issue being debated is either not understood or dismissed as irrational. We often hear protagonists saying “keep to the facts of the matter” and dismissing argument on the grounds that it is not rational.

Many of the issues involved in stakeholder engagements are what Ackoff (1999) would call “messy” involving “complex systems of strongly interacting problems” (Ackoff, 1999: 13). These are issues where unilateral attempts at managerial solutions are found wanting, usually because others have a different solution. Such problems are often presented in simplistic ‘either-or’ dichotomies with the preference choice arising from the individualistic perspective of personal or organisational interests or assumptions. However, the fact that these dichotomies are acknowledged suggests interdependence between alternatives. Aram (1989) describes this as the ‘paradox of interdependent relations’ and suggests that it is inherent in all stakeholder practice. The implications of this are that, like most interdependent relationships, the ‘issue solution’ may not be simply a matter of selecting between apparently independent options, but some form of dialogic learning aimed at understanding and the creation of meaning.

Payne and Calton (2002) have emphasised the role that ‘meaning making’ capabilities play in stakeholder engagements. Looking at the phenomenon from the perspective of the problem itself – “messy” problems – they see the organisation as part of “an interactive field of organisational discourse” (2002: 122). This is a “complex, interdependent, on-going problem domain” in which all stakeholders, including the organisation, exist. Approaching this shared problem domain involves engaging in communication and dialogic learning. This is supported by Calton (2001) and Isaacs (1999). Indeed, Johnson-Cameron, Berman and Post (2003) argue that the construction of a ‘flow of meaning’ will amplify the benefits of more participatory stakeholder management.

Of relevance to this ‘flow of meaning’ is the work of the German Philosopher Habermas who developed the theory of ‘communicative action’ which involves the use of language as a “medium of unhindered understanding”. In contrast to Weber and other members of the Frankfurt School of Sociology, he presents a very broad view of rationality and reason. Habermas is very critical of the view that rational, ‘scientific’ procedures can only be applied to observable and quantifiable reality and that only empirical impressions can be used in the quest for ‘truth’. In this view, rationality is dependent on only subject-object relations and observational statements based on these. This leads to what he calls ‘scientism’ where science views itself not as one form of cognition but as cognition as such. The effect is to place important questions outside the realm of rational discourse. Habermas believes that dialogue centred on questions of truth about the objective world is not the only form of rational discourse. There are also questions of rightness concerning the social world and questions of sincerity and authenticity associated with the personal world of inner states and feelings that can be also subject to rational discourse.
Habermas’ theory of ‘Communicative Action’ outlines the potential human beings have for undertaking action on the basis of communication and shared understanding. Within this theory, actors seek understanding with regard to some practical situation confronting them in order to coordinate their actions consensually (White, 1988). According to Habermas, reaching an understanding requires “a cooperative interpretation aimed at attaining intersubjectively recognized definitions of situations”. To be able to do this, the actors involved must be able to simultaneously relate reflectively to what he calls the objective, social and subjective ‘worlds’. In each of these ‘worlds’ it is possible to have rational debate to evaluate the validity claims. On the basis of this theory Habermas develops the distinction between ‘communicative rationality’ and ‘goal rationality’. The focus of the former is the intersubjective achievement of shared understanding. In this, reaching understanding means that the parties set out to convince each other and action is co-ordinated on the basis of ‘coordination through reason’. This results in what he calls ‘Communicative Action’. Goal rationality, by contrast, involves action that is oriented to what he calls ‘egoistic calculations of success’. The resultant action is coordinated not by reason, but the complementarity of interests and is called ‘Strategic Action’. In the process, the influence on the other party is not through dialogue regarding validity claims, but through such things as incentives, sanctions, and force.

At this stage in the thesis it is not necessary to elaborate further on Habermas’ views. However, they are relevant to our perceptions of stakeholder relations. They demonstrate the significant role played by the epistemological and ontological assumptions of those involved and provide a good basis for real understanding in stakeholder dialogue. His theoretical framework can provide a useful means of analysing the nature and form of the dialogue and provide insights into the essence of the misunderstandings and disputes that so often arise.

6.6 A Model for Analysing Stakeholder Engagements

The review of the literature indicates that there is a need to revisit stakeholder theory to place its conceptualisation on a much clearer foundation and to clarify its role in the newly developed stakeholder theory of quality management. The first stage of this is shown in Figure 6-1. The axes in the table are firstly the components involved in any stakeholder relationship and, secondly, the drivers that affect each stakeholder engagement. Its essence is represented by a number of different questions that indicate the issues relevant to the analysis of an organisation’s involvement with stakeholders.

The ‘Components’ axis acknowledges the fact that stakeholder engagement is a process with multiple components that need to be considered separately. These are based on the schema adopted by Freeman (1984) with its focus on their inter-relationship and its emphasis on the overall ‘fit’. However, these components have been renamed as ‘Parties’, ‘Processes’ and ‘Connections’. An additional component that is rarely discussed separately, but it is argued here is essential, is the ‘Stake’ itself. It is difficult to discuss the nature, value and impact of stakeholder engagement without a detailed consideration of the stake or claim itself. The differentiation of these components overcomes the conceptual difficulties in Mitchell, Agle et al. (1997) that were identified above. It also acknowledges that stakeholder engagement is a complex multi-dimensional process that needs to be addressed from several angles.
## Figure 6-1: Basic Structure of the Stakeholder Framework

<table>
<thead>
<tr>
<th>COMPONENTS OF THE RELATIONSHIP</th>
<th>Stake (What are the key issues or claims in the relationship?)</th>
<th>Parties (Who or what are involved?)</th>
<th>Processes (What processes are involved in managing the relationship?)</th>
<th>Connections (What form do the connections between the organisation and the stakeholders take?)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Stake</strong></td>
<td>Does the nature of the claim or stake have implications for the type of power involved?</td>
<td>What type of power do the parties involve use (if required) to obtain a result?</td>
<td>Do some processes result in the exercise of different types of power?</td>
<td>What effect does the form of connections have on the way power used?</td>
</tr>
<tr>
<td><strong>Parties</strong></td>
<td>Why is the interest or stake worth investing time and effort on?</td>
<td>What is it about the attributes, behaviour, attitudes or beliefs of the parties that makes the issue critical (ie. important enough to engage)?</td>
<td>Are the processes important to the ongoing life (operations) of the parties? Is it central to the decision-making process?</td>
<td>How critical or important do each party regard the connections?</td>
</tr>
<tr>
<td><strong>Processes</strong></td>
<td>How is the interest or stake expressed (cognitive, social or personal)?</td>
<td>What are the epistemological and ontological perspectives of the parties and how do they influence their view of the issue or interest?</td>
<td>Do the processes and procedures affect the opportunity for understanding based on a broad or narrow conceptualisation of rationality?</td>
<td>Does the form of the connection encourage or discourage dialogue rather than egocentric claims?</td>
</tr>
<tr>
<td><strong>Connections</strong></td>
<td>Does the nature of the claim or stake have implications for the type of power involved?</td>
<td>What type of power do the parties involve use (if required) to obtain a result?</td>
<td>Do some processes result in the exercise of different types of power?</td>
<td>What effect does the form of connections have on the way power used?</td>
</tr>
</tbody>
</table>
The second axis (Drivers) represents those aspects of the engagement that affect its outcome. These are ‘Power’, ‘Criticality’ and ‘Rationality’. While the extant literature has focussed on legitimacy as a significant element, the analysis above demonstrates that this is controversial and adds inappropriate complexities. It has therefore not been included.

The proposed conceptualisation provides a very complex but useful framework for the analysis of the involvement of stakeholders in strategic management. It will become the basis of analysis in the empirical research outlined in the next section.

6.7 Conclusions

The essence of this chapter has been to demonstrate that it is counter-productive if not ‘dangerous’ to think of ‘managing stakeholders’ in the purely controlling sense of the term (Harrison and St. John, 1996). Originally, the whole idea was developed in response to a perceived need to understand what is happening in the external world which is exhibiting increasing turbulence. The emphasis was on understanding these complexities through communication, not through unattainable manipulation and control. Achieving full understanding is itself complex and not easy to achieve. However, many scholars have suggested that it may prove to be the most sustainable approach in the longer term.

Like most good ideas, stakeholder theory appears to be deceptively simple (Clarke and Clegg, 1998). However, its application is not only conceptually complex but requires a considerable change in business philosophy and practice. It is not simply a matter of recognising that there are external entities out there that can affect the strategic direction of organisations. This has been known for a long time. Nor is it a matter of determining how to manage these external groups. Until recently, stakeholder research concentrated on classifying individual stakeholder relationships and influence strategies (Vogel, 1978; Davis and Thompson, 1994; Paul and Lindberg, 1992). What isn’t still fully understood is the most appropriate way to engage with them, particularly when the issues appear to be almost intractable. As organisations have learned to engage with individual stakeholders in ways that feel comfortable (through the exercise of formal or economic power), so too do they need to learn how to handle issues that are patently political or ideological in nature. This contribution seeks to clarify how this can be done, in particular by exploring the ‘political’ and ‘dialogical’ aspects of engagement.
Section Conclusion

Creating a Conceptual Framework

This section has sought to establish a conceptual framework for the empirical study that follows. In order to do so it has addressed a wide range of literature covering quality management, organisational theory and stakeholder theory. It is now appropriate to blend it all together.

The research question concerns the way in which a particular agency has dealt with the introduction of a management strategy that was regarded by some stakeholders as being inappropriate. The resulting controversy was of such magnitude that its introduction was eventually stopped and the very existence of the agency was threatened. This led to a number of research questions surrounding the behaviour of those involved in the controversy and the way that management responded. This all happened within a particular context that had created pressures for the focal organisation to adopt many principles and techniques of business management, including those normally associated with the quality management movement.

To address these circumstances it has been necessary to determine what the quality movement has been saying about the management of organisations, the delivery of services and the involvement of various parties in strategic decision-making. This analysis demonstrated that the quality literature has been dominated by a focus on the relationship between various management actions and organisational success. However, those actions did not include any reference to how different groups are involved in the decision. The exception to this is the work that has been done on ‘people’ (staff) in an organisation. Moreover, this analysis also uncovered an emerging theme in the quality literature, one which is attempting to place many of the fundamental ideas and concepts of the movement onto a firmer theoretical basis. This attempt at developing a more theoretical foundation has itself recognised that previous work on management quality had not addressed the issue of how different groups or parties influence the success of an organisation. In response, the theoretical framework developed has become a stakeholder theory of quality management in which the role of stakeholders is made explicit.

This was recognised as being of particular relevance to the research question at hand. Not only was the introduction of third party commercial services seen as having an impact on the success of the focal organisation, but also their very introduction was a challenge to the quality of the management of that organisation. If the strategy was seen to provide the outcomes predicted, then the ability of management to get it introduced was critical to the success of the organisation.

However, a detailed analysis of the emerging theory of quality management revealed that it is based on a number of assumptions about organisations, some of which do not sit comfortably with the stakeholder view that was being proposed. This led the author to review the organisational theory literature to uncover the implications of adopting alternative assumptions. This analysis showed that one’s perception of stakeholder involvement in organisational behaviour is influenced by one’s view of what constitutes an organisation. This suggests a need to reconceptualise the nature of organisations in order to more clearly understand how stakeholder involvement in
organisations can be understood. This challenges the traditional view of organisations as being analogous to an organism that needs to engage with an external environment.

So, armed with an alternative conceptualisation of an organisation as being constituted by its stakeholders, the role that those stakeholders play changes considerably. Instead of stakeholders being obstacles in the external world that the organisation (seen as an organism) exists in, they are in fact part of the very existence of that organisation. It cannot function without them. This means that the organisation (as represented by the executives or management) needs to engage with stakeholders in order to determine mutually acceptable ends and ensure that they are achieved through collective action. Stakeholders, in all their forms, are part of the coalition of interested parties that need to be harnessed for this purpose. They are not external obstacles to be overcome.

This section also argued that engagement with stakeholders is not driven by the achievement of a particular purpose such as maximizing profits for shareholders. As not all organisations do this, any theory of quality management based on stakeholder engagement would not apply to all organisations. Yet the latter is what such a theory is supposed to do.

The commonality amongst organisations is not their purpose but rather the fact that they are constituted by their mutual inter-dependence. They are a social phenomenon that only exist because different social groups come together for mutual benefit. If there were no mutual benefit derived from coming together then individuals would work together through the marketplace.

The complexity of this social phenomenon is demonstrated by the various roles that people can play in this coalition of interested parties. Those who at one time provide labour may at the same time be shareholders, and again they may also be customers. Through this complexity, all organisations are therefore inextricably linked to (indeed are part of) their environment. Engagement with that environment is not to overcome obstacles on the road to satisfying the needs of one group, rather it is to ensure mutual sustainability. In a situation where one group may be both the owners (shareholders) as well as the target of its services (customers), the relationship between the organisation (as represented by management) must change from that of confrontation with all groups on behalf of shareholders to one based on mutual inter-dependence. For organisations to engage with stakeholders as a means to simply achieve the organo-centric ends of one group denies the significance of mutual interdependence in the longer term.

What this section therefore established is that the commonality of organisations is that they are a coalition of interested parties exhibiting a mutual interdependence with the societal framework in which they exist. Any theory that seeks to explain organisational behaviour and suggest ways that management can enhance it success must recognise this. In so far as the stakeholder theory of quality management does this, it shows great potential. However, the section demonstrated that this needs further refinement if it is to achieve acceptance.

Having established the significance of stakeholders in theoretical terms, the final role of the section was to look at how they could be studied empirically. A detailed analysis of the literature showed that the question of stakeholder identity and legitimacy has dominated much of the scholarly debate to this point. Given the
theoretical argument outlined above, the question of legitimacy appeared to be particularly irrelevant. Hence, the final chapter of the section sought to establish a framework that could be used to analyse the way stakeholders are engaged in their mutually dependent role in organisations. This led to a framework that included various components of the stakeholder phenomenon and the various drivers of their mutual inter-dependency. Of particular significance amongst the latter was found to be the political and the dialogic. That is, if stakeholders, organisations and their environment are mutually interdependent then the things that influence this interdependence are the political nature of it and the dialogue that supports it.

The next section takes these drivers and uses them to consider a case where an organisation attempted to drive its stakeholder relationships within a framework that ignored their mutual interdependency. In adopting more ‘business-like’ behaviours its approach to stakeholder engagement took on an organo-centric flavour. The end result of this engagement raises all sorts of issues about the value of the organisation-stakeholder relationship.
SECTION IV
Chapter 7

Research Methodology

Abstract
Given its broad focus, the research question can be described as ‘open’. Such questions require a phenomenological approach. This involves the (re)construction of the created reality through the process of engagement as perceived and experienced by the various stakeholders. Since the research is being conducted within one specific environment, a case study research design is the most appropriate. Hence a critical case with embedded cases is adopted. Different methods are used to collect primarily linguistic data. These data are taken from various sources, either deliberately created or of an ‘historic’ nature. These include official organisational publications, in-depth interviews with approximately 20 different stakeholders and agency staff, letters and editorials in newspapers and submissions to the agency by stakeholders. The data are mainly mediated through the human ‘instrument’ of the researcher rather than through inventories or questionnaires. The role of the researcher within the process of research is to be the primary instrument for data collection, structuring and analysis. This analysis is aided by the use of NUD*IST Vivo, a computer program designed to analyse text data.

In terms of data analysis, a ‘Grounded Theory’ approach is adopted. This method of analysis is designed to develop theoretically informed interpretations of the data rather than mere description. This interpretation involves conceptualising the data and relating the concepts to form a theoretical rendition of the reality uncovered. It involves a set of procedures to develop inductively derived theory about the specific phenomenon under investigation, in this case the involvement of the stakeholders in the process of implementing third party delivery of visitor services in protected areas in Victoria, Australia.

Taken as a whole, the research may be characterised as qualitative as opposed to quantitative. Conclusions and outcomes are derived through an inductive modus operandi. The ‘subjective’ nature of this research and the corresponding limited outcomes is explicitly recognised and discussed. However, given the focus of the thesis a qualitative approach is the most appropriate way of investigating the phenomenon at hand.

7.1 Introduction
The research began with an interest in concessions and the debate around their introduction as a mechanism to deliver visitor services in protected areas. This interest created a number of open questions about the phenomenon, all of which revolved around a clash of values and priorities within a management context. As preliminary investigations ensued, it became increasingly clear that the focus should be on achieving greater theoretical understanding of the way the debate amongst stakeholders evolves, in particular the involvement of, and interaction amongst, the various groups. The individuals and groups in the case under scrutiny were involved
in a process with outcomes that potentially have significant impacts on their lives and relationships. Therefore the research required an approach that would reveal the way this phenomenon (ie. the process of stakeholder involvement in the introduction of third party delivery of services in protected areas) was perceived from the perspective of those involved.

The research focus therefore became one of understanding a particular phenomenon rather than on any form of testing of pre-existing hypothesized relationships. While theory exists to understand and explain what happened, this is insufficiently developed and needs further elaboration. A qualitative/interpretive approach, with its emphasis on uncovering meaning and understanding, was therefore seen as the most appropriate. By adopting this approach, it becomes possible to develop a much clearer understanding of what happened in the particular situation being investigated. In turn, provides an opportunity to reflect on extant theory regarding stakeholders in the management literature. It also provides an opportunity to look at the role of this in the emerging theory of quality management.

This chapter seeks to outline the methodological approach used in the research and the assumptions upon which this is based. It focuses on the researcher’s ontological and epistemological assumptions about reality and knowledge creation as well as the way in which the researcher has approached the collection and analysis of the data. This is essential as the value and contribution of the adopted research strategy cannot be judged in an absolute sense. If one accepts the view of research as a process of engagement (Morgan, 1983), it is incumbent on the researcher to outline the framework used to engage with the phenomenon. This then becomes the basis for evaluating the ‘knowledge claims’ of the ensuing outcomes.

7.2 The Overall Approach

The focus of this research is a social phenomenon which can be approached from a number of different perspectives (Jones, 1983). After considering these, an interpretative approach (Jones, 1983; Morgan, 1983) was accepted as the most appropriate. This section outlines the characteristics of this approach and the reasons for its choice. This is then followed by an analysis of its underlying assumptions. It is at that point that the questions of the nature of reality (ontology) and knowledge (epistemology) are addressed.

The current research could be described, in very simplistic terms, as inherently qualitative. Indeed, some use the term qualitative in the same sense as the term interpretative is used here (Patton, 1990). The qualitative approach is usually contrasted with the quantitative approach which itself is generally identified with the positivistic approach of the natural sciences. Indeed, the qualitative-quantitative dualism is generally the source of great confusion as people associate it with a difference in the type of data being collected. This has led to writers such as (Blaikie, 2000; Halfpenny, 1996; Crotty, 1998; Scott and Usher, 1999) to temper the perceived divide between them except at the level of epistemology and ontology. At this level one is dealing with complex issues and underlying assumptions that go far beyond any question of the characteristics of the data being collected and analysed. It is therefore appropriate to use the labels acceptable at that level of debate and describe this research as adopting an ‘interpretative’ approach.
Several features characterise the interpretative approach to research. The first is that all interpretative research is ‘naturalistic’ in design as there is no attempt to manipulate the research setting. The researcher is concerned with “a naturally occurring event, program, community, relationship or interaction” (Patton, 1990: 41) that was not created artificially for the researcher. Indeed, the point of using this approach is to “understand naturally occurring phenomena in their naturally occurring states” (Patton, 1990: 41). This feature is acknowledged by the use of the term ‘naturalistic’ research as an alternative label for qualitative research. The current research is naturalistic in this sense. There is no attempt to either manipulate the situation or establish some form of artificial relationship for testing purposes.

Secondly, a key feature of interpretative inquiry is the attempt by researchers to “scrutinise at close range, to place themselves in direct contact . . . with the world of those being studied” (Gubrium and Holstein, 1997: 11). According to Lincoln and Guba, (1985) the knower and known are interactive, if not inseparable. This form of inquiry “emphasises the importance of getting close to the people and situations being studied in order to personally understand the realities and minutiae of daily life . . .” (Patton, 1990). By looking closely at social phenomenon, interpretative researchers are able to see what other forms of inquiry may have missed (Gubrium and Holstein, 1997). As will be shown below, in this research it was important for the researcher to be immersed in the focal world in order to understand the phenomenon more closely.

Third, meaning rather than causation is the essential concern of the interpretative approach. The research seeks to interpret and understand the meaning of, or reasons behind, the social action of people as well as the social context of that action. Research is seen as “a process of describing, interpreting and seeking understanding and possibilities in order to reach a shared meaning . . .” (Allen and Kanji, 1998: 3). Researchers are therefore interested in the way different people make sense of their lives. They focus on what the subjects are experiencing, how they interpret this and how they structure their world (Bogdan and Bilik, 1992). Rikson (1986) describes this as being interested in ‘participant perspectives’. The current research focusses directly on the meaning of the phenomenon to those involved in order to generate new interpretations and understandings.

Fourth, Gubrium and Holstein (1997) suggest that interpretative research has a commitment to studying social life in process, as it unfolds. “Seeing people as active agents of their affairs, qualitative inquiry has traditionally focused on how purposeful actors participate in, construct, deeply experience, or imagine their lives” (Gubrium and Holstein, 1997: 12). Outcomes or products are less important to the interpretative researcher than the process by which they were achieved (Bogdan and Biklen, 1992: 31). Indeed, while the current research recognises that the outcome of the activity of stakeholder engagement is part of the stimulus for the research, it is the process involved in the stakeholder engagement that is the focus.

Fifth, interpretative research tends to be characterised by interactional complexity. Problematic uncertainties, anomalies or inconsistencies are not glossed over in the interest of generalisations, patterns or regularities. “The research in many ways mirrors, and is mirrored by, its findings, offering the world as fine grained, variegated, and to some extent, always resistant to comprehensive explanation” (Gubrium and
Holstein, 1997: 13). The current research is characterised in this way. While it seeks to generate theory that contributes to our understanding of organisational behaviour, this theory will acknowledge and champion the complexities involved.

Sixth, interpretative researchers tend to analyse their data inductively. This contrasts with the logico-deductive analysis that usually characterises quantitative or probabilistic research that often involves statistical inference and probability statements. As will be seen below, the use of grounded theory as an analytical process in this research process is distinctly inductive.

Some identify interpretative research with ‘subjective’ studies and contrast this with ‘objective’ quantitative research. However, this is a myth as a quantitative approach is no more (or less) objective than a qualitative one (Morgan, 1983). As Blaikie (2000) points out, all attempts at measuring the social world, whether or not they use numbers, are fundamentally subjective. Objectivity is achieved “through corroboration, replication, and consensus, not by the selection of particular research methods” (Blaikie, 2000: 246). Of course, achieving this ‘objectivity’ is somewhat more difficult when qualitative data is involved. What characterises qualitative research in general, and this piece of research in particular, is its appreciation of the problem of subjectivity. At various stages in the research process a deliberate attempt has been made to address the issue of subjectivist epistemology. More will be said about this below.

Finally, it is important to dismiss one of the greatest confusions generated by the qualitative-quantitative typology. Qualitative research is not restricted to the use of qualitative (i.e. non-statistical) data. Patton (1990) points out that the decision as to whether to use a qualitative or a quantitative approach is a design issue and has nothing to do with what kind of data to collect. Qualitative data can be collected in an experimental design; conversely, quantitative data can be used in naturalistic approaches (Halfpenny, 1996). The current research is predominantly concerned with qualitative data in the form of text and discourse. However, simple statistical records are not eschewed. To avoid confusion derived from the debate over the type of data employed, a number of people describe qualitative research as ‘interpretive inquiry’ (Sarantakos, 1993). It is also sometimes referred to as ‘naturalistic inquiry’ (Guba, 1978). This descriptive terminology reflects a higher order distinction between different forms of research based, not the type of data involved, but on the assumptions underpinning the approach adopted. It is to these that we now turn.

7.3 Supporting Paradigms

As noted above, the research topic lends itself to what Patton calls ‘qualitative inquiry’ (Patton, 1990) but which the author prefers to call ‘interpretive inquiry’. This form of research is based on a set of complex epistemological and ontological perspectives concerning the nature of reality and the objectivity of the knowledge created.

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1 This reflects the fact that there is less agreement on the structures and procedures of qualitative research. Quantitative research, based on a positivist philosophy, has a long history of acknowledged procedures and protocols.
The broad net that contains a researchers’ epistemological, ontological and methodological premises is termed a paradigm (Denzin and Lincoln, 2000). Sarantakos (1993) suggests that each approach to research is supported by paradigms which are “a set of propositions that explain how the world is perceived; it contains a world view, a way of breaking down the complexity of the real world, telling researchers and social scientists what is important, what is legitimate and what is reasonable” (1993: 30).

Patton (1990) has suggested that there are two different and competing inquiry paradigms: positivist and interpretivist. Given its nature, the current research sits comfortably within the latter paradigm. This is best illustrated and justified by contrasting what these two paradigms actually look like.

Cherry (1999) notes that the differences between the two ‘competing’ paradigms identified above reflect significant ontological and epistemological debates. “The fundamental ontological question is whether ‘truth’ or ‘reality’ is something waiting ‘out there’ to be found or revealed by investigative effort (realism), or whether human consciousness ‘creates’ its own reality (nominalism). The related epistemological question is whether knowledge is something objective, to be accumulated independently of the perceptions of any individual observer (as suggested by logical positivism) or something subjective, a product created by the observer. The latter view is the perspective of the anti-positivists, including those who take the interpretative viewpoint” (Cherry, 1999: 54).

Positivists tend to view the world as being independent of the researcher which, according to Bassey (1990), exists “irrespective of people”. That is, truth and meaning reside in the objects of the research and are independent of consciousness (Crotty and Michael, 1998). Moreover, positivists assume that events can be explained by uncovering causal links that are there to be uncovered and understood (Allen and Kanji, 1998). The latter are neither influenced by, nor open to, interpretation by the researcher who should remain aloof and independent of the subject of the research. The objectivity thus created is quantifiable and generalisable to other situations.

In social research, positivists are often associated with the writings of French Philosopher Comte who was hostile to the supposed existence of things that can neither be seen nor heard (Burns, 2000). Comte’s Positive Philosophy, published in 1848, was an attempt to move social research of the time away from explanations based on metaphysical principles and mythical beliefs to those based on ‘scientific evidence’. His theory, known as positivism, has had a lasting impact on social researchers as they moved from speculation to gathering empirical data and the employment of ‘scientific’ methods. Positivism suggests that reality can be perceived through the senses and is independent of human consciousness. Such reality is “objective, rests on order, is governed by strict, natural and unchangeable laws and can be realised through experience” (Sarantakos, 1993: 34). The subject of social research, human beings, are perceived as rational and their behaviour is governed by external causes and social laws. However, this is not absolute. It is acknowledged that the world is not totally deterministic and that effects are produced only “under certain conditions and predictions can be limited by the occurrence of
such conditions” (Sarantakos, 1993 : 35). However, positivists do seek to understand social events and their interconnections so that general laws can be ‘discovered’.

Interpretative researchers, on the other hand, believe that meaning is not ‘out there’ but in the minds of people. Meaning “does not inhere in the object, merely waiting for someone to come upon it” (Crotty, 1998 : 43). “Reality is internally experienced, is socially constructed through interaction and interpreted through the actors, and is based on the definition people attach to it” (Sarantakos, 1993 : 35). Interpretative theorists reject the idea that there is one reality that exists irrespective of the influence of individuals (Allen and Kanji, 1998). The social world in which people live is created by the actors who assign meaning to events. Moreover, interpretative researchers do not seek to establish general laws based on causal relationships between phenomenon. “For most theorists of this school of thought, there are no general laws of a restrictive nature. Despite this, subjective meanings, patterns and regularities of behaviour emerge as a result of social conventions, established through interaction” (Sarantakos, 1993 : 35).

Interpretivist theorists also reject the idea of a theoretical-analytic framework that stands independent of the world of inter-acting individuals. That framework assumes that behaviour can be categorised and analysed within the conceptual elements of some form of theory (Denzin, 1989).

There is no direct correspondence between qualitative research and the interpretative paradigm. As will be demonstrated below, there are some ‘theoretical themes’ within qualitative research that adopt a positivist stance.

The current research is firmly located within the interpretative paradigm. It seeks to understand the meanings that people gave to their involvement in the debate around Parks Victoria’s proposals. There is no attempt to uncover external laws or forces that can be used to explain, and ultimately predict, the actions of people in similar situations. There is no assumption that those involved will be ‘rational’ in the sense of ‘predictable’ and acting in response to external ‘forces’. Instead, the research uncovers the complexities of that involvement and explores the dimensions of individual meanings assigned to their behaviour. It also explores the process of interpreting what the experience constitutes to those individuals. The challenge is to uncover these meanings in order to develop a conceptual and theoretical framework for greater understanding.

7.4 Themes Within Qualitative Research

There are a number of different theoretical perspectives that are associated with the interpretative approach to social enquiry (Gubrium and Holstein, 1997; Jones, 1985). Jacob (1988) has pointed out that major confusion is created by the quantitative-qualitative debate as it establishes the impression that there are only two methodological alternatives. In fact, there are far more (Burrel and Morgan, 1978). Indeed, Gubrium and Holstein (1997) suggest that there is “a virtual medley of approaches” to qualitative research and each has “developed its characteristic assumptions, empirical sensitivities, and research strategies” (1997 : vii). These are classified by Denzin and Lincoln (1998) as positivist and post-positivist, critical, feminist-post structural and constructivist-interpretive. Crotty and Michael (1998)
Chapter 7

classifies them as positivist/post-positivist, interpretivist\(^2\), critical, feminist and post-modern. However, both acknowledge that their classifications are neither exhaustive nor absolute.

In this thesis it is not appropriate to outline each of these individually. What is important is to acknowledge that there are various ways that qualitative or interpretative research can be undertaken. This creates the necessity to outline what particular theoretical theme was adopted in the study at hand, to explain what it entails, and to justify its selection.

Having reviewed the range of perspectives available, the current research adopted an approach that falls within the ‘constructivist-interpretive’ category of Denzin, et. al., (1998) or the ‘interpretivist’ category of Crotty (1998). That is, it assumes a relativist ontology, subjectivist epistemology and naturalistic set of methodological procedures. Within these broad categories, the perspective adopted can best be described as phenomenological.

While the meaning of phenomenology has become confused (Patton, 1990), the focus is the question of “what is the structure and essence of this phenomenon for these people?” (Patton, 1990: 69). Put another way, “researchers in the phenomenological mode attempt to understand the meaning of events to ordinary people in particular situations” (Bogdan & Bilken, 1992: 34).

The aim of research that adopts a phenomenological perspective is primarily ‘understanding’ rather than ‘explaining’. This can be described as discovering the phenomenon in its own terms, being open, letting the thing tell what it is, what its parts are, how they fit together (Seamon, 1982). In particular, it rejects causal explanations of social phenomenon that uses variable-analytic language divorced from everyday life (Denzin, 1989). As this is common to all interpretative research, the issue is what distinguishes phenomenology from other theoretical traditions?

The history of phenomenology can be traced back to the German Philosopher Edmund Husserl (1859-1938) and Sociologist Alfred Schultz (1899-1959). It can also be located in the Weberian tradition that emphasises ‘verstehen’, the interpretive understanding of human interaction (Bogdan & Bilken, 1992). Originally, Husserl described phenomenology as the study of how people describe phenomenon and experience them through their senses.

Over the last few decades, the focus of phenomenological research has been on how we relate to the phenomenon we experience in such a way as to make sense of, or interpret it. In so doing, a basic assumption is that “there is an essence or essences to shared experiences” (Patton, 1990: 70). That is, that the common experience of a phenomenon will lead to shared meanings that are mutually understood. According to Patton (1990), “the assumption of essence . . becomes the defining characteristic of a purely phenomenological study” (Patton, 1990: 70). “Some researchers are misled to think that they are using a phenomenological perspective when they study four teachers and describe their four unique views. A phenomenologist assumes a

\(^2\) Note that Crotty and Michael (1998) uses the term ‘interpretative’ in the same way as others use the term ‘interpretive’. The current author prefers to see the latter as a sub-set of the former.
commonality in those human experiences and must use rigorously the method of bracketing to search for those commonalities” (Eichelberger, 1989 : 6). The focus has therefore become that of understanding the common experience of subjects “from their point of view” (Bogdan and Bilken, 1992 : 34).

However, while mainstream phenomenology may focus on the experiences of the subjects, Crotty and Michael (1998) argue that the focus should be on the phenomenon, not the person’s experience of the phenomenon. This is more in line with the original intention of the early Phenomenologists. The current research adopts this perspective and rejects the idea that the focus of the research is ‘experiencing individuals’. On the contrary, it is a study of the stakeholder consultation process as the immediate object of experience from the perspective of understanding that phenomenon itself, not simply the subjects’ experience of it.

In addition to its distinctive focus on the phenomenon itself, Crotty and Michael (1998) suggests that the approach is also distinguished by the need for the researcher to put aside personal views and look at the phenomenon afresh. He suggests that we need to bracket our current perspectives (developed through a subtle enculturation process) and let the phenomenon speak to us directly. The challenge is to break with our current understandings and to re-interpret the phenomenon. This is because phenomenology has a deep suspicion of the effect of culturally-derived meanings that we hold. “Phenomenology is about saying ‘NO!’ to the meaning system bequeathed to us. It is about setting the meaning system aside. Far from inviting us to explore our everyday meanings as they stand, it calls upon us to put them in abeyance and open ourselves to a phenomena in their stark immediacy to see what emerges for us” (Crotty and Michael, 1998 : 82). What we are seeking is a reinterpretation – “a new meaning, or fuller meaning, or renewed meaning”. It is not “a presuppositionless description of phenomena”. Phenomenology “calls into question what is taken for granted. It is critique and grounds a critical methodology” (Crotty and Michael, 1998: 82).

7.5 Strategy of Analysis

Any interpretative inquiry is “particularly oriented to exploration, discovery and inductive logic” (Patton, 1990). Such analysis begins with specific observations and builds towards general patterns. By contrast, the hypothetical-deductive approach generally involves the specification of variables and establishment of hypotheses before data collection commences. These research hypotheses are based on an explicit theoretical framework that helps to understand specific observations or cases. Inductive designs attempt to understand the multiple inter-relationships that emerge from the data without making prior assumptions or hypotheses. The key question to address is how to undertake the inductive analysis in this research, especially as the thesis attempts to go beyond a description of what happened in order to produce a theoretically informed interpretation of the data.

Blaikie (1993) argues that the inductive form of reasoning has certain deficiencies that need to be addressed when interpretive inquiry seeks to go beyond description. To overcome this, he advocates the use of ‘abduction’ or ‘abductive reasoning’. This involves “constructing theory which is derived from social actors’ language, meanings
and theories, or is grounded in everyday activities” (Blaikie, 1993 : 163). Abduction is the mode of reasoning that will assist the researcher in deriving these theories.

Building on the work of the American Pragmatist Charles Peirce (1934), Blaikie (1993) suggests that neither induction nor deduction can produce any new ideas. In contrast, abductive reasoning involves creating a ‘hypothesis’ that appears to explain what is being observed. Abduction proposes something that may not have been observed or could not be observed directly. In other words, abduction involves a ‘methodical and thoughtful’ process of reasoning and reflection following structured empirical observations.

Blaikie (1993) suggests that the abductive strategy has many layers. At the basic level are the accounts that people give of their actions. These accounts “contain concepts that the participants use to structure their world, and the ‘theories’ they use to account for what goes on” (Blaikie, 1993 : 177). The activity of individuals is usually routine and the meanings and understandings are often only drawn out or considered by individuals when others make enquiries about their behaviour. At this point “social actors are forced consciously to search for or construct meanings and interpretations” (Blaikie, 1993 : 177). The relationship between these meanings and interpretations by the social actors and the concepts and theories of the researcher is a central question in social research. According to Blaikie (1993), abduction is relevant to the process of moving from the lay descriptions of social life to technical descriptions of that social life (Blaikie, 1993).

While acknowledging these concerns, the author was not able to operationalise abductive reasoning to the level that it could become the process of analysis in the current study. However, the generally accepted approach called Grounded Theory (Strauss, 1987) is based on a similar premise and its approach has been well articulated and utilized in a variety of studies. It was therefore adopted as the appropriate method to guide the collection and analysis of the data which is aimed at building theoretical frameworks to explain that data.

Grounded Theory provides systematic guidelines for the collection and analysis of data to build middle range theoretical frameworks (Strauss, 1987). While it provides guidelines regarding the collection of data, these do not specify which data is to be collected. Rather, the grounded theory approach is “a style of doing qualitative analysis that includes a number of distinct features, such as theoretical sampling, and certain methodological guidelines, such as the making of constant comparisons and the use of a coding paradigm, to ensure conceptual development and density” (Strauss, 1987 : 5). The current study adopts a Grounded Theory approach because of its emphasis on the development of theory (Strauss and Corbin, 1990).

Grounded Theory is therefore an approach to the generation of theory that is inductively derived from the study of the phenomenon it represents. According to Strauss and Corbin (1990), it is “discovered, developed, and provisionally verified through systematic data collection and analysis of data pertaining to the phenomenon”
Instead of beginning with a theory and attempting to prove it, this approach begins with an area of study then relevant aspects of theory are allowed to emerge. The findings constitute a theoretical formulation of the reality under investigation. Those utilising this approach, expect that this theory relates to others in the discipline area and that the implications should have useful application.

The significant characteristic of Grounded Theory is that it attempts to generate theory rather than description. Theory involves the grouping of data and the application of conceptual labels that represent interpretation of the data. These concepts are then related through some form of ‘statement of relationship’ (Strauss and Corbin, 1990). This contrasts with description that is simply data organised according to themes and usually comprise a summary or precis of the words that constitute the data. In the latter there is very little interpretation nor attempt to develop a conceptual scheme. The current research is clearly aimed at generating theory rather than description.

Glaser and Strauss (1967) and Glaser (1978), have emphasised the fact that grounded theory meets four criteria for judging the application of a theory to a phenomena: fit, understanding, generality and control. If the theory is consistent with the reality of the substantive area of study and is systematically induced from diverse data then it should fit the substantive area of interest. If it represents that reality faithfully, then it should be understandable to the persons who were studied and those working in the substantive area. If the resultant theory is based on extensive data, and the analysis is comprehensive and conceptually broad, then it should be sufficiently abstract to allow it to be applied to the focal phenomenon in a variety of contexts. Finally, control is derived from the fact that the proposed relationships among the concepts are systematically derived from data related to the particular phenomenon. The conditions under which the theory applies to this phenomenon are thereby spelled out clearly.

Given this emphasis, some researchers have criticised grounded theory because of the subtle positivistic overtones of the approach as described by the original proponents. As noted by Charmaz (2000), the stance adopted by Strauss and Corbin (1990, 1998) assumes “an objective, external reality, aims towards unbiased data collection, proposes a set of technical procedures, and espouses verification” (2000 : 510). However, these researchers do seek to present the views of respondents accurately and recognise how those views may differ with their own. Having pointed to this issue, Charmaz (2000) suggests that this should not stop its use in research that adopts a more interpretative epistemology and ontology. Indeed, she suggests that “the power of grounded theory lies in its tools for understanding empirical worlds” and calls for “a more open-ended practice of grounded theory that stresses its emergent, constructivist elements” (Charmann, 2000 : 510). Indeed, she proposes a ‘constructivist approach’ to grounded theory.

This supports the current use of grounded theory as a flexible, heuristic strategy to analyse the data in such a manner as to generate theory rather than mere description. Whether this needs to be called a ‘constructivist’ approach to grounded theory is not at issue. What Charmaz (200) has done, is to demonstrate that it is a useful analytic tool for research that is undertaken within a range of perspectives, including the one adopted here.
Chapter 7

The research question is focused on a particular case where the phenomenon occurred. As will be noted below, this case is a particularly unusual one where the organisation concerned had to change its strategy completely because of the actions of stakeholders. This makes it particularly illuminating and ripe for the generation of new theoretical insights. Before explaining this further, it is appropriate to outline why the chosen research strategy should not be described as a case study approach. Instead, the case is the site for the application of the chosen grounded theory approach.

7.6 The Case

Yin (1984) defines a case study as “an empirical inquiry that investigates a contemporary phenomenon within its real-life context; hence the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used”. Yin sees the case study as a research strategy of the same order as experiments, surveys, archival analysis and histories (Eisenhardt, 1989; Patton, 1990) and suggests certain criteria for its use. He goes on to suggest that “case studies are the preferred strategy when ‘how’ or ‘why’ questions are being posed, when the investigator has little control over events, and when the focus is on a contemporary phenomenon within some real-life context” (Yin, 1984 : 13).

This view of case studies is not held universally. For example, Crotty and Michael (1998) regards a case study as one form of data collection method of the same order as participant observation, life histories, interviewing, etc. These are the “concrete techniques or procedures we plan to use” (Crotty and Michael, 1998 : 6).

While the research questions posed in the current study meet Yin’s criteria, the case is not used in his sense of the term. Instead, it is used to establish a specific context for the phenomenon of interest. It provides a convenient framework for the analysis of the way in which stakeholders were involved in the development and implementation of a controversial management strategy in a major organisation.

The current research utilises a case because it provides an opportunity to both analyse the specific situation and to develop an understanding of the patterns and complexities that may be relevant to theory building and refinement. In this sense, the study would be classified by Stake (1994) as an “instrumental” case study in that the particular case “is examined to provide insight into an issue or refinement of theory” (Stake, 1994 : 237). Stake (1994) goes on to suggest that in such studies the case is of secondary interest: “it plays a supportive role, facilitating our understanding of something else” (Stake, 1994 : 237). In doing the latter, however, the value of understanding the particular should not be lost as this is itself a legitimate research activity. The author has therefore sought to ensure that in using the case to examine and refine theory, the essence of the case is not lost in the process.

A number of scholars have recognised the value of case studies for theory building as long as that purpose is explicit (Frooman, 1999; Harrison and Freeman, 1999). Winn (2001) suggests that purpose exists when there is intentional and integrated design, and explicit research focus, structure with intentional flexibility and it is conducted in a disciplined manner. The current study conforms to these requirements with the data
collection being explicit, transparent and analytically accountable. Having said this, the iterative nature of the research – data gathering, analysis, further data analysis and reanalysis – cannot be denied. However, this is typically the situation with much interpretative research.

The specific case that provides the context for the research is the activities of Parks Victoria, an organisation responsible for managing parks and protected areas within the state of Victoria, Australia. The choice of a single, rather than a multiple case, can be justified on the basis that Parks Victoria represents a ‘critical case’ and a ‘revelatory case’ (Yin, 1984). According to Pettigrew (1988) it makes sense to choose cases that represent extreme cases and polar types in which the process of interest is ‘transparently observable’ (Pettigrew, 1988).

Parks Victoria, more than any other park management agency in Australia, has attempted to address the issues associated with the introduction of concessions as a specific form of service delivery. As was pointed out in Chapter 2, this agency got to the point where a number of specific proposals were developed and adopted as part of an overall strategy. Given the controversial nature of these proposals, the involvement of stakeholders was inevitable, intense and extremely illuminating of the processes of involvement. In line with Winn (2001), focusing on what she calls “conflict-ridden issues” can provide a very fertile area for research that seeks to generate theory.

**TABLE 7-1: Embedded Cases and Criteria for Selection**

<table>
<thead>
<tr>
<th>Protected Area</th>
<th>Proposal</th>
<th>Criteria for Selection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wilsons Promontory National Park</td>
<td>To develop a major 5 star hotel, accommodated walking tours and group hostel</td>
<td>• Major controversy erupted.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Intensive involvement by the media.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Regarded as particularly symbolic by most stakeholders</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Personal involvement in controversy</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Several proposals rolled into one.</td>
</tr>
<tr>
<td>Port Campbell National Park</td>
<td>To develop a major 5 star hotel and associated tourism facilities</td>
<td>• Major controversy erupted.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Specific planning issues involved.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Strong local community involvement.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Strong tourism industry involvement.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Proposal defeated without major media involvement.</td>
</tr>
<tr>
<td>Seal Rocks</td>
<td>To develop a tourist attraction based on a seal colony. Included interpretive centre, thematic ride and ‘up-market’ restaurant.</td>
<td>• Major controversy erupted.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Proposal went ahead despite objections but eventually returned to public ownership.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Specific planning issues involved.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Strong local community involvement.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Strong international tourism industry involvement</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Major media involvement.</td>
</tr>
</tbody>
</table>
Secondly, Parks Victoria is a ‘hybrid’ organisation that, while public in ownership and control, was meant to operate as a private corporation providing services to a government department. No other park management agency in the country was established or operated in quite the same way (see chapter 2). This unusual structural form provides an opportunity to investigate stakeholder involvement in an organisational type that is not usually the subject of research.

Parks Victoria is also a suitable subject for analysis as its recent establishment and subsequent structural change provides a specific start and end to the analysis. The organisation was established in 1996 and worked under the broad political direction of a relatively interventionist government that was attempting to introduce change in many aspects of public life, including the way parks were managed. The removal of this government from office, and the subsequent changes in the structure and operation of the agency itself, provides a convenient end point to the analysis period. Respondents are able to reflect on the phenomenon within a context and period that is clear and readily identifiable. The fact that circumstances have subsequently changed should provide an opportunity for respondent reflection and analysis that may not have been possible if the same political framework existed today.

Finally, Parks Victoria can be regarded as a ‘revelatory case’ (Yin, 1984) in that the author had the opportunity to access information that would not normally be available to researchers. Because of his involvement in a number of aspects of the issue over a considerable period of time, certain data and access to relevant people were possible. Yin (1984) suggests that the availability of relevant phenomenon previously inaccessible to scientists, can “justify the use of a single-case study on the grounds of its revelatory nature” (Yin, 1984: 49).

Having described it as a single case, it includes three embedded case studies. These embedded cases are the individual concessions that provide the prime focus of the investigation. That is, it is the development and attempted implementation of the specific concessions that provide the opportunity toanalyse the involvement of stakeholders. The selection of the embedded case studies was based on a number of criteria including the significance of the proposal at the state level, the outcomes achieved, the accessibility of the information and the level of involvement of stakeholders.

The embedded cases selected are outlined in Table 7-1 along with the criteria for selection. They not only provide coverage of the major proposals introduced during the period, but they each have particular characteristics that make them distinctive.

Despite the existence of these embedded cases, the focus of the study remains with the larger unit of analysis, viz. Parks Victoria. The embedded cases are examples of the manner in which the organisation implemented strategy and the involvement of stakeholders in that process. The embedded cases provide an opportunity to identify specific stakeholders and to use their experiences to understand the dynamics of the relationship that developed between them and the Parks Victoria.
7.7 Data Collection Methods

The data collection methods used in the research are interviewing, the analysis of official and public documents, a review of the media and an analysis of agency files and stakeholder submissions. It must be re-emphasised that the focus of the research is to understand the process of stakeholder involvement not the specific positions held by the various stakeholders.

7.7.1 Sampling

In line with the procedures of Grounded Theory, the sampling procedure was designed to identify, develop and relate concepts. In other words, the decision about what data to collect next and where to find it is made on analytic grounds (Strauss, 1987). This approach – termed ‘Theoretical Sampling’ – involves sampling on the basis of concepts that have proven theoretical relevance to the evolving theory (Strauss and Corbin, 1990). Proven theoretical relevance means that the particular concepts are either repeatedly present or notably absent when incident after incident is compared. The objective is to sample what action or inaction respondents undertook regarding the phenomenon, what was the range of conditions that gave rise to that action/inaction, and what were the resultant consequences. Stating this more concisely, “the process of data collection is controlled by the emerging theory” (Strauss, 1987: 39: emphasis in the original).

In the current study this involved identifying those who were involved in the stakeholder consultation process interviewing them then reviewing the associated written comments or published materials in order to add density to the emerging conceptual framework. This was done in three separate stages.

The aim of the first stage was to interview people and review written material that would help to uncover as many relevant concepts as possible. Those selected for interview were able to provide a broad overview of the whole situation and were easily accessible. A deliberate attempt was made to be as open as possible to identify potentially relevant data. This would help to elucidate the phenomenon in conceptual terms. While consistency was maintained by the use of an interview schedule, this was used more as a framework for discussion rather than a restriction on the direction of interviews. The material gathered was analysed by identifying concepts through the process of identifying categories and sub-categories.

In the second stage, sampling continues to be based on theoretically relevant concepts but the focus is more specifically on the categories and subcategories that were uncovered under the open coding stage. Strauss and Corbin (1990) call this the process of relational and variation sampling. The aim was to find variation and process with reference to these categories and, in particular, to uncover and validate relationships between the categories. Once statements of relationships were proposed, sampling focussed on determining whether those relationships held up. The search was for further instances of incidents that indicated differences and changes in conditions, context, interaction and consequences. In particular an attempt was made to find as many differences as possible in the dimensions of the data. This involved deductively hypothesizing about possible relationships and the differences that could occur if the dimensions of the properties were varied. This involved purposefully
selecting persons and documents that would maximise opportunities for eliciting the most appropriate data. Given the researcher’s knowledge of the field and people involved, this proved to be easier than expected. This knowledge helped to keep the focus of selection on the basis of theoretical relevance.

The third stage involved what Strauss and Corbin (1990) call ‘discriminate sampling’. This reflects the very directed and deliberate nature of this form of coding where conscious choices are made about who or what to sample. The selection was made on the basis of verifying the relationships between the categories and for further developing those categories that had been poorly developed. This involved the re-interview of some people, the identification of further written submissions and the review of previously analysed documents and interview records. This was continued until the researcher was convinced that theoretical saturation of each concept had been reached.

### 7.7.2 Interviewing

Unstructured interviews were conducted with 19 people involved in the cases under investigation. This involvement varied from that of the most senior manager within Parks Victoria with direct responsibility for implementing the strategy, through other officers in the organisation and related organisations, to a number of people who held positions in other stakeholder groups. The details of those interviewed and their role is outlined in Table 7-2.

In the case of Parks Victoria personnel, the author identified the key players associated with the introduction of the policy. These were all informed about the purpose and objective of the research and their agreement to be interviewed sought. A number of those interviewed were worried about the purpose of the research with some expressing concern that it may have implications for their future role in the agency. Those who held these fears were assured of the purpose of the research and promised that their identities would not be revealed. This seemed to overcome the problems as none refused. In the case of concessions, the managers and/or owners of the development were interviewed. In the case of other stakeholders, the primary issue facing the researcher was that of identifying who they were and their significance in terms of providing theoretical insights.

As the interviews were being conducted, additional potential interviewees were identified in line with the theoretical sampling procedures outlined above. These were subsequently followed up.

Each interview lasted for approximately one hour and was recorded and transcribed. According to Bowden (1994) the “style of the phenomenographic interview is non-directive except with respect to ‘leading’ the interviewee to focus on pre-determined content in particular contexts” (1994 : 17). In this research, the early interviews were directed by the use of an interview schedule which outlined broad areas or topics to be covered. These were not in the form of specific questions but general points that would focus the discussion and lead to some consistency between interviews. A copy of the interview schedule is provided in Appendix A. No attempt was made to constrain the interviewee who wanted to talk about issues that were not on the schedule. This often proved to be very valuable as issues and ideas were raised that
were not contemplated beforehand. This is in line with the Grounded Theory approach. The initial questions or areas for discussion are derived from literature or experience and provide a beginning focus (Strauss and Corbin, 1990).

As data collection proceeded, these initial guides became less relevant in order to encourage an increase in the range and amount of data being collected. This is necessary to achieve the density and variation of concepts that become the essence of Grounded Theory.

7.7.3 Analysis of Official Documents

Official documents published by Parks Victoria and other government agencies and by stakeholder groups were gathered and analysed. These included:
- Planning documents
- Annual Reports 1996-2002
- Procedure manuals
- Internal reports
- Agency Files
- Advisory Council Reports

7.7.4 Review of Items in the Media

A search was made of electronic databases to identify articles that were written in the print media throughout the controversy. In this process xx letters to the Editor were also discovered and used as data. The latter is a common means by which stakeholders express their views to a wide audience.

The newspapers covered included *The Age*, *The Melbourne Herald Sun*, *The Sydney Morning Herald*, and the *Financial Review*. In each case the type of entry (article, editorial, advertisement or letter) was recorded as was the author and publication. A total of xx were identified and analysed using the procedures outlined in Section xx.

7.7.5 Review of Stakeholder Submissions

During the consultation process, calls for submissions on the strategy were made by Parks Victoria. This resulted in 3,400 written submissions being received within the consultation period. Access to these submissions was granted by the current Minister of Natural Resources and Environment.

These submissions were of varying length and form. Some were simply a paragraph or two; others were serious reports prepared by consultants engaged by organised stakeholders; still others were in the form of petitions. As part of the process each submission had been analysed by a team of Officers working in Parks Victoria. The results of this analysis was also analysed as this was regarded as data that would provide particularly valuable insights.

7.8 Rigour and Credibility

While there is increasing use made of interpretive and naturalistic forms of enquiry, there are still no universally agreed criteria regarding what constitutes ‘good’ research
along the lines that one can point to in quantitative research (i.e. internal and external validity, reliability and objectivity). However, the goal of both approaches is essentially the same – the identification of clear and consistent patterns of phenomena using a systematic, transparent process (Marshall and Rossman, 1989). Most authorities agree with Lincoln and Guba (1985) who suggest that trustworthiness in interpretative research is best achieved by attention to the criteria of credibility, transferability, dependability and confirmability.

Credibility is generally established by the maintenance of a chain of evidence and multiple data sources. In terms of the latter, confidence in the knowledge generated through the data collection process came through the use of what Dick (1992) calls ‘dialectic’ - working with multiple information sources which are preferably independent of each other. This is similar to the concept of ‘triangulation’ (Jick, 1979). The objective is to use “similarities and differences in the data from different data sources to increase the rigour of the progress” (Cherry, 1998).

The use of the four sources outlined above ensures that the phenomenon is analysed from different perspectives. While the primary source of data is the extended interviews with agency executives and selected stakeholders, the detailed content analysis of official documents and written submissions, letters to the editor and other media collateral ensures the validity of the findings. The aim is to confirm that the material obtained through either approach is substantiated, or at least does not contradict, that obtained through an alternative method of data collection. For example, if an interviewee suggests that the time frame for submissions was x period (and that it was a significant issue), then this needs to be verified by the analysis of official documents. If it is proven to be untrue, this does not necessarily suggest a problem of memory, but rather it may alert the researcher to the role of perception versus reality in the mind of the interviewee.

Transferability in this research refers to the analytic generalisability to theory rather than to the more common statistical generalizations (Lamberg, Savage and Pajunen, 2003, Yin, 1994). This is assured by the match between the relevant theory and the particular case being researched. The relevance of the case to the key conceptual issues surrounding stakeholder theory with a quality management framework was established above. The theoretical argument linking the recent work concerning a stakeholder perspective on quality in private organisations to all organisations (see Chapter 5) has demonstrated the significant contribution that this analysis can make. While there are clearly differences between the two types of organisations, it was argued that in terms of the achievement of strategic organisational objectives, the role of stakeholders is similar in both. Hence it is appropriate to generate theory about all types of organisations by analyzing a case concerning a public sector organisation (albeit one that was seeking to operate on business principles).

Finally, dependability and confirmability are concerned with the precision of the data and their interpretation. In line with the recommendations of Winn, 2001 #1001: 142, techniques that have been used to enhance these are pattern matching, evidence building and inquiry audits. The result has been the maintenance of transparent, explicit and retrievable records and the explicit use of research protocols (including interview protocols, coding schemes, etc.) (Yin, 1994).
7.9 Researcher Involvement

One issue that needs to be clarified is the role of the researcher in the case itself. This should both illuminate the source of interest in the research and alleviate concerns regarding impartiality and bias.

Plummer (1983:102) identifies three main sources of bias in social research: from the subjects themselves, from the researcher and from the researcher-subject interaction. However, he makes the point that:

“To purge research of all these sources of bias’ is to purge research of human life. It presumes that a ‘real’ truth may be obtained once all these biases have been removed. Yet to do this, the ideal situation would involve a researcher without a face to give off feelings, a subject with clear and total knowledge unshaped by the situation, a neutral setting and so forth. Any ‘truth’ found in such a disembodied, neutralised context must be very odd indeed. It is precisely through these sources of bias that a ‘truth’ comes to be established. The task of the researcher is not to nullify these variables, but to be aware of, describe publicly and suggest how these have assembled a specific truth.”

Awareness that the direct involvement of the researcher in the process has the potential to introduce bias resulted in extra efforts to remain impartial. This involved engagement in several ‘sides’ of the controversy, including those promoting the issue and those opposing it. Unfortunately, the researcher had no direct involvement within the agency. However, as a former employee of its predecessor, the researcher has many personal contacts and relationships that enabled him to confidently understand where the agency was coming from. Moreover, the researcher’s involvement in a consultancy project that was initiated by the controversy demonstrated a capacity to adopt a detached perspective. On the other hand, by being involved in the controversy in this multi-faceted manner enabled greater insights into the whole issue.

The researcher’s involvement also took the form of becoming a member of the Victorian Employers Chamber of Commerce and Industry (VECCI) subcommittee on Tourism, Hospitality and Leisure. This was composed of many of the senior people from key tourism enterprises and agencies within the state. This Committee was also a lobby group that had, inter alia, been instrumental in advocating the development of tourism infrastructure on public land. As a member of this group from 1998, the researcher developed an understanding of the views of people advocating such developments, their perspective on tourism and economic development in general, and their broader world view. Moreover, it gave access to many of the essential decision-makers that were involved in concession development and opened doors that would not have been otherwise possible.

Members were aware of the research being undertaken and expressed no concerns regarding the use of material gathered through membership of the Committee. Copious notes were taken at all meetings when the issue of concessions and tourism infrastructure development on public land was discussed. In addition, a record of reflections on the views and issues raised was maintained in the form described by (Maanen, 1988) as ‘field notes’. These are an on-going ‘stream-of-consciousness
commentary’ about what is happening in the research, where the focus is always on ‘what am I learning?’.

Given the researcher’s lack of experience in the world of commercial developments, the opportunity to engage with people in this way provided an extremely valuable way of understanding the issues involved. At all times, the researcher was aware of the possibility of introducing bias into the study through this involvement. Great care was taken to retain objectivity and impartiality. The focus was on the mechanisms used by the actors to address the issue of concern, not on the rights or wrongs of the issue itself.

Finally, the researcher was engaged by one of the key stakeholders to write a submission opposing one of the developments included as an embedded case study. This involved an analysis of the arguments presented by the proponents and contributions to an extensive report outlining reasons why it should not go ahead. This provided an opportunity to engage with one group that was bitterly opposed to the proposed developments and understand their concerns with the process. Once again, a record of involvement was maintained.

In summary, it is asserted that the involvement of the researcher in all sides of the focal issue provides confidence that the researcher’s bias, while never able to be eliminated, was brought to the surface and ameliorated. Indeed, [Strauss, 1987] promotes the value of personal experience of the type referred to. He regards such ‘experiential data’ as essential data because it adds to the theoretical sensitivity and produces “a wealth of provisional suggestions for making comparisons, finding variations, and sampling widely on theoretical grounds” (1987: 11).

### 7.10 Data Analysis

The data analysis phase of the research ran alongside the data collection phase. This was a deliberate strategy based on recommendations by Eisenhardt (1989), Miles and Huberman (1984), Strauss (1987) and others. This enables the researcher to take advantage of flexible data collection involving the freedom to make adjustments during the data collection process. According to Eisenhardt (1989), this freedom is a key feature of theory building case research and enables adjustments to data collection instruments, to add data sources, and even add cases as their relevance becomes clear. This temporal feature is a distinct characteristic of the Grounded Theory approach that was adopted.

As a method of data collection and analysis, Grounded Theory uses a systematic set of procedures to develop an inductively derived theory about a phenomenon (Strauss and Corbin, 1990). It is not really a specific method or technique, but rather a “style of doing qualitative analysis” (Strauss, 1987 : 5). The aim is to develop many concepts and their linkages in order to capture a great deal of variation in the phenomenon under study. This method of analysis was most closely adhered to in the analysis of submissions in the Wilsons Promontory National Park case. It was a particularly valuable way of developing a theoretically rich understanding of the major types of argument that was being presented. The process was theoretically informed by the work of Habermas.
It is appropriate to provide only the barest outline of the procedure as this is well documented elsewhere (Strauss, 1987; Strauss and Corbin, 1990). The process of analysis involves at least three stages: open coding, axial coding and selective coding.

The open coding stage involves the naming and categorising phenomena through the close examination of each submission. This involves breaking the comments down into discreet parts, examining it closely and comparing it for similarities and differences. The objective was to conceptualise the data rather than simply provide a summary or description of it. This conceptualised data was used to generate categories that represent a grouping of concepts that appear to relate to the same phenomena or argument. These concepts have ‘conceptual power’ because they integrate other groups of concepts or sub-categories (Strauss and Corbin, 1990). These categories are then developed in terms of their properties and dimensions.

The stage of axial coding involves the use of a coding paradigm to link each category, identified through axial coding, to its sub-categories in a set of relationships. This provided a framework to think about the data systematically yet relate them to each other in complex ways.

The final stage of selective coding involves the integration of the categories to generate a theoretical understanding of what stakeholders were saying through their submissions. This form of integration is similar to that involved in axial coding, but it is conducted at a higher level of abstraction. It involved a number of steps including, but not limited to, relating categories around a core category, relating categories at the dimensional level and validating those relationships against data (Strauss and Corbin, 1990). The latter results in statements regarding category relationships under various contextual conditions and narratively laid out as theory.

In order to undertake the analysis the QSR NUD*IST Vivo (NVivo) software package was used. This proved to be a very valuable way of understanding linkages and maintaining a record of the thought patterns that had occurred during the process.

**7.11 Conclusion**

This chapter has laid out the methodology used in the empirical study that is outlined in the next three chapters. It has been argued that the approach adopted is firmly based in the interpretive paradigm and its validity needs to be judged accordingly. The objective is to both provide a description of what happened and – more importantly- to develop a theoretical understanding of what this tells us about the phenomenon of stakeholder engagement and its role in the emerging theory of quality management.

The next chapter provides a description of what happened in the three embedded cases. Clarifying the actors and the timelines helped the analysis which followed as opinions and recollections could be checked against the factual details that had been obtained. The following two chapters provide an analysis of the phenomenon from the perspective of the political and dialogic. These perspectives were derived from the conceptual model developed in Chapter 6 above.
Chapter 8

Strategy Reality: The Reality of Introducing Concessions

Abstract
This chapter provides a description of what happened in each of the three nested cases where the strategy of third party delivery of visitor services through a privatized concession arrangement were first implemented. It begins by pointing out that Parks Victoria and its predecessor agencies had had extensive experience conducting stakeholder consultations over a long period of time. What happened in the three cases under review was technically very similar to what had happened in many previous cases. However, the reaction was quite different.

The chapter describes the sequence of events in each case so that the analysis undertaken in the next two chapters can be more readily understood. The evidence that supports this description is derived from a variety of sources including newspaper articles, interviews with many people involved, a review of public documents and the analysis of agency files.

8.1 Introduction

While there are many aspects of the introduction of third party delivery of visitor services within protected areas in Victoria that could be looked at, the focus of this research is the controversy that surrounded their introduction. This is particularly interesting as the agency concerned – Parks Victoria and its predecessors – had a history of consulting its constituents about most of its management decisions. As a public sector agency, it had considerable experience in consultation processes and procedures. It is therefore particularly intriguing to look at why the introduction of this proposal (or it could be regarded as a set of proposals) was so controversial and why, in the end, the agency had to abandon its plans.

This chapter seeks to provide a description of what happened so that the reader may gain a sense of the timelines and players involved. This is part of what Winn (2000) describes as identifying critical events and stakeholders. Once this is completely documented and a narrative of events generated, the basis for the more detailed analysis of the next two chapters will have been established.

8.2 The Consultation Process

Parks Victoria, and its predecessor organisations, had a relatively extensive planning and public consultation program. Legislation required that each park or reserve must have a management plan which outlines the way in which it is to be managed and any developments that are considered to be appropriate. The planning process requires consultation with interested parties through a variety of mechanisms, including surveys, public meetings, calls for public submissions, etc. Interested parties have an opportunity to put forward their views and these are generally taken into account in the finalisation of a plan.
The technical details of the processes involved in the cases described herein were not particularly different to those which had come before. Advertisements were placed in the national and local newspapers calling for comments on the draft plans of management for each area. This is what makes the reaction so interesting.

The strategy to utilise third party commercial concessions to deliver visitor services within the protected area system within Victoria appears to have resulted from the juxtaposition of two linked factors. On the one hand, the culture of the Melbourne Parks and Waterways with its emphasis on the instrumental role of parks and reserves was amenable to such a strategy. On the other, the election of a ‘can-do’ government with a focus on economic development and a strong liberal, individualistic political philosophy promoted privatisation as the solution to the perceived malaise of the state.

As outlined in Chapter 2, Parks Victoria was created as an amalgamation of the former National Parks Service and the Melbourne Parks and Waterways. As most of the senior positions went to executives of the latter organisation, management exhibited a culture that emphasised use and visitor activity in parks. This was reflected in the motto of the organisations: ‘Parks are for People’. Given its origins as an engineering-oriented government water and sewerage department, such a perspective was understandable. While it has been separated from that authority for 3 years, the pervasiveness of the instrumentalist perspective within Melbourne Parks and Waterways was acknowledged by respondents:

“The key role of the park manager is to manage visitor impact, ensure the safety of visitors, and provide a basic level of service” (R1).

Concessions, and in particular infrastructure development, had been trialled in metropolitan parks during the early 1990s. This had arisen following research that the agency had undertaken to try to understand what services users value and what such services would cost. The major controversy, which is the focus of this research, arose when an attempt was made to apply this management strategy to protected areas outside the urban areas of the state.

The strategy was to change the way in which visitor services were to be delivered in protected areas within the state. With the prospect of a new organisation being established to manage protected areas throughout the whole of the state, the extension of the strategy to national parks and other non-metropolitan parks was logical.

**8.3 Details of the Strategy Implementation**

There are a number of examples where the strategy was to be implemented. These included Wilsons Promontory National Park, Seal Rocks on Phillip Island, Port Campbell National Park and in a number of lighthouses around the state. The strategy was employed in slightly different ways in each of these examples and, as will be demonstrated, with different degrees of success. Although the primary focus is on the Wilsons Promontory National Park case, it is important to see this in context as it indicates the extent of the strategy change that was occurring at that time.
8.3.1 Wilsons Promontory National Park

This is regarded as Victoria’s premier park in that it is the most well known, has high visitation levels and is where many Victorians have spent their summer holidays or visited as part of a school excursion. It covers 50,380 hectares comprising a major promontory and its off-shore islands in the southeast of the state. Most of Wilsons Promontory has been reserved as a national park since 1905 following its temporary reservation in 1898.

Following extensive research and analysis, the Land Conservation Council\(^1\) had identified the special values of the park as follows:

“Wilsons Promontory is of national importance for nature conservation. It has a wide variety of vegetation types that support a correspondingly diverse fauna, it is well protected geographically and relatively unaffected by European settlement, it is extensive enough to include areas for concentrated recreation as well as conservation, it is scenically superb with one of the most impressive granitic landscapes in Australia, and the aims of management are widely identified and appreciated by the public.”


Its conservation value has been recognized by its inclusion on the Australian Register of the National Estate under the Heritage Commission Act and by its designation as a Biosphere Reserve under the United Nations Man and the Biosphere Program.

The park is recognized as a valuable recreation resource with major opportunities for sightseeing, walking, camping, surfing, nature study, photography and relaxing. The settlement of Tidal River, located approximately 30 km inside the park boundary is the focal point for visitors and provides a range of accommodation and other visitor facilities.

The park has been the subject of many plans and strategies since its reservation. These plans are designed to provide a guide for managers in that they establish strategic directions within which day to day management decisions are made. The plan that immediately preceded the one under consideration was published in June 1987 following extensive consultation and consideration of a draft published in January 1986. That draft had generated a total of 134 written submissions referring to 51 different issues. The majority of those submissions concerned boat launching and other activities around Tidal River. Most were supportive of the general strategies and sought minor changes at the detailed management level.

The 1987 Plan acknowledged that over the years there had been many proposals for visitor services and facilities including powered caravan sites, a major hotel and convention centre, serviced motel-style accommodation and sporting facilities including a golf course. The plan concluded that “these developments would use the park only as a back-drop to associated activities, and would therefore be more

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1 The Land Conservation Council had been set up two decades earlier to identify appropriate use and management regimes for public land within the state. It had identified public land which was to be reserved as national, state or other parks.
appropriately located outside the park” (Conservation, Forests and Lands, 1987: 34) and they could have “serious impacts on the natural environment”. One of the ‘strategic conclusions’ specifically referred to increased development: “Intensive forms of development such as hotels and conference centres, although potentially viable, are not appropriate in the park” (Conservation, Forests and Lands, 1987: 34).

The change in strategy for the park was outlined in two plans of management released in October 1996 – one for the park as a whole and one for the settlement of Tidal River. The *Wilsons Promontory National Park Draft Management Plan* summarised the major strategies for the park as

- “Adopting a more systematic approach to ecological management . . .
- Developing a new long-distance walking trail . . . and new nature trails, day walks and visitor facilities;
- Extensive refurbishing of Tidal River village to provide enhanced visitor services and facilities . . ;
- Establishing Wilsons Promontory National Park as a ‘Centre of Excellence’ for research . . ; and
- Implementing a Visitor Services, Interpretation and Education Plan.”

(Natural Resources and Environment, 1996a; v)

This plan was designed to be read in conjunction with the *Tidal River Master Plan* (Natural Resources and Environment, 1996b) which outlined the way the strategy
would be implemented in the major visitor area within the park. This plan is described as being “deliberately strategic and non-prescriptive so that the future direction for Tidal River can be clearly recognized and pursued, and can be adapted to changing circumstances” (Natural Resources and Environment, 1996b: 2).

While the plan included many proposals, the focus of this research is those proposals referring to visitor services and facilities. The major thrust was to reduce the emphasis on camping and increase the opportunity to stay in roofed accommodation. The argument presented was that while the most popular activity was camping, the sites were only used for 15% of the year. This compared with an occupancy level in excess of 85% for roofed accommodation “with demand exceeding capacity for much of the year” (Natural Resources and Environment, 1996b: 13). The “lack of serviced accommodation and the need to self-cater in all current accommodation are impediments for some visitor categories, particularly interstate, internationals and domestic tourers who are in transit” (Natural Resources and Environment, 1996b: 13).

The solution included the development of further roofed accommodation, including a proposal to “investigate the feasibility of a fully serviced lodge of three- to four- (star) standard” and the development of an overnight lodge “for clients of guided walking operations in the park and the lighthouse reserve” (Natural Resources and Environment, 1996b: 13). The fully serviced lodge proposal was to be based on a set of principles outlined as an appendix to the plan. These principles emphasised that it was “one of a range of accommodation types” designed to “change the mix of overnight facilities from camping to roofed accommodation, improving the appeal of the area outside summer” (Natural Resources and Environment, 1996b: 22). The principles also outlined the proposed market for the services, its location and its scale and functional elements. The latter specified “fully serviced accommodation of around three-to four-star standard . . . restaurant/coffee shop . . . souvenir shop/tour booking desk . . . (and a) . . . tour/education program” (Natural Resources and Environment, 1996b: 22). No detailed principles were established for the overnight lodge for walking groups. More significantly, no reference was made to the ownership structure of the “fully serviced lodge” or the “overnight lodge”, although the latter was clearly seen to be part a plan to introduce commercial walking operations that were at that stage the subject of an ‘Expression of Interest’ process.

The latter had already occurred without being undertaken within the framework of any plan of management. Ken Latona, the preferred tenderer, was quoted in a newspaper article published on November 9th, 1996 (after the draft plan had been released for public comment) as saying that he had “tendered for the right to run commercial walking tours – and build new huts – along the Prom’s lighthouse track. The business could involve accommodation at the lighthouse . . .” (NA9.09.11.96). This was confirmed in documents released in June 1999 under the Freedom of Information Act (see below). His proposal included a requirement for vehicle access to the lighthouse, private accommodation at Half-Way Hut and in Tidal River, and other facilities to accommodate commercial bushwalking tours. This included a request for a 21 year lease which was far longer than the maximum of seven years available under the National Parks Act.

The draft plan was released in October 1995 with the stated aim of “providing a further opportunity for public involvement in planning for the future management of the area” (Natural Resources and Environment, 1996b: inside cover). Written
submissions were called for until December 31st, 1996, right in the middle of the Australian holiday season.

The reaction that the proposals generated was overwhelming. Over 3,400 submissions were received during the relatively short period. This is reputed to be more than had ever been received on any environmental or social issue in Victoria. It completely dwarfed the number that had responded to the previous plan in 1987.

The reaction to the proposals was extensive and arose from a number of different sources. Major daily newspapers picked up on it, recognizing its potentially controversial nature. In an article titled “Green groups face showdown on 150-bed national park lodge”, journalist Benjamin Haslem described it as the “latest flashpoint” reporting that 900 people attended a rally on December 2, 1996 to protest against the planned lodge.

The extent of public reaction can also be measured by the number of ‘Letters to the Editor’ in major daily papers in Victoria. An analysis of the contents of those papers has uncovered over 150 during the period October 1996 and February 1997. The vast majority of these were opposed to the proposal. The contents of these letters will be analysed in Chapter 10 below. Even normally passive tourist promotion descriptions of the attractions of the area included reference to the controversy surrounding the proposal (NA.65, Dec.14.1996). On the eve of closure of the submission period one article referred to the controversy as becoming a major fight “to rival the Franklin dam protests of the 1980s” (NA.90, Dec.30.1996).

By this stage, those stakeholders opposed to the development had established the ‘Save the Prom’ campaign committee that had organised the rally in Melbourne referred to above. More symbolically, the group also organized a major activity on the beach at Tidal River. Approximately 1500 campers and other protesters formed a huge 350m by 50m human ‘Hands Off!’ sign that was photographed from the air. This was placed on the front page of one of Melbourne’s major morning newspapers the following day and became the focus of much media activity.

The protest within the park attracted both campers (it was the high season for visitation) and many other protesters who came specifically to join in. These included many high profile people such as an ex-Victorian Premier, the former Chair of the Land Conservation Council and the Director of the Victorian National Parks Association. Considerable media support was generated by the protest. Many of the articles that ensued were about ‘ordinary’ people, people who had a long direct or indirect connection with the park. One example is as follows:

“Ms Jo Rogers . . . whose family helped make the N, said she was incensed by proposals to build several hiker’s huts (for commercially guided walking tours) in remote areas of the Prom and a 45 bed lodge and 150-bed hotel at Tidal River . . . everyone is just so angry about it . . . its about the whole concept of commercialization” (NA.92, Dec.30.1996).

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2 This was a major environmental controversy in another state (Tasmania) that concerned the damming of a significant river in a World Heritage Area. It was eventually stopped after a major fight between the national and state governments in the early 1980s.
That same article indicated that submissions could still be sent to the Ranger-in-Charge and outlined particular aspects of the proposal and a summary of arguments for and against. These included a statement that the proposal was for “a 150-bed licensed lodge” (emphasis added), something that was not referred to in the draft plan. The journalist presented the arguments against the proposal in more emotive terms that those in favour. For example, reference was made to “the favoring of commercial developments over nature conservation, and the exploitation of a public asset for a private operator’s gain” and that it would create “a precedent being set for more commercial developments” (NA.91, Dec.30.1996; emphasis added).

The campaign became very well organised, especially at the park level. A permanent ‘Hands Off the Prom’ campaign stall was erected in the Tidal River Campground and volunteers distributed electoral maps with information on how to contact local politicians on the issue (NA.116, Jan.08.1997). Public meetings were held in various locations around the state.

By this stage Parks Victoria had been legally established, but the controversy was still handled by the National Parks Service. Its Director placed large advertisements in the main metropolitan newspapers in an attempt to counter the adverse publicity it was facing. One of these addressed some of the issues being raised against the strategy. The points made included:

- “Some groups have claimed a hotel will be built at Tidal River. This is incorrect. The plans propose a lodge with a restaurant for house guests, probably licensed – no ‘public’ bar, no take-away liquor.
  
- The Prom is not being overrun by tourism – the plans contain actions that will actually spread peak visitor numbers over a longer period.
  
- The Prom contains large areas of magnificent wilderness, protected by legislation. But Tidal River, with its Information Centre, store/café, cabins, lodges, deteriorating toilet/shower blocks, street lights and boat ramps, is not wilderness in any sense. With care, a lodge can be developed which will enhance not destroy Tidal River” (NA.83, Dec.28.1996)

The debate was escalated to the political arena when a former Minister for Conservation in the same party as the government of the day wrote an article in The Age newspaper criticizing the proposals. He expressed concern that the introduction of commercial services through concessions could open the flood gates for increased demands for further commercialization. He quoted discussions he had had with park managers overseas who reported that “they faced continual pressure from concessionaires wanting to interfere and change park management policies to better suit commercial aspirations”. He went on to suggest that “once we start down that track there will be no logical commercial reason to stop. Today Wilsons Promontory. Where next? When?” (NA.102, Dec.31.96).

The next day the Premier of the State entered the debate and was reported in The Age as standing firm “in the face of growing opposition”. He suggested that the strategy would open up the park for other people not just “those who are in good health and can afford to camp”. Furthermore, he pointed out that those advocating the development were national park officers with “years of standing and a greater love of Wilsons Prom than you or I would ever have” (NA.103, Dec.31.1996). In The Australian newspaper this was reported as the Premier accusing “environmentalists and campers fighting the proposed commercial development of Wilsons Promontory
of being self-centred”. He suggested that “there will always be some people who oppose” and that the government would not change its stance (NA.103, Dec. 31.1996).

By early 1997 even the Editorials were critical of the proposals – and the way that the agency and the government were ‘digging in’ on the project. The Editor of The Age wrote:

“If 1500 Victorians get together on an isolated beach and link arms to send the State Government a message about proposed developments in a national park, the theatricality of the stunt may call for a witty riposte from defenders of the development. It does not require a ringing declaration from the Premier, Mr. Jeff Kennett, that the Government has its mind set on the tourist lodge and other accommodation proposed for Wilsons Promontory National Park and will not be deterred, whatever the criticisms” (NA.112, Jan.04.1996).

The Age in particular felt that the Premier was using the Wilsons Promontory National Park issue to “provoke a showdown with conservationists” (NA.127, Jan.18.1997). Editors of other newspapers were not as openly critical of the Government, but still opposed the proposals.

By this stage numerous letters to the Editor had been printed in the major metropolitan newspapers and many regional papers. On one day alone there were 7 letters in one daily newspaper (NA92-98, Dec.12.1996).

Attracting the attention of the major daily newspapers by conservation groups appears to have been relatively easy at that time. Most articles gave more space to their views than those of Parks Victoria and were written in a tone that was sympathetic to the stakeholder groups. At one stage, the Australian Conservation Foundation, one of the largest and most active in environmental issues, managed to get the main thrust of its submission on the proposal into The Age in an article titled “Consultants Warn of Damage to the Prom” (NA.118, Jan. 8, 1997).

Journalists who were covering the Prom controversy also began to see the connection with other aspects of the strategy. Writing in The Age, Claire Miller reported that “private operators have taken over holiday programs in several Victorian national parks this summer”. Families “are being charged $20 for campfire nights and puppet shows that were previously free”. She also quoted the Director of National Parks as saying that “educational and interpretive activities were the logical extension of commercial operations such as white water rafting, horseriding and rock climbing . . . Placing education services with private organisations had been part of the National Parks’ forward direction since mid-1995 . . . ” (NA.116, Jan.08.1997). Rachael Buchanan reported that in January 11th 1997 advertisements had been “placed in newspapers for an Administration/Finance Manager and Duty Manager for the Prom in which the park had been described as a “large and busy resort” (NA.114, Jan.18.1997).

Approximately 3,400 submissions were received both individuals and organisations throughout the state. Individual submissions varied in size from one or two sentences to over 30 typed pages. This level of response was greater than any for other environmental issue that had occurred in Victoria’s history. Despite the opportunity
to make a submission, protest meetings continued with 1300 people rallying at Tidal River on January 14th to hear people speak against the proposals (NA.130, Jan.18.1997).

By January 17th, 1997 – less than three weeks after the close of submissions – a decision was made to not proceed with the lodge development. This was well before the analysis of the submissions by Parks Victoria had even begun. The announcement of this decision was made by the Premier who was reported as saying that “it was not the opposition but the potential for bad weather at the Prom that had caused the government to change its mind. The weather, he said, meant the developer could not be guaranteed regular bookings” (NA131, Jan.18.1997). In one article he was quoted as follows: “I think it is a very good outcome. We’ve put something up to see if it can work. We don’t believe it can, particularly in terms of the moral responsibility we have to work in partnership with a commercial investor to generate the returns” (NA.127, Jan.18.1997). He also claimed that while there had been opposition, his concern was for the majority who had remained silent. Some of these people, he was quoted as saying “would be very disappointed with the decision” (NA.69, Jan.18.1997). While the plan for the development of a commercial lodge was scrapped, the proposal for the 45-bed lodge and its linked commercial hiking operations would go ahead.

The transfer of the issue to the political arena was evidenced by the fact that this announcement had been made both before the submissions had been analysed and almost three months before the final plan was scheduled to be published. The Minister for Conservation claimed that the announcement of principles “had been announced because of interest in the plan” (NA.127, Jan.18.1997). The same article also pointed out that the Premier denied that the decision was linked to a forthcoming by-election that had been prompted by the resignation of one of his colleagues.

The by-election was for the seat of Gippsland West, which was very close to Wilsons Promontory National Park and included Phillip Island where the controversial Seal Rocks development had been raging (another concession proposal - see Section 8.3.3 below).

Opposition to the Wilsons Promontory National Park proposals was not stopped by this announcement. The VNPA expressed concern that only the hotel proposal had been scrapped. The Director of the VNPA was reported in The Age as stating that the fight was not over because it is still proposed to proceed with the commercial huts and the construction of a new walking track in the south of the park. He was quoted as saying that “community opposition to any commercial development is so strong that these other developments should be cut back as well (NA.131, Jan.18.1997). The Sate Opposition picked up on this with the Leader stating that “the government should release all details regarding development proposals in the area, including whether new accommodation was going to be privately operated . . .” (NA.131, Jan.18.1997).

The commercial walks and the remaining 45 bed lodge became issues in the Gippsland West By-election along with the Seal Rocks development proposal. The VNPA, while claiming that it was trying “to be apolitical” (NA.131, Jan.27.1997), maintained its media campaign. Its Director claimed that the Liberal (Government) candidate had “not yet given a guarantee that he will oppose the Wilsons Promontory developments” (NA.131, Jan.27.1997). Editorials in the Melbourne daily newspapers all pointed to the fact that the decision to not proceed with the four star lodge at
Wilson’s Promontory National Park and a scaling back of the development at Seal Rocks (see below) would strengthen the hold of the Liberal (Government) party that held the seat (NA.139, Jan.31.1997). However, local newspapers in the electorate, usually staunchly Liberal supporters, urged voters to elect an independent candidate.

When the By-election was held on February 1, 1997 the independent candidate Susan Davies won in a massive swing of approximately 12%. Even the successful candidate described the result as “amazing” (NA.141, Feb.02.1997). The Premier tried to paint the result as a “typical by-election result where the electorate had passed judgment on local issues” (NA.141, Feb.02.1997). He went on to suggest that “when you are about change, it is difficult, but those processes must continue in the interests of the wider community” (NA.141, Feb.02.1997).

The results of the By-election appear to have spurred on those groups opposed to the changes being introduced in parks around the state. Ten days after the election, the Director of the VNPA announced the establishment of a new alliance of nearly 100 conservation, cultural and community groups. The alliance, called the Hands Off Our Parks Alliance (HOOP), was established because of the “unprecedented threat of commercial exploitation under state government policies” (NA.147, Feb.10.1997) and was “inspired by the apparent increase and intensification of threats to public open space in the pursuit of profit” (NA.147, Feb.10.1997). This alliance comprised such well established community groups as the Australian Conservation Foundation, the National Trust, Environment Victoria, the Victorian Local Governance Association, the Town and Country Planning Association and many smaller local lobby groups. A spokesperson for the Alliance was reported in The Age as claiming that proposals for parks had been justified and considered on an individual basis for too long. What was required was a more comprehensive approach that looked at what was happening to all parkland (NA.147, Feb.10.1997). In the same article, the Minister for Conservation was reported as having said that “alliances come and go but we will continue to provide good government and strong management of our public land” (NA.147, Feb.10.1997).

The Alliance conducted a protest rally in the Carlton Gardens in Melbourne which attracted over 2,000 people. A key speaker was Susan Davies, the successful candidate in the Gippsland West By-election. The focus of the rally was the many changes that were occurring in parks at that time, but in particular the high profile proposals for Wilson’s Promontory National Park, Seal Rocks and Port Campbell National Park where the strategy to introduce commercial concessions had been applied. The Conservation Minister again attacked the rally as “no more than a glorified recruitment drive for failing interest groups” (NA.164, Feb.24.1997). In the same article the newly appointed Chief Executive of Parks Victoria was quoted as saying that it was “ludicrous to suggest that Victoria’s parks are under threat. They have never been more strongly protected or better managed than under one dedicated agency driven by a strong environmental ethos” (NA.164, Feb.24.1997). The parks agency was starting to re-enter the debate at the party political level.

The Alliance kept up the pressure by organising a petition that was signed by 45,000 people. This was presented to Parliament in April 1997.

In March 1997, two Aboriginal groups lodged a land title claim over 490 square kilometres of Crown Land that included Wilson’s Promontory National Park. Although the success of this claim is unrelated to the focus of the current research, its
relevance lies in the fact that the Aboriginal groups involved in this formal process of claim opposed the introduction of concessions into the park. One of the spokespersons for the group was quoted in The Age as stating: “Conservation groups can now rest easy knowing that Aborigines have become major stakeholders in helping protect this special place for everyone” (NA.171, March.17.1997). Once a formal lodgement of claim for any land has been made under the Native Title Act, proponents of developments have to engage in negotiations and are subject to certain restrictions until the claim is settled. This gave the Aboriginal groups formal involvement in the process, even though they could not guarantee the outcome they wanted.

The Victorian Budget Papers for 1997-1998 released in April 1997 showed that the State Government was still seeking to develop parks as major tourist destinations. These reported that the Government had embarked on a strategy of developing tourist facilities in or near Victoria’s natural treasures and that $9m would be spent on national park infrastructure. It also reported that $4.5m was being spent promoting Victoria overseas with a particular emphasis on ecotourism or nature-based tourism. This reflected a strategy developed by Tourism Victoria, the State Government tourism agency.

In February 1997 Tourism Victoria released a *Strategic Business Plan 1997-2001* designed to provide a strategic framework for the sustainable development of the tourism industry within the state of Victoria. This plan suggested that Tourism Victoria had “worked closely with the industry to enhance the State’s product strengths as well as to promote them to the tourist market” (Tourism Victoria, 1997: 78). The plan suggested that Victoria has “a great diversity of national parks and natural attractions which are easily accessible”. Despite this, “Victoria has yet to capitalize on the state’s natural attractions in terms of tourism” (Tourism Victoria, 1997: 86). Comparisons were made with other states which have “positioned themselves as combining world class natural attractions with tourism related facilities” (Tourism Victoria, 1997: 86). Specific strategies were then identified to improve tourism in these areas. These included (*inter alia*):

- “Supporting the development of quality infrastructure which extends the range of nature-based product. Opportunities include long distance walking trails, nature-based accommodation, car touring, scenic flights and events such as theatre productions in parks.
- Introducing a Service Guarantee . . . . which will set consistent standards for all parks and substantially raise the level and quality of customer service.
- Supporting the implementation of major reforms . . . . for the administration of commercial tour operators . . . .” (Tourism Victoria, 1997: 87).

It is clear that the pressure on Parks Victoria to maintain the strategy of tourism development and the introduction of commercial concessions still existed at this stage, despite the extensive protests and apparent change that had occurred in January that year. This was ‘picked up on’ by an article in The Age titled “Parks must come before tourism” (NA.177, March.29.1997).

When the final Management Plan for Wilsons Promontory National Park was released in July 1997 the proposal to include the 45 bed commercial lodge linked to concessional arrangements for long distance walking tours was still included. In
response, the Director of the VNPA was quoted in The Age as stating that the Government: “appears to have no concerns about the future expansion of commercial developments in parks and has offered no safeguards whatsoever” (NA.185, July.05.1997).

Editorial comment was more subdued on this occasion. The Editor of The Age wrote the following:

“The Age expressed concern over the initial proposal because it threatened the natural assets that attracted tourists in the first place. However, this latest plan appears to offer some substantial improvements. . . . But it has still drawn criticism from environmentalists. They fear that this commercial plan threatens the state’s many cherished parks, placing them at risk from incremental creep of commercial development. . . . These seem to be fair concerns. What is needed now is calm, rational discussion about the merits or demerits of the plan. . . . Notwithstanding these questions, the management plan released on Friday provides a sound basis for the necessary debate about the future of the park, of which the proposal for a commercial lodge development is crucial” (NA.186, July.07.1997).

The Australian editorial was even more positive:

“The modified commercial development proposed for Wilsons Promontory in Victoria should proceed despite the latest outcry from conservationists . . . . these proposals are a ‘far cry’ from the original commercial 150 bed lodge . . . . questions remain as to whether an adequate environmental study has been undertaken; however, the government has compromised once and now should go ahead with the development” (NA.187, July.14.1997).

A few days later, one of Melbourne’s most conservative newspapers reported the ACF Campaign Director as stating that “the undesirable trend in approving a 45-bed lodge at Tidal River . . . development in other parks, including Port Campbell and Phillip island, is now seen as almost inevitable . . . .” (NA.190, July.09.1997).

The major conservation groups met to consider their options with the Director of the VNPA suggesting that the 45,000 people who had signed the petition in April be asked to write to their local MPs urging that the development be stopped. In an article on July 8th, she suggested that “environmental groups would demonstrate on the steps of Parliament House in Melbourne to deliver masses of protest postcards, collected nationally and overseas, to Premier Kennett’s office” (NA.189, July.08.1997). Approximately four weeks later a demonstration was held on the steps of Parliament House but only 20 protesters attended.

Very little activity occurred for the remainder of 1997. In April 1998 environmental groups gained the media’s attention over an incident regarding a tour operator who established ‘standing tents’ in Tidal River. This was seen as an example of private operators being allowed to provide services in the park. A local resident action group called Prom Watch was quoted as saying: “In the next two years Wilsons Promontory

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3 A semi-permanent tent that is let out to visitors on a commercial basis.
will be heavily developed. It will lose its value to future generations – tracks will increase in size for vehicles to go through to take supplies. The sorts of tourists they are targeting want to be highly serviced” (NA.207, April.14.1998). As this was an initiative of the local operator who had identified a loophole in the regulations and not totally sanctioned by Parks Victoria, the operations were stopped.

In May 1998 the Chief Executive of Parks Victoria announced that the first stage of the works program associated with the Management Plan released in July 1997 would commence. This was to include the 45-bed lodge for commercial walking tours. These tours, however, were not scheduled to commence for at least three years. The successful tenderer for this operation had not yet been chosen. The Director of the VNPA was reported as giving support to the stage one works but not the building program (including the commercial operation). “The program sets a bad precedent, with no parks safe from increasing commercial development . . .” (NA.210, May.16.1998).

Just over a month later, conservation groups again expressed concern over the change in the description being applied by Parks Victoria to Tidal River. It was to be called a ‘resort’ and Park Rangers were to be replaced by ‘Customer Service Rangers’. This was seen as an attempt to excise desirable envelopes within parks and insert a new ‘business-focussed’ line of authority. The reaction of the VNPA was to organise a “Prom Wilderness Wake’ to protest against moves to commercialise all national parks (NA.216, June.23.1998). A spokesperson for the VNPA was quoted as stating that “The Government did not go ahead with its hotel after the Save the Prom campaign, but they have moved to commercialise the park in other ways” (NA.216, June.23.1998).

Celebrations to commemorate the centenary of the establishment of Wilsons Promontory National Park were used to focus media attention on the continuing issue of commercialism in parks. A 14-day, 243 km walk from Tidal River to the steps of Parliament House was undertaken by a group of 100 people walking in relays. This was conducted under the auspices of the HOOP Alliance and attracted 1500 protesters and considerable media attention.

By early 1999 the debate started to become a major party political issue as the State Opposition began preparing for an election that had to be held before the end of the year. The Shadow Minister for Conservation in February 1999 drew attention to an internal Tourism Victoria document that had been leaked. This document, written in 1995 by one of the tenderers for the commercial walking tours in Wilsons Promontory National Park had outlined appropriate locations for future development of commercial walking tours. Whilst a Government spokesperson suggested that the conclusions of the report had been rejected, the Shadow Minister drew the media’s attention to the “pro-development philosophy in which the environment is a commercial product” (NA.. 232, Feb.15.1999). By April that year the Shadow Minister made a submission under the Freedom of Information Act to the Victorian Civil and Administrative Appeals Tribunal to get access to documents that she claimed contained secret plans “to create exclusive accommodation rights to walkers who took guided tours with a private company” (NA.240, April.24.1999). Parks Victoria refused to make the documents available because they were described as ‘commercially sensitive’. However, the suggestion of ‘secret deals’ or ‘favourable treatment’ was enough to get the media’s attention.
The State Opposition continued to focus on the proposed introduction of concession arrangements in various parks around the state. Various requests for information under the Freedom of Information Act were submitted and when these were refused on the basis of their commercial-in-confidence nature, suggestions that crucial details were being kept from the public followed. Media reports played on this aspect and the potential implications of commercial arrangements:

“The State Government is working on a deal to commercialise the Prom experience that critics say will hand aspects of a Victorian treasure to those who pay an estimated $200-plus a day to private enterprise for walking and accommodation packages. Present costs run at $8 to enter the park...” (NA.241, May.02.1999).

By this stage the Chief Executive of Parks Victoria had changed. The person who had led the attempt to promote the original Draft Plan of Management in October-December 1996 became Chief Executive. In an article in The Age he was quoted as describing suggestions that independent bushwalkers would be locked out of the park as “rubbish”. He argued that “very little will change” and that the details of the proposal were available in the original draft Plan and the revised Plan published in July 1997 (NA.241, May.02.1999). Neither of these contained the type of detail that the conservation groups sought.

In June 1999 Parks Victoria announced that the negotiations with the preferred tenderer had broken down and that the proposal to run commercial walks by a concessionaire would not be going ahead. The preferred tenderer suggested that this was because he had sought exclusive use of the lighthouse for his clients and that the length of the lease was much shorter than he required to make the venture viable. An article in The Age suggested that the government had reneged on rights to exclusive use the day after the Shadow Minister had made public details about it through the Freedom of Information process (NA.242, June.05.1999).

The various groups opposed to the proposal welcomed it, but still expressed concern about future plans. The Director of the VNPA was quoted in The Age as stating: “There are still a whole lot of development plans that are waiting in the wings to go ahead at the Prom so we really need to be vigilant and to protest against those” (NA.242, June.05.1999). They were concerned that plans for the same service to be offered by Parks Victoria as they felt that this service could easily be transferred to a private operator once it was up and running (NA.247, Sept.16.1999).

The proposals for Wilsons Promontory National Park became part of the election battle that culminated in a shock loss for the Kennett Liberal Government in November, 1999. While it is clear that the debate over this issue did not determine the outcome of the election, it certainly played a part in the way the electorate saw developments being handled in the State.

As soon as the Labour Government was in power the new Minister for Conservation was quoted as declaring that “plans for large commercial developments in national parks to be dead in the water” (NA.252, Oct.30.1999). The Minister stated that the lighthouse would be incorporated into the park and remain open to independent walkers with some Ranger-led guided walks and that Tidal River would revert to being managed as part of the national park as a whole. In order to ensure this, she proposed that Wilsons Promontory National Park would be nominated for World Heritage Listing. If accepted there would be restrictions on what future governments
could do. The Minister was also quoted as stating that there is “a monumental difference between how we view national parks and how the previous government intended to use them for profit” (NA.252, Oct.30.1999).

Most significantly from the perspective of this study, the Minister also announced that Parks Victoria would be abolished and replaced by two organisations – the Melbourne Parks and Bay Service and the National Parks and Wildlife Service (NA.252, Oct.30.1999). By any measure, Parks Victoria’s attempt to implement the strategy to introduce third party concessions in protected areas was not at all successful. Moreover, it had resulted in a proposal to get rid of the organisation itself. It is contended here, that part of the reasons for this failure was the way that the various stakeholders were ‘managed’ in the implementation process. This is the focus of the next chapter.

8.3.2 Port Campbell National Park

The story of proposed developments in Port Campbell National Park is similar to that outlined above for Wilsons Promontory National Park. Port Campbell National Park is located on the Great Ocean Road 250 km southwest of Melbourne. This part of Victoria is best known for its spectacular coastline, natural beauty, beaches and maritime history. The protected area is a long narrow coastal park that varies from only a few metres to a maximum of 2 km in the Sherbrook Block section. The main tourist features are spectacular rock ‘stacks’ called the Twelve Apostles and a series of gorges, which have gained notoriety after several shipwrecks. Although the coastal area was first reserved in the Nineteenth Century, it was not designated as a National Park until 1964. Like Wilsons Promontory National Park, the Port Campbell National Park is reserved and managed under the provisions of the National Parks Act.

The Port Campbell case was driven more directly by tourism interests. The park, in particular the natural attraction of the Twelve Apostles, had been promoted widely into the international market. This had resulted in an enormous increase in visitor numbers from approximately 400,000 in 1989/90 to 1.1m in 1996/97. It was anticipated that these numbers would continue to grow exponentially (Yann, Campbell, Hoare, Wheeler, 1997). As part of the analysis of regional tourism infrastructure needs Tourism Victoria had identified this park as an area of huge potential that should be a high priority for development of infrastructure capable of attracting international visitors (Tourism Victoria, 1995). This generated enormous interest amongst private developers who, along with Tourism Victoria, pressured the focal agency into ways to accommodate this potential growth.

In 1995 Tourism Victoria called for Expressions of Interest from would-be developers to outline infrastructure proposals for various parts of the Great Ocean Road, including Port Campbell National Park. These included a proposal for a cable car, hotels and a sound and light show (NA.14, Sept.14.96). These proposals generated much opposition amongst local groups and state-wide conservation organisations. However, these were largely ignored and the agency set about trying to garner support. As will be noted in Chapter 10, two of the respondents interviewed indicated that they had been involved in discussions with locals and other stakeholders as part of the standard management actions. When the decision was made to progress with private infrastructure development was announced, it caught them unawares and
placed them in a difficult position. They were directed to convince those stakeholders that the proposals were appropriate and to gain their support.

In September 1996 the National Parks Service announced that a Visitor Centre costing between $8m and $12m would be built close to the primary tourist attraction in the park – the Twelve Apostles. This centre was to provide a quality orientation facility for visitors to the park and was to be funded through a concession arrangement involving a private developer. The site chosen was to be built 300-400 metres inland from the cliff-top viewing area and should provide parking for 300 cars and 12 coaches. The development would pay for itself through the operation of some form of commercial activity such as a restaurant, souvenir shop or other retail facility.

This proposal was announced at the same time that plans were being prepared for Wilsons Promontory National Park (see above). It was also approached in a similar manner: public submissions on the proposal were called for and these were all considered by National Parks staff. While the reaction was not as large in terms of numbers, many linked the two proposals together as they both involved the introduction of third party commercial concessions into protected areas.

Following consideration of the submissions, thirteen sites were assessed as alternative locations, but the Twelve Apostles was retained as the preferred site. Many environmental and other groups expressed concerns about the proposal, suggesting that “it could mean that tourists would have to pay a fee to see the Twelve Apostles (NA58, Dec.07.1996). Until then, access was free.

As the land upon which the concession was to be developed was not technically within the national park, the local Friends of the Apostles Group was concerned that an attempt may be made to not use the normal consultative process for developments in parks (NA154, Feb.15.1997). The proposal was being considered outside of any plan of management framework which would normally include a consultation period. However, local pressure through Council did ensure that the proposal was considered within the statutory planning framework, applicable to all developmental projects. This included a provision for an Environmental Effects Statement for all major developments if the Minister for Planning deemed it to be necessary. However, despite a meeting that was held in Port Campbell in February 1997 where residents called for such a Statement, none was ever produced.

The criticism of the development became part of the broader protest movement being driven by the HOOP Alliance (see above). This Alliance was against all proposals for development in parkland and planned to set up active groups in every electorate to lobby Liberal Party members (the party in Government) (NA165, Feb.25.1997). In an article published on February 26th 1997 the Conservation Manager of the National Trust made the link explicit: “. . . the course taken to develop the Twelve Apostles is the same applied at the Nobbies and Wilsons Promontory. The government has presented each development as a fait accompli” (NA166, Feb.26, 1997).

Protesters organised rallies at both Port Campbell and in Melbourne. Having faced similar opposition to proposals in Wilsons Promontory the agency decided to undertake an environmental impact assessment. This was sufficient to delay the process for several months. However, the State Government Budget papers released at the end of April 1997 still indicated support for the proposal as part of a strategy to
“develop tourist facilities in or near Victoria’s national treasures” (NA.181, April 30, 1997).

By mid 1997 the new CEO of Parks Victoria decided that the proposed development would never be likely to gain the support it required, making it difficult to attract interest from the private sector. The proposal was therefore modified greatly with any Visitor Centre development to take place in the nearest township rather than in the park itself.

In September 1997 Parks Victoria published a Draft Management Plan for both the Port Campbell National Park and the adjoining Bay of Islands Coastal Park. While the Draft Plan covered the complete range of management issues, including protection of the natural environment and the provision of visitor services, a major feature was that the proposal for the major tourist centre had been abandoned. The Draft Plan indicated that there was still a need for such a centre, but that it should be built on land within Port Campbell. The document stated:

“Parks Victoria considers that there is a clear need for a major tourist facility in or close to Port Campbell National Park which will provide tourists with a range of visitor experiences, facilities and information about the parks and the region, and be an attraction in its own right to encourage longer visitor stays. . . . Parks Victoria considers that a better long term option is to locate the centre at or near the Port Campbell township on a prominent site, preferably with coastal views” (Parks Victoria, 1997: 39-40).

Subsequently a small ‘interpretive’ centre and toilet block was built on the site where the origin visitor centre was planned. The larger Visitor Centre of the type envisaged by the plan has never eventuated.

### 8.3.3 Seal Rocks Development

This development had a different genesis, although it was still initiated and implemented within the concession strategy being promulgated at that time. It had been the brainchild of an individual who had approached government for permission to develop a major private tourist attraction on the western end of Phillip Island (called ‘The Nobbies’) where a colony of seals was within viewing distance of the shore. The proposal was to develop a major visitor centre with associated activities and food outlets.

In line with Government policy, proposals of this sort were always opened up to the market through an Expression of Interest process in which other parties with similar ideas were allowed to put them forward for consideration before a final decision was made. As it turned out, the group that had made the original proposal was the successful tenderer and was granted a lease to build and operate the centre. This was to be a two-phased development with the first phase being an on-shore visitor centre and associated restaurant facilities. The second phase was an undersea train-ride to a viewing platform only a few metres from the seal colony.

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4 This was done to enable management of the two parks under one strategic plan. For the purposes of this research, the Plan shall be referred to as the Port Campbell National Park Plan of Management.
Although the area was a designated protected area, no management planning exercise had been conducted and no consultation undertaken. The proposal was considered ‘in-house’ and very little information was made available to the public, usually on the pretext of the commercial-in-confidence nature of the negotiations.

However, because of the nature of Victoria’s land use planning laws, the Minister for Planning became involved in the decision. The local Council had refused to grant a permit for the development, even though it had been promoted and supported by the state government. By the time the Minister became involved, the whole proposal had become a major issue amongst residents of the Island. The key complaints were the size of the centre and the developer’s plan to deny car access to the Nobbies area. The Minister found himself in a difficult position as the agreement giving the concessionaire permission to go ahead was already signed off. In January 1997 when he visited the site to make a determination his movements were briefly delayed by protesters (NA.121, Jan.14,1997). On the other side, he faced pressure from the concessionaires who wanted to start in early February.

In response to the public opposition, the Minister for Planning ordered a change to the development. He ordered that the building be redesigned with a “lower profile, a less obtrusive exterior (particularly as viewed from the seaward side) and reduced building bulk” (NA.134, Jan.24.1997). The building height was to be reduced by 1.4m and the facility set back a further 3m from the cliff. To appease local concerns about public access, he also ruled that the road should stay open for casual visitors and that 135 parking spaces should be provided. The latter was constructed at a cost to the Developer of $500,000 (NA.275, May 21,2000). This was to replace the original proposal that the road be closed to all except management vehicles and that a shuttle bus service be provided to move visitors from the neighbouring Penguin Parade car park to the Sea Life Centre. This was to avoid the potential harm to penguins living in the area around the road. As will be seen below, this became a crucial issue.

The Director of the VNPA was quoted as saying that the introduction of these modifications ‘would not allay fears about the commercialization of the Victorian coastline” (NA.134, Jan.24.1997). The local Nobbies Action Group was still concerned about the development being permitted on the cliff edge (NA.134, Jan.24.1997). Concerns were also raised about the fact that the facility was allowed to open until 90 minutes after sunset as this could create problems with cars killing penguins (NA.168, March.6.1997).

Commercialisation of the development appeared to be increasing when it was reported that a deal had been signed between the developer of Seal Rocks and Coca-Cola Amittal for the soft-drink giant to sponsor an interactive ‘seal discovery voyage’ which was a ride to be built in the centre (NA.193, July.30.1997).

In August 1997, The Age reported that conservation groups were angry at the erection of a video relay tower in the sea off Seal Rocks where a seal colony lived. The tower was designed to relay live scenes of the seals in their natural habitat to people visiting the Seal Rocks Sea Life Centre. The complaints were spearheaded by the Director of the VNPA who suggested that the tower had been constructed without any public consultation (NA.195, Aug.29.1997). However, the developer pointed out that the tower had been included on the detailed plans presented during the Planning Permit process and that there was not one objection to the erection of the tower. The only reference was to the likely impact of the cabling connecting the tower to the Sea Life
Centre. This had been resolved through the use of microwave technology rather than the use of cables.

The Sea Life Centre was constructed at a cost of $17m, making it one of the largest privately developed tourism ventures in the state. An estimated 18,000 seals live on the rocks near the Centre and visitors get a close-up look of them through live pictures beamed back by microwave link from a television tower located 25 metres from the rocks. Visitors watch the seals on a 36 square metre screen in a small theatre in the centre. The emphasis of the experience being provided for visitors is that of entertainment and information. In a large exhibition, visitors can view sculptures of animals, live aquarium-type pools and replicas of historic boats and watch videos and read information on local wildlife and sea birds. Visitors can also undertake a simulated ‘voyage of discovery’ that replicates the voyage of one of the early explorers. Finally, a restaurant catering for 200 people was strategically located to enable a panoramic view over the rocks where the seals live.

The quality of construction of the Centre was recognised by the granting of a Master Builders Award for Excellence in New Construction in May, 1999 (NA.241, May 17, 1999). The concessionaire also won a Victorian Tourism Award as the ‘Best New Tourism Development’ in 1998.

In September 1997 the Environmental Effects Statement (EES) process was commenced for Stage II of the project. This was to involve the construction of a 1.9km tunnel 30m below the sea and an observatory tower protruding out of water so that visitors could observe both the underwater environment and seals in their natural habitat. It was anticipated that the EES would be completed by August 1998 and construction would take another two years. When the beginning of the EES process was announced various groups opposed to the development reconfirmed their opposition. The Phillip Island Conservation Society was reported as being opposed to Stage II in the same way that they were opposed to Stage I. A spokesperson for the group was reported as stating that ‘the rest of Phillip Island Nature Park is run for conservation purposes, but when you put a thing out to private enterprise, the first concern is to the shareholders” (NA.198, Sept 19, 1997).

Although the Sea Life Centre began trading in October 1997, it was officially opened in April 1998. At its opening the Premier highlighted the economic benefits of the centre, suggesting that it would contribute approximately $50m a year to the state’s economy (NA.211, May 25, 1998). The Chief Executive of the Local Shire also spoke at the opening and added that the Centre would have enormous economic benefits, including the direct employment of 65 staff (NA.211, May 25, 1998).

In the financial modeling that had been undertaken as part of the feasibility analysis for Stage I, it had been estimated that the Centre needed to attract 70% of the visitors to the popular Penguin Parade that is located just over a kilometre away. That facility attracted 550,000 visitors per year, with the largest number coming from Asia. It was therefore estimated that the Centre would attract 300,000 international visitors per year.

Once operational, the Centre was hit by a significant decline in the market caused by the Asian financial crisis of late 1997. The Tourism Forecasting Council predicted a 5% drop in overall visitation to Australia in 1998, with a 26% drop in visitor numbers from Asia, one of the Centre’s major target markets. The impact on the centre was
great with the number of visitors to the centre dropping by 5-6% in December 1997 and January 1998 and a further 12% in February (NA.207, April 14, 1998).

By July 1998, reports of major management and operational problems became public. Besides a financial shortfall caused by a lack of visitors, the boat ride displayed mechanical problems, an Environment Protection Authority investigation had been conducted into the alleged dumping of contaminated water into the sea, and newspaper reports emerged that the live broadcasts of seals was being replaced by videotapes (NA.218, July 6, 1998). Visitor numbers were reported to be below the break-even point by approximately 2,000 per month (NA.218, July 6, 1998). The Directors of the Centre remained optimistic and suggested that the financial concerns would be overcome by the increased numbers that would be attracted by the completion of Stage II of the project.

Local environment groups, including the newly elected Member for West Gippsland, suggested that this was the essence of their criticisms: “My concern about private development on this public land stems from the pressure to make a buck overriding the need to take care of the natural environment” (NA.219, July 7, 1998). This was all part of the mounting campaign to try to stop Stage II going ahead.

When vandals attacked and attempted to flood the Centre in July 1998 causing $2,000 worth of damage, the Managing Director attempted to link it to the opposition against Stage II of the project. Moreover, he suggested that the opposition was ‘party-politically motivated’ in that it was linked to an anti-Kennett Government movement (NA.219, July 7, 1998). Being conscious of this link, he decided to delay an application for Planning Approval for Stage II until after the State Elections scheduled for November 1998. He was quoted as having said that he “would be absolutely stupid to submit phase two to a planning tribunal just prior to a state election” (NA.219, July 7, 1998).

By January 1999, further evidence of internal problems became evident when a Union Official was evicted from the Centre and refused access to staff. A number of unfair dismissal cases were before the courts, cases that had been launched by staff who claimed that they had lost their jobs as a result of management restructures in the face of lower than expected levels of visitation. Indeed, there appears to have been a significant breakdown in relations between staff and management over staff reductions and the alleged leaking of information to environmental and other groups that opposed Stage II (NA.231, Jan 1, 1999). There were many newspaper reports that staff had been threatened by dismissal if they ‘leaked’ information to opposition groups or spoke to Police about the alleged vandalisation of the Centre (NA.246, May 24, 1999).

By the end of 1999 the extent of the financial losses were becoming evident. The Centre made a loss of $4m in its first year and $2m in its second year of operation.

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5 There is some controversy over whether the damage was in fact caused by vandals or through some error by staff attempting to repair the boat ride. After a local Police investigation, it was concluded that staff of the Centre had caused the damage (NA.224, July 20, 1998). No charges were ever laid as Police concluded that it was “most probably an accident” (NA.246, May 24, 1999). However, a senior Police Officer was subsequently charged for leaking confidential information to Centre management identifying the staff who had informed Police about who caused the damage (NA.257, Dec. 30, 1999).
It was attracting only 30,000 international visitors per year rather than the predicted 300,000 (NA.269, May 7, 2000). The problem of attracting more visitors was to be further exacerbated by a demand that the Centre close earlier, despite the fact that the majority of its potential visitors arrived late in the day to see the adjacent Penguin Parade.

In early 2000, newspaper reports were appearing that Fairy Penguins were being killed by vehicles as they left the Centre at night. The Sea Life Centre is located in a 26,000 strong Fairy Penguin colony and most of these birds return to their nests between sunset and dusk each night. Under the terms of the Lease, vehicles must leave the Centre by dusk, which they defined as occurring 90 minutes after sunset (NA.263, March 4, 2000). This became a major issue that was debated in the state Parliament. By this stage the Kennett Liberal Government had been replaced by a Labour Government that had come into power with the support of Independents, including the Member for Gippsland West who had been a staunch opponent of the Sea Life Centre. This new Government had been opposed to the introduction of concessions in protected areas and immediately began to demand changes in the way the Centre was managed. This included a request for all Centre and visitor vehicles to leave the area at sunset to avoid the problem of Fairy Penguin deaths. Management of the Centre agreed, despite the fact that there was no evidence that any Penguins had been killed in this way (NA.264, March 4, 2000).

This was the first of many confrontations between the new Government and the management of the Sea Life Centre. By May 2000, the Owners of the Centre threatened to demolish the building and sue the Government for reneging on an agreement to allow the development of a planned seal rehabilitation centre and to conduct seal cruises as well as modifying the schedule for Lease payments. The latter had been negotiated with the previous Government and had the potential to save the company $3.6m over 10 years (NA.243, May 17, 2000). The Centre claimed that because of its agreement to close the Centre at Sunset it had lost potential income. Consequently, the Centre’s Management argued, in July 1999 the previous Government had agreed to modify the lease to suspend payment of fees for three years until a Seal Rehabilitation Centre and Seal Viewing Cruises were established and Stage II completed. However, this agreement was never ‘signed off’ by the Treasurer before the Government lost the election (NA.275, May 21, 2000).

While public access to the documents surrounding this case is prohibited under Commercial-In-Confidence provisions of the Freedom of Information Act, it appears that the Government was looking for ways to appease its supporters (those opposed to the Centre and the issuing of concessions) by attempting to limit the operations of the Centre under the extant lease arrangements. On their side, the Owners of the centre believed that they had a legally binding contract that should be honoured. They admitted publicly that if the operation continued as it had been going to date, then the company would lose between $100m and $200m over the life of the 50-year lease (NA.275, May 21, 2000).

In late May 2000 the Sea Life Centre Management prepared a detailed ‘rescue plan’ which it presented to the State Labour Government. This included proposals for the expenditure of $6m on capital works, including the penguin-proofing of the access road, the construction of a seal rehabilitation centre and the upgrade of the nearby Cat Bay Jetty from which the seal viewing tours could be run. An additional $5.5m would be used for working capital to cover the operating costs until it became profitable.
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(expected in 2004). The company would also contribute $1.5m to an international marketing campaign to attract overseas visitors to Victoria and the Centre. It was hoped that the proposal would increase visitation by 120,000 per year (NA.277, May 22, 2000). In return, the Company wanted the lease payments to be reduced until the Centre became profitable (NA.280, June 21, 2000).

By the end of June 2000, after seeking an independent review of the business plan by a major accounting firm, the Government rejected the proposal. It argued that the plan lacked detail and that it did not provide the basis for changing the commercial arrangements established in the original lease (NA.281, June 23, 2000).

In response to this refusal, the Owners of the Sea Life Centre called for an arbitrated settlement which was provided for under the terms of the original Lease. This arbitration extended over a six week period in late 2000 but broke up when the Government refused to hand over certain documents that the Independent Arbitrator stated were required to settle the case. This matter ended up in the Victorian Supreme Court in December 2000 (NA.297, Feb. 16, 2001). It has been reported that this court battle cost the State $3.3m in legal fees (NA.299, Nov. 8, 2001). When the costs of arbitration are added the fees mounted to an estimated $15m (NA.310, August 3, 2002).

In August 2001 the Independent Arbitrator ordered the Victorian Government to either buy the Seal Rocks Sea Life Centre or pay them compensation. The Arbitrator gave the Operators two choices:

- Continue to operate the Centre in return for a $6.8m payout for future losses and an undetermined amount for past losses (estimated to be $25m); or
- To abandon the project in return for the initial investment of $27m plus losses of approximately $40m (NA.308, August 1, 2002).

As legal costs were to be added to this, the total potential payout of around $70m became a political issue with the Opposition (part of the former Kennett Government) claiming that it was a total waste of taxpayers’ money (NA.310, August 3, 2002). The Labour Government argued that the failure was due to a “dodgy” contract signed by the former government (NA.121, August, 2002).

On August 9th, 2002 the Board of Directors of the Sea Life Centre resolved to abandon the project and seek the compensation package as laid out by the Arbitrator (NA.121, August, 2002). They believed that it would be impossible to continue to operate the Centre given the general attitude of the government. The General Manager was quoted as saying that the Government had not approached the company after the arbitration was brought down, adding that “all they have done is attack the contract” (NA.114, August, 2002). In these circumstances, the company decided to end their involvement in the project. The Managing Director went even further and called for a judicial inquiry into the conduct of ministers and bureaucrats (NA.133, August, 2002). He believed that the Government’s actions were driven by a need to maintain the relationship with the local Independent Member for West Gippsland with whom they had struck an agreement to ‘de-privatise’ (NA.133, August, 2002).

In response, the Government stated that the Centre would remain open and established a taskforce to develop a ‘rescue plan’ to turn the Centre into a profitable venture (NA.121, August, 2002). Various proposals were considered including linking it to other state-owned and run zoos and to turn the restaurant into a training centre for
Hospitality students. The Minister responsible was quoted as saying that she believed that the Centre could be run at a profit. She commented that “the operators have had big debts and enormous overheads and clearly Government does not have this” (NA.129, August, 2002).

Ironically a mini-tornado hit Phillip Island on August 12th, 2002 and severely damaged the Sea Life Centre. This was just six days before the schedule hand-over date to the Government. The 300 sq. metre roof collapsed and wind and rain affected the interior of the facility causing damage estimated at $200,000. The Centre was eventually handed over to the State in its damaged condition and staff were laid off because it could not operate. This led to yet another sub-plot in which the staff commenced a class action against the government for not re-employing them after the hand-over (NA.159, Sept, 2002). This was partly because the ‘new’ operators closed the centre until repairs could be finalized and partly because of an Enterprise Agreement covering Public Sector workers required that all jobs be publicly advertised (NA.162, Sept, 2002). By February 2003, only about half of the former employees at the Centre had been re-hired by the Government (NA.196, Feb, 2003).

By the end of August 2002 the Government decided to appeal the Arbitrator’s decision in the Supreme Court of Victoria suggesting that the decision included several “manifest errors of law” (NA.156, August, 2002). By this stage the Labour Government was preparing for a forthcoming election, scheduled to be held before the end of the year. It was clear that the payout for the settlement would become a major political issue. As an appeal would possibly not be heard for several months, adopting this strategy could remove it from the political limelight. Likewise, several Newspaper articles suggested that this appeal was an attempt to stop an investigation into the whole affair by the State Auditor General who could not act while legal action was pending (NA.178, Oct, 2002).

The former operators of the Sea Life Centre decided to lodge a counter-claim in the Supreme Court, this time asking for an additional $400m in lost future earnings (NA.164, Sept, 2003).

On April 24th, 2003 the Supreme Court rejected both of these actions and the matter was settled immediately thereafter (NA.421, April, 2003).

### 8.4 The Success of the Strategy

This description of some of the activities undertaken by Parks Victoria demonstrates the emphasis that the organisation placed on improving the quality of its service and its operations. Reference to its Annual Reports certainly suggested great success and achievement. However, all has not been well.

The agency was the subject of much criticism by a range of stakeholder groups. They claimed that there was too much emphasis on the instrumental purpose of parks. A number suggested that this has led to over-development and commercialisation of many of the parks (Figgis, 1999). These critics would prefer that greater emphasis be placed on the intrinsic value of parks and protected areas. That is, that they should be managed to protect ecological values for their own sake rather than for the benefit of humans. Moreover, any development or use that is made of the parks should be of a particular type - one that requires visitors to engage with the environment on its own terms (Sax, 1980).
As noted above, in its first six weeks in power, the new Labour State Government announced that it would restructure the whole park management field in Victoria, including splitting up Parks Victoria. It was to be replaced by two separate organisations - one with responsibility for urban and metropolitan parks and the other with responsibilities for natural area parks. While this never eventuated, major changes were implemented to ensure that the organisation adopted a different approach in its strategy development and implementation processes.

It is often said that the primary objective of any organisation is survival (De Gues, 1997). Clearly Parks Victoria failed in this endeavour. The objective of this chapter is not, however, to criticise Parks Victoria. Rather it is to review what the case says about stakeholder engagement and quality management theory and what it can teach us about organisational survival in the public sector.

8.5 Conclusion

The description of the three cases has provided the background for the analysis of the stakeholder engagement process that will occur in the next two chapters. All three cases occurred within a three-year period in different parts of Victoria’s protected area system. At their core, all were driven by the application of a newly established management strategy to use third party private concessionaires to develop and deliver services to visitors to those protected areas. In each case, the level of opposition to the proposals was extremely high and ultimately resulted in the rejection of the whole strategy. While the detail and location are different, the essential arguments presented by both proponents and opponents were similar.

Now that the ‘facts’ of the three cases have been outlined, the next chapter turns to an interpretation of those facts. This will be undertaken within the conceptual framework outlined in Section III.
Chapter 9

Stakeholder Relationships: The Politics of Engagement

Abstract
This chapter seeks to understand the political dimensions of stakeholder relationships. It builds on the model outlined in Chapter 6 where the two ‘Drivers’ influencing the outcome of stakeholder engagements were seen to be the political and the dialogic. The current chapter focuses on the former while the latter is the subject of the next chapter.

Freeman’s stakeholder model was an attempt to acknowledge that a different form of relationship was emerging that managers need to become familiar with. They had become adept at handling the traditional relationships based on legal and economic power. As noted above, many of the groups that could influence the on-going operations and survival of the organisation were utilising a different form of power – political/social power – to achieve their ends. Managers to that time had not developed ways of addressing this type of power.

In the two decades following the work of Freeman, numerous examples of the use of this form of power have been identified. This has been particularly so in the case of ‘messy’ problems involving basic ideological issues regarding fundamental differences in values and beliefs. Conservation, development and related issues are prime examples of this.

The focus of this chapter is therefore on understanding the politics of the process of engagement. In line with the conceptualization presented in the previous chapter, this includes two aspects: power and criticality. Both will be addressed.

It is assumed that disagreement is ever present in most aspects of life (Simmie, 1974), including the activities of an organisation. The very acceptance of a stakeholder perspective on the organisation would suggest that there is likely to be disagreement about any of the decisions that the organisation makes (not just ‘external’ decisions). The question is whether this disagreement can be channeled into a process that results in the achievement of organizational objectives in a manner that is acceptable to all parties. While this process is still inherently political in nature, it is geared towards the establishment and implementation of organisational goals. The solution is not the removal of the political.

The alternative is where the political changes to one where the resolution of differences is undertaken in an adversarial framework characterized by conflict and hostility. As the political will not go away then each or all of the parties has the opportunity to use external channels or mechanisms to achieve their objectives – through legal, regulatory or media channels. This is a situation where ‘negotiation’ has broken down and ‘open warfare’ has resulted.
This chapter begins with a review of the literature to identify the way in which power and politics is currently viewed. It then presents a view of how conflict and the resultant political activities can be seen in a positive light; that is, as contributing to the achievement of organisational goals. It then moves to the empirical data collected through the case study to reflect on this perspective in order to further tease out its meaning in an organisational context. In doing so, an attempt is made to understand the dimensions of the political that played a role in the process of engagement concerning the introduction of concessions in protected areas in Victoria.

9.1 Introduction

This chapter looks at stakeholder relationships from the perspective of factors that influence the outcome of the engagement in the focal cases outlined in the previous chapter. Given the perceived role of stakeholders in quality management (see Chapter 4), what aspects of the relationship between an organisation and its stakeholders influenced the outcome of the engagement? The structure for the analysis has been established through a review of the literature as discussed in Chapter 6 and developed into the conceptual model provided as Figure 6-1.

The evidence used in this chapter is drawn primarily from the interviews conducted with key stakeholders, an analysis of the media throughout the period 1996-2002 and a review of publications and internal documents accessed from the focal organisation and stakeholders.

The aim is to use the conceptual model outlined in Chapter 6 to interpret the way in which stakeholder relationships developed around the issue of concessions in protected areas in Victoria. Given that much of the descriptive aspects of the ‘components’ has been included in the previous chapter, the current chapter will be structured around the process by which the engagement took place. The objective is to understand what role ‘power’ and ‘criticality’ played in the dynamics of the stakeholder relationships. The nature of the dialogue used in the engagement – with particular reference to one of the cases – will be addressed in the next chapter.

The chapter begins by looking at the way the academic literature has regarded power and politics. This will help to put the interpretation being presented here into an appropriate conceptual context.

9.2 Power and Politics

Within the organisational literature, the study of power and political activity is quite limited in comparison to other apparently more important issues. As will be demonstrated below, the mainstream literature tends to ignore power in favour of authority. In other words, if an organisation is functioning well then power is not an issue. Where this is the case, there is very little need to focus on power per se.

Hardy and Clegg (1998) suggest that the literature that does exist has generally coalesced around two different – and contradictory – perspectives on the role of power in organisations. They refer to these as the ‘functionalist’ and the ‘critical’. The functionalist perspective on power tends to adopt a managerialist orientation that simply assumes the legitimacy of power (in the hands of management). On the other hand, the critical perspective tends to see power in terms of domination and
exploitation (by management). Both generally accept a definition of power as being
the ability to get others to do what you want them to, if necessary against their will.
However, it is the way that this is viewed and seen to operate in organisations that is
significantly different.

The critical literature has focussed on the way power is used to maintain the privileged
position of management and the owners of the means of production. Deriving its
origins from the work of Marx and Weber, this literature involved an analysis of the
active way that organisational structures reinforce this domination. This included
research into the way participation in decision-making was constrained (Bachrach,
1970) and why grievances do not arise as much as would be expected given such a
perspective of domination (Lukes, 1974). Studies have also looked at the mechanisms
used by senior management to ensure that resistance to their ‘authority’ is not
forthcoming (Barnes, 1988).

On the other hand, the functionalist perspective tends to see power as something that is
used to defeat conflict that arises due to the opposition of groups to legitimate
managerial direction and decision-making (such as would occur amongst intransigent
unions, etc.). The assumption is that senior management holds legitimate rights of
action and that those who oppose it are exercising power illegitimately. The issue of
who defines legitimacy is rarely addressed. Managerial interests are “equated with
organisational needs, and the possibility that managers, like any other group, might
seek to serve their vested interests is largely ignored” (Hardy and Clegg, 1998 : 629).
Power in the hands of management is ‘normal’, whereas in the hands of other groups it
is seen to be dysfunctional, illegitimate and representing self-interested behaviour.

Adopting a clearly functionalist stance, Mintzberg, Ahlstrand and Lampel (1998)
suggests that behaviour in organisations involving illegitimate or ‘alegitimate’ use of
power can be labelled ‘political’. Indeed, Hardy and Clegg (1998), suggest that
politics is usually defined in this literature as the “unsanctioned or illegitimate use of
power to achieve unsanctioned or illegitimate ends” (1998: 62). “Politics thus
becomes synonymous with the exploitation of power in other than purely economic
ways” (Mintzberg, Ahlstrand et al. 1998: 234). Moreover, they suggest that power
and politics have never been absent from organisations, especially large ones, nor from
their strategy-making processes (Mintzberg, Ahlstrand et al. 1998: 235). They suggest
that this can occur both within the organisation (micro level) and in the external
environment through the use of power by the organisation itself to achieve certain
goals (macro level).

At the micro level, those who subscribe to this view see management and strategy
formation as a process of bargaining involving conflict amongst competing
individuals, groups and coalitions within the organisation. While this sounds
remarkably similar to the conceptualisation adopted in Chapter 5, the basis of this
conceptualisation if quite different. Functionalist theorists see such bargaining
activities and conflict in negative terms. For example, Zald, (1978) have described
the activities of those in non-management positions in terms such as ‘insurrection’, ‘coup
d’état’, etc. There is usually the suggestion that these individuals or groups are acting
out of selfishness that is necessarily illegitimate and usually antagonistic to the
interests of the organisation. Mintzberg, Ahlstrand et al. (1998) warns us of the
dangers of organisations being ‘captured by pervasive politics’ where the “place
becomes an outright ‘political arena’ ”(1998 : 240). They talk of strategies as ‘ploys’;
politics as ‘divisive and costly’, and it ‘leads to all sorts of aberrations’, etc. Although
they acknowledge that strategic direction can emerge from political processes, “they tend to be more emergent than deliberate and more likely in the form of positions than perspectives” (1998: 242). Moreover, the achievement of “strategy as an integrated perspective, a shared vision, seems unlikely under political circumstances” (1998: 242).

At the macro level, organisations engage in political activity in order to control their environment (Pfeffer, 1978). Here, strategy consists first of “managing the demands of these actors” (in the external environment) and “selectively making use of these actors for the organization’s benefit” (Mintzberg, Ahlstrand et al. 1998: 248). An extensive literature has grown up around the way in which the behaviour of external actors can be ‘controlled’ through strategic manoeuvring (Henderson, 1979; Porter, 1980). Such manoeuvring involves “the mixing of threats and promises in order to gain advantage” (Mintzberg, 1998: 252) and “success depends on soft impressions, quick actions, and gut feel for what opponents might do” (Mintzberg, Ahlstrand et al. 1998: 253). In the process of making suggestions regarding how to achieve “a strategic victory”, (Henderson 1979: 32-33) describes the whole process as “the art of business brinkmanship”. Interestingly, he notes that persuasion depends on emotional and intuitive factors rather than on analysis and deduction” (Henderson 1979: 27).

It is clear that organisational systems and structures are neither neutral nor apolitical (Hardy and Clegg, 1998). Despite the fact that they are imbued with power, the mainstream functionalist literature has not acknowledged its role except in a negative way. By ignoring the way in which senior managers are able to shape legitimacy, values and information, such theorists are able to depoliticise organisational life. These writers believe that:

“managers use power (or something like it) responsibly in the pursuit of organisational goals, while everyone else uses it irresponsibly to resist those objectives. Potential abuses of power by dominant groups are downplayed, while those who challenge managerial prerogatives are automatically discredited by the label ‘political’” (Hardy and Clegg, 1998: 629).

The structures, techniques and approaches of management are viewed as apolitical management tools that are being used to achieve legitimate organisational ends. The idea of ‘managing’ stakeholders can be clearly seen in this way – an apolitical activity that is simply designed to achieve organisational goals and objectives. Those who question or even oppose are attempting to use power to subvert those legitimate actions and disrupt the organisation in the achievement of its goals.

As noted above, both perspectives adopt a particular view of power as the ability to get others to do what one wants them to. This is a form of sovereign power that involves action within a moralistic framework; one can see that as either appropriate or not appropriate. However, Foucault (1977) and his disciples have suggested an alternative way of viewing power. It is not a resource that an individual or group possesses and uses on another. Instead it is something that is part of the whole; something that all involved operate within. It is a feature of the prevailing web of relations that plays a strategic role in on-going interactions between individuals and groups. The focus is on understanding the strategic role that it can play, rather than being concerned about the impact of one side on the other.
Adopting this conceptualisation, Hardy and Clegg (1998) have demonstrated the complexity of power within organisations. Referring specifically to power and identity, they suggest that organisations are places where complex negotiation, contestation and struggle between individuals and groups are ever-present. Organisations are therefore sites where a multitude of power relations are played out in a complexity beyond that expressed through simple sovereign views of power. There is not one dominant source of power (legitimate or not) facing an alternative singular source of power. Any analysis would recognise the complexity of the power relations and interactions and the fragility of the various group identification involved as all organisational participants seek to influence and position all others.

This non-functionalist view of power and politics is an integral ingredient of the stakeholder theory of organisations outlined above. If the mainstream functionalist perspective on the role of power and politics had been retained then any discussion or criticism by anyone other than a manager would be regarded as illegitimate and necessarily contrary to the interests of the organisation. The theory of the organisation presented above would be rejected as irrelevant to those organisations that seek to achieve a profit. The scenario behind this rejection would be that where an organisation is seeking to achieve particular outcomes, self-interest (read selfishness) would result in ‘political’ activity. Such activity is dysfunctional and bound to lead to organisational failure. These adherents of functionalism are therefore suggesting that any theory of the organisation that relies on ‘political’ activity ignores the ‘reality’ that it is bad and involves the illegitimate use of power and its ultimate destructive character. They do not accept the view that there is no such thing as one ‘reality’.

While the work of Hardy and Clegg has demonstrated that this is not the only way to view politics and power in organisations, a superficial review of the focal case would suggest that the functionalist view regarding the negative effects of the politics and debate generated by stakeholders was confirmed. Many of those driving the process of stakeholder engagement held this view.

Interviews with various actors involved in the case, the analysis of the submissions and a review of the Letters to the Editor and media commentary demonstrated that the issue generated an enormous amount of heated debate and controversy. This debate extended to all different stakeholder types including current customers, Parks Victoria staff, advocacy groups, walking clubs, tourism operators, the formal Advisory Council and individuals in the community. It was a very destructive debate that generated much anger, resulted in the abandonment of a significant strategic initiative and absorbed an enormous amount of staff time and energy. While no data is available to confirm this, it was undoubtedly a very expensive exercise. The allocation of additional staff time to analyse the submissions (see Chapter 10), address media issues and attend community meetings would have added considerably to the costs involved. The fact that it nearly led to the demise of the organisation itself (see Chapter 8) would confirm the seriousness of the consequences of the stakeholder activity for the organisation and its senior managers. It could therefore be claimed that the attempted exercise of power and influence by non-managers was indeed dysfunctional and destructive.

However, before this conclusion can be reached, further analysis is required. This will necessitate further conceptual analysis of social theory and the nature of power and politics.
9.3 Peeling Back the Layers

As noted above, the Friedmanite view of the firm that is at the heart of most of the stakeholder literature, is located in the classical liberal economic tradition which in turn is part of the broader Kantian philosophy of liberalism. This sees society as an association of individuals that come together with self-interests in a social structure based on freedom and individualistic rights. Society functions through the interaction of individuals with pluralistic ideas and individual conceptions of what they consider to be ‘good’ and in their best interests. It rejects the idea that there is a ‘common good’ that all members of society subscribe to. Society works together by individuals relating to each other, not through a sense of the good, but through a sense of what is ‘right’. Citizens in society see themselves as free and equal persons who pursue their own different conception of ‘the good’. A distinction is made between the private (the realm of morality) and the public (the realm of politics) and the associated rejection of any conception of ‘common good’ that everyone must subscribe to. Self-interest is sought through engagement with other individuals within an instrumental framework that is based on a Rawlsian conception of justice and right. It is acceptance of the latter that binds society together (Rawls, 1971). The ‘invisible hand’ arises when this sense of justice and right are transgressed. Such a view provides for the pluralism present in modern democratic societies and provides the basis for economic liberalism and modern capitalist ideology.

This view of society has been criticised by those subscribing to what is commonly called a communitarian view. They argue that the notion of a ‘common good’ or ‘public good’ that is independent of and supersedes individual interests and desires is what is needed to sustain a society. Although largely displaced in modern western thought, this tradition can be traced back to the Greeks and was particularly significant in the Italian republics and seventeenth century England. Being generally based on loyalty to a monarch or a religious position, it is often called the ‘republican’ or ‘civic republican’ tradition. The increasing value placed on pluralism, individual liberty and the separation of Church and State have all contributed to the demise of this and its replacement by the orthodoxy of liberalism in modern western thought.

Mouffe (1993) has argued that these are not the only alternative political paradigms that can inform modern social theory. She argues that the gains achieved through liberalism cannot be wound back through the imposition of a single substantive idea of the common good. Such an imposition would eliminate the acknowledged gains of individual freedom and pluralism that are now taken for granted in western democracies. What she sought to do was to combine the best of these traditions into a new conception of society and citizenship based on an ideal of ‘participation in the political’.

Mouffe (1993) criticises liberalism as reducing citizenship to a “mere legal status” setting out the rights of individuals where the idea of public mindedness, civic activity or participation in a community are non-existent. According to that view, society functions through the exercise of these rights in order that individual ends can be achieved. The focus is on the individual (Gray, 1995). Social cooperation aims only to enhance our productive capacities and facilitate the attainment of each individual’s prosperity. On the other hand, the communitarian or civic republican view emphasises the value of political participation in a community but always within the context of developing some form of ‘common good’ to which members of that community should subscribe. According to the liberal view, subscription to this common view
could result in totalitarianism and there is always considerable concern about the coercive power of the state and the implications that this has for individual liberty.

While most of the stakeholder literature does not address the problematic of the organisation in its societal context, this relationship has fundamental consequences for our understanding. Most functionalist scholars in this area subscribe to a broad liberal view and conceive of stakeholder engagement within a framework of individual rights and freedoms (Freeman and Phillips, 2002). The organisation has a right to pursue ends as long as it does not transgress the rights of other individuals or organisations in society to pursue theirs. Engagements are approached from the perspective of selfishness and individualistic goals. The issue in this engagement is usually: can the legitimate interests of the focal organisation be achieved while the other party also achieves its own individual interests? There is no reflection on the common good or what is best for society as a whole. The constraints on this selfishness are based on deontological rather than moral grounds1 and, when appropriate, some approach based on John Rawls ‘Veil of Ignorance’ can be used to overcome advantage. When this fails, government can intervene to ensure that those in the weakest position are not overly disadvantaged. Its role is to ensure that the same basic rights apply to all (Gray, 1995).

Engagements are in the form of ‘deal-making’. These are based on issues of egoistic success rather than any conception or agreement about what is ‘good’ (for society as a whole). This is an ‘instrumentalist’ conception of the engagement where the exclusive concern is compromise between pre-defined individual interests. Judgements about the efficacy of this are based around ‘fairness’ or ‘equity’ for those concerned. Were all parties given a reasonable opportunity to be involved; were their concerns listened to; were able to maximize their individual interests; etc?

The focal case could be interpreted in this way if the issue had resolved down to a debate between the access or use ‘rights’ of those who used the park for camping and other ‘non-commercial’ purposes and the agency’s belief that the ‘rights’ of other potential users (tourists wishing to use commercial accommodation) should be provided for. The debate between these two sets of rights would reflect an attempt to resolve the problem of potential displacement of one group by another. In the park management literature this has been described as user displacement (Jubenville, Twight and Becker, 1987). There would be no consideration of broader issues or frameworks within which the negotiations would be conducted as it would not have been a matter of what is in the greater interest of society but how the conflicting individualistic interests can be reconciled. The latter would have been achieved through some form of ‘deal making’ in which each ‘side’ would have had to compromise and accept the limitations imposed on their rights by the need to provide for the rights of the other.

The evidence gathered through the empirical research suggests that this was not an appropriate interpretation. Senior members of Parks Victoria recognised the extent and nature of the feeling and concern. “It was not in a numbers sense – even though there were 45,000 people who signed a petition – which is a lot. But it was the diversity of people who really sent that strong signal. . . . it was not a particular group or class of people, it was a cross-section of Victoria therefore it was Victoria speaking

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1 Morality is regarded as the province of the private not the public sphere.
not a particular group or association or affiliation or whatever” (I11; p1). Likewise they indicated that the issue became one of a framework for the decision not the right of access for different groups. According to one of the interviewees, the strategy was flawed because: “the bureaucracy did not know what the parks are about” (I7; p4).

By way of contrast, if a stakeholder theory of the organisation is based on a communitarian worldview then the focus would be on the common good. Stakeholder engagement would be concerned with the involvement of other parties and individuals to ensure that there is agreement on the common good and that the particular organisational strategy or activity was compliant therewith. As noted above, this approach is not consistent with modern democracies where pluralism and individual liberty are greatly valued.

There was no evidence available to support this interpretation. No interviewee nor any of the submissions analysed referred to the need to establish an agreement on the common good in the sense of something that all members of society should subscribe to. There was recognition that diversity of views and pluralistic interpretations were a legitimate aspect of modern society. While respondents were adamant about the validity of their particular perspective, there was not a call for everyone to conform.

Mouffe suggests that there is an alternative that involves an acceptance of notions like ‘civic virtue’, ‘public spiritedness’, ‘common good’ and ‘political community’ – but reformulated in a different way that incorporates individual liberty. She wants to establish citizenship not as a legal status but as a form of identification, a type of political identity, something to be constructed, not empirically given. The individual and the organisation are all linked together through the establishment of some form of ethico-political bond that creates a linkage amongst participants in the association called society.

This is best explained by contrasting two different modes of human association or interpretations of the modern state: universitas and societas. The former is where individuals are associated to achieve a common purpose or common good. This is a situation where all involved think and act as one in order to achieve an agreed common purpose. This implies the necessity of adopting an organismic view of an organisation that has a singular existence and objectives of its own. It is also the basis of totalitarian states with central planning and an emphasis on conformity.

By contrast, societas “designates a formal relationship in terms of rules, not a substantive relation in terms of common action” (Mouffe, 1993: 66). What joins the individuals in this case is neither the common purpose nor the ability to facilitate each person’s individual prosperity. “What links them is the recognition of the authority of the conditions specifying their common or public concern, a ‘practice of civility’ ” (Mouffe, 1993: 67). This public concern or consideration she calls respublica. “It is a practice of civility specifying not performances, but conditions to be subscribed to in choosing performances” (Mouffe, 1993: 67). These are the rules of the game that do not specify what individuals should seek (some form of ‘common good’) but the considerations required when choosing between alternative actions.

In terms of organisations, this would suggest that it is not that their strategies need to subscribe to some form of ‘common good’ acceptable to all participants/stakeholders. However, in selecting a strategic direction, there are ‘rules’ that need to be adhered to. “Those rules prescribe norms of conduct to be subscribed to in seeking self-chosen
satisfactions and in performing self-chosen actions” (Mouffe, 1993: 67). Identification with these ‘rules of civil intercourse’ becomes the basis of social relationships in which individuals and organisations can still seek their chosen self-interest. The social group is not held together by agreement on a ‘common good’ but by a common bond or ‘public concern’.

However, contrary to what some scholars think (cf Oakeshott, 1975), this common bond is not something that is itself fixed and agreed. On-going divisions and antagonisms within society is evidence of this. Mouffe acknowledges that the rules of the respublica are subject to debate as agreement is sought on a set of ethico-political values. In a liberal democratic regime, there is general agreement around the importance of equality and liberty for all. The rules of the game to be taken into account in acting are “the exigency of treating others as free and equal persons” (Mouffe, 1993 : 70). However, there are numerous interpretations of this. The political is therefore an essential aspect of the on-going existence of societas.

It is suggested here that the evidence relating to the focal case is an example of political activity within the meaning of societas. The involvement of such a large number of people and groups in a controversy that was not of direct concern to each person’s individual lives and existence suggests that the issue was not one of a special interest or selfish/individualistic goals. Rather, it was almost like the ‘norms of conduct’ were being transgressed in a manner that could ultimately (but not necessarily directly) adversely affect their chosen self interest. The political science literature would describe this as a ‘social movement’ in contrast to a ‘special interest’ issue. The specifics of the particular strategy, while significant, were of less importance than the overall framework within which the decision was being made. As one senior officer in Parks Victoria suggested : “what happened in this instance was a 30 year policy principle of an absolute religious nature in park management was being changed by a specific proposal on a specific piece of land that would be ‘this’ big, with ‘this’ number of beds, etc” (15; p4). The focus on the specifics was only of relevance in that it affected the broader framework for decisions that had been regarded - until that stage - as unalterable and widely accepted by society at large. The enormity and diversity (in terms of people and groups involved) of the response is more readily understandable when it is interpreted in this way.

The existence of the political within societas accepts the presence of disagreement, antagonisms and conflict. The political therefore involves the continual attempt to construct unity in the face of diversity and conflicting interests. According to Schmitt (1976), it is the creation of a ‘we’ that establishes political collectivity. This does not involve issues about the common good. Rather, collectivity needs to be based around issues about the principles of association – of basic issues such as the meaning of equality and liberty – not a particular religious or moral conception of the good life2. In the focal case the key issue became what do national parks and protected areas stand for? Is the commercial delivery of services within these areas appropriate? Debates within societas are therefore part of the construction of collectivity and necessarily on-going. They are not symbolic of illegitimacy or destructive forces tearing society apart. With a focus on the ethics of the political – rather than personal morality – they represent a constructive process that maintains plurality and the principles generally associated with modern democracy.

2 Such as the ‘goodness’ of camping vs staying in a hotel.
The construction of a ‘we’ or a ‘frame’ (see Chapter 5) is undertaken through dialogue, debate and engagement. This is not a matter of establishing an alliance for a particular purpose as VEC CI and Tourism Victoria did (see below), but of understanding and modifying the identity of the forces involved. According to Mouffe (1993), liberal functionalist theorists do not understand this because they do not acknowledge power relations or they see them as destructive. They do not realise that constructing this ‘we’ may require them to give up certain things because some existing rights have been constituted on the very exclusion or subordination of the rights of others.

The broad perspective that emerges from the empirical research suggests that the involvement of stakeholders in the focal case was patently political in that it involved debate, disagreement and conflict in various forms. However, before looking at this in detail it has been important to demonstrate that this simple observation can itself be interpreted in several different ways. The interpretation being adopted here is that, while difficult and seemingly inefficient, the existence of such debate is neither necessarily dysfunctional nor inappropriate. Indeed, it can be seen to be a very positive force that can result in benefits for all involved. Whether this eventuates or not is largely determined by the manner in which the engagement between the parties involved is undertaken. The remainder of the chapter now turns to this specific aspect to outline why, in this particular case, the end was by no means positive nor satisfactory to any party.

9.4 Interpreting the Political in the Parks Victoria Case

9.4.1 Introduction

This section seeks to review the empirical material gathered during the research activity to identify the political element of the process of stakeholder engagement that occurred when concessions were being introduced into protected areas in Victoria. It looks at why, in this case, the conflict became of such a magnitude and with negative consequences for the focal organisation, despite the fact that consultation with stakeholders occurred. Why was it that the organisation had to abandon its strategic initiatives around the introduction of third party delivery of services? In particular, why did this occur even though a process of stakeholder consultation was instigated?

As noted in Chapter 7, it is based on an analysis of interviews conducted with managers in the focal agency and representatives of stakeholder groups, of published and unpublished material from the organisations involved and an analysis of submissions made in one particular example (Wilsons Promontory National Park).

On the basis of the above conceptualisation of the political within the context of stakeholder theory, the following propositions are put forward:

- **P1** The engagement process was predicated on the assumption that stakeholders could be ‘managed’ in order to ensure that organisation’s predetermined objectives could be achieved;
- **P2** Those involved in identifying and implementing the strategy did not recognise the complexity of the issues and the level of reaction that their proposals received;
- **P3** Senior management in the focal organisation saw politics in negative terms and saw opposition to their plans in terms of opposition, resistance, antagonism and hostility;
On the basis of the latter, the engagement with stakeholders was approached as a ‘battle’ or ‘obstacle’ that needed to be overcome, rather than an opportunity to create a united approach to a common problem;

The consequences were such that real opportunities to introduce innovative ideas and strategies were lost;

The level of real participation by stakeholders in the strategic choice was very limited; and

That those involved believe that an alternative approach would have been far more appropriate and led to more positive outcomes for all concerned.

Using the framework developed in Chapter 6 the analysis provides support for these propositions. It looks at this from the perspective of the parties involved, the stake, the transactions that occurred and the procedures adopted. The objective is to improve our understanding of the way politics and power was intertwined in this particular engagement along with a review of what ‘criticality’ meant in the situation. The analysis involves a review of the situation over several years as this provides a contrast in approach and assumptions by those involved in the cases.

9.4.2 The Parties Involved

A large number of different groups and individuals became involved in the issue at varying levels. It involved individuals, advocacy groups, small companies, camper groups, clubs and associations, potential suppliers, tourism operators, tourism associations and other government agencies.

Senior managers in the focal agency suggested on several occasions that the number and range of stakeholders who became involved was far greater than was ever expected. “I think that it caught government and the agency at the time quite by surprise” (I7; p2). This surprise was confirmed by the person ultimately responsible for ‘managing’ the engagement (I11)

While much of the stakeholder literature categorizes stakeholders into standardized groups (customers, community, suppliers, etc), the analysis suggests support for Winn’s (2000) criticism of the social construction of stakeholder groups, particularly by academics. She suggests that the definition of a stakeholder group is situation and issue specific and that the a priori categorization would reduce the usefulness of analysis. In this case, while most of those involved could have been categorized as ‘community stakeholders’, this would have ignored the complexity of the situation and the multiple roles that some stakeholders played (eg. as staff and members of the VNPA or as both customers and members of conservation or walking groups). Even the agency, in its analysis of submissions (see Chapter 10), decided to categorize those that are usually called ‘community stakeholders’ into various groups – day visitors, campers, walkers, non-visitors, etc - in order to identify any patterns that may emerge in terms of response to the proposed strategy. This reflects the importance of recognizing the diversity of stakeholder types.

Given the number involved, the issue of which stakeholders should be considered had the potential to become a major issue for management. As noted in Chapter 7, the literature has tended to focus on this issue as a mechanism by which ‘salient’ stakeholders can be recognised. In the cases under review, all stakeholders were considered, largely because of the open nature of the submission process.
There is no evidence that the focal organisation attempted to use the issue of legitimacy to exclude or restrict access to the debate (in the sense of having input). None of the interviewees from Parks Victoria stated or implied that some of those involved in the debate were somehow ‘illegitimate’ in the sense of having no right to become involved. This was simply not an issue. Indeed the very mechanisms adopted (calling for public submissions) demonstrates that the issue of legitimacy of involvement did not arise.

However, legitimacy was critiqued differently – the legitimacy of the argument presented was questioned. Everyone who wanted to have a say in the debate could do so; however, not all views (as opposed to people) were regarded as ‘legitimate’. One extreme view expressed by a senior executive in the focal organisation was critical of the views of ‘opponents’. He described their views as subscribing to an “environmental paradigm” which he then suggested was “morally bankrupt” (I1; p9). The same person did not suggest that opponents had incorrect views; rather they were “devoid of ideas”. It was as though the very existence of an alternative way of viewing the world was unacceptable. This reflected the ‘combatant’ approach adopted by the agency (see below).

The potential management difficulties created by the involvement of so many parties was partly resolved by the stakeholders themselves who recognised the value of coming together to provide a united opposition to the strategy. As noted in Chapter 8, the establishment of the Hands Off Our Parks (HOOP) Coalition created a major focus for organised protests and the publicity campaign. This coalition had come together through the leadership of a small group that had been directly involved in an earlier campaign to stop the conversion of Melbourne’s Albert Park into a Formula 1 Racetrack. However, given their ad hoc nature and lack of formal structure, leadership was gradually moved to another group – the Victorian National Parks Association (VNPA) - that had been involved in many park issues for several decades. The VNPA was a professionally run organisation that had a formal council structure and paid staff with experience in managing campaigns. As an advocacy group they had experience in identifying issues and garnering support for both the park system in general and specific issues in particular.

According to one interviewee: “the VNPA has got a fantastic track record of success in a variety of conservation campaigns that it has run . . . so I think that it had an enormous amount of respect and a big membership for a state-based organisation” (I16; p3). While this leadership was not unexpected, “there was definitely turf war” (I16; p3) as other organisations sought to establish their position as a rallying point for opposition to the strategy being proposed. However, these were overcome and the resulting coalition worked well together.

The coalition brought together diverse groups representing a range of different perspectives on the issue. They represented walking clubs, conservation groups, park advocacy groups, campers associations, friends of parks groups, bird watchers clubs, etc. Of particular interest is the way that the various parties operated in this coalition and the effort that was put into bringing the diverse groups together. While there were enormous debates within the coalition, there was an acceptance that solidarity was the key to success. Discussion and debate continued over an extended period until the parties were able to reach a consensus. While this is not always possible, the significance of it in this case was recalled by one of the organizers:
“In my experience in community environmental campaigning it is extremely difficult to get consensus . . . and it is almost not worth your time and your effort . . but there are moments when it is really important . . . there were moments when we knew if we got WWF, ACF and Peter Garret and all these groups saying quite specific things that were agreed to on a consensus basis . . it was a very strong, very powerful position because they were speaking to the media on that basis . . they were repeating the same message over and over again . . they were saying the same thing to politicians . . it was a very powerful message . . . so there are moments when it is important to get that consensus and there are moments when you just don’t bother” (I16; p6).

The way the campaign evolved and was managed through a united ‘front’ confirms that the dyadic model initially presented by Freeman (1984) is too simplistic. While there was certainly evidence that both individuals and groups had the opportunity to influence Parks Victoria directly, the stakeholder–organisation relations were certainly much more complex. Individuals not only expressed their opinions directly but many worked with organisations to ensure that their concerns were more likely to be heard. Many individuals volunteered to help these organisations. One interviewee recalled an elderly woman who was so concerned about the situation that she offered her services in whatever capacity was needed to help with the campaign. “I spent a few days helping in the VNPA office and the phone rang and a little old lady said ‘look I have nothing to do with national parks and nothing to do with the VNPA but I am supporting your campaign. If you want someone to lie down in front of a bulldozer, let me know’.” (I17; p2). The analysis of submissions outlined in Chapter 10 indicates that a large number of individual submissions included statements and slogans originating from the campaign. Many of these were also in the form of pro-forma responses that had been prepared by the campaign partners. Indeed, the support for the organisations in the coalition grew exponentially during this time. For example, VNPA membership grew from 500 to 3,500 during the 1996-97 period.

The picture that emerges is more like a network of stakeholders where a number of more influential and experienced stakeholder groups attempted to manage the situation to ensure that there was a coordinated approach. It appears to confirm Rowley and Moldoveanu’s (2000) view that a public interest stakeholder group is more likely to mobilize when it has past experience with collective action, is embedded in a network of inter-organisational relations and where they share a common identity (quoted in Mattingly and Greening, 2002). The organisations certainly had experience in such mobilization, there was a careful attempt to develop a close network of organisations and the common identity was developed as part of a deliberate policy of consensus building.

Both HOOP and the VNPA recognised the critical nature of the proposals put forward by Parks Victoria as they represented a complete change in the way parks were to be managed in future. This was acknowledged by many respondents who thought of this as “the thin edge of the wedge” (I11: p2). This was demonstrated in many of the submissions from individuals who often linked together the three cases being referred to here (see Chapter 10). While the VNPA and other members of the coalition had been involved in many park-related issues before, they saw this as being of great significance as it had the potential to establish a precedent for more extensive commercial development in protected areas.
The stakeholders who took a supportive stand were not as organised nor as vocal as those in opposition. This may reflect the fact that many of the organisations that took this position were actually involved in the process from an early stage. Unlike those referred to above, these groups were kept informed of, and indeed were party to, the development and implementation of the strategy itself. Tourism Victoria had a major input into the decision making – both through its formal processes of strategic plan development and through its networks. One of its senior executives was actively involved in infrastructure development and in particular privatized infrastructure and had regular contact with Parks Victoria executives. He was also influential in the Victorian Chamber of Commerce and Industry (VECCI-see below). Officers of Tourism Victoria and other pro-development government agencies, tourism operators and potential concessionaires were all involved in a reference group that advised senior executives from Parks Victoria during much of the focal period (I19). Tourism Victoria saw this relationship as extremely important because although that organisation believed that one of the state’s major strengths was its natural environment, it had had very little influence over Parks Victoria or its predecessors prior to that time. Now there was an opportunity to influence things and it became actively involved.

Therefore, from the perspective of ‘the parties’, there were a wide variety of different groups and individuals involved representing a great diversity of views and interests. However, as will be demonstrated in the section on connections, not all groups had the same level of involvement in the development and implementation of the focal strategy. This may partly explain the different reactions that the groups had to the proposal.

9.4.3 The Stake

According to the conceptual model outlined in Chapter 7, the term ‘stake’ refers to the perceived justification that an entity, individual or group may have to support its belief that it should have a say in the activities of an organisation. This is conceptually similar to the concept of ‘motivation’ in that it seeks to explain why either an individual or a group would use their time or energy to even consider the actions of an organisation. Of course, it is understandable that many people may have an opinion about something. However, in coming to terms with stakeholder behaviour it must be recognised that to hold an opinion is not a sufficient requirement: action or activity is also involved. Stakeholders actually do something rather than just think. While this ‘something’ may be as little as communicating with others about this opinion or even signing a petition, it is the fact that some action is forthcoming that makes them a stakeholder. Stake is concerned with motivation for this action.

It is clear that a large number of people had an opinion or view about the proposed introduction of concessions into protected areas in Victoria. The fact that over 300 newspaper articles were written about this topic demonstrates that at least the media felt that it was ‘newsworthy’. Moreover, there were over 120 Letters to the Editor of major daily newspapers. Both are indicative of how important the issue was to the wider community.

The large number and diversity of people that became involved in the three cases through some form of protest or by making a submission included many who had not previously been involved in similar actions before. “I have never written a protest
letter before in my entire life, but I cannot sit back this time and watch as one of Victoria’s most precious assets falls victim to economic rationalism” (Sub.#3394).

This diversity of the interests of those who became involved was acknowledged by many interviewees. This diversity was particularly evident in the coalition of groups that came together to ‘fight’ the proposals.

“the VNPA are specifically interested in conservation . . the walkers are similar but they were interested from a different perspective and they were concerned about the privatisation of a public walk, that they would be able to continue to access their favourite walk, were there going to be camp sites that were essentially privatised, etc. As the Prom is always booked out, they were coming from that perspective . . and they were some of the things that we had touched on but we hadn’t really put a lot of effort into thinking about that stuff. So including those sorts of people into the group was important . . and the Federation of Victorian Walking Clubs was enormous – it represents at least a hundred walking clubs across Victoria – so they represented a very broad based group of people . . then there were local – Prom Watch and another group . . they were very different people . . very local representatives of which we thought it was important to be not just a city-based green group . .we were working with all the local people” (I16; p2).

The extant stakeholder literature suggests that most people would get involved in such a process because of the potential impact that a particular organisational strategy or action may have on their personal well-being or interests. Some interviewees felt that this was so in the case of Wilsons Promontory National Park as many of those involved had spent time there and saw the proposal as a threat to their lifestyle.

“Everyone in Victoria has camped down at the Prom . . and they love it. The ordinary Victorian who goes to the Prom and took their families down there and paddled in Tidal River and all that sort of thing, they did not want to see it change . . . and that was powerful” (I17; p2).

While this was clearly the case with some, even those responsible for introducing the strategy acknowledged that it was more than that. Referring to Wilsons Promontory National Park one said:

“You are not dealing here with a bunch of zealots. You are not dealing here with a group of people who had been there every year for twenty years in a row (some of these were involved) but you were dealing with people that had not been there for ten years or with people who know others that have been there and have got an interest in the place and not a direct association. So when you went through the 45,000 names on the petition, it was not 45,000 names on a family tree all out of the same suburb or class or age groups or whatever. It was very representative of the dynamics of Victoria . . it was a cross section of Victoria therefore it was Victoria speaking not just a particular group or association or affiliation or whatever” (I11; p2).
The same point was made by a later CEO of Parks Victoria that had been involved in the process: “people in Melbourne who had not been there for thirty years were still concerned about anything that touched it” (I6; p1).

Several interviewees talked about a sense of ‘ownership’ of the parks that many of those who chose to become involved felt. This was not ownership in the proprietary sense, but a feeling that they had a right to have a say in an issue that concerned broad concerns and community values. It was not about something happening at their ‘own back door’. As one interviewee said:

“It was a perception thing... the Prom and Albert Park. These were all about perceptions... all about a community that says... I mean if I say to you ‘we should protect our community from paedophiles’, even if the facts of the matter were quite sensitive and detailed and did not involve paedophilia, there is a sort of feeling that this is terrible... now parks are not to that extent, but there is a definite feeling... conceptually they like the idea that these are all wilderness” (I6; p3).

The ‘stake’ for many people and groups was clearly about a bigger issue, the question of commercialism and its potential impact on the values that people attributed to parks and protected areas. The specifics of the particular hotel and the number of beds, the shape and size of a restaurant over-viewing a seal colony, or specific location of a privately run visitor centre close to a icon of Victoria’s west coast, were all simply symbols of a greater issue. In particular, what would this mean for the future of the protected area system within the state? As such, people felt that they had a ‘stake’ in this issue, even though it may not necessarily have a direct impact on their lives immediately. In a very real sense, the stake that many felt so strongly about was the framework within which protected areas were to be managed from that point on. There was perceived to be a challenge to the way in which these areas had been managed and there were grave concerns about where this would stop. The ‘thin edge of the wedge’ argument that cropped up time and time again was certainly indicative of this type of concern.

This can be seen in the comments of one interviewee:

“But I think that you cannot look at the Prom in isolation. It was all related to the approach which started I guess with Albert Park, Seal Rocks and Twelve Apostles and I think the green groups, the VNPA particularly, they had just had enough of it” (I8; p6).

It is therefore important to recognise that in the focal cases at least, the stake was not limited to things that one could ascribe to ‘interest groups’. It had more the hallmarks of what the political science literature calls a ‘social movement’. However, it was a social movement almost in reverse – a movement to protect something that was already in existence. Here was a situation where the broad community values or ‘frame’ was being challenged by a few specific proposals involving a significant change in strategy. While many had felt that this ‘frame’ had been ‘locked in’ by various pieces of legislation, the proposed change in strategy clearly presented a challenge.

Indeed this appears to have been a very appropriate perception of what was going on. It was suggested by many interviewees that the strategy, and its application in icon parks, was all about challenging the established value system that underpinned park
management until that time. This was about “taking people on a journey from no commercial developments in parks in Victoria which was unlike anywhere else in the world” (17; p5).

The approach was to change the general principle that had been established over time via a specific example of one development. However, there were obviously a wide range of people who recognised the broad implications of this strategy and became vocal in their opposition.

“and if you want to change a policy direction that is not the way to engage stakeholders . . . you don’t say we are going to privatize the coasts of Victoria by going down and selling one particular piece of land and saying to the community “what do you think about this?” You have the debate about the broader principles . . and so people then . . you are in their faces . . hang on, you haven’t even told us what is on the agenda, now you are not only telling us you want to talk about the generalities of this, you are actually saying you are going to build something in this place, this big, in x months time . . so in my view it was no surprise that that attracted the ire of stakeholders” (I5; p13).

9.4.4 The Connections

The connections that existed between the focal organisation and the stakeholders need to be seen in the context of what went on before and what has happened subsequently to the cases of direct interest. Parks Victoria and its predecessors had had considerable experience dealing with community stakeholders as part of their ‘normal’ way of doing business. Prior to the particular cases of interest the agency had engaged with stakeholders in a very positive and open manner. Indeed, many of those interviewed indicated that the agency had shown a very strong interest in the views of stakeholders and had developed mechanisms to ensure that they had some input into decision making at some level. However, during the focal cases, the attitude towards some stakeholders and the connections established changed dramatically. This is best exemplified by the situation that occurred in the Port Campbell case.

The Officer responsible for the development of the management plan for Port Campbell, in which the strategy of developing a concession to run a commercial visitor centre was being addressed, gave the following account of what happened:

“We were consulting with people who were against it from the start. But all those people were very comfortable with the level of consultation because this was a planned project and it had a planned communications strategy, it had a planned consultation strategy of which they had been a part. It had a sequence of events where we said let’s do some costings, let’s do some environmental analysis, lets do the business side of things, and so on, and so on. Now the process went fine . . everyone was engaged, internal stakeholders knew, there were regular briefings, everyone had ownership, so all stakeholders were fully engaged in the project. Now it was going fine until the timeframes were changed. . . . Now we had been working for probably 12 months and we said that we needed another nine just to get the industry and community on board as well as a small
group that did not want it to happen. Now what changed was that we got a directive to say that we had to have the sod turned in three months not nine months. . . . and it fell over in the next two weeks because we lost trust, yeah we lost trust” (I4; p2).

The connections between the agency (through its front line Officers) and the stakeholders had been developed over a long period of time and had been underpinned by trust.

“There was trust . . . an enormous amount of trust at the table . . with every person we were consulting with, without exception . . even with the seven that were against it, there was still trust. Because we were fairdinkum about the consultation . . . we were putting everything in front of them . . . they knew what was going on” (I4; p2).

However, this trust had been shattered by the one directive: “So then when that happened we knew that the project was doomed” (I4; p2).

This view was confirmed by discussions with other agency staff and community members involved. Once the trust had been broken the connections became far more confrontationist and involved considerable media activity. It took several years before a compromise ‘solution’ was found (see Chapter 8).

The significance of the type of connections established was emphasised by others involved in the Wilsons Promontory National Park case. One Parks Victoria senior Officer emphasised the importance of real engagement and dialogue: “They have to feel as if they are engaged and listened to – even if they end up agreeing to disagree . . . . if we’ve taken enough time to talk and understand each other then they will accept more graciously the fact that we have listened but we are still not going to do xxx . . . . if they feel engaged and listened to” (I7; p9). The significance of personal relationships between “boundary spanners” in stakeholder groups and the focal organisation has been identified by Mattingly and Greening (2002). What appears to have been important in this case was the role of trust in those personal relations. The difference that was evident in the focal cases, when compared with what preceded and followed, was that this trust was broken.

Without this trust the dynamics clearly changed. With reference to the cases under consideration, one senior staff member of Parks Victoria described the whole approach as “combatant” (I8;p15) while another described it as “belligerent” (I4; p4). In reality, there was no direct consultation with any of the major stakeholder groups that had been involved in previous management planning exercises. “There was very little consultation with the VNPA and it was certainly not an open door policy” (I8; p15). These groups were kept at arms length and any information that they did receive had been generally publicly released or obtained through media sources. These organisations were perceived by the agency as critical of their strategy and hence in opposition. Argument and debate was therefore undertaken within an adversarial framework.

Moreover, there was no research conducted to either ascertain community attitudes towards the strategy or even to provide a justification. This is often seen as an alternative means by which the issues and attitudes of others can be ascertained. As one interviewee commented: “I actually commissioned and managed the parks
segmentation project and it is not where it came from. You could find something there that supported the idea but that was not what drove this. . . . it was a post hoc justification “ (I5; p7).

The critical nature of the whole issue may help to explain why such a combatant approach was adopted. One interviewee suggested that those responsible had the following in mind:

“we are going to demonstrate that Victoria is open for business by going to the heart of where it has never been open for business . . . . and you know there is a sense of why piss about climbing a small mountain when you can climb a big one . . . . and really big ones. . . . I am sure there was a sense of that . . . . and I sure there was recognition of the symbolism and . . . . look a couple of hundred beds at the Prom is bugger all in the economic sense of things . . . . it doesn’t even get on the radar screen . . . . but a door handle factory closes on Doveton and its has more economic impact . . . . and nobody even notices . . . . it’s a particular way of saying there is entrepreneurialism here, there is enterprise spirit, there are no areas that are immune from that” (I5; p10).

The combatant nature of the connections was also emphasised by interviewees outside Parks Victoria. A member of the VNPA suggested that in the case of Wilsons Promontory National Park “it was more . . . they had had their camp and we had our camp and it was very difficult really to build a relationship because we were both set in our positions . . . we were set in our position and Parks Victoria was set in their direction” (I16; p1).

The adversarial approach did not arise simply because the connections moved into the public domain through the media. It was inherent in the way the connections were established from the beginning and reflected a desire to achieve predetermined goals.

The latter interviewee explained that the relationship between the VNPA and Parks Victoria has subsequently changed to one that is far closer. The current CEO also indicated a change in the way the organisation connects with its stakeholders. This is far more direct and open and involves a multi-faceted approach to engage with the stakeholders in a meaningful sense. He suggested that: “we still do potentially controversial things. It is a bit like horses for courses . . . there is not one size fits all . . . we now engage in a wider community of interest at an earlier stage” (I11; p3).

This was confirmed by interviewees in advocacy groups. There are still controversial issues that crop up but the general thrust is one where the agency takes a more proactive role in establishing a closer, more direct relationship with interested stakeholder groups. In doing so the emphasis appears to be more one of inclusiveness rather than exclusiveness. A recent example that was pointed to was the ‘Marine Park Strategy’. Despite its controversial nature, due to its direct impact on the livelihood of professional fisherpersons, relatively little controversy has arisen about both its conceptual development and its implementation.

Of particular interest is the fact that certain stakeholder groups did not face such a combatant approach. As noted in the previous section, some tourism groups, business advocates, other government agencies and potential concessionaires were not
subjected to the same adversarial approach. While it could be argued that this was because these groups tended to agree with the strategic direction of the focal organisation and therefore would be unlikely to face conflict, this is not a sufficient explanation. Given the divergent interests of these groups there was still the potential for disagreement and debate. The fact that these groups were in various ways involved in the strategy development from a very early stage must have played a part in the relationship. These groups were therefore in a position to exhibit an ‘integrative orientation’ (Mattingly and Greenly, 2002) where the objective was to seek joint outcomes with possible simultaneous gains for those involved. This contrasts with the ‘distributive’ orientation of the other groups where “one party’s gain is necessarily at the other party’s expense” (Mattingly and Greenly, 2002: 271). The involvement of all parties on an equal footing at the earliest stages in the process may have had a quite different result.

Finally, the nature of the connections exhibited in the focal cases shed doubt on the emphasis that is placed on resource dependency theory as the basis for power relations. As a form of social movement, those who became involved in the campaign to oppose the strategy were not in a position to either withhold resources or limit usage. The power they exerted was distinctly social – an attempt to discredit the credibility of the organisation and its strategies as being in some way against the interests of the broader community. The focal agency was not ‘dependent’ on these opposing groups in terms of resource needs. The power appears to be more subtle and yet equally powerful. It created a situation where the authority and reputation of the agency and its senior executives was threatened amongst the broader community. As noted above, had this been with simply a group focussing on its own individualistic interests, the influence would have been less.

9.4.5 The Procedures

Parks Victoria and its predecessor organisations had been conducting consultation exercises as part of its management processes for many years. The technical details of the procedures were not particularly different to those which had come before. This is what makes the reaction so interesting.

Advertisements were placed in the national and local newspapers calling for comments on the draft plans of management for each area. Plans of management are the vehicle through which the strategic intentions of the organisation are outlined at a park level. Plans of management are a statutory requirement for each park, and are designed to outline the strategic direction for management. As with other organisations, strategies are a mechanism for adaptation to either or both of the ‘task environment’ or the ‘general environment’ (Astley and Fombrun, 1983) and reflect the changes that were outlined in Chapters 2 and 3. In this case, the strategy is laid out in a management plan that interprets the application of the strategy at the level of the individual park.
Figure 9-1  Stages of Stakeholder Consultation in the Focal Cases

- Preliminary Work
- Public announcement
- Call for Submissions
- Analysis of submissions
- Public campaign
- “Back Down”

Conducted in secret
While at a superficial level the steps in the procedures were very similar to what had come before, the reality was quite different. This would help to explain the extent of the reaction and the ensuing difficulties.

The approach adopted in the cases being considered has been described by those involved in very critical terms. One senior staff member of Parks Victoria suggested that “there was no consultation, no process . . . there was nothing. It had just come out of the blue” (I4; p1). This was confirmed by at least two other senior staff in the focal organisation. Despite these comments, an attempt has been made to reconstruct the process diagrammatically. This is shown in Figure 9-1.

One aspect that was clearly different was that the preliminary work that generally precedes the release of a draft plan was not undertaken, or did not include those aspects of the strategy that proved to be so controversial. This was seen by many involved in similar processes to be unusual. Comparisons were made by staff between the way the consultation program had previously been run and what occurred in the situation under consideration:

“Now the Port Campbell one – the two were running together – two of us were running Port Campbell – it was planned. We were consulting with the community long before any public announcements were made, we were consulting with businesses, we were consulting with people who were against it from the start . . . but all those people were very comfortable with the level of consultation because this was a planned process and it had a planned stakeholder strategy of which they had been a part.” (I4; p1-2)

The lack of preliminary discussions about the strategy with any potential stakeholder was acknowledged by many of the interviewees. Even the person responsible for driving the process now recognizes that this stage was missing and that it partly contributed to the ensuing problems. Before the public announcement there was no inkling that such a strategy was being contemplated. In a verbatim magazine interview with the person responsible for developing and managing the introduction of the strategy only five weeks before it was introduced, no reference was made to a key stakeholder group (VNPA) that such a strategy was even being contemplated (Parkwatch, October, 1996). Discussions with the person responsible for conducting the interview and recording the response confirmed that no reference to the strategy was made at all. Moreover, the National Parks Advisory Council, a formally constitutive consultative body established to oversee the management of national parks, had not been informed that any change in management strategy was being contemplated. As one member said: “They were able to feed us bull dust pretty well” (I17; p3).

Any suggestion that this may have been an inadvertent mistake can be dismissed by clear evidence that Expressions of Interest had been called for potential concessionaires to run commercial walking tours in Wilsons Promontory National Park several months before the Plan of Management was released. This had been done entirely in secret and only became known through a Freedom of Information request (see Chapter 8). This was confirmed by the experiences of a successful applicant for a concession arrangement for a lighthouse development that was being run at the same time and was another example of the strategy implementation. The
whole process was undertaken without any stakeholder involvement. At the direction of Parks Victoria “we went down there one weekend . . and we erected a kiosk . . power and everything. Before anyone knew about it, it was all there” (I9; p2). A master planning process was conducted only after the lease arrangement had been finalized and the operation commenced.

This almost secretive approach was indicative of an attempt to manipulate the outcome of the process. With no prior warning of the strategy, those organisations that had an interest in parks and their preservation reacted very strongly. The Director of one of those commented that from her organisation’s perspective, “this (the Wilsons Promontory National Park Plan) was not a draft . . this is a fait accompli . . the approach was, we (Parks Victoria) want to influence you to the point where you will accept what we are recommending (I16; p1; items in parentheses added). The interviewee went on to suggest that “there had been no previous consultation before the draft came out” (I16; p1).

The process was top down with the most senior executives directing both the strategy development and the stakeholder engagement program. As one Parks Victoria staff member said: “It struck me as being a very top down approach to this project” (I8; p6). The person directing the program from the ‘top’ used his position to ensure that certain things were included in the management plans and that the process would be conducted in a particular manner. Because this person had not been in the position long it was suggested by several interviewees that he did not understand the reaction that such a strategy would generate. Referring to that level of the organisation one remarked that “I think it certainly caught . . parts of the bureaucracy at the time quite by surprise . . at the strength of feeling and they could not quite understanding why” (I7; p2).

Staff at lower levels were aware of the potentially explosive nature of the proposals, but their concerns were not listened to: “despite getting the messages out such as ‘you need to be careful as the last time this was attempted in 1972, this happened, etc. etc.’ . . . there were certainly a number of Senior Executives who did not understand what was involved . . and certainly got a big surprise at the strength of the reaction . . and hence I guess, dug in . . .” (I7; p2). This was confirmed by another interviewee: “people that generally would have had more of a major role in influencing senior management certainly were not allowed to air their voice” (I8, p8).

Staff who were normally involved in consultation exercises reported the existence of a “high level” internal group that was advising senior executives on various aspects of strategy implementation. This was primarily composed of people from other government agencies such as Tourism, Treasury and Finance and Infrastructure Development. This group appears to have had greater influence on the decision-making than lower-level Parks Victoria staff who had had extensive experience in consultation processes. The existence of this type of advice being fed into senior management in such a detached way helps to partly explain the lack of understanding of the potentially explosive nature of the strategy.

Likewise, staff at lower levels in the organisation were not able to engage with stakeholders in the same way that they would normally have done. One representative of the VNPA suggested that “the people (Parks Victoria staff) that VNPA spoke to were relatively secretive, relatively constrained in what they could say . . and inflexible in what they could give or not give . . so it was an extremely
difficult time” (I16; p2). Another suggested that “there was a bit of a culture that if we are going to do it, then we are going to do it . . . to push it through” (I6; p5). It is clear that staff were in a position where their role was to advocate a position not consult with stakeholders.

Even the staff were not aware that the ‘normal’ process of consultation was to be changed: “It shocked everyone, including staff within. So, you talk about stakeholder management; staff within the organisation were treated very badly because they were the last to know. They learned about it at the same time as the public; that is, when it was announced” (I4; p1).

It appears that many of the officers who would normally be responsible for stakeholder consultation and management plan development were being directed by senior management to include things about which they had reservations. Referring specifically to Wilsons Promontory National Park, one commented as follows:

“I was asked in a series of fairly sporadic unsystematic ways to make changes to this plan . . . to add on this . . . pull this out of the air, etc. . . and to inject some things into the management plan . . . and I sort of baulked at a number of those requests but a number of them were – this is where you get to the heart of your professional position and political requests . . they were not ministerial requests . . . they were requests that did not come out of an analysis of the data . . so I call these small ‘p’ political . . somebody saying I’ve got this answer in my mind, go and make it happen.

The direct involvement of the most senior staff in managing the program is also evidenced by the fact that most media responses were handled by the CEO who also personally wrote letters to the Editor to answer the criticisms that had been levelled at him and the organisation. This led to some interviewees being very critical of his motives and one describing his actions as “quite deceptive”.

Most of the staff were not really involved in the process, with many of those interviewed expressing concern that they had to deliver a strategy about which they had grave concerns. As one interviewee commented: “a lot of park staff were pushed into (the agenda) . . . it wasn’t what a lot of people wanted to do . . . I hear a lot of stories about what happened at that time and people were very uncomfortable about it” (I16; p5). This created dilemmas for some of the staff involved:

“It creates conflict . . . my view has always been if I am asked to do something as long as it is lawful and ethical . . . . then my responsibility, if I disagree with it, is to raise a counter view and argue for it, and if somebody senior to me still wants me to do it the job is to do it . . . . and if you don’t want to do it then you get out . . . . now that is difficult because who wants to walk away from a job they enjoy and has a career . . . . but none the less . . . . that becomes the choice (I5; p7).

The involvement of staff as stakeholders had consequences for its success. As noted in previous chapters, when Parks Victoria was established the dominant culture reflected one of its predecessors (Melbourne Parks and Waterways). Despite this, considerable effort had been expended to mould the previous staff members of the National Parks Service into this culture with its particular emphasis on the
instrumental value of parks. Many “cultural change” workshops (I1; p2) had been run in order to reorient staff to a more customer service perspective. The senior executive responsible for this described a number of staff who resisted such change as “recalcitrants” with management being “forced” to send letters of direction to them individually (I1; p2). The consequence of this and the fact that the strategy was being driven from the most senior levels was that several staff obviously helped to feed information to those who opposed the proposals. As one senior staff member said: “there were clearly staff who were under-mining the process . . . clearly. And that is serious. . . . If the process is flawed then it allows those that are against it to play havoc. They can leak to the press, they can leak to the opposing groups . . . and this is very, very dangerous” (I4; p7). It certainly appears that staff were treated in a very similar manner to the general community as they too had neither real understanding of what was going on, nor any opportunity to really discuss the merits or otherwise of the strategy before it was presented as a *fait accompli*.

Parks Victoria ran the consultation for Wilsons Promontory National Park over the pre-Christmas period – the busiest part of the year – for a very short period of time. While the person responsible has suggested that this was not a deliberate tactic (“There was no tactic . . .” I11; p2), it was seen by several key stakeholder groups as an attempt to slip the proposal through at a time when most Australians are concentrating on the festive season and their holidays. Groups such as the ACF and VNPA found it very inconvenient to prepare a detailed response at that time of the year. The ACF Campaign Director was only able to finalize a consultant to write their submission on Christmas Eve, less than a week before it was due. While the submission date was extended slightly for those requiring more time, the timelines were very tight indeed.

Rather than being strategic, one senior staff member of Parks Victoria described such a tactic as being “just dumb” (I4; p2). The choice of time period was certainly not thought out well as the Christmas-New Year period was also a time when visitation at Wilsons promontory was at capacity, creating an unprecedented opportunity to organise opposition amongst campers. Add to this the fact that the newspapers at that time of year are often starved of stories, the chance of the issue becoming a major media battle was almost assured. As those involved were experienced campaigners, the chance to have front page photographs of the campaign in major newspapers was an extremely powerful opportunity that was exploited greatly.

Once the seriousness of the public reaction became clear, the agency employed an external Public Relations group to manage the communications between the organisation and the public. Even staff within the organisation regarded this as not compatible with stakeholder consultation: “There was a PR group employed to manage the whole communication strategy . . . to do a real stakeholder *massaging* job rather than whatever . . . and look I don’t disagree with the principle of getting people to speak up for you in a debate . . . but the key question here is the efforts put into that rather than true dialogue . . .” (I5; p5 – emphasis added). This group took responsibility for ensuring that the *message* being presented by Parks Victoria was very clear and not distorted. They advised senior staff on how to respond to criticism and to media questions. No attempt was made to improve the two way dialogue between the agency and its stakeholders. As one interviewee commented: “when you go out to do what I would say is chasing media support . . . that’s not the way it should be done” (I4; p5).
During the controversy there was an attempt to get a number of ‘tame’ stakeholders to speak out in favour of the proposals: “the great irony then on top of this was that there was an attempt to get a number of tame stakeholders to support the proposal and to make those statements in the media and one of those was the Director of the Country Victorian Tourism Council . . . and Tourism Victoria was another but because they were part of the government that was not as persuasive . . . but the great irony was that in the end the tourism industry actually was not quite as violently opposed, but certainly opposed, to the proposals because all of the South Gippsland tourism groups were saying ‘Bloody hell, our bread and butter is for people to stay outside the park, or take our bus down, take our guided tour, etc.’ . . so you are doing pretty well when you are getting stakeholders on two different ends of the spectrum criticising what is going on . . .” (I5; p8). As noted below, one senior executive attempted to garner support from special interest groups that he felt would come out in favour of the proposals (Victorian Chamber of Commerce and Industry and Tourism Council Australia). While neither group became actively involved in the public debate, the latter undertook a critical review of the process that had been undertaken by Parks Victoria (see below).

Given the enormous public reaction to the proposals at the Prom, it is not surprising that 3,400 submissions were received. These were analysed the over a 3-week period by a special team brought together specifically for the purpose. The involved a detailed classification system of both the person submitting (based on whether they were a ‘walker’, ‘camper’ etc.) and the nature of their argument (see Chapter 10). This appears to have been conducted in a very professional manner with no attempt at manipulation of the outcomes. The person responsible for this stated the following:

“I presumed that there was going to be no expectations that we were going to deliver any analysis other than what was accurate and objective . . . and he said no, we just want the objective facts out of the analysis . . . . .who is against it and who isn’t; what are the reasons and whatever. So I was really concerned that there was going to be pressure on me to manipulate the data but there was not” (I5; p9)

Before the detailed analysis of the submissions was completed the Premier (who had taken a personal interest in the whole controversy) announced that the plan to introduce the proposed commercial developments at Wilsons Promontory National Park would not go ahead. The final decision therefore had nothing to do with the submissions even though 84% of them were opposed to the lodge development. In a newspaper article, the Premier was quoted as having said that “the potential for bad weather at the Prom had caused the government to change its mind. The weather, he said, meant the developer could not be guaranteed regular bookings” (NA.131, Jan.18.1997). While it is not possible to establish a clear motive for this decision, one of the interviewers suggests that be backed off because the financials did not ‘stack up’. Of particular relevance to this thesis is the fact that the decision was made before the stakeholder submissions were even considered. Once again this demonstrated a distinctively egocentric approach towards strategy development.

**9.4.6 Criticisms of the process**

A number of different interviewees were very critical of the process involved, not only because of the way it was conducted but also because of the outcomes that were forthcoming. There appears to be general agreement that because of the way the
stakeholder engagement was handled that there was a lost opportunity to address very important issues about the role of tourism and commercialism in protected areas.

One senior Parks Victoria staff member who now works in the tourism industry felt that the results were very disappointing because the proposal itself had some merit. He stated that: “... the result was really disappointing because even though I was against the proposal as it stood for various reasons, I recognise that there is still a need for high quality accommodation at the Prom and it would not detract from the remaining 97% of the park that would remain relatively undisturbed” (I8; p5-6). This view was also held by another member of the team that analysed the submissions: “I had the view that the lodge ... was a proposal that you could consider and debate ... I didn’t take the view that it was something that you could totally not contemplate ... I think that something could have been developed that was acceptable to most parties but you couldn’t be certain” (I5; p3). What they are saying is that while the specifics of the strategy may have been not acceptable to many, the combatant nature of the process did not allow any opportunity to identify creative ways to solve what they still regard as a significant issue in the particular park. Had the focus been on establishing a common view about the frame within which the common strategy was to be developed, it may have been possible to develop creative ways to solve the problems faced on the ground.

At a broader level, some interviewees suggested that the ‘black and white’ outcome that resulted from such an antagonistic process was not really as clear-cut as it appears. Moreover, the attempt to be so prescriptive cut off a range of management options that could possibly be acceptable. One senior Parks Victoria manager suggested: “Now that is pretty hard to interpret because is it as black and white as it sounds? What does commercial mean? Does it mean you can’t build a tuck shop? It’s made it pretty hard in that there needs to be a lot of work done at the Prom as the facilities are aging and there is so much demand for roofed accommodation there ... it will take a long time, if ever, to get the publics to be more turned on to more sensitive development” (I8; p10-11).

Even the Director of the VNPA who took responsibility for running much of the protest felt that the outcome removed any opportunity to address key philosophical issues that remain unanswered. She suggested: “there could have been a better debate about it ... although I am philosophically opposed to what was in those draft plans there are certainly issues about tourism and national parks which I think need to be explored further but because of what happened at that time, you are not going to touch them with a ten foot pole. There are a whole range of things that have happened since then, yet it is very difficult to have that discussion and debate within the community” (I16; p4-5).

Some individuals were critical of the process – or lack thereof: “I feel as a tax paying individual that Victoria’s taxpayers have not been consulted openly over the development of crown land at Tidal River ...” (#2310). Yet this was the consultation process. Clearly they felt that the proposal had gone too far before it was opened up for discussion. Some submissions attacked the consultation process itself. For example, one submission felt that the presentation of one alternative was not appropriate: “There should be at least a set of say 8 options put forward for public comment” (#3389). A call was made by some for better access to the information. For example #2228 wanted all plans put on the internet “so that they can be assessed at low cost by all more readily”.

Staunch supporters of the strategy were even critical of the process involved. Following the failure of Parks Victoria to successfully implement its plans at Wilsons Promontory National Park and at the Twelve Apostles, the agency became very critical of organisations and others that it felt should have been more organised and active in their support. Of significance was the criticism levelled at the Victorian Employers Chamber of Commerce and Industry (VECCI), in particular its standing Committee on Tourism, Hospitality and Leisure. This criticism was levelled by one of the senior executives at Parks Victoria who was a former member of this Committee (Minutes, March, 1997). As a guest speaker at a meeting early in 1997 he suggested that VECCI had failed to support Parks Victoria during the public campaign against concession developments in parks. He encouraged the Committee to become more active and pressure the government to support such developments. This action demonstrates once again that the consultation process and the involvement of the public had been regarded by those in senior management positions in Parks Victoria to be one of a contest or a process that needed to be managed in order to achieve predetermined aims and objectives. The language used and tone of the presentation was that of someone in the midst of a battle. There was no discussion about the need to understand public concerns; the focus was entirely on seeking to support to defeat the ‘opposition’ (Minutes, March, 1997). It is also understood that the same Parks Victoria Executive had attempted to get similar support from the peak Tourism Industry body (Tourism Council Australia) but that support had not been forthcoming.

While there was some diversity of opinion amongst members of the VECCI Committee, as an advocacy organisation for employers and business interests, this group expressed grave concern that the seemingly appropriate strategy was in danger of being abandoned. At least three members of that Committee were concessionaires that had benefited by the granting of similar leases for development on public land, including the developer of Seal Rocks. The Tourism Industry was well represented, as was the government agency (Tourism Victoria) that had worked with Parks Victoria on the proposed strategy. There was great pressure to launch a publicity campaign to expose the perceived fallacies in the arguments being promulgated by conservation groups (Minutes, April, 1997). However, this did not eventuate. Instead, the Committee responded by establishing a Sub-Committee to look into the matter with a focus on how the process could have been improved.

Of particular concern to several members of the Committee was the fact that the process that had been used by Parks Victoria had had grave impacts on those who have become involved as concessionaires. Having gone through a comprehensive competitive tendering process, these entrepreneurs were finding that the consultation process that occurred after they had won the rights to proceed created major additional costs and impost in terms of time, money and uncertainty.

The Sub-Committee reported back a few months later in a short report titled “The Parks Victoria Approach to Infrastructure Development on Park Estates” (October, 1997). This identified a number of problem areas that “caused the process to go ‘off the rails’ ” (Report, October, 1997, p1). These focussed on the whole process including the stage where concepts and ideas for concession service development are generated (either by an external source such as a potential developer – as was the case with Seal Rocks – or through an internal process where a need was identified by Parks Victoria staff). The problem areas were listed as follows:
• “Poor submissions by developers based on poor quality research and/or understanding of market realities;
• Mixed messages being given to potential concessionaires because they were dealing with different Parks Victoria staff;
• Submissions received through the Expression of Interest (EOI) phase contain either too little or too much detail;
• The project cannot proceed because it is dependent on the finalisation of a management plan;
• Information provided to the public is incomplete or the agency fails to communicate the vision adequately; and
• Some concessionaires are ‘shonky’ (even to the point of not preparing a business plan) thereby raising concerns over the long term viability of the proposal” (Report, October, 1997).

The general thrust of the Report was that the difficulties that the strategy had faced was understandable as the process that had been followed needed to be improved to ensure not only that the strategy was implemented but also that the risks faced by potential concessionaires were minimised. The following general comments were made about ways that the process could be improved:

• “There is a need to ensure that the concerns of various community groups are identified and addressed in a meaningful manner right up-front before they become a basis for confrontation. Adequate time and as much effort as possible needs to be put into this task. It should be possible to develop a sense of ‘ownership’ of the project amongst the community members if the benefits are articulated well.
• The stakeholder consultations should include the key pressure groups (eg. VNPA, ACF, etc.) not just the local community. It is recognised that a number of different communities should be considered.
• The needs analysis phase appears to focus on proving that the project is needed. It should be possible to undertake this step in a manner that looks at all the options including the ‘do nothing/no development’ option. Consideration of this would ensure that all alternatives are canvassed in a meaningful manner.
• Concerns were raised about the bureaucracy’s ability to understand ‘needs’ and the viability of a project. It often appears that in establishing certain proposals the bureaucracy is not responding to needs that are commercially viable.
• It is not sufficient to obtain the approval of the Parks Victoria Board. The approval of all relevant bodies (federal, state and local government and statutory authorities) should also be obtained before Expressions of Interest are called” (Report, October, 1997).

It can be seen that the general thrust of the Report was that the costs borne by commercial operators through the process that had been run to that time were so great that any potential conflict that may arise through the implementation of the concessionaire strategy should be sorted out before potential concessionaires were called for. Those involved wanted to be commercial operators not political advocates for a particular strategy. Likewise, the Sub-Committee recognised the value of involving stakeholders very early in the process, rather than simply bringing them in after most of the decisions had been made.
While very little specific action appears to have resulted from the tabling of the Report, the Committee as a whole pressured Parks Victoria into establishing a consultancy to itself look into the whole process that had been implemented. This consultancy was let in August 1998 and reported some nine months later. This consultancy report demonstrates that even the agency itself realised that the whole process had not been handled well.

Known as “The Review of Processes of Tourism Development on Public Land”, the specified objectives of the consultancy were to (a) establish the extent to which current processes for assessing, approving and implementing tourism development on public land are effective and efficient . . . and (b) identify improvements to these processes where needed.

The consultants appointed undertook a review of various cases that had occurred over the previous few years, identified issues that community groups have with such processes, identified comparable experience in other jurisdictions and established ‘guiding principles’ for such processes in future. Interestingly, the Consultants were to conduct their investigation in secret and specifically instructed to not discuss their work with community groups or activists (II9, p3). The executive responsible for managing the consultancy suggested that this was because of the political sensitivity of the issue and that an election was looming at anytime in the following 12 months. Such was the sensitivity of the whole issue.

The consultancy reviewed mechanisms for tourism infrastructure development on public land that had been used in other states and in the United States and New Zealand. It also reviewed the previously published views of various community and conservation groups. No interviews or surveys were undertaken as the whole project was undertaken without the knowledge of these stakeholders.

In the ensuing report titled “Review of processes for Tourism proposals on Public Land” (Connell Wagner, May, 1999), the consultants were critical of the approach that had been adopted by the focal agency. Similar issues to those identified by the VECCI sub-committee were highlighted – and an alternative process recommended. This involved getting all parties involved early, engaging in dialogue over significant issues and the framework for the decision, and being clear about what the proposal is when this dialogue is undertaken.

The essential point being made here is that the approach adopted by the focal organisation was seen by many as being flawed. Even those responsible for conducting the stakeholder engagement process felt that it had not been appropriate and, with the advantage of hind-sight, that the outcomes they sought could have been achieved by the adoption of a different approach.

9.5 Conclusions

The essence of this chapter has been to demonstrate that the focal organisation attempted to ‘manage’ (in the manipulating sense of the term) the stakeholder engagement process. This contrasts with the original intention of stakeholder management, which was developed in response to a perceived need to understand and engage with what is happening in the external world. The emphasis was on understanding, not manipulating. Management was about running the process effectively, not about ensuring fixed predetermined goals. Achieving full
understanding is itself complex and not easy to achieve. In the focal cases there was no evidence that this had even been attempted.

Like most good ideas, stakeholder theory appears to be deceptively simple (Clarke and Clegg, 1998). However, its application is not only conceptually complex but requires a considerable change in business philosophy and practice. It is not simply a matter of recognising that there are external entities out there that can affect the strategic directions of organisations. This has been known for a long time. Nor is it a matter of determining how to manage these external groups. What isn’t still fully understood is the most appropriate way to engage with them, particularly when the issues appear to be almost intractable. As organisations have learned to engage with individual stakeholders in ways that feel comfortable (through the exercise of formal or economic power), so too do they need to learn how to handle issues that are patently political or ideological in nature. The case of the focal agency considered in the chapter demonstrates the consequences of not handling this well.

Before looking at what the consequences are for quality management theory it is necessary to turn to the other ‘driver’ of the stakeholder engagement process – namely the dialogic. This is the focus of the next chapter.
Chapter 10

Stakeholder Relationships: The Dialogue of Engagement

Abstract
This chapter focuses on the nature of the communication process that occurred in the engagement between Parks Victoria and its stakeholders. It has been argued that our understanding of stakeholder relationships has reached a point where it is generally accepted that all organisations need to engage with stakeholders in order to achieve their objectives. While most research has been undertaken to identify who or what these stakeholders are and what the patterns of relationships look like, very little attention has been given to the communication that underpins the ways in which the organisation actually engages with them.

This chapter seeks to take up the challenge presented by Crane and Livesey (2003) that “greater attention to stakeholder communication in all its forms is clearly vital” (2003:52). It aims to clarify what form(s) such communication took in the cases being considered. In conceptual terms, it is the second ‘Driver’ in the stakeholder process model outlined in Chapter 6.

As noted in the previous chapters, the focal organisation was not able to achieve its strategic objectives and faced enormous difficulties. A review of the communication that occurred between the various stakeholders and the organisation should shed light on the complexity of the issues involved. It should also provide an opportunity to see the way in which various stakeholders expressed their views.

10.1 Introduction

The effect of stakeholder relationships on the on-going success of organisations is now well recognized and generally accepted by most scholars, even by many who subscribe to the neo-classical, Friedmanite view of the firm. The latter scholars have recognized that even if the primary raison d’etre of a firm is to serve its shareholders, it’s success in doing so is likely to be affected by stakeholders of one form or another (Foley, 2001). Every organisation must therefore learn to engage with these stakeholders in some way.

As noted above, many organisations have interpreted this engagement as a form of ‘management’ (read: ‘control’) where there is an attempt to organise, structure and thus “manipulate” the relationship in the belief that this will best serve their needs. Organisations adopting this approach tend to make decisions on their own and then inform interested parties or stakeholders of that decision via a variety of monologues. This leads to a one-sided form of “engagement” in which the organisation – setting the boundaries – remains firmly in control of the communication process.

Other organisations have interpreted engagement differently. They have attempted to become more involved in a two-way relationship in which the interests and concerns
of both parties are taken into consideration and decisions are made in the light of those – often conflicting - interests and concerns. This does not mean that the interests of the focal organisation are ignored or over-ridden. Rather, in the process of determining how to achieve various objectives, these organisations acknowledge the existence of alternative perspectives and may even modify their behaviour to help accommodate them. Viewed from the long-term perspective of the firm, this creates a solid basis for continuity.

This chapter seeks to analyse the nature of the communication that underpinned the stakeholder engagement process run by the focal agency in the cases outlined in Chapter 8. The conceptual framework outlined in Chapter 6 indicated that this was one of two ‘Drivers’ that affected the outcomes of the stakeholder engagement process. Having established that the political element could best be characterised as ‘combatant’ or ‘adversarial’, attention now turns to the nature of the communication involved. This will again be analysed in terms of the four components that constitute the stakeholder engagement process.

Before heading down that path, the chapter begins by looking at the way the academic literature has conceptualised communication in stakeholder relationships. This will help to place the empirical analysis onto a firmer conceptual foundation.

**10.2 Stakeholder Engagement as a Form of Communication**

A number of scholars (Bendell, 2000; Crane and Livesey, 2003) have suggested that the essential building block of stakeholder relationships is communication. However, the approaches, methods and responsibilities entailed in genuine stakeholder communication are not well understood. Neither are the implications for organisational action.

Crane and Livesey, (2003) suggest that stakeholder relationships nowadays are characterized by a complex array of shifting, ambiguous and contested interactions between interested parties and within diverse organizations. This, they claim, “highlights the central role of communication in constituting, managing and maintaining stakeholder relationships” (Crane and Livesey, 2003: 43).

Early scholars turned to a simple linear model of communication in which the stakeholders were the ‘receivers’ or ‘audiences’ of messages sent by the organization. The aim is to persuade the audience about something perceived to be of value or interest to the focal organisation. According to Crane and Livesey (2003), this placed the focus on the information itself (“a commodity that needed to be transmitted”) rather than seeing communication as “a social process that brought meaning to life through negotiation and consensus” (Smircich and Stubbart, 1985).

Later applications of communication theory focused on the effects of messages on the receiver with particular emphasis on ‘feedback’ that was used by the sender to improve and adjust their messages. The aim of this two-way form of communication was to ensure that the receiver understood what the sender was attempting to transmit. It still involved a strong element of persuasion and control by the sender.
In both instances, there was an assumption that the communicator (senior managers or communication departments) could control the message in the sense that it could determine how it was perceived by the audience. Grunig and Grunig (1992) call this “asymmetrical dialogue” where the aim of the communication is to manipulate or persuade, even though it may involve two-way interaction.

This form of dialogue ignores the fact that the dialogic nature of every act of communication involves fundamental sense-making. Whether recognised or not, stakeholders, like the audience in any communication experience, take an active role in sense-making within the context that they find themselves. “Sense making is about such things as placement of items into a framework, comprehending, redressing surprise, constructing meaning, interacting in pursuit of mutual understanding, and patterning” (Weick, 1995:6). In particular, the remarks regarding "placement of items in a framework" and "constructing meaning" are relevant here. The message is not passively received and ‘understood’. Rather, the stakeholder actively develops meaning, and this is created in terms of their perspectives on the world in which they live and the concrete situation at hand. There is a strong reflexive quality to this process. Thus, sense-making is an interpretative process that is necessary "... for organizational members to understand and to share understandings about such features of the organisation as what it is about, what it does well and poorly, what the problems it faces are and how it should resolve them" (Feldam (1989:19) quoted in Weick (1995:5)).

Grunig and Grunig (1992) suggest that “symmetrical dialogue” is a superior form of communication where two-way communication is not simply designed to ensure that the audience has received the message accurately or as intended. Rather, this form of communication is where both parties are involved in a ‘conversation’ (Andriof, 2001) where information is exchanged and knowledge acquired. But this is more than information gathering and responding. Cheney and Dionisopoulos (1989) develop this idea to suggest that it involves a situation where the interests of both parties are represented in such a manner that can persuade and allow the other party to persuade. This ‘persuasion’ is essentially about meaning making where the parties come to understand the situation from each other’s perspective. Acknowledging the constitutive effects in communication opens up the possibility of achieving mutual understanding and lays the groundwork for possible agreement or joint problem solving.

However, stakeholder relationships are not simply about ensuring that we have a successful debate where all parties are listened to. It is about the achievement of organisational goals within a situation of increasing complexity and divergent values and interests. Within the context of stakeholder relationships, stakeholders only engage with organisations (in whatever form) because they are seeking to achieve certain actions (or inactions). The issue involved is “enactment”: the capability of the parties involved to act upon cues derived from the communication linked to the issue at stake. The actual realization of mutual needs and expectations can only come about in interaction within the context in which the organization and its stakeholders are operating. Besides the groundbreaking work of Weick already quoted, the work of the German Philosopher Habermas may help to ensure this link between the dialogue and organisational action.
10.3 Communicative Action

Habermas was critical of the so-called ‘philosophy of consciousness’ underpinning the work of philosophers such as Weber, Horkheimer and Lukacs (Best & Kellner, 1991; Cahoone, 1996). In their attempts to interpret the way that society had and was developing, those subscribing to this philosophy emphasised the role of instrumental reason based on the goal rationality of science. Society has replaced the mysticism of metaphysical-religious worldviews with the rationality of science. The human species can now maintain itself through the triumph of scientific reason and the domination of nature. While adhering to these tenets, philosophers like Weber recognised the consequential subjectification of humankind itself. They predicted the inevitability of the alienation and loss of freedom that society would endure as the goal-rationality of scientism replaced the value-rational judgements of individuals. They felt that scientific-technological rationality and domination by a culture of experts and specialists would reduce the involvement of individuals in political debates and controversial issues that affect their very lives.

Rather than accept the inevitability of this process with its ultimately pessimistic outcomes, Habermas called for a fundamental rejection of the philosophy of consciousness and its replacement with a new paradigm, namely that of “communicative rationality”. Whilst recognising the potential that the domination of reason may have for the subjectification of the individual, he attempted to reconstruct, rather than reject reason (Best & Kellner, 1991). In this way, he hoped to retain the values of the Enlightenment within the framework of a democratic society. He wanted to make sure that the strengths of the scientific and technological were integrated into a society in which individual freedoms and ideals are maintained. This would avoid Max Weber’s concerns that society was heading into an ‘iron cage of domination’ in which meaning would be fragmented and freedom reduced through the growth of bureaucratic - instrumental - rationality.

He recognised that the distinguishing feature of human beings is not our ability to utilise language to represent phenomenon in the objective world or our ability to express inner feelings. It has been well known for years that animals such as chimpanzees can represent (name) external phenomenon in ‘speech’. What distinguishes human beings – besides their unique capability to reflect on the world and themselves - is the communicative character of interaction with the world outside oneself, based in particular on the use of language. He maintains that this ideally implies “a common endeavour to achieve consensus in a situation in which all participants are free to have their say” (Brand, 1990: 11). In turn, this creates the opportunity for a different form of rationality not based on scientism, but one which is based on shared understanding and ‘compulsion-free’ consensus.

Under the philosophy of consciousness, rationality and the quality of knowledge is dependent on the quality of subject-object relations and the detailed and fragmented observations thereof. Knowledge is dependent on the ‘correct’ observation of an objective reality that exists externally to the observer. This “objectivism” can be traced back to fundamental thinkers such as Descartes, with rationality acquiring a connotation where the observer knows the measurable “properties” of an “object” that can be observed and understood in the world outside the observer. The quality of
knowledge is, in this world-view, determined by strict obedience to methodology that objectify what needs to be understood.

In contrast, Habermas’ alternative philosophical paradigm recognises that knowledge is fundamentally dependent on subject-subject relations. Knowledge is by definition a “construct” as agreed upon by the parties involved, based upon mutual understanding leading to a shared form of sense. The process leading to this understanding can be characterised as ‘meaning-making’. For him, rationality is ‘communicative rationality’. Rationality and knowledge are not the product of purely objective science and scientific endeavour. On the contrary, rationality can emerge through the subject-subject discourse or dialogue leading to the achievement of mutual understanding. It is only after the creation of mutual understanding that action can be undertaken. Action is based on a process in which people perceive cues in the (local) environment, interpret the meaning of those cues and externalise the interpretation of those cues via concrete actions. The meaning of the term ‘action’ in itself can either refer to physical constructs (to do something literally), verbal constructs (to talk as an act) or mental constructs (to think about a particular subject in a specific (new) manner). These constructs are the drivers for individual or mutual (collective) behaviour. Meaning is thus person(s)-bound and context-bound; this creates the foundation to act upon. Therefore meaning is always meaning-in-action linked to a specific local situation (Cramer et.al, 2003).

Habermas draws a distinction between two forms of action, *viz.* strategic action and communicative action. He argues that, based on the philosophy of consciousness, there is a tendency for most people and organisations to engage in strategic action, which involves the egoistic achievement of specific outcomes. Success is judged by “the efficiency of influencing the decisions of rational opponents” (Habermas, 1984: 264). In other words, there is no need to reach understanding between those involved, but simply to influence the decision of the other. This influence is not usually achieved via criticisable discourse through language, but by “sanctions or gratifications, force or money” (Habermas, 1984: 269). This analysis reported in the last chapter demonstrated that this was the general approach adopted by the focal agency.

This compares with communicative action that is oriented to shared understanding and in which language is used as a medium by which it is reached. This means that the “partners in interaction set out, and manage, to convince each other, so that their action is coordinated on the basis of motivation through reason” (Brand, 1990 : 15). External sanctions, manipulation or gratifications are not involved.

These views can be linked to the individuality of firms based on classical liberal philosophy (Crowther, 2002). In this, society is an artificial creation based on an aggregation of individual self-interest. Put simply, societies exist to protect innate natural private rights to satisfy individualistic goals. There must be freedom of the individual to pursue his/her own ends “with the tacit assumption that the maximisation of individual benefits would lead to the maximisation of organisational benefits and also societal benefits” (2002: 237). Classical liberal economic theory “extended this view of society to the treatment of organisations as entities in their own right with the freedom to pursue their own ends” (Crowther, 2002: 237). So, organisations pursue their own ends and engage in strategic action aimed at egoistic
success. In this view, they do not need to engage in social interaction based on shared understanding as this is not necessary for society to continue to function.

An alternative view presented here is that organisations involve a coalition of interests represented by the views of different stakeholders. In order to achieve collective ends (the reason that brought the ‘interests’ together in the first place) action is required. As occurs in other social systems (such as society as a whole), action is brought about through communication in its various forms. Communication occurs as a motivator for action. The action-oriented communication (communicative action) is an inter-subjective creation of shared understanding. Habermas defines communicative action as “that form of social interaction in which the plans of action of different actors are co-ordinated through the exchange of communicative acts, that is, through a use of language (or corresponding non-verbal expressions) oriented towards reaching understanding” (1984: 234). To reach understanding, those involved set out to convince each other so that their action is coordinated on the basis of motivation through reason.

The achievement of understanding does not deny that the parties have individual ends. Rather, these are pursued under the condition of a communicatively produced understanding of the given situation they face. It acknowledges interdependency amongst actors, as they all exist within a broader (societal) framework. Moreover, it suggests that these individual ends are best pursued in this way.

Understanding is reached through the process of discourse involving criticisable claims couched in language. While this may be a very political activity (Mouffe, 1993), at least a temporary agreement can be reached on the basis of rationality and reason. The latter is arrived at through the inter-subjective analysis of criticisable validity claims within three different ‘worlds’— these are the ‘objective world’ which involve claims to truth about the existing state of affairs, the ‘social world’ involving claims to rightness, and the ‘personal world’ in which claims to sincerity or authenticity are considered. Under the philosophy of consciousness, only the first ‘world’ is considered to be part of any rational discussion. The others are irrelevant.

But what makes these speech acts result in action? It is the fact that a claim can be ‘warranted’ or defended through discourse in one or all of the worlds that makes the listener understand the request and engage in subsequent action. When a speech act is not based on a criticisable validity claim the action coordinating effect is linked to the existence of either sanctions or reward. In other words, Habermas is suggesting that “only speech acts with which the speaker presents a criticisable validity claim have action-coordinating effects” (1984: 409-410). These are the only forms of action that can be said to be based on communicative engagement. Those that refer to simple imperatives are not concerned with communicative action. Rather they are a form of strategic action, aimed at achieving egoistic goals. Communication is irrelevant to any action that does ensue.

Of particular importance is the fact that Habermas believes that communicative action always involves reference to the three worlds, and that discussion can be based on any of these aspects (and more than one). Hence for action to be based on communication (rather than on directives, sanctions, incentives, etc.), rational discussion can and should occur in either or all of these worlds.
Chapter 10

The consequence of this is that organisations have to engage in a dialogic process within and beyond the boundaries of the organisation in order to engage significant stakeholders. This process will not only lead to more communication and interactions, but finally to a “nexus of transactions”. The sphere of influence of the organisation thus becomes a dynamic space as new transactions develop and change with new partners. In the end, the key to this emerging organisational concept is managing the “transactivity” of the organisation (Jonker, 2003).

10.4 Interpreting the Dialogic in the Parks Victoria Case

It has been argued in the previous chapter that the nature of the organisation-stakeholder relationships that existed in the focal case were antagonistic and adversarial with a primary egocentric orientation on the part of the organisation as it sought to achieve its predetermined ends. It was certainly not driven by a desire to reach understanding between the parties. Given this context, and the conceptual framework just discussed, it is now appropriate to look at the nature of the communication that occurred between the parties in order to understand firstly, what form it took, then secondly, why it did not result in positive outcomes.

The major sources of data for this have been the official documents published by the focal organisation, interviews with staff and other stakeholders, a review of Letters to the Editor and a detailed analysis of the submissions that were received regarding the Wilsons Promontory National Park embedded case.

The framework for this analysis is again that established in Chapter 6 where the components of stakeholder engagement were described as the stake, the parties, the connections and the processes.

10.4.1 The Stake

The argument presented in the previous chapter was that the motivation for involvement (or stake in the issue) was primarily a concern for the broader issue of what national parks and other protected areas mean for society and the impact that such a strategic change would have on that meaning. Given this, the current focus is on the nature of the argument presented to support that position.

A very detailed analysis of individual submissions was undertaken to uncover the nature of the argument being presented. While every one was read, the contents of every fifth one was analysed in detail to record and categorise the content. This involved 645 submissions drawn by the systematic random method. The submissions were housed in a series of departmental files. When each was opened a random number between one and five was chosen and it became the first to be read in detail. The fifth following submission was then analysed, etc until the whole file had been finished. The arguments presented were categorised individually in a systematic manner. When a similar argument was found it was placed in the same category. Most submissions included several arguments and each was listed separately. As the number of analysed submissions increased, the number of new additions to the list decreased until a point of saturation was reached. This was the point where the researcher was confident that the full range of argument had been covered.
### Figure 10-1 Categories of Argument Referring to the ‘Objective World’

<table>
<thead>
<tr>
<th>Category</th>
<th>Meaning</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aesthetics of the old restaurant</td>
<td>That the old restaurant was not aesthetically appealing</td>
<td>“...and the old restaurant is certainly not something that is pleasing to the eye.” (#047)</td>
</tr>
<tr>
<td>Site Impact</td>
<td>That the impacts of the site will be increased greatly.</td>
<td>“There will be significantly increased traffic, both vehicular and on foot, caused by the need to service the needs and appetites of commercial walkers” (#2621)</td>
</tr>
<tr>
<td>Bushfire Risk</td>
<td>There will be increased bushfire risk.</td>
<td>“The probability of a massive bushfire will increase significantly with increased use” (#2620)</td>
</tr>
<tr>
<td>Effect on fuel reduction burning</td>
<td>There will be less opportunity for fuel reduction burning.</td>
<td>“Permanent structure in outstations will obviously hinder any plans to carry out ecological burning...” (#1466)</td>
</tr>
<tr>
<td>Impact of construction</td>
<td>Construction of a new building with have an impact itself.</td>
<td>“What about the impact due to bulldozers, other machinery and equipment during construction?” (#3610)</td>
</tr>
<tr>
<td>Impact on infrastructure</td>
<td>The presence of new and different buildings / facilities will place pressure on limited infrastructure.</td>
<td>“Luxury accommodation lends itself to higher use of water in terms of showering facilities and greater use of electricity” (#2642)</td>
</tr>
<tr>
<td>Impact on wildlife.</td>
<td>The impact on wildlife will increase because of the type of development.</td>
<td>“The noise from air-conditioning would invariably be present in hotel accommodation. The increase in lighting from a multi-storey hotel” (#1469)</td>
</tr>
<tr>
<td>Increased staff requirements.</td>
<td>The new developments will require increased staff accommodation, etc.</td>
<td>“Establishing luxury accommodation entails increased staffing and consequently providing staff accommodation and car parking facilities.” (#2642)</td>
</tr>
<tr>
<td>Increase car parking.</td>
<td>The new developments will require increased car parking areas for guests.</td>
<td>“What about the extra space taken up by car parking?” (#2610)</td>
</tr>
<tr>
<td>Cost Information</td>
<td>No information on costs.</td>
<td>“No information on costs and timelines have been included” (#2618)</td>
</tr>
<tr>
<td>Relative costs</td>
<td>Cost of construction in the park is greater.</td>
<td>The costs of building a lodge (or hotel) in the park is far greater than the cost of building outside the park. Less infrastructure development is required for a start.” (#1434)</td>
</tr>
<tr>
<td>Revenues</td>
<td>That the proposal appears to be driven by need to increase revenue.</td>
<td>“If it is purely a matter of revenue raising then why not increase the toll for entry into the park and increase the camping fees?” (#2620)</td>
</tr>
<tr>
<td>Pollution</td>
<td>General comments regarding potential increase in pollution.</td>
<td>“More people means more pollution in this fragile environment.” (#2611)</td>
</tr>
<tr>
<td>Comparisons with Overseas</td>
<td>We should learn from overseas experience.</td>
<td>“We should not follow the example of some parks (eg. in the USA) where expanding commercialism has significantly reduced the primitive nature of wilderness areas...” (#2617)</td>
</tr>
<tr>
<td>Demand</td>
<td>Questioning demand projections.</td>
<td>“There is no evidence of demand for accommodation for international tourists... if the demand was there an enterprising developer would have built accommodation near the park entrance...” (#2688)</td>
</tr>
<tr>
<td>Visual intrusion</td>
<td>The proposed developments will intrude on the natural landscape.</td>
<td>“The lodge would stand out as a serious intrusion into the natural beauty of the Tidal River area” (#2621)</td>
</tr>
<tr>
<td>Detail lacking</td>
<td>Consideration of the detailed requirements not thought through.</td>
<td></td>
</tr>
<tr>
<td>----------------</td>
<td>---------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>Commercial value</td>
<td>Not all commercial values have been identified.</td>
<td></td>
</tr>
<tr>
<td>Occupancy changes</td>
<td>The data provided regarding occupancy has several flaws.</td>
<td></td>
</tr>
<tr>
<td>Tidal River</td>
<td>That Tidal River should be regarded as part of a national park not a separate resort.</td>
<td></td>
</tr>
<tr>
<td>Value to local community</td>
<td>Not undertaking the development inside the park will benefit local the community</td>
<td></td>
</tr>
<tr>
<td>Servicing outstations</td>
<td>Servicing outstations will have great impact on the park.</td>
<td></td>
</tr>
<tr>
<td>Crowding at outstations</td>
<td>The introduction of commercial walks will crowd the outstations.</td>
<td></td>
</tr>
<tr>
<td>Conferences</td>
<td>Conferences are an inappropriate use in national parks</td>
<td></td>
</tr>
<tr>
<td>Internal inconsistencies</td>
<td>A number of internal inconsistencies in the claims.</td>
<td></td>
</tr>
<tr>
<td>Lease arrangements</td>
<td>Cannot control commercial operators on long leases.</td>
<td></td>
</tr>
<tr>
<td>Change of character</td>
<td>Commercial development will change the character of the park.</td>
<td></td>
</tr>
<tr>
<td>Other tourist accommodation</td>
<td>If it goes ahead then need to link with other tourism promotions, etc.</td>
<td></td>
</tr>
</tbody>
</table>

- “How many chefs, cleaners, waiters, bell boys and girls, garners and ground staff . . . their husbands, wives and children will need to live at the Prom or venture there daily for work?” (#1454).
- “One value that has not been identified is the value to those who wish to increase their knowledge of the natural environment through study and direct experience” (#2619).
- “‘Tidal River as integral to the park not a separate area that should be managed as a resort’” (#0934).
- “Commercial tourism outside the park facilitate the development of rural towns and their economies” (#1564).
- “I fear that such tours would mean helicoptoring in (or perhaps worse still) the driving in of supplies to remote locations. Such activity would enormously detract from the enjoyment derived from bushwalking in the park” (#1599).
- “The existing walkers camps are in my view already over developed and the large number of people detract from the walking experience . . .” (#1523).
- “We do not consider that conferences are an appropriate use for a national park . . By using some of the limited accommodation for this purpose, it would prevent others from using it for recreational and educational purposes for which national parks are intended.” (#1553).
- “the proposals for Tidal River are inconsistent with the strategic direction of Wilsons Promontory National Park where it is claimed that a future visitor would find a park of international status with a magnificent unimpaired landscape” (#1580).
- “…my observation from visiting overseas parks is that it is almost impossible to control the growth of leased and privately financed developments in parks, or to avoid supporting their continued financial viability” (#1580).
- “My foremost grievance relates to a change in character of the Prom . . . during the 40 years of camping there has been minimal interference, only necessary improvements and renovations” (#1030).
- “generally in favour provided it is linked to other tourism networks and marketing opportunities . . . the lodge could be used to showcase the area” (#1030).
### Categories of Argument Referring to the ‘Social World’

<table>
<thead>
<tr>
<th>Category</th>
<th>Meaning</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attitudes of commercial operators</td>
<td>Commercial operators will not care for the park.</td>
<td>“What evidence is there that commercial operators will have the same caring approach to the park as Park Rangers?” (#2618)</td>
</tr>
<tr>
<td>Community atmosphere</td>
<td>There will be a change in atmosphere as a result of commercialism being introduced.</td>
<td>“The most valuable aspect of the Prom is the community atmosphere that has always existed there. . . . The introduction of the proposed lodge would drastically alter this atmosphere . . .” (#2662)</td>
</tr>
<tr>
<td>Rat race</td>
<td>The park provides an opportunity to get away from the rat race.</td>
<td>“We desperately need a place to get away from it all, where nature can restore our sanity . . .” (#0438)</td>
</tr>
<tr>
<td>Affect on other business</td>
<td>Proposal will favour big over local businesses.</td>
<td>“Is it in the state’s best interests to kill the local Bed and Breakfast trade in favour of accommodation at Tidal River which will most likely be owned by some business corporation and serviced from Melbourne?” (#1419)</td>
</tr>
<tr>
<td>Local people to be squeezed out</td>
<td>Marketing will lead to a replacement of local with international and interstate people.</td>
<td>“It represents an aggressive strategy aimed at attracting more international and interstate tourists and reducing the number of Victorian visitors during the peak period . .” (#1069)</td>
</tr>
<tr>
<td>Value framework</td>
<td>Natural values are the most important</td>
<td>“The attraction of the Prom for the thousands of people who visit each year lies in its natural values” (#2665)</td>
</tr>
<tr>
<td>Language used</td>
<td>The language used is inappropriate for a conservation area.</td>
<td>“The approach and language used reflects a manufacturing / retail world – ‘product’; ‘product demand’; ‘type of product sought by Victoria’s market segments’. The words and values are alien . . .” (#2622)</td>
</tr>
<tr>
<td>Incremental creep</td>
<td>Changes will be stimulated that will continue incrementally.</td>
<td>“While initially little damage will be seen to be done, it is the long term effects of these proposals that will not be able to be contained.” (#2620)</td>
</tr>
<tr>
<td>Non-monetary values</td>
<td>Non-monetary values need to be taken into account.</td>
<td>“A lodge within the park makes use of natural capital and degrades it. Facilities outside the park will not lead to such degradation.” (#2619)</td>
</tr>
<tr>
<td>Commercial attitudes</td>
<td>The attitudes of commercial operators are inappropriate.</td>
<td>“What evidence is there that commercial operators will have the same caring approach to the park as park rangers?” (#2618)</td>
</tr>
<tr>
<td>Public ownership</td>
<td>Parks are publicly owned and should not be used for commercial gain.</td>
<td>“Taxpayers do not want to subsidise commercial operations in national parks.” (#2618)</td>
</tr>
<tr>
<td>Equity</td>
<td>The strategy has an adverse impact on certain social groups.</td>
<td>“It 9the lodge) reduces the capacity of the camping ground and the opportunities for lower income owners to experience staying at the Prom,” (#1564)</td>
</tr>
<tr>
<td>Perspectives on the decision</td>
<td>The proposal does not reflect the primary purpose for which management has a responsibility.</td>
<td>“It sends out the wrong signals if the aim of national park management is to encourage appropriate behaviour and foster a conservation ethic in visitors.” (#2619)</td>
</tr>
<tr>
<td>Not reversible</td>
<td>The implementation of the strategy will lead to irreversible change.</td>
<td>“They can never be put back together again – no matter what kind of neat tourist package you try to create” (#2616)</td>
</tr>
<tr>
<td>Link to party politics</td>
<td>The strategy reflects a party political position.</td>
<td>“The actions of the agency suggest that it is arguing a political position. . . . In this context there is uncertainty that public comment will</td>
</tr>
<tr>
<td>Chapter 10</td>
<td>185</td>
<td></td>
</tr>
</tbody>
</table>

| Commercialism | Strategy is driven by commercialism. | “The main thrust of key recommendations . . . are driven by principles of economic rationalism which do not respect the environment as being of value in itself, a thing of beauty to behold and wonder at . . .” (#1472) |
| Visitor type | Implementation will lead to a change in visitor type. | It will attract the type of person who can only stay in 4 star hotels and is not really interested in the environment or scenery, only the bar and spa of the inside of another hotel” (#1432) |
| Thin edge of the wedge | This is the start of much greater change. | “History instructs that once a tradition or barrier is breached, it is close to impossible to resist a creeping growth in breaches. First a 100 bed hotel, then 200, then 20 freehold sites, then 100. Wilderness lost.” (#1490) |
| Tidal River | That Tidal River should be regarded as part of a national park not a separate resort. | “Tidal River is not a separate resort that can be considered in isolation from the remainder of the park.” (#3024). |

In order to improve the process of categorisation, where there was some doubt about the appropriate categorization, a colleague who was familiar with this type of work, was asked to provide an opinion. In approximately 90% of cases the response was the same as the researcher. This helped to establish confidence with the categorisation.

The next stage was to group the categories using criteria based on Habermas’ three ‘worlds’. Those that related to objective argument were placed in the ‘objective’ group. Those that related to values and perceptions of equity, fairness, etc were placed into the ‘social’ group and those arguments that concerned sincerity and authenticity were placed in the ‘personal’ group. Once again the categorisation process was confirmed by a colleague who was asked to consider borderline argument.

While the *a priori* determination of the groups can be criticised as inappropriate, it is argued here that the usefulness of the categorisation became evident to the researcher as the submissions were being read. It was only after having created the initial categories of argument that the researcher became aware of the work of Habermas and it seemed to be particularly relevant to the analysis. It was therefore decided to utilise it so that its relevance could be ascertained. Given the iterative nature of this interpretive research there was no value in ignoring the work that had been uncovered while searching for a framework for interpretation. As it turned out, it proved to be a very valuable tool for analysis.

The results are presented in Figures 10-1 to 10-3. It was found that while a number did refer to the ‘objective’ world where the argument concerned the rationality of the object itself (in this case the commercial delivery of visitor services), the majority were concerned with the other two ‘worlds’. Many were concerned with the subject-subject relations and the ‘social’ world where the issues of fairness and rightness were raised. Examples include concerns over the primacy of commercial interests compared with ecological values and consideration of their prior claims of access to the area concerned. Others focussed on the ‘personal’ world where the sincerity of the proponents and their authenticity were challenged. Examples of the latter are concerns over the process or suspicions about the timing of the call for submissions.
### Categories of Argument Referring to the ‘Personal World’

<table>
<thead>
<tr>
<th>Category</th>
<th>Meaning</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relationship with the park</td>
<td>The way in which the party relates to the park.</td>
<td>“My family’s connection with the prom goes back to the early part of the century…” (#1432)</td>
</tr>
<tr>
<td>Attraction of the park</td>
<td>The personal attraction to the park.</td>
<td>“People like me and many others are attracted to the prom for the unique wilderness and beauty it offers.” (#2610)</td>
</tr>
<tr>
<td>Authority</td>
<td>Claims made regarding authority for their comments.</td>
<td>“We are ‘ordinary’ Australians as are the people that we have heard express anger.” (#1514)</td>
</tr>
<tr>
<td>Sincerity</td>
<td>Concerns over the sincerity of the argument presented.</td>
<td>“I have no faith in environmental effect statements which would precede this development. I believe that such documents do little except legitimize commercial exploitation.” (#1426)</td>
</tr>
<tr>
<td>Perspective on staff</td>
<td>Perspective on the role of staff.</td>
<td>“The thought crossed my mind that these proposals have been crafted under direction from somewhere else.” (#1419)</td>
</tr>
<tr>
<td>Affect on self</td>
<td>The affect of the strategy on their life.</td>
<td>“The proposal would make future experiences of mine at the Prom less valuable, and would prevent others like me from being able to gain what I have from the area.” (#2662)</td>
</tr>
<tr>
<td>Process</td>
<td>Concern that they will not be heard as decision already made.</td>
<td>“As cynics we suspect that we are wasting our time writing because decisions will already have been made, but nevertheless in a democracy we have a right to voice our opinions” (#2688)</td>
</tr>
<tr>
<td>Costs of involvement</td>
<td>Criticism about the costs involved in putting forward their views.</td>
<td>“A charge of $16 for the two documents seems somewhat excessive. This begs the question that if public opinion is genuinely sought, why on earth put barriers in front of those wishing to?” (#1419)</td>
</tr>
<tr>
<td>Rationale</td>
<td>The real reasons behind the strategy are not acknowledged.</td>
<td>“The exercise is not about making the Prom available to more people, it is about making money.” (#1432)</td>
</tr>
<tr>
<td>Perspective of the focal agency</td>
<td>Criticism of the agency itself.</td>
<td>“Surely an agency wishing to be considered in a favourable light by history will insist on sensitive development allowing the visitor to remember their communication with a unique natural world rather than a visit to a sterile universal facility.” (#2645)</td>
</tr>
<tr>
<td>Lack of information</td>
<td>The argument in support of the strategy lacks necessary information.</td>
<td>“It provides some useful information, but much more could have been provided to back up these controversial proposals…” (#2621)</td>
</tr>
<tr>
<td>Timing of comments</td>
<td>The opportunity to comment was constrained by time limitations.</td>
<td>“We would also like to register a protest against the timing of public comment which was too brief to access without technical documentation, and at an inappropriate time of the year” (#2619)</td>
</tr>
<tr>
<td>Lease arrangements</td>
<td>Cannot control commercial operators on long leases.</td>
<td>“… my observation from visiting overseas parks is that it is almost impossible to control the growth of leased and privately financed developments in parks, or to avoid supporting their continued financial viability” (#1580)</td>
</tr>
</tbody>
</table>
Despite the existence of these fundamentally different dimensions on the nature of the proposals or debate, the agency focussed entirely on the subject-object relations and the ‘objective’ world. It wanted to assure the critics that the proposal would work both economically and ecologically. Very little effort was expended trying to address issues of fairness or trust that were the essence of the arguments in the other two worlds.

The focal agency saw the engagement process in terms of instrumental reason and the goal rationality of science. Various ‘facts’ were presented throughout the process and these were expected to be the focus of stakeholder input. This reflected a belief in the inherent importance of the subject-object relationship in any dialogue about strategy or organisational behaviour.

10.4.2 The Parties

As noted in the previous chapter, there was a wide diversity of groups and individuals involved in the focal cases. Given the way the stakeholder engagement process was approached there was very little difference in the form of dialogue that the various parties used. It can best be described as asymmetrical in which the aim was to ensure the clarity of the message being presented. Although two way communication did occur – mainly through the media – it was primarily aimed at the latter. There appears to have been no opportunity for more symmetrical communication as most of it was via the media or at public meetings.

However, a detailed analysis of the messages being delivered by various parties indicates that there was a significant difference between the epistemological and ontological perspectives of those involved. While this is not being presented as a statistically significant relationship, there does appear to be more emphasis on the ontology of realism and the epistemology of objectivism amongst the arguments put by the focal agency as compared with other stakeholders. The agency focus was on uncovering the ‘truth’ about the situation in terms of objective reality (getting the ‘science’ right). The argument presented was about the market and demands from various segments, the number of visitors at various times of year, the condition of the infrastructure that existed at that time, etc. This type of argument was presented in both the original documents, media releases, Letters to the Editor by the Senior Executive and paid advertisements. The ‘facts’ were presented with seemingly no belief that these facts could be interpreted in various ways. The focus was on subject-object, not subject-subject relations. The best example is the argument regarding the size of the small settlement where the proposed concessions would be located. In a Letter to the Editor the senior executive stated that “Tidal River is a small zone, less than one fifth of 1 percent, within a large national park” (NA.83; 28.12.96). The intention appears to have been to show that statistically the proposal affected a very small area. This, of course, is factually correct but the symbolism of that small area was what others were concerned about. The significance placed on that small area is not something linked to the objective fact.

This type of argument was also used by a number of the more significant stakeholder organisations, including the VNPA, the ACF, World Wildlife Fund, etc. Given their experience in these types of campaigns and their expertise in ecology, economics and other relevant disciplines, the arguments they used were based on a mixture of
ontologies and epistemologies. They presented arguments about the significance of the market, its economic benefits, the ecological impacts of any proposed development, etc. However, they also brought into their submissions purely interpretive argument regarding the meaning of certain things to their members and what the strategy meant in terms of subject-subject understanding. The prime example of this was their debate about the meaning that society gives to national parks and similar protected areas.

Submissions from individuals were more generally based on an interpretivist ontology. There were some who presented very extensive argument based on an obviously detailed analysis of the facts that were made available. A good example of this was a small number that undertook a detailed analysis of the annual visitation figures with most concluding that the proposed changes would have a much greater impact on camping spaces than had been claimed by the focal agency. However, most submissions from individuals tended to be more nominalist in that the argument was about what the area meant to them and what the proposal would do to this. Indeed, many of the submissions were written in the form of poetry which simply put forward their personal beliefs and value systems as they related to the Prom. One particularly interesting observation is that a number of submissions were received from people with particular expertise that was relevant to the argument in an objective sense (eg. one from a Professor of Botany) but this expertise was not used in the submission. The argument was about the symbolism of the park and its value to society.

The leader of the team responsible for analysing the submissions noted the latter when being interviewed about that analysis:

“It was very difficult when hundreds of submissions were poems and these incredibly heartfelt letters about the fact that they were conceived at the Prom, or everyone of their children have been conceived at the Prom, or that they had been going there since they were born . . .” (15; p8).

As noted in the previous section, in reality this was an expression of the importance of arguments surrounding what Habermas calls the ‘social’ and the ‘personal’ worlds. While these cannot be based on the same paradigmatic assumptions as the arguments usually used in strategy development, they are particularly significant in stakeholder relationships.

10.4.3 The Connections

The connections between the stakeholders and the focal organisation were generally indirect. That is, there were very few meetings or opportunities for the parties to meet with the focal organisation to clarify the situation. This partly reflected the fact that organisations such as the VNPA and the ACF that had previously been consulted before strategies became public, found themselves operating within the same very limited time frame that faced everyone else.

The focus of the opposition became one of stimulating media interest rather than engaging in meaningful communication with the agency itself. As pointed out in the previous chapter, the organisations involved were skilled in using the media to get
across their point of view and managed to get a lot of support. The media became the ‘battle ground’ where the communication between the parties was conducted. This created very little opportunity for real dialogue. Instead, most of the message was in the form of a position being stated or an attack on the actions of the focal organisation.

Indeed the focal agency decided to utilise the media to get its own message across. Advertisements were placed in daily newspapers and the senior executive responsible for the strategy resorted to writing ‘Letters to the Editor’ to put the agency position or counter criticisms that had been made.

While this form of communication could be described as two-way, it had all the characteristics of asymmetrical communication. The aim was to clarify the position of the sender rather than to engage in ‘conversation’ where mutual understanding and the basis of possible agreement is possible. The aim appears to have been to address a wider audience to convince them of the correctness of the position being held.

10.4.4 The Processes

The nature of the connections between the organisation and the stakeholders, based on a combatant approach, tended to generate communication that could best be described as adversarial. The language used did not reflect what Habermas calls criticisable validity claims where the basis of the communication is an attempt to achieve agreement, or even some form of consensus. The majority of Letters to the Editor and submissions were in the form of statements of a position. While argument was involved, it was not undertaken with a view to solving a problem. Rather, it sought to discredit the ‘opposition’.

The best example of this is the use of the term ‘hotel’ in the Wilsons Promontory National Park case. While this term was not used in the original (it was described as a “fully serviced accommodation of around three to four star standard . . .” [Natural Resources and Environment, 1996b: 22]), the term was used by those opposed to such development because of its connotations. The senior executive responsible for managing the whole process suggested that this was an extremely important factor.

“There was a very good tactic of reinventing the terms – they started calling it a hotel. It was never a hotel, but the moment that came into the picture, it was very hard to claw back from that . . . Whether this was a piece of brilliance or whether they just threw in the word to see the reaction it got I am not sure. But from then on the media activity of Parks Victoria was to try to get some equity back into the discussion . . . to get people to assess it for what it is, not for what others are describing it as” (I11; p2).

Reference has already been made to the advertisements that this executive placed in daily newspapers denying that it was a ‘hotel’. In several Letters to the Editor he attempted to make the point again and again. In one letter dated November 29, 1996 he stated that “Dr Mosley’s (former Director of the ACF) reference to a hotel (in a Letter to the Editor two days earlier) is misleading as the concept is for a series of small cabins with a central dining area similar to many others in high quality natural
environments across Australia” (NA.48, 29.Nov.96; items in parenthesis added). Despite this, members of his own staff during interview still referred to it as a hotel: “a five storey hotel” (I10) and a “large lodge and hotel” (I6; p3).

The quotation above also reinforces the combative nature of the communication. The ‘battle’ was for the support of the larger community (a third party). The objective was for this third party to be able to get a clear understanding of the position of each ‘side’. The concept itself was used as a tactical instrument. There was no attempt to clarify why such a concept was regarded so negatively thereby opening up a degree of understanding and possibly even agreement. This was particularly ironic as in the twelve months prior to the announcement approximately 20 new cabins had been constructed at Tidal River without any stakeholder criticism at all. These were being operated in a very similar manner to a four or five star hotel (with service, etc).

Constructive, symmetrical dialogue could have identified the major issues surrounding the proposal and led to a quite different outcome.

One of the senior officers in the focal organisation did not see it as manipulation on the part of the stakeholders who opposed the strategy. Rather, he saw it as being “a poor articulation of a poorly conceived concept” (I4; p4) by the agency itself. The way the language had been used in the original statement, especially given the combative framework that had been established by simply announcing the proposal publicly, created confusion and distrust about what was actually being proposed. The significant point being made is that in the combative relationship that characterised the case, the language used became extremely important and reinforced the negative aspects of that relationship.

10.5 Conclusion

This analysis of the communication between the focal agency and stakeholders and the submissions received in one of the embedded cases has enhanced our understanding of the nature of communication within the context of stakeholder relationships. Stakeholder theory suggests that we need to engage with stakeholders as they have the power (in its various forms) to influence the achievement of outcomes. This could be in the form of a battle plan or via some other confrontationalist approach (Zineldin, 2002). This has been shown to be unsuccessful in many situations, including the one described above. On the other hand, Cheney and Christensen (2001) have argued that in Western democracies, on-going and genuine two-way dialogue between organisations and their stakeholders provides the best approach to the management of complex issues that characterise contemporary society.

As the stakeholders in the focal cases were not going to go away, then Habermas’ theory of communicative action could have been an appropriate form of communication for this two-way dialogue and to bring about understanding and ultimately the achievement of organisational goals. It acknowledges the constitutive or meaning-making aspects of human communication and the fact that the sender is not in total control of the communicative act. Importantly, being action-oriented, this

1 The issue of Parkwatch (the official publication of the VNPA) where the ‘Hands off the Prom’ campaign was launched contains an advertisement for them on the page opposite.
approach to communication is compatible with the achievement of organisational goals. As action was the desired outcome, then this could have been achieved within a framework of criticisable validity claims. Claims that can be ‘warranted’ through discourse are more likely to achieve stakeholder support than those that are simply imposed.

The focal organisation did not appear to recognise that any engagement with stakeholders will raise a number of issues that appear to be outside the realm of ‘rationality’ (as perceived by them) and therefore saw them as irrelevant to the proposed action. However, had Habermas’ ideas been seen to be of any value, then the focal organisation could have thought beyond the rationality of scientism and considered the equally important issues surrounding the other ‘worlds’. Indeed, as stakeholders of all types are no longer willing to accept manipulation or control, then this may have been the only form of communication that would have achieved acceptable outcomes for the organisation in this situation.
Chapter 11

Quality In and Beyond the Organisation

Abstract
The quality literature has begun to recognise the important role that stakeholders play in management. All recent quality frameworks now include stakeholders as one of the ingredients that must be considered in a quality organisation (Vinten 2000). However, the way that this should be done is not fully understood and still the subject of debate. Recent work in Australia (Foley 1999) has provided an initial perspective on this problem by creating a stakeholder theory of quality management that links the strategic processes of management to the dynamics of organisational behaviour while acknowledging the needs and expectations of stakeholders in a systematic fashion. Management quality is thus judged (at least in part) by the quality of the interactions that are created between the organisation and the stakeholders.

This chapter seeks to take this work further by investigating the link between management and stakeholders by looking at the way in which this relationship operates and how it can be improved. This involves an analysis of the engagement process based on both the work in previous chapters that reconceptualised the organisation itself and by reflecting on the lessons learned through the empirical research. The relationship between the organisation and stakeholders is often reactive and manipulative with a focus on goals and results as opposed to true engagement and understanding with due regard to the process involved. It is suggested that part of the explanation for this is that the literature has tended to view stakeholders as external to the firm and something that needs to be ‘handled’ or ‘dealt with’. In turn, this is based upon a particular view about the nature of power, authority and political activity. Even the latest business excellence models that recognise the existence of stakeholders focus on the impact that the firm may have on them (or vice versa). This appears to result from the organismic view of organisations where the boundary of what is and is not within the organisation is very clear.

This thesis argues that if an organisation is viewed as a social phenomenon created by a nexus of contracts then all those groups and individuals that participate in organisational activity (in its myriad of forms) would be regarded as stakeholders. This would focus management attention on their interaction with these groups. While this is well accepted in the case of some stakeholders (eg. shareholders, external customers and suppliers), the extension of this approach to all stakeholders would be an appropriate management action.

The thesis does not present this as simply an ideal that should be adhered to. Instead, it argues that organisations already do pay attention to the needs and expectations of all stakeholders in order to ensure their long-term sustainability. There is now considerable evidence that a variety of stakeholders can affect the on-going success of an organisation. What has been missing is a solid theoretical basis by which this can be understood. This has required an analysis of the assumptions and worldview upon which such a theory can be built.
The challenge presented by this has been addressed from the perspective of management quality. The stakeholder theory of the organisation developed above has kept in mind the reality of what is happening in organisations and the question of what should happen in a quality organisation. It has concluded that quality of management is fundamentally linked to the interaction that occurs with all stakeholders. What this chapter therefore attempts to do is to take the experience uncovered in the empirical research and theoretically explore the nature of that interaction more thoroughly.

11.1 Introduction

As noted in Chapter 4, the quality literature has recognised the important role that stakeholders play in organisational management. All recent quality frameworks now include stakeholders as one of the ingredients that must be considered in a quality organisation (Vinten 2000). The previous chapters demonstrated that there has been substantial research into this phenomenon attempting to clarify what is meant by the term stakeholder and what impact they have on the organisation. However, the literature has only just begun to tackle the question of how management interacts with stakeholders and how the quality of that interaction can be assessed (Donnelly, 1999). There is still no clear understanding of the way in which they do interact with organisations and why this is often so fraught with difficulty. Moreover, very little work has been done on the question of whether such interaction has become a significant part of modern management practice, even though at the superficial level most would agree that it is.

There is a wide range of research and anecdotal evidence that some organisations do recognise the role of stakeholders and take them into account when strategic directions are being established. This is particularly so in not-for-profit, charitable or public organisations (Vinten, 2000). In the corporate sector acceptance is still patchy but certainly recognised by some (Vinten, 2000; Scholes and Clutterbuck, 1998). However, this can range from a simple acknowledgment that stakeholders exist, through those who react when they ‘get caught’, to those who make a deliberate attempt to engage with them and operate as a stakeholder-driven organisation (Steadman and Green 1997).

These questions have arisen at the same time that organisations have been going through a major transformation. The traditional business enterprise has become more concerned about the society in which it operates (whether by choice or not) and task oriented (or public) organisations have adopted principles and processes of the business enterprise. This has created a new ‘ball park’ where organisations of all types are concerned about very similar things. One aspect of this is the quality of its management and the services or product delivered and, of course, the role that stakeholders play in determining quality.

Drawing on both the conceptual exploration and the empirical research, this chapter suggests that managers need to learn how to engage with all stakeholders, not simply those that we have recognised for many years (customers, suppliers and employees). While this call was made many years ago (Freeman and Reed 1983), this contribution has addressed the issue of how and what the implications are for quality management theory and practice. This is firmly based on the theory of the organisation outlined above and requires an understanding that all stakeholders are
conceptually similar and that all require active engagement if the longer-term survival of the organisation is to be assured.

**11.2 The Stakeholder Theory of Quality Management**

Following the seminal work by Freeman (1984), the importance of stakeholders has been emphasised by many scholars (Evan and Freeman 1988; Preston and Sapienza 1990) and promoted in many reports (e.g., Royal Society for the Encouragement of Arts 1995). Building on this, Foley, *et. al.* (1997) attempted to move the attention of the quality movement beyond its then focus on internal operations. They suggested that quality management should include an explicit focus on stakeholders (including shareholders, suppliers, customers and staff) and not simply on internal operations.

As noted in Chapter 5, (Foley 1999) presents a Stakeholder Model of Quality arguing that the satisfaction of stakeholders requires that they be provided with sufficient information about the enterprise and its plans to remain engaged and not take action detrimental to the enterprise. The particularly interesting aspect of this suggestion is the acceptance of this as a necessary (Freeman would call it legitimate) management activity in order to achieve certain ends. What is also significant is the fact that the stakeholders listed in his model represent all groups in the coalition of interested participants, not simply those that have been traditionally regarded as external to the firm (pressure groups, etc.). The model thereby acknowledges the similarity between the way management has engaged with ‘traditional’ stakeholders and the way in which it should engage with the ‘newer’ stakeholders. While Freeman did not explicitly draw this conclusion, his reference to the use of different forms of power for all sorts of stakeholders indicates that he was not drawing a distinction between stakeholder types.

Foley (2000) extended this to develop a theory of quality management as outlined above. In this perspective, an assessment of management quality in business enterprises will involve not only product/service-oriented issues and internal holistic issues, but also the relationships that are developed between the organisation and its stakeholders. This includes providing information about the state of the organisation and its future plans (in terms relevant to each and providing confidence in the integrity of that information) to ensure that they will continue to participate and not take action detrimental to the organisation.

**11.3 Theory of the Organisation**

Foley’s work embraces the Friedmanite view of the firm as a set of assets owned by shareholders where managers act as agents to maximise the returns on those assets. This is based on a classical liberal economic view of organisations, a view that is now recognised as being only one of many. It was argued in the previous chapters that to better understand this approach to management quality requires a new perspective on ‘the firm’. In particular, such a perspective should provide a stronger theoretical foundation for the application of this view of quality to all types of organisations, not simply those designed to generate profit. Likewise, it should provide a clearer theoretical understanding of the role of stakeholders.
Taking a more pluralistic perspective (Crowther, 2002), it was suggested that 'the firm' (or as it is sometimes called, the 'business enterprise') is simply one form of organisation with a particular purpose and consequential behaviour. A 'theory of the organisation', applicable to all types of organisations including those that engage in the generation of profit, was then presented. Based on this conceptualisation, it was argued that an organisation operates through transactions among participants for benefits generated by their collective action. These transactions can range in type from the very informal to the contractual. If the result of cooperation is not mutually beneficial, participants can withdraw their support and involvement. Likewise, the collective action is focussed on a particular purpose at a particular point in time. The purpose can change over time as the influence of different stakeholders varies and/or other stakeholders join or leave the coalition. A crucial notion in this conceptualisation is transaction. The 'quality' of the transaction determines the continuity of the organisation. Management is the group responsible for co-ordinating this collective action through negotiating transactions with and between participants.

This view is consistent with other stakeholder conceptualisations of the firm based on a 'nexus of contracts' (Key, 1999). However, it more thoroughly explains why these contracts exist without relying on the deontological explanation of reciprocal rights and duties. Moreover, while the established relationships are influenced by identifiable economic incentives, possible explanations of behaviour extend beyond these to the social, psychological and political. This appears to fit more closely with the reality of organisational life.

The implication of this view is that, from the perspective of management, engagement with stakeholders is nothing new. Freeman was not introducing a new dimension into management activity. He was simply extending the management activity of engagement with traditional groups (staff, suppliers and shareholders) to new groups that had not been considered previously\(^1\). At the same time, he also recognised that the nature of the engagement with all groups (stakeholders) was changing rapidly and irreversibly. No longer could engagement rely on the close alignment of formal, economic and political power with particular stakeholders; now all types of stakeholders use whatever power is effective in the achievement of their interests. Linking this to a theoretical framework as outlined above, refocuses attention to the nature of the interaction rather than the search for legitimate or appropriate stakeholders (Banerjee 2000; Jonker and Foster 2002). In turn, when management quality is based on this perspective, its application to all forms of organisations is more readily acceptable.

### 11.4 Contrasting Approaches

having established that engagement with stakeholders is part of the way organisations function, the focus of attention in this thesis has been the nature of that engagement.

\(^1\) Freeman was talking about expanding the boundaries of the firm in figurative terms. He was explaining how the external environment can be “assimilated into the relatively more comfortable relationship with suppliers, owners, customers and employees”. Neither suppliers nor customers are internal to the firm in the true sense of the word. However, they are internal in the sense that they have been incorporated into a “framework for managing the firm”. Looking at it in a different way, stakeholder relationships become crises “because we have not incorporated the idea of their existence into our day-to-day routine” (1984: 13).
While any engagement may be laudable there are clearly some approaches that to that engagement that produce better outcomes in terms of organisational success. The empirical analysis demonstrated that while engagement did occur, the approach used did not lead to a successful outcome for any of the partners.

The empirical analysis described the approach adopted by the focal agency as being ‘egocentric’, one that relied on strategic competence rather than communicative competence. It is appropriate at this point to outline the characteristics of this approach and to contrast it to the alternative (albeit hypothetical) approach based on communicative competence. These two approaches have been labelled the ‘Strategic Approach’ and the ‘Dialogic Approach’ (see Figure 11-1)

**Figure 11-1 Characteristics of Different Approaches to Stakeholder Engagement**

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Strategic Approach</th>
<th>Dialogic Approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outcomes</td>
<td>Predetermined / Fixed</td>
<td>Not predetermined</td>
</tr>
<tr>
<td>Basic Characteristics</td>
<td>Deal-Making</td>
<td>Meaning-Making</td>
</tr>
<tr>
<td>Competency Required</td>
<td>Strategic</td>
<td>Communicative</td>
</tr>
<tr>
<td>Extent of Transparency</td>
<td>Open once decision made</td>
<td>Open from beginning</td>
</tr>
<tr>
<td>Level of Transparency</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>Focus of Concern</td>
<td>Specific Proposal</td>
<td>Proposal with Frame</td>
</tr>
<tr>
<td>Perspective on Diversity</td>
<td>Search for Unity</td>
<td>Acceptance of Difference</td>
</tr>
<tr>
<td>Approach</td>
<td>Adversarial</td>
<td>Inquisitorial</td>
</tr>
<tr>
<td>Paradigmatic assumptions</td>
<td>Scientism</td>
<td>Interpretivism</td>
</tr>
<tr>
<td>Nature of Communication</td>
<td>Asymmetrical</td>
<td>Symmetrical</td>
</tr>
<tr>
<td>Perspective on Politics</td>
<td>Challenge to Control &amp; Authority</td>
<td>Positive Means of Achieving Outcomes</td>
</tr>
<tr>
<td>Societal Linkages</td>
<td>Irrelevant</td>
<td>Interdependence</td>
</tr>
</tbody>
</table>

While these are presented as clear alternatives, the reality would be somewhat different in individual cases. However, when all the characteristics are looked at together, it is possible to identify a clear distinction between the general approach adopted by the focal organisation and that which has been developed through the analysis of the philosophical and social theory literature.

**11.5 Blending it All Together**

It has been demonstrated that it is possible to conceptualise an organisation as being made up of a number of participants (stakeholders) – some of which are inside the administrative boundary of the organisation and some are outside. It is clear that to achieve the objectives established for this social collective, the dominant coalition (the managers) need to engage with stakeholders in some way. This engagement may involve strategic action (based on rewards, directives, etc.) or even some form of direct confrontation or manipulation. This was the approach utilised by the focal organisation and proved to be particularly unsuccessful. This experience demonstrated that, like the emerging approaches that have been developed to address the involvement of traditional stakeholders groups, the essential component of any
relationship with stakeholders is the nature of the communication involved. If the engagement is undertaken with a view to establishing a motivation for action, then the communication that forms the basis of this engagement must be based on some variation of communicative action. That is, it should be driven by rational dialogue and symmetrical discourse. Rational dialogue involves the three worlds and criticisable claims associated with each.

This communicative action will be political in the Mouffe sense of the term. It will involve debate over issues and values (the social world), trust (the personal world) and objective facts (the objective world). It should involve a search for the ‘we’ – an understanding of the frames that brings the organisational participants together within its societal context. While the consensus may never be achieved regarding a particular strategy or proposal for the organisation, engagement in the manner described here will establish that the alternative chosen is within a framework acceptable to those involved. For example, it may not be possible to get all parties to agree that the introduction of a particular machine (type A) will reduce greenhouse emissions better than an alternative machine (type B). However, through communicative action and political discourse, agreement can be reached regarding the framework for the decision – in this example, that the reduction of greenhouse gas emissions is an appropriate collective goal.

If organisations seek to reject this approach and retain one underpinned by strategic action and goal rationality, the results may be counter-productive and short term. This has been confirmed in the empirical work outlined above. Society has demonstrated that it will not let organisations get away with this approach in the longer term and will look for ways to limit their powers through legislation, public protest, revolution, etc. If organisations are to be embedded in society then the process of stakeholder engagement needs to involve communicative action – and that organisations develop what Habermas called ‘communicative competence’. This is important if we want society to continue to develop and survive.

The notion of seeing the organisation in its societal context is crucial to the argument being presented. Most management literature looks at any issue from the perspective of the organisation itself, as though the organisation is an isolated phenomenon unrelated to anything else in the cosmos. While the focus of management attention needs to be the organisation, that focus must be multidimensional and ensure that it sees itself in the context in which it exists. An analogy to the human condition may help to make the point. Self awareness has been shown to be a characteristic of human beings that distinguishes them from other animals. However, self awareness is not only about knowing one’s needs and expectations (an internal focus). It also involves awareness of how one fits into the broader picture which provides the opportunities (or constraints) to satisfy those needs and expectations. The same can be said for organisations, making the need for the multidimensional view essential for long term survival.

Finally, one of the key strengths of this conceptualisation is the fact that it applies to all forms of organisations, not simply the business enterprise. Management in all organisations needs to engage in communicative action if they are to ensure the ongoing support of all stakeholders that are involved in achieving the relevant objectives. This includes both those organisations responsible for the delivery of a product or
service and those described earlier in the thesis as having a ‘community development’ purpose.

11.6 Quality of Decision Making

What has not been addressed so far is the question of why engage with stakeholders in the positive manner being suggested here. Democratic theory could be used to argue that everyone has a right to have a say in what happens in all things societal, including the actions of private corporations. However, this would be rejected by many as being irrelevant to organisations which are not established or run on a democratic ideal. Likewise, it could be argued on normative grounds that this is the right thing to do. However, authors like Hamilton would see this as a “sentimental return to some ethical values in industry” (Hamilton and Clark, 1996).

The most acceptable argument in support of the positive stakeholder engagement being endorsed here is that it can lead to better decisions. This is particularly so with those issues that have been described as “wicked” elsewhere in this thesis, but can generally apply to all. Coenen, Huitema, and O’Toole (1998) argue that in many of these issues a technical solution is generally easily identifiable. The real problem often relates to the distributional or value uncertainties that surround various technical decisions. The issue involved in dialogic relationships with all stakeholder groups generally refer not to questions of ‘what will happen?’ as a result of a particular strategy but ‘who will it happen to?’.

Dialogic engagement with stakeholders will help to clarify the problem definition associated with most issues. Rather than managers assuming that they can foresee the consequences (especially the distributive consequences) of all their decisions, dialogic stakeholder engagement can uncover unintended consequences before they occur. As noted elsewhere, these are often perceived differently by different groups; hence engagement can bring them to the fore with a view to seeking a solution before conflict arises.

Dialogic Engagement can also lead to better solutions once the problem has been satisfactorily identified and clarified. Engaging with those who hold a different perspective can often result in innovative solutions, as knowledge is not the province of one group. The participatory process adds extra information that may not have been available otherwise. This is particularly valuable where distributive issues are in fact the focus of concern.

The quality of the decision will be enhanced, not by a majority voting system, nor by ensuring total agreement. It will be brought about by consideration of all possible alternatives that exist within an agreed frame and consideration of their distributive consequences. In the process, the outcome will not only concern the focal agency and

\[\text{One consequence of the strategic approach adopted by the focal agency was that no ‘solution’ was found to the original problem that the strategy was intended to address. Indeed, the approach adopted was to do it the way proposed or no at all. As one key player indicated (see Chapter 9), this meant that it has never been possible for the issue to be raised since, despite the fact that circumstances have change completely.}\]
its stakeholders but the survival of the social system in which they all exist. Good decisions require this.

### 11.7 The Stakeholder Engagement Process

One of the most significant contributions that quality thinking has made to the understanding of organisational management is to emphasise the importance of thinking in process terms. It is therefore relevant at this point to consider the implications of viewing stakeholder engagement as a process and highlight the implications of the empirical research. To achieve the strategic objectives for the organisation, management needs to understand and value process in any engagement with stakeholders. This may require a new orientation for those obsessed with a focus on results, costs and inputs. Likewise, it may necessitate a new way of thinking, one that is not based on assumptions of the rational economic person.

There is considerable empirical evidence that engagement with some stakeholders has been improved by a greater focus on process than traditional management approaches deemed necessary or appropriate. The literature on people management has demonstrated that organisational success can be achieved through the involvement of staff in decision-making, by consideration of the needs and expectations of staff and by providing delegated decision-making authority in particular areas (Blair, 1998). The process by which staff are engaged in decision-making, strategy development and on-going operational issues has been shown to be related to organisational success (Fukuyama 1995; Harms 2002; Park Dahlgaard 2002). Likewise, developing close relationships and open engagement with suppliers has also been shown to have positive strategic effects (Patching and Waitley 1996).

One of the stakeholder groups most commonly analysed is the customer. The marketing literature is replete with concepts, theories and models trying to understand the needs and motivations of customers and how organisations can or should engage with them. Of particular relevance here is the literature on relationship marketing that emphasises the value of developing a close relationship with customers (Claycomb and Martin, 2002; Gronroos 2000; Liljander and Roos 2002). Historically, exchanges were viewed as arms length and adversarial “pitting the customer against the seller in a battle in which each sought to maximize immediate returns, while minimising costs” (Claycomb and Martin 2002: 615). Firms took what could be described as a “traditional buffering posture” (Andriof and Waddock, 2002: 26) with the aim of buffering the firm from uncertainty and customer complaints. Following what (Gronroos, 1994) calls a ‘paradigm shift’, the literature now argues that it is beneficial to develop a close relationship with customers based on a shared understanding rather than treating each as a ‘one-off’ opportunity to make a sale (Webster 1992). Customers are now involved in product development programs, production planning and scheduling.

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3 A number of authors have distinguished between what they call market ‘transactions’ and market ‘relationships’ (eg. Webster, 1992). They argue that organisations should move away from a transaction approach to marketing as this involves a one-off relationship. The term transaction is used differently here as a generic way of describing the interaction between two parties. It does not imply anything about the nature of that interaction.
The general principles underpinning the value of developing relationships have been articulated and are now well accepted with regard to ‘traditional’ stakeholder groups (employees, customers and suppliers). The common military warfare language of business (fighting the competitors, beating up suppliers, capturing market share, etc.), with its emphasis on a zero-sum-game, is starting to be replaced by a philosophy of co-operation (Zineldin, et. al., 1997). Indeed, there has been a large amount of research identifying stages in the development of a relationship life cycle (Zineldin, 2002).

Given the need to engage with all stakeholder groups in order to achieve the strategic objectives for the organisation, the argument presented here is that the same principles will apply to the non-traditional stakeholder groups.

It is also argued that the essence of all these relationships is the nature of the dialogue that occurs between the organisation and the stakeholders. This is not measured in terms of the mechanism or procedures through which the engagement occurs (panels, charrettes, etc.), but through the nature of the dialogue itself. The empirical research demonstrated that even when well-developed procedures for stakeholder involvement were in place, the nature of the dialogue played an important role in determining the outcome.

Managers interact or engage with stakeholders of all types. Quality theory suggests that the process by which this interaction occurs is as important as the outcomes. This process involves dialogue (Srikanthan, 2000). Foley has suggested that information needs to be ‘shared’ with stakeholders in a manner that is acceptable and understandable to those stakeholders. The focus of this will be quite different with different stakeholders (Crowther, 2002; Rahman, 2003), however the processes involved in this engagement will have similarities. This will involve recognition that each is driven by self-interest and that this is legitimate. It will also have to acknowledge an extension of the perspective on rationality and an understanding that the world is not always viewed in the same way. However, parties can still come to a mutual understanding based on communicative action. This will occur within the frame established as societas.

This process may not result in consensus as proposed by Habermas. Indeed, consensus can be seen as not only difficult to achieve but productively constraining. What is more likely is communication of complementarity based on collaborative politics. Given the requirement to get things done, the different perspectives brought to bear by different stakeholder groups can be extremely productive rather than necessarily negative. To achieve positive outcomes stakeholders need to engage in collaborative politics (Cope and Kalantzis, 1997). The latter does not seek to resolve differences. Rather, it involves valuing the differences on the assumption that they are not going to be resolved. These differences are identified and clarified through dialogue, notwithstanding that such dialogue is difficult and involves tension. This dialogue includes negotiation that works around the problem in order to acknowledge the issue in terms of different participant’s perspectives. These perspectives are reflected in the three ‘worlds’ of Habermas, rather than a singular focus on the external, objective phenomenon. In other words, subject-subject relations are an essential ingredient of issue identification and resolution.
Resolution involves meeting on ground that those involved may not share in common. It often involves looking for a “third angle during the process of negotiation itself” (Cope and Kalantzis, 1997: 278). This is not a process of ‘deal making’, seeking a win-win situation based entirely on individualistic goals. Rather, it involves ‘meaning-making’ aimed at creating a world that the different ‘other’ can understand and acknowledge, one that fits within a frame acceptable to all parties.

Management in the Parks Victoria case approached the engagement with stakeholders in the traditional egoistic, goal-directed manner that has been traditionally demonstrated in other stakeholder relationships and labelled the ‘Strategic Approach’ above. The clear objective of the engagement was to achieve pre-determined goals. As argued in Chapter 9, this was based on an assumption of individual rights not any conception of a ‘common good’. The agency had a desire to undertake certain activities that it felt were justifiable, provided it did not transgress any of the rights of those whom it considered to be stakeholders to achieve their own individualistic goals. These rights also included the opportunity to be heard and their viewpoint considered. Implicit in this was the view that the agency itself had certain rights to pursue its own agenda and strategies, provided these were outlined clearly and did not adversely affect the individualistic goals of others.

In summary, the Strategic Approach only concerns the individualistic ends of the parties involved. The alternative Dialogic Approach concerns these as well, but it is within a framework that takes the interests of the collective into account.

11.8 Categorizing Organisations on the Basis of Stakeholder Engagement Approach

It is noted above that not all organisations engage with stakeholders, and that the way some do varies greatly. Given this diversity, it is important to recognise that the ideas espoused herein have reflected a particular way that an organisation can act. It is therefore appropriate to categorise organisations in terms of the way they could – conceptually at least – engage with their stakeholders.

The literature includes various ‘ladders of participation’ that are designed to demonstrate that participation in decision-making can be at various levels (Arnstein, 1969). Most start off with what could be described as ‘tokenism’ and move through to actual involvement in the decision-making itself (often described as ‘co-decision making’). These ladders generally look at the situation from the perspective of the stakeholder rather than the organisation. Moreover, most of these ladders are single dimensioned, as though there is a simple linear relationship between the type of involvement and the impact on decisions (Coenen, Huitema and O’Toole, 1998). Cowie and O’Toole (1998) argue that the extent of participation also needs to be considered. That is, one situation may offer real impact on a wide array of relatively unimportant decisions while another may have real impact on important decisions but there may be few of them. Others suggest that the level of decision is another important dimension that needs to be considered. That is, participation may be more influential if it affects strategic decisions as opposed to operational level issues (Flynn, 1998). The extent of participation can therefore be seen as multifaceted.
The following is an attempt to create a similar ‘ladder’, but this time from the perspective of management (see Figure 11-2). Rather than this ladder being seen as a series of stages where the ultimate goal is to identify those that achieve the highest level, it should be regarded as the basis for categorizing different organizational types. In other words, while there are numerous ways that organizations can be categorized, this diagram is very useful where such categorization is based on stakeholder involvement in decision making. Implicit in this categorization is the understanding that the role of management within the organisation is to establish and achieve certain collective goals.

**Group 1 Organisations**
Those organisations that operate in **Group 1** tend to be those that are essentially run by management as an isolated group that seeks to operate with minimal interaction with its stakeholders, and where such interaction occurs, it is generally on terms that they dictate. Organisational goals are achieved through management decisions in isolation. Any attempt to engage stakeholders usually involves low-level operational decisions that have very little impact on its long-term survival. At this level actions seek to ensure that management perspectives dominate. Management operates within an environment that needs to be confronted and manipulation is part of the armoury utilised. Measures of success are whether the wishes of the managers are achieved. The development of agency theory can be seen as a response to this approach as in many situations manipulation and control extends to all stakeholders, including shareholders.

**Group 2 Organisations**
Those organisations that operate in **Group 2** recognise that stakeholders do have an appropriate role to play in organisational decision-making, but this role is neither active nor direct. It involves the recognition that stakeholders may have needs and expectations that could be affected by the achievement of organisational purpose. However, management seeks to interpret those needs and expectations. The work of Parasuraman, Zeithaml and Berry and their Gap Model is a good example of this (Parasuraman, Zeithaml and Berry, 1985). Customer needs and expectations are researched and interpreted by management as part of the process of establishing appropriate service standards. The emphasis is on management interpretation of those needs in an asymmetric communication exercise that could not be described as dialogue. Moreover, the decisions in which stakeholders are involved tend to be those that can be described as instrumental. That is, they involve decisions about the implementation of strategy and direction rather than the establishment of strategy itself.

This Group includes organisations that have adopted many of the principles and techniques promoted by the quality movement to date. As exemplified by TQM, a characteristic of this approach to management has been to emphasise the importance of unity and the creation of an appropriate ‘corporate’ (organisational) culture. The empirical research indicated that diversity of viewpoints is more the reality. Much of
**Figure 11-2 Ladder of Stakeholder Involvement**

<table>
<thead>
<tr>
<th>Group</th>
<th>Management Activity</th>
<th>Characteristics of the process</th>
<th>Level of Decision</th>
<th>Extent of Decision-making</th>
<th>Type of Organisation</th>
<th>Approach to Stakeholder Engagement</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Management <strong>of</strong> Stakeholders</td>
<td>Manipulation Non-participation</td>
<td>Operational focus</td>
<td>Covers many unimportant areas</td>
<td>Traditional. Reactive.</td>
<td>None</td>
</tr>
<tr>
<td>2</td>
<td>Management <strong>for</strong> Stakeholders</td>
<td>Informing Consultation Placation</td>
<td>Operational and Instrumental</td>
<td>Fewer areas of focus.</td>
<td>Pro-active.</td>
<td>Strategic</td>
</tr>
<tr>
<td>3</td>
<td>Management <strong>with</strong> Stakeholders</td>
<td>Partnership Participation</td>
<td>Instrumental and Strategic</td>
<td>Limited extent of focus but significant issues involved.</td>
<td>Learning. Quality.</td>
<td>Dialogic</td>
</tr>
</tbody>
</table>
the quality literature has promoted the idea of developing a culture where everyone agrees to the direction and purpose of the organisation and all pull together through a shared vision and mission. Great effort is expended to achieve this, even through the use of coercion and direction (as was the case with Parks Victoria). Lack of unity is regarded as organisational weakness.

According to Cope and Kalantzis (1997) this represses essential differences and ignores the complexity and diversity that characterises the real world, both of the organisation and the wider society. The metaphor of work culture that guides this organisational perspective is that of life in a village where sameness is the primary characteristic, which is held together through shared values, interests and experiences. “Every member buys into the values of the community, shares the way of life of the community, and joins in the tasks of the community. There might be the odd squabble, but if the community is to hold together, most of what happens has to be based on shared meanings and cooperative activities” (Cope and Kalantzis, 1997: 15). While this may have many benefits, one of the difficulties that it creates is the sense that differences appear frightening. That is when a culture is strong and uniform, then anything that is different, or any person or entity that sees the world differently is ‘wrong’, ‘holds inappropriate views’, is ‘not worth listening to’ or possibly even ‘subversive’.

In this situation, an organisation’s stakeholder relationships are recognised as being important but still often hands-off and driven by the organisation. Stakeholder engagement seeks to find out as much as the organisation can about the needs and expectations of the ‘other’. While the metaphor of ‘know thou enemy’ may be too strong, it is certainly about coming to an understanding about where the ‘other’ stands so that the organisation can accommodate them in the light of its own individualistic goals and perspectives. An analogy with one view of US foreign policy may be appropriate to elaborate on this idea. The current administration is so sure of the undeniable value and superiority of the American culture that its engagement with other nations (especially those with a different culture) is to understand it so that it can be accommodated within their view of what is right and appropriate. There is no attempt to change the nature of their own culture in the process. The objective is to determine how the ‘other’ can be brought into this ‘superior’ world view.

Now organisations are not nation states, but the way that some approach controversial issues is along the same lines. Parks Victoria had spent considerable time attempting to develop a unifying culture that placed instrumentalism for protected areas at the forefront of the corporate agenda. The strategy of introducing commercial concessions was compatible with this instrumentalist framework. The approach taken to stakeholder engagement was one where the aim was to ‘test the water’ to see whether the various interest groups (who could not be directed or coerced) were ready for such a change. The ‘understanding’ that was sought was to see whether the proposal would be acceptable to various groups. Attempts were made to seek support from like-minded people. When they found that the ‘opposition’ ran very deep, the whole project was dropped. Frustration ensued on both sides.

**Group 3 Organisations**

Those organisations operating in **Group 3** are similar to what Andriof and Waddock (2002) would describe as a “network organisation” which is regarded as an open system that creates interdependence with its environment to ensure survival and goal achievement. “Increased interdependency makes it necessary to focus on a firm’s
strategic relations to a set of actors – stakeholders – in the task environment and to increase awareness of relevant contextual aspects behind the market scene” (Andriof and Waddock, 2002: 39). They argue that stakeholder engagement recognises the benefits of strategic networks that arise “from cumulative processes including both increased dependency through exchange and the development of social capital” (Andriof and Waddock, 2002: 39). Mutual trust is developed through the “incorporation of deeper personal commitment among participants” (Andriof and Waddock, 2002: 39). Inter-personal affiliation and respect become extremely important.

While the general thrust of this description is true of this group, it differs in a very significant way to what Andriof and Waddock and many others have proposed. It is not based on the development of shared values or norms. Instead, it is based on a recognition of the diversity and complexity that exists in the modern world.

Organisations in this group are managed in a manner that recognises the needs and expectations of stakeholders from the perspective of the stakeholders themselves. In other words, they recognise that diversity of views and perspectives create strengths and lead to better outcomes and decisions. These organisations do not thrive on uniformity and sameness. Diversity and difference is seen as normal and part of the reality of society and is found both within the organisation and beyond. These organisations do not accept that diversity and difference necessarily produces fragmentation but can become the basis of a source of productivity and energy. Difference is not ‘feared’ but regarded as part of the reality of modern society and organisations.

The focus of understanding is ‘meaning-making’ aimed at pulling the differences together. Part of this is the establishment and achievement of goals for the organisation out of the different interests, aspirations and experiences of those involved. It is a collective responsibility in the sense that their achievement affects all concerned. It builds on interdependency, which accepts the value of difference and is quite different to dependency (Harrison and St. John, 1996). The focus of this understanding extends to the strategic level where frame and other broad mega issues and directions are considered. The focus also moves from consideration of the organisation in isolation to the broader issues of value diversity and the complexity of societal change. This does not mean that management simply abdicates its decision-making role. Rather, its role changes to one of communicative action where success is measured by the ability to create unity out of diversity in order to establish and achieve goals. Instead of management being held to account by one stakeholder (shareholder) as in the case of agency theory, management needs to ensure that all stakeholders are considered. This is very similar to what Freeman and Phillips (2002) describe as the principle of ‘stakeholder cooperation’ without the need for all parties to adopt a common view or culture about everything.

Interestingly, the terminology itself reflects the difference being suggested here. No longer is the engagement about consultation with its connotations of gathering information. Rather, it becomes collaboration in which the parties are involved in an mutually respectful manner and the process involved sharing of differences and the
generation of new knowledge\(^4\). The process will value differences on the assumption that not only are they never going to be resolved, but that their resolution would not be in the interests of either party. Maintaining difference may itself be of value to society as a whole.

Of course, underpinning this is the need to achieve organisational goals. This is not simply a debating club where the debate itself is the goal.

A move from Group 1 to 3 has occurred amongst some organisations as a result of the development of a ‘societal consciousness’ amongst managers – the increasing recognition that the organisation exists within a broad societal framework that requires interaction and engagement for overall success and survival. This is what makes dialogue about the frame so essential.

11.8 Implications of the Political

The process of stakeholder engagement is patently political in that it does involve considerable conflict, argument and disagreement. The empirical research indicated that it was a highly emotive experience for all those involved. Indeed, the language used in the submissions is ample evidence that these emotions were strong and fervent.

However, being political does not necessarily mean that the engagement has to be adversarial, a description that is normally attached to the term political. The empirical research showed that the adversarial nature of the focal engagement, at least partly, was attributable to the approach that was adopted, rather than being inherent in the issue itself. Most interviewees agreed that the whole engagement would probably have been quite different had a different approach been used.

The submissions associated with the focal cases also demonstrated that the key issues in the engagement were values-based. Stakeholders were not really arguing about a specific proposal but about a way of viewing the world and its implications for things close to their heart. This involved views about the nature of society and the direction in which it was heading. In particular they were concerned about this direction in the context of protected areas and their management.

In line with the extant literature, Parks Victoria management perceived stakeholder activity negatively. They took them on as a ‘battle’ to defeat what was perceived to be an inappropriate use of power that had attempted to thwart the legitimate activities of management. They did not question their own use of power and its legitimacy. This ‘sanctimonious’ attitude had definite implications for the way in which stakeholder views were regarded. It also reflected a particular orientation towards goal-achievement. At the most senior level, there was evidence that the broad framework of decision-making was based on a hierarchical and authoritarian view. Those who held those positions had the right and responsibility to devise and implement strategies; they would be failing in their role if they did not do so. The orientation was towards the predetermined goal, not the process by which the goal

\(^4\) It is recognised that corporate organisations may have information that is commercial-in-confidence.
would be established and implemented, nor the way in which this goal impacted upon higher order frames that had guided previous attitudes towards protected areas.

Implicit in the theory of quality management outlined in previous chapters is a view that the achievement of goals for the organisation is not dependent upon the establishment of absolute power and control (even Machiavelli did not propose this). Nobody can deny that power is involved in any stakeholder engagement. However, Foucault (1997) has indicated, power is something that is part of the whole phenomenon, not something that an individual or group uses on another. Power is a phenomenon that everyone possesses in various ways hence management cannot expect to be in total control. There was evidence that many staff were aware of this and did not assume that they could control the situation. They believed in the legitimacy of the inter-connectedness of the various groups with the operations of the organisation. However, management had their own agendas and did not work off this assumption.

In terms of the political, there was no effort by management at Parks Victoria to attempt to establish a ‘we’ amongst all concerned, including those with different views. Anyone who opposed the proposal was immediately seen as a ‘they’ and traditional approaches of attacking the enemy were adopted. In doing so, the attempt was always to focus on the subject-object relationship, with no reference being made to the broader frame within which these subject-object relationships can be interpreted.

Analysis of the submissions indicated that within them there is no attempt to establish a ‘common good’ to which all people in society should subscribe. This was not the basis of the stakeholder criticisms made of the proposal. There appeared to be an understanding that morality was indeed in the realm of the private. However, there was clear evidence that those involved felt that there needs to be some over-arching understanding that provides a basis upon which society can be sustained. This would provide a framework that individuals would use to establish their own lifestyle and private value system or within which organisations would establish their strategies. In the focal cases, this frame concerned the nature of protected areas and their role in a societal context. Individual ends and a conception of the ‘good’ were expressed within this framework. There was no sense that everything was ‘open season’ as long as the activity of the organisation did not affect the opportunity to pursue that respondent’s individualistic ends. Many referred to what a ‘just’ and ‘fair’ society would look like and what role protected areas played therein. They then made their case within that framework. There was definitely a form of identification with the society in which the proposed strategy was to be implemented.

The implications are that those responsible for managing organisations of all types will have to consider issues regarding the ‘frame’ established by the society in which they operate. Group 3 type organisations that seek to meaningfully engage with stakeholders will increasingly face this type of issue. No longer can it be assumed that the value system espoused by society – itself in a state of change and evolution – is irrelevant to their strategy formulation activity. Managers will need to engage with society as it constantly seeks to reassess that frame in response to changing circumstances. Strategy formation is not simply a matter of identifying opportunities in a reactive way to an external disconnected world (read society). Management will have to recognise that they are part of that world and have a chance to help create it. However, they will also have to realise that this is an inherently political process
involving great diversity of views and that it needs considerable communicative competence rather than power, force and cunning.

11.9 Conclusion

This Chapter has attempted to draw out the implications of the empirical research within a conceptual framework developed in the early part of the thesis. It has made suggestions about the way managers of organisations that take stakeholder engagement seriously can do so. This requires what has been described as communicative competence with an explicit understanding that it will be patently ‘political’ and involve issues regarding the frame within which they are perceived to operate. The focus on subject-object relations is well recognised in stakeholder theory as organisational managers attempt to deal with the concrete issues they face. The link to the personal world and satisfaction of individual needs and interests has also been acknowledged, albeit cynically, by those who see it as selfishness. What this research has indicated is the significance of the third ‘world’ – that of the social ‘world’ with its emphasis on the frames that hold society together. This has not been acknowledged in the stakeholder literature before, despite its seemingly important role in any stakeholder engagement.

What is now required is an examination of what this means for quality management theory. It is to this that the next chapter turns.
Chapter 12

A Third Generation of Quality Management

Abstract
The notion of quality, which has been around for more than a century, seems to be moving into a new phase. Having commenced as an object-oriented measurement and control device, it has passed through a number of phases where the emphasis was on expansion and integration of all aspects of organisational management. While the origins of quality theory were firmly embedded in the quality of the output (of either a product or service), in the last few decades it has become much more concerned about the overall management of the organisation. The significance of these changes suggests that the quality movement has passed through what can be loosely described as its first and second generations.

It is argued here that we are now entering a third generation where notions of accountability and responsibility are blending into the quality framework. Recent research has begun to analyse the effect of relations with external groups and individuals on the way the focal organisation is managed. At first, this investigated bilateral relationships between groups/individuals and the organisation. Very recently, that has been extended to include an analysis of the multi-lateral relationships that exist between the focal organisation and the external world. This has been called the stakeholder view of quality theory. What might appear at first sight to be yet another add-on, may really represent the start of a fundamental (re)orientation of the meaning of quality.

This chapter reflects on the findings presented in Section IV in order to identify their implications for quality management. It concludes by suggesting that management of quality has evolved over the years and the nature and implications of those changes. Its main contribution to the research is to demonstrate how substantially different the ‘Third Generation Quality Management’ is to those that preceded it and to raise awareness of its implications.

12.1 Introduction

It has been shown in previous chapters that the notion of quality has evolved since its initial introduction when it focussed on output measurement and control. This evolution was inevitable as the concept was clarified and the procedures and processes adapted to changing organisational needs. It has also evolved in response to changing conceptions of the organisation itself, as long-held fundamental assumptions and theories have been challenged and replaced.

One significant example of this is the challenge made to the Freidmanite theory of the firm by those seeking to acknowledge a greater role for stakeholders. Quality management has responded by ensuring that stakeholders are incorporated into the quality management models. This change was outlined in Chapter 4.
Another significant change that has occurred is the recent attempt to develop quality thinking beyond a series of principles, procedures and models to become a comprehensive theory of organisational management. The main proponent of this (Foley, 2000, 2001, 2002) has attempted to incorporate the latest ideas on stakeholders into that theory.

In response to this move, this thesis has sought to investigate the role that stakeholders play in organisational management in order to help improve the development of the new theory of quality management. This has involved the establishment of a conceptual framework for stakeholder analysis, the application of the framework to a particular case, and the characterisation of a stakeholder engagement process that best suits that theoretical perspective on quality.

This final chapter now returns to a focus on quality management itself and seeks to outline what the ideas generated above mean. It suggests that quality management is now entering a new phase where accountability and responsibility is being extended beyond the traditional shareholder focus. This change is of such significance that the chapter concludes by suggesting that we are now entering a third generation of quality management.

12.2 Implications for Quality Management Theory

The major driving force behind this research has been to better understand quality management in the context of stakeholder theory and to provide a stronger foundation for the further development of a theory of management quality. This required continual discourse between the empirical material obtained and the conceptual work in the extant literature. This discursive activity necessitated the analysis of the quality, stakeholder and organisational theory literature in an attempt to develop a perspective by which the stakeholder phenomenon could be better understood in the situation at hand.

The question that has driven the empirical research was: How were stakeholders involved in the strategic management decision to introduce concessions into protected areas in Victoria and what lessons can be learned from this involvement that can contribute to a theory of quality management based on a stakeholder perspective? The analysis of the Parks Victoria case showed that organisational success and even survival was, at least in part, affected by the actions of stakeholders. This confirmed the general thrust of Foley’s Theory of Quality Management as outlined in Chapter 4. However, it also indicated that the situation was extremely complicated and additional work was required to develop it further, in particular to make it relevant to all forms of organisations. This thesis has concentrated on that task and it is now appropriate to draw it to a conclusion.

Although it is not appropriate to generalise from one situation, the research has demonstrated that the theory of quality management does contribute to an understanding of organisational behaviour and management activity. Looking at it another way, it may be said that the acceptance of the stakeholder theory of the organisation, as developed in this thesis, necessitates the further expansion of quality management theory to include stakeholder relationships in the manner envisaged here.
While quality management still has a major contribution to make to organisational development and performance, the acknowledged lack of a theoretical framework has contributed to its marginalisation in the last few years. At the First International Research Conference on Organisational Excellence in the Third Millennium in August 2000, Foley made the following point:

“For all its claims and myriad of descriptions, quality management is yet to be established as a theory of management, and find a place in the objective function of the contemporary business enterprise that it purports to assist” (2000: 87).

As shown in chapter 4, Foley went on in other papers to develop a stakeholder theory of quality management based on a theory of the firm or business enterprise. This was modified in this thesis to recognise the existence of different perspectives on the nature of organisations and to include those that are not focussed on the generation of profit.

There appears to be sufficient empirical evidence now available (including the empirical research herein) to substantiate the claim that the success (and indeed the long-term survival) of an organisation can be affected by the way in which management engages with stakeholders. This means that any theory concerned with management quality must look beyond the internal operations of the organisation and consider its relationships with all stakeholders. This applies to all forms of organisations, not simply those seeking to generate a profit.

This therefore lends support to Foley’s theory that the long-term success can be accomplished if management acts “to optimise the quality of product and service to customers, subject to meeting the needs and expectations of non-customer stakeholders” (Foley, 2000 : 89).

However, the analysis has demonstrated that for this to become the basis of a quality driven theory of management (one of Foley’s explicit objectives), it needs to be capable of applying to those organisations that are not seeking to generate a profit or deliver a service. Having argued that a stakeholder theory of the organisation can incorporate all forms of organisations, it is appropriate to generalise Foley’s theory of quality management to:

The long-term success of any organisation can be accomplished if management acts to optimise the achievement of organisational purpose, subject to meeting the needs and expectations of stakeholders.

However, while parsimony is a characteristic of good theory, the mechanisms by which this is operationalised need to be explained and understood. This is the primary contribution that this thesis has made to that theory.

This thesis has not been a test or verification of the theory of quality management developed by Foley. Rather, it has sought to further develop that theory by looking at its underlying assumptions and then by an analysis of a particular instance where stakeholders have been greatly involved in determining organisational performance. This has shown that there are several aspects of the theory as developed by Foley that
needed to be ‘teased out’ further. These included the assumptions and world-view on which it is based, the conceptualisation of stakeholders and the nature of the engagement with those stakeholders. Combining a largely conceptual study with one that focusses on an unusual situation has provided an insight that has helped to further shape this theory ready for empirical testing.

It is clear that the actions of the Parks Victoria management team during the period under review were quite different to that envisaged by the theory of quality management. Their actions were driven by motives other than the desire to optimise the quality of its product and services to customers, subject to meeting the needs and expectations of non-customer stakeholders. On the contrary, the actions appear to be driven by the perceptions of the needs of what were essentially the shareholders of the organisation – in this case the government of the day. In so doing, they identified a particular customer that they felt should be catered for and sought to implement a strategy that would provide for their needs. In this action they did not seek to develop some sort of understanding amongst participants (including current customers). Instead they addressed the stakeholder engagement process in a combatant or adversarial manner, as an obstacle to be overcome rather than as a positively constitutive process focussing on mutually acceptable outcomes. It was an archetype example of what Astley and Fombrun (1983) called an “egocentric organisation”. As noted in Part IV, the consequences of this were that the organisation was not able to progress and its very existence came under threat.

It is unusual to look at a theory by investigating a situation where it does not apply. However, this has provided real insights into its application and meaning. The ‘theory’ outlined by Foley is essentially a statement of what a ‘quality’ organisation would do¹. It is not a theory of the behaviour of all organisations. Some, like Parks Victoria, certainly did not behave as predicted. This was acknowledged in the last chapter where a typology of organisations based on their stakeholder orientation is outlined. The existence of these different organisational types does not mean that the theory is irrelevant or unsuitable. It simply shows where it can be seen to apply. Moreover, it helps to confirm the validity of the theory by providing an example where an organisation did not behave as predicted and almost failed to meet the measure of success established – ie. survival.

The analysis demonstrated that the performance of the focal organisation was clearly affected by the way in which it engaged with its stakeholders. As a semi government organisation, it had an elaborate set of procedures that were intended to engage with stakeholders as part of the normal way of doing business. These procedures were well known to management, staff and other members of the coalition of interested participants. It was not the presence or absence of these procedures or mechanisms that affected the outcomes of the engagement with stakeholders. Rather, it was the approach to the engagement and the assumptions under-pinning that approach that were of fundamental importance.

¹ It is like clarifying what a ‘healthy’ body should function like. Not everyone we look at would have such a healthy body but that does not negate the value of developing a ‘theory of the healthy body’. It is an instrumentalist rather than a descriptive or normative theory.
Meeting the needs and expectations of all stakeholders is a process of engagement involving dialogue. The empirical research found that the ‘dialogue’ involved was based on strategic action rather than communicative action. This removed the opportunity for the achievement of shared understanding and reason. In turn, there was no acceptance of an expanded view of reason and rationality that acknowledges the existence of the objective, social and personal dimensions of those needs and expectations. In summary there was no evidence of what Habermas has described as ‘communicative competence’.

Communicative competence is a capability that can be developed by management. As argued here, perhaps the most significant ingredient is the capacity to understand that the world is socially constructed and that not everyone interprets phenomenon or events in the same way. This does not mean that agreement and understanding cannot be achieved, even though in the end only one of a number of alternative courses of action (or management strategies) is possible. Agreement and understanding can be achieved about the framework for the decision rather than for the specifics of the decision itself. This avoids the necessity for there to be agreement on some form of common good.

The research also demonstrated that legitimacy is not a relevant issue in applying the theory. Most of the extant literature suggests that any recognition of stakeholder views or interests may give credibility to ‘illegitimate’ views and beliefs. Hence only ‘legitimate’ views should be considered. As shown in Chapter 6, Mitchel, Agle, et. al. (1997) use legitimacy as a primary criterion that managers should use in making the decision as to whether or not to engage with particular stakeholders. The research indicated that some of Parks Victoria management believed that the views (the views rather than the people or groups) of those who opposed the strategy and its implementation were ‘illegitimate’. However, this proved to be counter-productive, as it negated the value of seeking stakeholder views and engaging with those views in a meaningful manner. They were simply dismissed as the views of “evangelistic lefties”. Legitimacy should be measured by the value of engaging with stakeholders, not a feature of the views that those stakeholders hold. Engagement can help management to understand the views of the various stakeholders and with understanding comes the opportunity to address them in a meaningful manner so that organisational goals can be achieved. This will include the opportunity to help create the social reality of those involved. While this is neither straightforward nor easy, the alternative seen in the situation reviewed herein was demonstrably counter-productive.

The organisation has to get involved in creating the socially constructed world. The evidence indicated that perceptions of the ‘reality’ of the world are quite diverse and very complex. Engagements are essentially about constructing this world and listening to the variety of ways that stakeholders perceive that world. These perceptions are partly created through the lens of self-interest. While that is often perceived as greed it also needs to be regarded as part of the different way that we all see the world. Self-interest does not deny the existence of a civil society where the needs and expectations of others are recognised in decision-making processes. Self-interest is not the same as selfishness.
12.3 A Third Generation of Quality?

The theory of quality management as presented in Chapter 4 attempts to incorporate the necessity for management of business enterprises to respond to the needs and expectations of increasingly diverse groups while still delivering shareholder value. Many of the principles and techniques of quality management have been concerned with the needs and expectations of particular groups that have been acknowledged for a long time as part of the traditional managerial model (see Chapter 4). These include groups such as customers, employees and suppliers (Freeman, 1984). The theory of quality management provides a theoretical justification and conceptual framework within which the relationships with other, more diverse, groups can be explicitly considered and addressed in a holistic manner with a focus on quality outcomes.

**Figure 12-1: Characteristics of the Three Generations of Quality Management**

<table>
<thead>
<tr>
<th>Generations Characteristics</th>
<th>First Generation</th>
<th>Second Generation</th>
<th>Third Generation</th>
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<tbody>
<tr>
<td>Perspective on Quality</td>
<td>Process</td>
<td>Holistic</td>
<td>Relational</td>
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<tr>
<td>Focus</td>
<td>Measurement</td>
<td>Assessment</td>
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<tr>
<td>Type of Action</td>
<td>Reactive</td>
<td>Proactive</td>
<td>Engagement</td>
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<tr>
<td>Criterion for success</td>
<td>Reliability</td>
<td>Efficiency &amp; Effectiveness</td>
<td>Accountability</td>
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<tr>
<td>Orientation</td>
<td>Production</td>
<td>Policy and Planning</td>
<td>Relationships</td>
</tr>
<tr>
<td>Basic Assumptions</td>
<td>Control</td>
<td>Manageability</td>
<td>Inter-connectedness</td>
</tr>
<tr>
<td>Change</td>
<td>Improvement</td>
<td>Transformation</td>
<td>Transaction</td>
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<tr>
<td>Stakeholder Relationships</td>
<td>Non-existent</td>
<td>Peripheral/Emerging</td>
<td>Embedded</td>
</tr>
<tr>
<td>Characteristic of Engagement</td>
<td>Non-existent</td>
<td>Deal-Making</td>
<td>Meaning-Making</td>
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<td>Conceptual Nature</td>
<td>Techniques</td>
<td>Techniques &amp; Principles</td>
<td>Theory</td>
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<tr>
<td>Culture</td>
<td>Irrelevant</td>
<td>Unity of sameness</td>
<td>Unity of diversity</td>
</tr>
<tr>
<td>Others??</td>
<td>?</td>
<td>?</td>
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This theory can therefore be seen as fundamentally different from models that have come before. Indeed, it is so different that it can be seen to represent an emerging *third generation of quality* that will gradually replace those that came earlier. Its focus is still on quality but the way in which quality is addressed is different. Moreover, for the first time it is grounded in an explicit theoretical framework. A preliminary list of
the characteristics of this so-called third generation, and the way it differs from the previous conceptualisations, are outlined in Figure 12-1. While each characteristic may be debated individually, when considered as a whole the difference between the ‘generations’ becomes apparent. As can be seen, the table provides for the addition of other characteristics to be added to the list. Further research is needed to clarify the fundamental differences even further.

The stakeholder theory of quality management which characterises the third generation can be seen as being within the ‘quality family’ as its foundations rest squarely on business processes. However, rather than it simply introducing an additional set of processes to underpin the relationship between the organisation and its stakeholders, the model requires fundamentally different types of processes that hitherto have not been part of normal business practice. These processes are not necessarily based on a commonality of interests or concerns or on an unequivocal outcome or objective. They are processes that must be capable of dealing with complex issues that are often ideologically based with problematic, indeterminate answers. These issues have been described as ‘wicked’ (Coenen, Huitema and O’Toole, 1998) or ‘messy’ (Ackoff, 1999) problems for which solutions are neither clear nor agreed. These problems are not confined to those stakeholders that are traditionally viewed as external to the organisation. They may involve any or all stakeholders.

However, it does more than this. Moving quality management beyond a strictly internal process orientation, the expanded concern for stakeholder’s needs and expectations raises the question of what these external relationships mean for the goal established for the organisation itself. Processes are designed for specific purposes or to achieve particular ends. The fact that they now seek to meet the needs and expectations of a broader range of stakeholders implies some degree of responsibility to those groups or individuals. As noted above, Foley makes a distinction between business aim and business strategy with the former being identified as the longer-term survival of the firm. Further analysis of the theory presented has teased out what this means. At present, it is an egoistic concept where engagement with stakeholders is seen as a necessity to achieve the objectives of one stakeholder type (shareholders).

It has been argued extensively in this thesis that this should be developed further to recognise that survival itself should be characterised by a more inclusive ideal. As the film titled ‘On the Beach’ (filmed right here in Melbourne) demonstrated, what is the point of being the last survivor in a world that is utterly devastated? It goes without saying that the survival of the firm (or any organisation) will only be of value if it occurs within a societal framework that retains positive features that make such survival worthwhile. Even the recipients of enormous wealth through business success would not really benefit if it had to be spent in the context of massive security, gated communities, environmental degradation, disease and pestilence. Engagement with stakeholders must be about linking the organisation to the wider society to ensure that society itself survives. In turn, this must be based on a realistic view of society including its complexity, diversity and contradictions. This third generation of quality management, with its emphasis on relationships, interconnectedness, etc. is goal achievement related, but only in so far as their achievement recognises the needs, expectations and contributions of those involved. Such stakeholder engagement is not driven by a strategy to overcome potential
obstacles. Rather, it is undertaken in recognition that without the involvement of the various parties the *longer-term* quality of survival of the organisation itself is threatened.

There is increasing evidence that an enterprise does (and should) operate within a societal network of stakeholders that have the power to influence directly or indirectly the success of the enterprise (Zadeck, 2001). Operating in such a societal context requires a fundamental re-orientation regarding the role and position of organisations in general and business in particular. In the very near future, society’s provision to business of a ‘licence to operate’ (Royal Society for the Encouragement of Arts, 1995) will no longer be based on profit alone or even individualistic survival. Businesses will have to become part of the complex web of society and deal with a multiplicity of issues and concerns as expressed by stakeholders of varied backgrounds and interests. Consequently, the quality of management should be assessed (at least partly) in terms of the way in which it engages with this diversity and multiplicity of issues.
# INTERVIEW GUIDE

## Background

1. Role in Parks Victoria or other organisation at the time?
2. What is your current role?

## The WPNP, Seal Rocks & Port Campbell Cases

1. Your involvement with the WPNP, Seal Rocks or Port Campbell situation?
3. Why did it occur this way?
4. What were the effects of doing it the way you did?
5. How would you do it differently now?

## Stakeholders

1. What does the term stakeholder mean to you?
2. Who did you see as the stakeholders of Parks Victoria?
3. What processes did Parks Victoria have for stakeholder consultation?
4. What role did stakeholders actually play in the two cases?
5. What would you do differently now?
6. What was the role of the consultation process?
7. What would you consider to be criteria for good stakeholder consultation?
8. What advice would you give to someone seeking to engage in quality stakeholder consultation?
9. Is there any difference between the public and private sector in this matter?
10. Politics is an inherent aspect of stakeholder relationships – does this create a problem?
11. What was the role of internal stakeholders?

## Quality

1. Are stakeholder relationships important in the quality of management?
2. How and Why?
3. What do you consider to be the most important factor in stakeholders engagement?

## Further Questions

1. Anything that you would like to add?
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Anon

Sharon Hendricks
Theresa Ambrose
Gabrielle Costa
Ewin Hannan
Anon
Ewin Hannan
Gabrielle Costa
Andra Jackson
Larissa Dubecki
Wayne Howell
Paul Edwards
Sam Strutt

Fay Burstin
Anon
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Anon
Lucy Beaumont
Allesandra Fabro

Mark Skulley

AAP
Gabrielle Costa
Gabrielle Costa
Nicole Lindsay

Orietta Guerrera
Ewin Hannan
Genevieve Lally
Fay Burstin
Nicole Lindsay

John Ferguson
Richard Baker
Mark Skulley

Voteline

In Charge In
The Bracks Years
Spotlight On Health, Education, Economics and Unions
They’re Fooling The Public With Their Money
Question Time
According To Doyle
Seal Rocks Papers Held To Stop Debate
Sightseers Still Drawn To Seal Rocks Centre
Bracks ‘Betrayed’ Seal Rocks Staff
Island Legal Battle Flares Up
Tourist Magnet
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Seal Rocks Denial
Victoria’s Seats Of Power
Guide To Issues And The People
Stay Bid On Seals
Seal Rocks Compensation To Cost $37m
Briefs 04.11.2002 – Correction Appended

Stamp Duty Windfall For Victoria

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Seal Rocks Dispute Probes Delayed
Sparks Expected At Seal Rocks Inquiry

Seal Rocks Inquiry In The Public Interest, Say Liberals
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State Accused of Sabotage
Cover-Up Alleged At Seal Rocks Inquiry

Surge In Public Workforce
MPs To Probe Seal Rocks Deal
Libs Rock Boat As Insurance Reforms Pass

Appendix B

Herald Sun
The Age
Australian Financial
Review
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