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Beach, Sandra (2008) Sustainability of Network Governance: Stakeholder Influence. In Brown, Kerry A. and Mandell, Myrna and Furneaux, Craig W. and Beach, Sandra, Eds. *Proceedings Contemporary Issues in Public Management: The Twelfth Annual Conference of the International Research Society for Public Management (IRSPM XII)*, pages pp. 1-23, Brisbane, Australia.

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Sustainability of Network Governance: Stakeholder Influence

Sandra Beach, Queensland University of Technology, Australia

Doctoral Panel Track

International Research Society for Public Management

2008 Conference, Brisbane, Australia

ABSTRACT

Public organisations both internationally and in Australia are exploring networked governance arrangements particularly in seeking to resolve wicked social problems that impact on the community. Engaging more effectively with stakeholders is crucial in the search for effective solutions to complex social problems.

The objective of this research is to understand how the level of interdependency between organisations and stakeholders contributes to development of network governance in public organisations. An empirical analysis will show how stakeholders are incorporated into the governance processes of network entities in public organisations. In particular, this study will focus on how stakeholder salience i.e. stakeholder power, urgency and legitimacy, is impacted by the level of interdependence between organisations and stakeholders.

This paper will provide a critical analysis of the literatures of stakeholders and network governance to show how the concepts are connected and the gaps in the literature relating to interdependency between stakeholders and organisations in governance networks.

INTRODUCTION

Background to the Research

Public organisations both internationally and in Australia are exploring networked governance arrangements particularly in seeking to resolve wicked social problems that impact on the community (Australian Public Service Commission, 2007; Keast, 2004; Keast & Brown, 2002; Rhodes, 1997). It has been acknowledged that incorporating a broader range of actors in the work of public organisations and thus engaging more effectively with stakeholders is crucial in the search for effective solutions to complex social problems (Australian Public Service Commission, 2007).

Research Problem and Research Questions

The following research questions which are drawn from an analysis of the literature will be addressed in this research:

Does the level of interdependency with stakeholders contribute to the development of network governance in public organisations, and how?

1. How are stakeholders incorporated within governance networks?
2. How are managers' perceptions of stakeholder salience impacted by the level of interdependence?

Definitions

To explicate the key concepts used in this research, the following definitions are presented in Table 1.

Table 1 Definition of terms

Term	Description
Stakeholder	An actor who is affected by or affects a particular problem or issue and has perspectives or knowledge needed to develop good solutions or strategies and/or the power and resources to block or implement solutions or strategies (Hubacek, Prell, Quinn, & Reed, 2007).
Stakeholder salience	The bargaining power of stakeholders, the legitimacy of their relationship with the organisation and the urgency of their claims (Friedman & Miles, 2006).
Network governance	A horizontal mode of social organisation that is self-organising, interdependent, operates through consensus and applies game like rules which are negotiated by the participants (Keast, Mandell, & Brown, 2006; Klijn & Koppenjan, 2000; Rhodes, 2000).
Interdependence	Making something sensible out of complex organisational relationships and interactions through an understanding of the connections between actors (Weick, 1995).

LITERATURE REVIEW

Governance

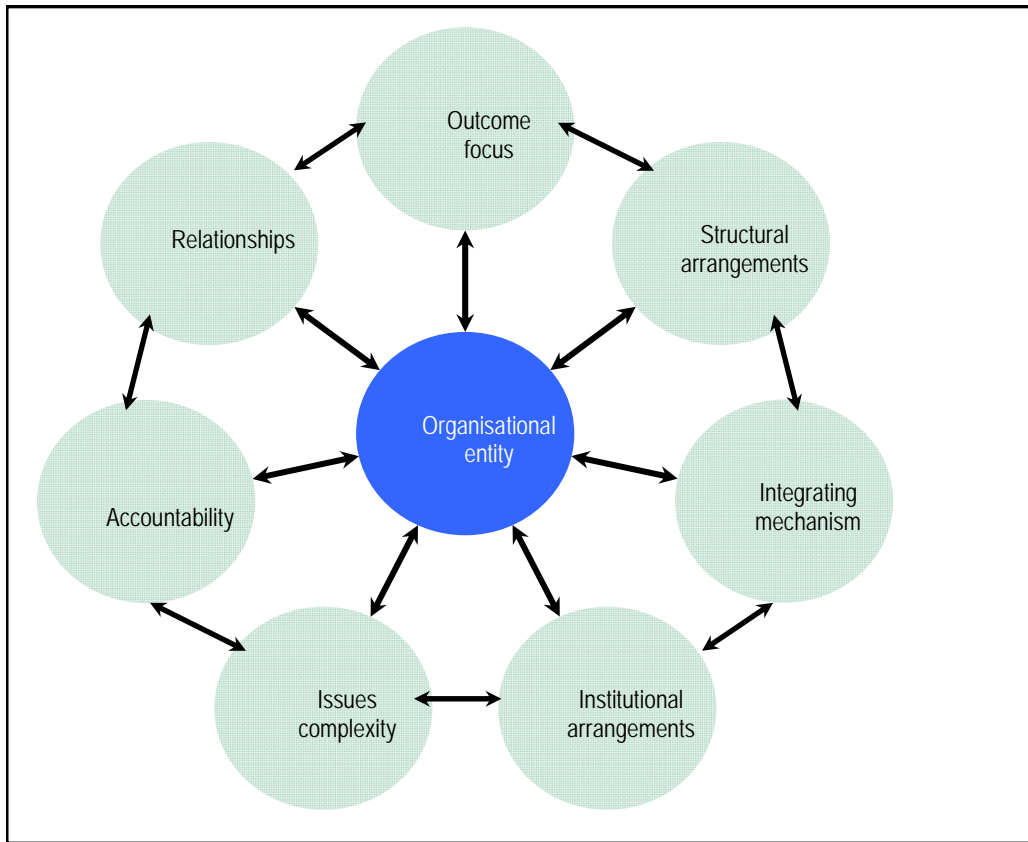
Despite considerable academic attention, the concept of governance remains an ambiguous and contested concept (Heinrich & Lynn, 2000; Rhodes, 1996, 1997, 1998). Newman's (2001) observation that governance is an eclectic concept with a broad range of theoretical positions, supports Van Kersbergen and Van Waarden's (2004, p. 144) claim that there is "quite some theoretical and conceptual confusion." Consequently our knowledge of the interaction and impact of external actors, particularly stakeholders, in governance processes is under developed and fragmentary.

From a socio-political perspective, governance can be seen as the social system through which decisions are made, resources allocated and directions set for an organisation or society. (Carver, 2000; Kooiman, 1993; Lowndes & Skelcher, 1998). More specifically, governance is perceived as a mechanism for solving common problems at local, national and global levels taking account of the relationships, rights and obligations of the actors facing the problems and how power and authority play out (Newman, 2001). However, the literature tends to focus on three major governance paradigms, unicentric or hierarchical forms (state, firm hierarchy), multicentric (market) and pluricentric (network) (Lowndes & Skelcher, 1998; Powell, 1990; Thompson, Frances, Levacic, & Mitchell, 1991; Van Kersbergen & Van Waarden, 2004).

Hierarchical governance is characterised as a vertical or top down co-ordinating mechanism which is based on the bureaucratic model of organisation (Kooiman, 2005; Peters & Pierre, 1998). By contrast, market governance is a more spontaneous co-ordination mechanism which operates in a market context and makes use of multiple economic and judicial institutions and contractual arrangements to govern economic transactions (Powell, 1990; Van Kersbergen & Van Waarden, 2004). Network governance is a horizontal mode of social organisation that is self-organising, interdependent, operates through consensus and applies game like rules which are negotiated by the participants (Keast et al., 2006; Klijn & Koppenjan, 2000; Rhodes, 2000).

Over the past two decades, scholars have been iteratively developing a schema for understanding the triad of governance types (Considine & Lewis, 2003; Keast & Mandell, 2005; Meuleman, 2006; Powell, 1990; Thompson et al., 1991). While there is not precise alignment between the various taxonomies, in general, it is considered that the following elements, depicted in Diagram 1, underpin of hierarchical, market and network governance.

Diagram 1: Elements of Governance



While these characteristics appear in each governance category, they take on different meaning and forms reflecting the particular style of governance of each model. However the elements of this typology are dynamic and an organisational entity may exhibit

characteristics of each governance mode, sometimes simultaneously, particularly at different lifecycle stages (Keast & Hampson, 2007; Lowndes & Skelcher, 1998).

From a stakeholder perspective, the relational element of this typology is significant because it dictates the form and style of the relationship that the organisation will seek to create with stakeholders. Within the bureaucratic governance mode stakeholder relationships could be characterised as dependent with participation relying on the goodwill of the organisation. However, the market mode stimulates independent relationships which are managed through contracts. This is in contrast to the network governance mode in which interdependent relationships are fostered. Governance in public organisations exhibits all of these relational forms and will be discussed in the next section.

Governance in the public sector

Turning to the governance in the public sector, new public management (NPM) has been an influence for several decades (Hood, 1991; Lynn, 2006; Orchard, 1998; Rhodes, 1997). Rhodes (2000) has described NPM as having two foundations, namely: managerialism and new institutional economics. From a managerialist perspective NPM transplanted private sector management concepts and practices, including performance management and a focus on managing for outcomes (Pollitt, 1990). The institutional economics aspects of NPM were reflected in practices such as the separation of policy and service delivery functions and contracting out of service delivery (Hood, 1991).

As a result of NPM, it can be argued that governance became synonymous with public organisations focusing on policy development and co-ordinating service delivery through external providers. However, the recognition in late twentieth century that post managerialist approaches were needed to resolve wicked problems resulted in changes in governance by public organisations (Lowndes & Skelcher, 1998).

“Wicked” problems are a “class of social system problems which are ill formulated, where the information is confusing, where there are many clients and decision makers with conflicting values, and where the ramifications in the whole system are thoroughly confusing” (Churchman, 1967, p. B141). These problems characteristically involve reconciliation of competing stakeholder interests (Clarke & Stewart, 1997) to move towards a solution. While public organisations are gradually coming to terms with implementation of the stakeholder approach, the need to resolve ‘social messes’ has provided the impetus for more effective engagement with stakeholders to move beyond conflict and deadlocks to collaboration and consensus (Hemmati, 2002). This has resulted in messy governance arrangements required to achieve the messy solutions required (Rhodes, 1997).

A further complexity of public governance is that it involves an additional and very powerful actor: government (Klijn & Koppenjan, 2000). Reflecting the inherent political aspect, Lynn, Heinrich and Hill (2001, p.) describe governance in this context as “regimes of laws, rules, judicial decisions, and administrative practices that constrain, prescribe, and enable” policy development and service delivery. An important feature of

this approach is ensuring that citizens and stakeholders have a voice in the governance process (Bingham, Nabatchi, & O’Leary, 2005) to meet democratic obligations and to some extent balance the power of the state. This is supported by Kickert (1993, p. 195) who states that “governance is the achievement of a balance between governing actors”. Within this balancing act, the rights and responsibilities of actors are key factors in hierarchical, market and network forms of governance (Lee, 2003).

Given that the research question focuses on the role of stakeholders in the development of network governance, it is important to understand the trajectory of the stakeholder concept by tracing its origins and evolution from the standpoint of public participation. This will show how stakeholders have moved from the periphery of public organisations to take a more significant role in policy development and service delivery.

Public Participation

Creating meaningful and lasting connections with citizens and other actors, including stakeholders involved in public decision-making processes is a key issue facing public organisations (Stern & Fineberg, 1996). This issue has taken on greater priority as public agencies continue to struggle with the resolution of complex social problems while managing tight budgets and increasing demand for services.

For the purposes of this study, “public participation” is defined as “the practice of consulting and involving members of the public in the agenda-setting, decision making, policy-formulation and implementation activities of public organisations (Rowe & Frewer, 2000, p.512). This definition alludes to one of the major issues associated with public participation, namely: who to involve. Inclusion in policy processes, it is argued by Harrison and Mort (1998) can be approached from either a normative and instrumental perspective. Normative approaches to public participation seek to create benefits for citizens and provide them with the opportunity to exert influence in policy processes process (Morone, 1998). Instrumental approaches tend to focus on the costs, benefits and outcomes of public engagement initiatives (Moynihan, 2003).

The normative/instrumental approach implies a broad/narrow dichotomy of involvement, namely: who *should* be included versus who *will* be included. In the literature, a broad spectrum of actors and groups have been identified as potential participants in state led public participation including, citizens (deLeon, 1995; Fischer, 1990, 1993), service users or consumers, (Barnes, Newman, & Sullivan, 2004) interest groups, pressure groups (Alford, 2002) and stakeholders (Head, 2007; Renn, Webler, Rakel, Dienel, & Johnson, 1999).

Historically, the extent to which actors and groups have been seen as legitimate participants in policy processes has been influenced by both elitist and pluralist approaches (Webler & Renn, 1995). Based on the theory of democratic elitism (Pareto, 1935), the elitist approach questioned the competency of citizens to effectively participate in public policy processes (Pateman, 1970). It was popularly considered that public engagement in policy making would open a “floodgate through which all kinds of ignorance, prejudice and narrow interest could distort the political agenda” (Coleman &

Gotze, 2002, p. 10). Therefore, public participation in policy making was confined to a small but influential group of actors to avoid destabilisation of the social system (Burke, 1968).

The pluralist perspective envisaged far broader participation, which is largely collective but rejects the legitimacy of unrepresentative power elites (Higley, Hoffmann-Lange, Kadushin, & Moore, 1991). In the pluralist paradigm, policy processes operate through a series of shifting and overlapping interest groups whose leaders contest and bargain to achieve outcomes (Renn et al., 1999) e.g. trade unions and employer groups. However the collective approach of pluralism has been challenged by the deliberative perspective, the objective of which is to ensure the direct participation and engagement of ordinary citizens in policy processes (Barber, 2004; Dryzek & Berejikian, 1993; Macpherson, 1977; Mathews & Mathews, 1999; Warren, 1992). Unlike the pluralism, the deliberative approach embraces the concept of individuals contributing to policy processes (Roberts, 2004).

Since the 1990's public organisations have begun to embrace the concept of stakeholders as a legitimate public in policy processes in line with the broader deliberative approach (Corbett, 1996). However the advent of the undifferentiated category of stakeholders, has added an additional layer of complexity for public organisations engaging with multiple publics (Alford, 2002). This is partly due to the definitional vagaries inherent in the stakeholder concept to be discussed in the next section.

Defining stakeholders

While stakeholder identification has been a popular topic of analysis since Freeman's (1984) landmark publication, stakeholder identification by public organisations continues to be difficult to operationalise. The shift from elitist to deliberative forms of public engagement has created the expectation of broader societal engagement and this has been reinforced by the shift to more collaborative forms of governance. Consequently, a broad array of actors now participates in a wide variety policy initiatives. However, the ensuing complexity creates difficulties for public organisations distinguishing stakeholders from other types of actors and between categories of stakeholders

Generally stakeholders are defined from two perspectives namely: broad and narrow (Freeman & Reed, 1983). From the broad perspective, stakeholders are considered to be any party who can effect or have an effect on the organisation (Freeman, 1984). More inclusive definitions expand the scope of the stakeholder group significantly and the broader focus tends to be adopted by public organisations due to a number of factors. Firstly, public organisations have historically engaged with a broad range of clients, including the nominally powerless, interest and pressure groups in delivering services and there has been necessity to be inclusive to achieve democratic and socially just outcomes (Bryson, 2004). More recently, it has been acknowledged that the resolution of contentious, complex public issues requires participation from a number of different publics including stakeholders (Bone, Crockett, & Hodge, 2006).

On the other hand, narrow definitions focus on the stakeholders' impact on the survival of the organisation (Freeman & Reed, 1983) and this can limit the stakeholder group significantly and in some instances to one group i.e. shareholders. This perspective is more commonly associated with public companies bound by traditional principal/agent responsibilities in which stakeholders are subordinate to stakeholders (Goodpaster, 2004).

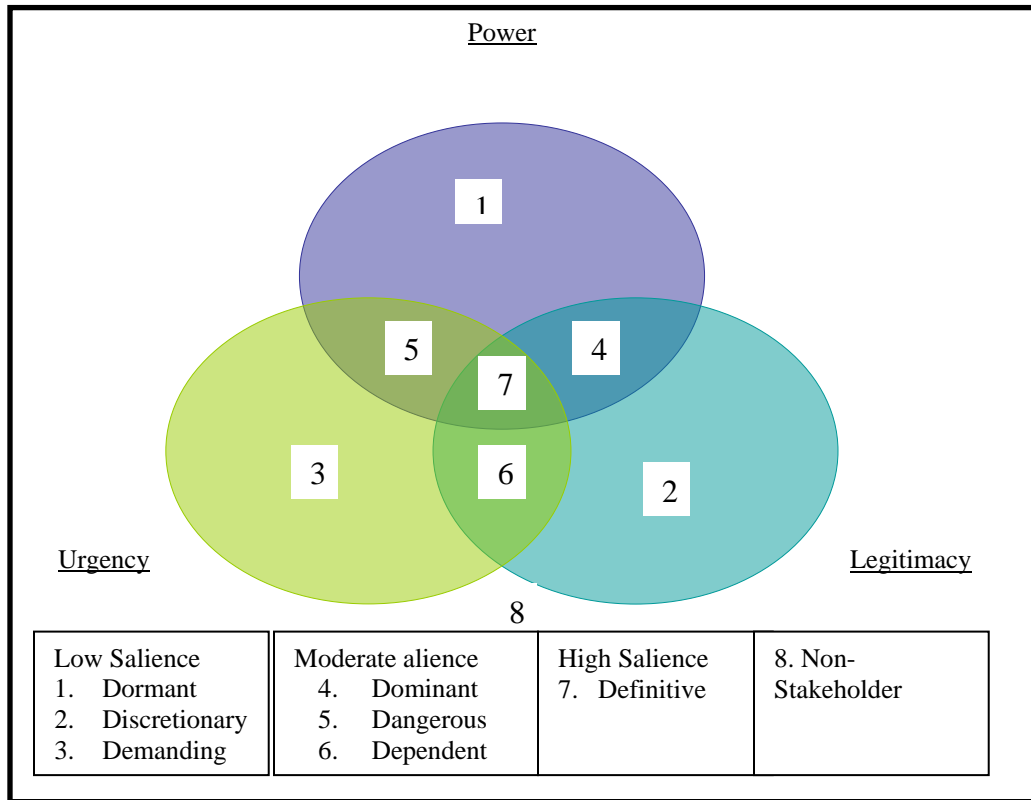
From a practical perspective, the broad/narrow distinction is very important because it influences which actors or groups are perceived by managers as stakeholders with a legitimate role. Given that the research questions of this study focus on the stakeholders of public organisations a broader definition will facilitate a more complete understanding of the interactions and patterns occurring in the public management context as discussed next.

Stakeholder Identification

The identification of stakeholders remains a vexed and difficult question (Mitchell, Agle, & Wood, 1997; Rowley, 1997) because of the differing paradigms that drive stakeholders activities in organisations. However, as a way forward, a range of descriptive stakeholder classification systems have been developed (Achterkamp & Vos, 2007). One of the more prominent, developed by Donaldson and Preston (1995), has been recently clarified by Jones, Felps, & Bigley (2007, p. 137) as “normative (How *should* the firm relate to its stakeholders?), instrumental (What happens *if* the firm relates to its stakeholders in a certain way?) and descriptive (How *does* the firm relate to its stakeholders?)”.

The instrumental aspects of the Donaldson and Preston model were further developed by Mitchell et al., (1997) who hypothesised about managerial perceptions of stakeholder characteristics or salience. This involves understanding of the bargaining power of stakeholders, the legitimacy of their relationship with the organisation and the urgency of their claims (Friedman & Miles, 2006). Diagram 2 depicts the mixture of attributes which combine to create different stakeholder behaviour patterns and influence the way they are treated by the organisation.

Diagram 2 Stakeholder Salience Model



Within this model, it is contended that stakeholders demonstrate their power in an organisational relationship through normative (media attention), coercive (force or threat) or utilitarian (financial resources/information) imposition of their will (Friedman & Miles, 2006). This is a largely negative reflection of stakeholder/organisational relationships and overlooks the impact of interdependency in creating positive outcomes (Johnson & Johnson, 1992).

Within the stakeholder literature, it is argued that to generate organisational action, stakeholders must be aware of and willing to exercise their power with a sense of urgency and for the organisation to consider their claims legitimate (Mitchell et al., 1997). In this sense, legitimacy is defined as “a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate” (Suchman, 1995, p. 574). Urgency denotes the sensitivity of a stakeholder’s claim and the criticality or importance of the stakeholder’s relationship with the organisation (Agle, Mitchell, & Sonnenfeld, 1999; Friedman & Miles, 2006), shifting the power balance in the relationship. While legitimacy can be exercised separately from power in stakeholder relationships, used in combination with urgency, stakeholders with high levels of all three attributes i.e. highly salient, are said to have a high propensity to impact on organisations (Mitchell et al., 1997).

However, there are two major shortcomings with this framework, namely: the one-way perspective which casts stakeholders as a manageable commodity and fails to acknowledge their capacity to contribute to the organisation and the lack of a relational attribute through which deeper questions about the “why” of organisational/stakeholder interactions could be understood. The relational approach which takes stakeholder thinking beyond the traditional view of stakeholders as a managerial task will be discussed in the next section.

Relational Approach

The value of stakeholder engagement is becoming more apparent to public organisations who are now perceived as having an important role in building dialogue with and between community groups and business interests to achieve policy reform and enhanced service delivery (Fox, Ward, & Howard, 2002). This requires the development of strong linkages defined by O’Hair, Friedrich, Wiemann, & Wiemann (1995, p. 10) as “the interdependence of two or more people”. Coombs (2000) contends that interdependent relationships apply to organisations and their stakeholders which is supported by (Carroll, 1989; Donaldson & Preston, 1995).

The relational approach locates stakeholders as the centre of analysis and focuses on the way organisations and stakeholders react (Secchi, 2007) and there has been a growing acceptance of this perspective (Dyer & Singh, 1998). The relational perspective has gained traction from the standpoint that relationships between organisations can result in sustained competitive advantage (Dyer & Singh, 1998). Preston and Donaldson (1999) took this a step further, arguing that collaborative stakeholder linkages can increase organisational wealth supporting Jones and Wicks’ (1999) contention that effective stakeholder theories required plausible outcomes in addition to normative claims.

Paradoxically, the preceding perspectives embody the hub and spoke concept of stakeholder relationships (Freeman, 1984; Jones, 1995), which depicts the firms at the centre of the relationship. However, Rowley (1997) moved beyond this traditional managerial view, reconceptualised stakeholder interrelationships as a social system, focusing on the web of relationships between actors. The introduction of the ecological theory of the organisation which situates the organisation within a complex web of relationships with other organisms (Hannan & Freeman, 1989), provided an impetus for development of a more relational perspective on stakeholder thinking (Sutherland Rahman, Waddock, Andriof, & Husted, 2002).

The relational approach acknowledges the mutuality of interests between the organisation and its stakeholders (Waddock & Smith, 2000) and their respective values, assumptions and perceptions. Within this paradigm, it could be argued that stakeholders are shifting from being considered a manageable resource towards an interdependent relationship through which issues are resolved. However there is a shortfall in our understanding of the relational aspects of stakeholding, particularly the impact of stakeholders in different organisational contexts and situations.

The relational approach envisages two way relationships between organisations and stakeholders. However, the stakeholder salience model perceives the organisation to be at the centre of the nexus orchestrating stakeholder processes (Hill & Jones, 1992) and overlooks the two way relational link between organisational managers and stakeholders. Rowley (1997) partially addressed this issue by making explicit the relational links between stakeholder groups. As a result, the dyadic focus of stakeholder theory shifted to accommodate the concept of multiple stakeholder networks and their impact on the organisation. By swapping the focus, Rowley's (1997) work pointed to a deficiency in the stakeholder salience model but also left a gap because it stopped short of considering the organisation and its stakeholders as an intact networked entity.

The study of behaviour within the stakeholder salience model is confined to the attributes of power, urgency and legitimacy. As a result of this limitation, the stakeholder salience model denotes an adversarial focus which seems to negate the possibility of constructive dialogue or negotiation as means of resolving conflict and achieving positive outcomes. In network settings, additional attributes need to be considered to understand these relationships.

Frooman (1999) and Frooman and Murrell (2005) have argued that Mitchell's one way perspective on stakeholder management implicitly includes an inappropriate assumption that stakeholders are dependent on the organization. This is based on the basic proposition of resource dependency theory, which is that organisations and actors who lack essential resources will form relationships to obtain these resources and therefore a power dependency relationship develops (Pfeffer, 1981). It also depicts the links between organisations as a set of exchange based power relationships which are renegotiated through manipulation of resources (Ulrich & Barney, 1984).

However the dependence argument tends to overshadow the extent of reciprocity that exists in stakeholder/organisational relationships. In support of this, Evan and Freeman (1988) contended that the "stakes of each are reciprocal, since each can affect the other in terms of harm and benefits as well as rights and duties". This implies that the actors in stakeholder relationships exist within larger systems of actors and events (Larson & Starr, 1993) where the closely related concepts of interdependence and co-ordination (Oliver, 1997; Victor & Blackburn, 1987) come into play. This indicates that governance also occurs through networks and relationships and will be discussed in the next section

Governance through Networks and Relationships

At its simplest level, the network concept refers to "a set of relationships" (Kadushin, 2004). At the other end of the spectrum, the network has developed into an architecture for managing complexity (Borzel, 1998). While these definitions provide a glimpse of what networks might look like, it is necessary to drill down into the core of the concept to get a clearer picture.

Networks have been variously described as highly connected (Granovetter, 1983) or loosely coupled (Orton & Weick, 1990), including vertical and horizontal exchanges (Galaskiewicz, 1985; Powell, 1990) and ranging between highly informal structures and

integrated systems (Keast, Mandell, Brown, & Woolcock, 2004). While being seemingly contradictory, this demonstrates the potential variability of network forms and why the network concept appears to be so slippery (Hudson, 2004). There can be no universal specification for networks because their existence and form adapts in response to organisational context and environmental influences (Jones, Hesterly, & Borgatti, 1997).

Irrespective of their form, networks allow the formation and reformation of actors, from a number of sectors into action networks designed to resolve long-term or emergent problems (Keast, 2004). Agranoff and McGuire's (2001) conceptualisation of networks, as multi-organisational arrangements for solving problems that cannot be achieved by an individual organisation, provides a sense of the interdependency that is fundamental to networks. This is supported by Kooiman's (1993, p. 4) view of interdependencies as a situation in which "no single actor, public or private has all knowledge and information required to solve complex, dynamic and diversified problems: no actor has sufficient overview to make the application of needed instruments effective; no single actor has sufficient action potential to dominate unilaterally".

Through this unique combination of interactions, resources and forces, networks produce collaborative advantage (Huxham, 1996, 2005; Lasker, Weiss, & Miller, 2001) which is closely related to social capital, an asset that results from networks which have with a shared vision norms, values that promote co-operation within and between groups (OECD, 2001). This concept was later reconceived by Brown and Keast (2003) as network capital which comprises the residual infrastructure, skills and capabilities, resulting from an intervention, which can be drawn upon to deal with future problems. Furthermore, networks have an organic capacity to adjust and adapt to changing circumstances and by taking advantage of synergies, contribute to growth, resilience and sustainable advantage (Eisenhardt & Galunic, 2000).

In response to the cumulative problems created by previous reform initiatives, particularly NPM, fiscal constraints and the necessity to deal with "wicked issues", governments began to augment traditional processes of government with network approaches (Keast, 2004). However, despite John's (1999, p. 2), assertion that "The network is a portable concept that can be applied to any public arena", modified approaches were required to accommodate a key contextual factor: the role of the state as a dominant player (Kim & Lee, 2004). As observed by Sharpe (1986) "government is not just another organization". Therefore, networks convened within the shadow of the hierarchy (Hanf & Scharpf, 1978), had to balance citizen participation and public accountability issues while jointly co-ordinating activities with other sectors and societal actors (Kim & Lee, 2004). The primary mechanism for achieving this was policy networks which will be discussed in the next section.

Policy Networks

Using the network form for achieving public policy outcomes can be traced back to the 1930's with the development of the British agricultural network (Marsh & Smith, 2000). However policy networks, which came into broader usage the late 1960's and early

1970's (Borzel, 1998; Marsh, 1998) can take many forms. These can be distinguished using the Rhodes model (Marsh & Rhodes, 1992; Rhodes, 1986) which describes a continuum of policy networks from tight policy communities to loosely coupled issues networks. However Blom-Hansen's (1997, p. 627) comment on the "never-ending story" of defining policy networks indicates the conceptual difficulties involved. This is supported by Van Warden's (1992) identification of eleven different variations of the policy networks concept. However, Jordan and Schubert (1992, p. 18) consider the various conceptualisation of policy networks to be "fishing in the same waters".

Policy networks were originally conceived of as collectives of individuals, devoid of the concept of organisational actor (Carlsson, 2000) and as a result, pluralist and elitist models were used to explain the policy network phenomenon (Keast, 2004). However, the assumption that policy was the domain of a restricted group of privileged actors was unrealistic given the complexities of policy development and the rapidly changing environmental context. Furthermore, this narrow definition of policy networks excluded a broader range of individual and institutional stakeholders, thus reducing policy effectiveness because it overlooked the synergies created through a diversity of ideas, resources and perspectives. This was also at odds with the broader normative focus to stakeholder engagement which entertained the notion of a wide range of actors being involved in organisational processes.

To accommodate the intricacies of policy development and the inclusion of a broader range of actors in policy processes, the literature of intergovernmental relations (Gage & Mandell, 1990) and inter-organisational theories (Levine & White, 1961; Litwak & Hylton, 1962a) emerged. With this, the idea of engaging actors beyond powerful public actors and interest groups also began to emerge. In this context, policy networks, can be described as a cluster or complex of agencies and organisations which focus on policy outcomes and are connected by resource dependencies and distinguished from each other by gaps in resources (Benson, 1982). Within this framework, policy networks seek to bring together a range of separate but interdependent organisations whose contributions are important to policy problem solving (Hanf & Scharpf, 1978; Hecllo, 1978).

This conceptualisation of policy networks connected the public policy agenda with the institutional context (Klijn, 1997) and diversified the membership base to include the public, private, community and not for profit sectors. While it is acknowledged that this was a significant theoretical perspective change, the fundamental assumption of hierarchical control of the policy agenda and processes seemed to have been overlooked in the discussion of networks. As a result of this gate-keeping role, the hierarchy maintained control over network membership and therefore involvement in policy processes; albeit within a much larger actor pool. The broader concept of more diverse stakeholder involvement had yet to emerge within the consciousness of public management. However, despite these limitations, policy networks provided a platform for public problem solving through relational processes of collaboration, reciprocity and interdependence inherent in the theories of network governance which will be discussed next.

Network governance and interdependence

In some circumstances networks can be seen as synonymous with governance (Harlow & Rawlings, 2007). However Lowndes and Skelcher (1998) further qualified this issue by stating that network like structures as organisational forms and governance as a form of social co-ordination are different. Sorenson and Torfing (2005), contend that this synonymy applies to a specific type of network within a specific type of governance which is a relatively stable horizontal articulation of interdependent but operationally autonomous actors who interact through negotiations which take place within a specific framework that is self-maintaining and contributes to the production of public value (Sørenson & Torfing, 2005, 2007). Within this context a schema for explicating network governance has been developed (Keast, 2006, p. 39). Table 4 outlines the elements of this schema.

Table 4: Elements of Network Governance

Element	Characteristic
Outcome focus	Reflexivity
Structural arrangements	Collective/communal organisations
Relationships	Social commitment, Interdependence
Integrating mechanisms	Social exchange, Common vision, Trust, Reciprocity
Institutional arrangements	Compacts , Accords, Negotiation tables, Informal networking
Issues Complexity	Complex
Accountability	To group, internal

While this schema does not explicitly raise the notion of stakeholders, it provides a link to stakeholders through the concept of interdependency which is a defining feature of network governance (Rhodes, 1997; Sorenson & Torfing, 2007) and the mechanism through which actors are horizontally related.

The notion of interdependency in governance networks was originally introduced by Hanf and Scharpf (1978) who applied it as a metaphor in the context of inter-organisational co-ordination. However until recently, the metaphorical perspective of interdependency had not been theoretically challenged. In the late 1990's, Klijn (1997, p. 31) argued that there was a direct linkage between network governance theory and interdependency, stating that "networks exist because of interdependencies between actors" and through this, relational patterns are created and sustained. This contention was supported in earlier work by O'Toole (1988) who identified networks as linkages of reciprocal interdependencies.

Klijn (1997) also pointed out the resource dependency driver which underlies the concept of interdependency. This is also inherent in the Thompsonian (1967) perspective of task interdependency and Scharpf's (1978) typology in which it was argued that (inter)dependency is driven by the importance of a resource and the substitutability of that resource.

This position was further developed by Sorenson and Torfing (2007) who have identified an interdependency stream of network governance theory which suggests that interdependencies may be an incentive structure underpinning the development of network governance formation. This is supported by Litwak and Hylton's (1962b) community chest metaphor of resource dependency and, Klijn's (1997) view that network governance perspective is driven by the joint need to secure resources to achieve policy outcomes (Klijn, 1997). However, it has been argued by Pfeffer (1981) and Pfeffer and Salancik (2003) that there is a strong link between resource control and power which is manifested through conflict between actors. This position has also been taken up by stakeholder theorists (Mitchell & Agle, 1997; Rowley, 1997) as a basis for explaining stakeholder/organisational relationships.

Irrespective of its fundamental values of consensus and trust, network governance is not immune to the influence of power and experience of conflict and it has been argued (Sorenson & Torfing, 2007; Stoker, 1991) that perceived conflicts may be a catalyst for the formation of governance networks. It has also been argued that asymmetric interdependencies such as resource imbalances may result in power struggles in collaborative situations (Powell & Exwonhy, 2002). However, Sorenson and Torfing (2007) have refocused this argument by likening the experience of interdependence with a lack of implementation capacity. They further argue that this capacity will be developed by the creation of interdependencies through which goals can be achieved.

It could be argued that Sorenson and Torfing (2007) have made a strong case for the importance of resource interdependency in network governance arrangements. However, their analysis falls short in that it does not acknowledge the structural and relational aspects that impact on interdependency in network governance interactions.

This review builds on and unites two bodies of literature on stakeholders and network governance dealing with stakeholder salience and interdependence that have so far operated independently. These are the Stakeholder Salience Model (Mitchell et al., 1997) and the Interdependency Theory of Network Governance (Sorenson & Torfing, 2007). Using the Underpinning Models of Three Governance Modes (Keast et al., 2006), the tensions between stakeholder power, urgency and legitimacy and interdependency will be unpacked to understand how these factors contribute to the development of network governance in network entities of public organisations. A model will be developed to show how these factors are reconciled and how this contributes to the development of network governance systems.

Justification for Research

In previous sections, the theoretical underpinnings of this research, namely: stakeholders, network governance and interdependence were identified. To date, these concepts have not been woven together theoretically and remain untested in the context of public organisations. However there are conceptual interconnections between these theories.

Over the past several decades stakeholders have moved from slowly from the periphery to a more central position in organisational activity. It has been argued (Andriof, Husted,

Waddock, & Sutherland Rahman, 2002, p. 9) that the stakeholder concept has evolved into the “study of interactive, mutually engaged and responsive relationships that establish the very context of doing modern business “. An important aspect of this has been judging the bargaining power, level of legitimacy and the urgency of claims of stakeholders to determine the extent and type engagement strategy implemented by organisations (Mitchell & Agle, 1997). This model has assumed a more instrumental rather than relational focus.

Although the multiplex nature and linkages between stakeholder, network governance and interdependency theories is becoming more apparent, in drawing together the threads, a number of gaps are evident. To date, the concept and influence of stakeholders in network situations has not been differentiated from the general classification of actors. The flow on effect of this omission is also evident in the network governance literature which has neglected both the systematic study of stakeholder relationships and their influence on network governance and the role of stakeholders in interdependent relationships. While the network governance literature acknowledges the role of stakeholders (Klijn & Koppenjan, 2000; Sorenson & Torfing, 2007) the study of their role in network governance has largely been at the theoretical level

While the general concept of interdependent relationships has broad currency within the network governance literature, there has been little empirical research on stakeholder salience and interdependency between actors and the impact of this mix in developing network governance situations. Until relatively recently, the broad trend has been to study interdependency from a task perspective rather than at the group or entity level. However, this approach, which emphasises information flows in task or goal completion, is quite narrow and when studied in isolation contributes little to our understanding of the complex social system operating in network governance.

Conclusion

This paper has provided the theoretical foundation to answer the question of how the level of interdependency with stakeholders contributes to the development of network governance in public organisations. The preceding analysis has shown that earlier research has not focused on stakeholders in network settings in public organisations and little is known about how stakeholders are incorporated into these networks. However the concept of stakeholder salience provides important clues. While the notion interdependency provides an implicit link between stakeholders and network governance, the impact of interdependency on stakeholder salience in networked arrangements implemented by public organisations still requires investigation.

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