



The Legitimacy Process that Supports the Formation and Development of Cluster Initiatives

The Case of a Tourism Cluster Initiative in Dalarna

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Faculty of Arts and Social Sciences

Business Administration

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REGION DALARNA



Region Gävleborg



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Abstract

By following the case of a regional cluster project within the tourism industry in the region of Dalarna, Sweden, the objective of this thesis is to deepen the understanding of cluster initiatives.

Though much research has already been conducted with regard to the social phenomenon of cluster initiatives, most research has examined their structural features and relatively few studies have examined the process in itself. Therefore, the focus of this licentiate thesis, and the two appended papers is on the process related to the formation and development of cluster initiatives. The investigation of the process has been conducted by examining two main themes. The first appended paper focuses on the internal relationships within the cluster initiative. The second paper has a focus on the relationships between the cluster initiative hub and its external stakeholders, such as funding agencies, regional government, and local businesses. The cover thesis interlinks the two papers and provides an account of the context of cluster initiatives.

A main task of the cluster initiative is to coordinate, organize and administer activities. These are tasks which are often given to a coordinating body, a so-called hub, which implies that the hub has a critical role in the cluster initiative development process. However, it is also noted that this coordination task is challenging, especially since the hub has no formal power and often has limited resources of its own. The analysis is based on a legitimacy perspective and indicates that the hub principally deals with a legitimation process. What occurs within the cluster initiative, between the members themselves and between the members and the hub, is legitimation. This also applies to external relationships, between the hub and its external stakeholders. A prerequisite for realization in its mission is that the hub obtain and sustain legitimacy; legitimacy for itself as the coordinating body, for the idea, for the other cluster initiative members, for the different activities and for the industry as such.

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1 Introduction

Today, large public investments are being made, in Sweden and elsewhere, with the aim of creating, developing and supporting cooperation between businesses in inter-organizational networks. The underlying purpose of these networks is to be fertile ground for innovation, which in turn will spur job creation and regional growth. There is a belief, among many researchers and policy makers, that inter-organizational networks, often labelled clusters or innovation systems, function as engines for long-term business prosperity and regional economic growth.

To shed some light on the rationale behind this prevalent idea that it is possible, by public means, to create, develop and support cooperation between businesses and thereby also strengthen economic growth, it is necessary to reflect on the background. The last 20 years have ushered in substantial changes in the world of business. Today, businesses are operating in more complex and dynamic environments than ever before. This is due to multiple reasons, for example the globalization of markets, environmental constraints, technological advances, and knowledge interdependencies within and across organizational and geographical borders. As a consequence of these changes in the business world, many nations, especially in the Western world, have suffered from increased vulnerabilities which are due to global competition. Subsequently, politicians have been forced to struggle with the economic consequences (Aziz & Norhashim; 2008).

When strategy theorist Michael Porter launched his analysis of national competitive advantage in 1990, it fairly soon gained support from national and EU policy makers since they were in search of new guidelines in order to strengthen their nations' relative competitiveness. Porter suggested that the competitive advantage of a nation to a large extent derived from its tendency to engage in "clustering" (1990, 2000). In simple terms, Porter put forward the idea that the economic map of the world is dominated by locations in which there is a critical mass of rare competitive success in a particular industry. These critical masses, labeled clusters, are geographic concentrations of interconnected businesses and institutions in a particular field. The competitive success is attributed to the phenomenon of cluster dynamics which stresses for example knowledge spillovers, better resource sharing, specialization, access to technology, labor pooling and increased competition between businesses with geographical proximity, spurring innovation and growth.

As previously pointed out, many national and EU policy makers found Porter's theory on clusters very appealing since it well suited their agenda. They were at the end of the 90s and beginning of the 00s in search of a toolkit to facilitate and improve business conditions, aiming to increase regional and national economic growth (Säll, 2014). Their main concern was how to support an increase in economic growth? What can be witnessed is that many policymakers began to draw on Porter's cluster idea and as a consequence their new mission was to remove obstacles to the growth and upgrading of existing and emerging clusters. Moreover, as the policies became more established and sophisticated, their mission was expanded to also cover the formation and development of new clusters.

Today there is a strong belief that regional clusters may "evolve from both evolutionary and constructive forces" (Mills, Reynolds & Reamer, 2008; Sölvell, 2008, p. 7). The latter meaning that clusters may be created by intent i.e. top-down and by means of regional development projects. These kinds of projects, either with the aim of providing support to existing clusters or the development of new clusters, are commonly denoted Cluster Initiatives (hereafter called CIs). According to the literature, CIs are organized collaborations between public and private sector actors, such as businesses, government agencies, and academic institutions, with the purpose of enhancing the growth and competitiveness of clusters (Sölvell, Lindqvist & Ketels, 2003; Teigland & Lindqvist, 2007). A main task of the CI is to coordinate, organize and administer activities. These are tasks which are often given to a hub (Jarillo, 1988; Hallén, Johanson & Roxenhall, 2009; Lundberg, 2008; Winkler, 2006). The hub is described as a kind of steering group, often with representatives from industry, government, and/or a relevant university, along with a part-time or full-time "facilitator" or manager who is responsible for the day-to-day activities (Provan & Kenis, 2008). In addition to the provision of oversight, the hub actively supports the definition of goals, the dissemination of information, encourages the development of social relationships, conflict resolution and communication with the public funders (Andresen, 2011; Hallén et al., 2009; Jarillo, 1988; Lundberg, 2008).

CIs are commonly based on voluntary agreements and commitments, meaning that organizations that are part of the CI (members) take part without any legal agreements or contracts. As a consequence, the hub has few management devices. It cannot execute any formal or hierarchical power, but is for the most part dependent on the potential and existing CI members' good will to cooperate. Furthermore, in the beginning, CIs tend to need financial support from public sources, since CI members may be unwilling to administer or fund the hub's role

at an early stage when the potential benefits gained through participation might remain distant (Andresen, 2011). In fact, businesses might not see enough benefits to even enter into a CI. Given the complexities involved in coordination, it is of interest to study a hub's mobilization of resources and gathering of businesses and other organizations into CI participation.

The theoretical body of contributions within the "cooperation in inter-organizational networks or clusters" field is extensive and accumulating (Bergenholtz & Waldstrøm, 2011; Wang, Ahmed & Worrall, 2004). However, a review of current research regarding CIs shows that most studies discuss the outcomes from the CIs, as opposed to how the CIs are created, operated and supported through the hub function. One reason might be that research foremost is based on quantitative data, such as the number of members, funding, financial key ratios, growth measures etc. (Sölvell et al., 2003).

1.1 Cluster Initiatives and Tourism

Historically, the majority of CIs have been implemented within manufacturing and technology-based industries (Sölvell et al., 2003) and it is also these types of industries which generally have attracted the most interest and support from politicians. However, the loss of employment in these fields has forced politicians to seek alternative ways to maintain or increase employment levels and growth rates. Consequently the phenomenon of CIs has spread to other more personnel-intensive areas, such as service based industries. In this context the importance of tourism has come increasingly into focus, and as a consequence the tourism industry is experiencing a considerable upswing on the agenda of many politicians (Jackson & Murphy, 2006). Tourism is a rapidly growing industry worldwide (Raju, 2009). Growth in the tourism industry may be more or less important to a nation, but for regions and other sub-national entities, it can play a crucial role, which may strengthen the interest in the tourism industry within the regional development context.

In order to learn more about the industry as such and especially about the basis for the belief that CI investments within tourism would be suitable, a brief literature review was conducted. The review revealed that the tourism industry has some specific characteristics that play a major role in the regional development context and especially within a cluster setting. That is referring to the fact that the tourism industry is typically dominated by small and micro-scale businesses which are spatially framed and often reliant on public attractions and public support. Tourism businesses often form networks to offer the visitor a

holistic experience at the tourist destination and frequently is the marketing and management of the destination assigned to a specific coordinating organizational body, a Destination Management Organization (DMO), which commonly is a non-profit organization financed by public means (Gretzel, Fesenmaier, Formica & O’Leary, 2006). In that sense, the DMO in particular shows many similarities with the coordinating body, the hub, of a cluster initiative. Having grasped this parallel, I realized that my emerging focus of interest may also apply to other types of organizations and not only to the hub within a CI. However, the empirics of this thesis are based on the cluster setting. The empirical material is gathered from a case study on a regional cluster project within the tourism industry in the administrative region of Dalarna, Sweden.

1.2 A Process View and Legitimacy Aspects

At the core of this thesis lies the CI formation and development process, and the complexity of the CI coordination task. The concepts of cluster and cluster initiative are not entirely unproblematic and therefore I will discuss them further in the next chapter. My research reveals that among practitioners, the term cluster initiative is often utilized as synonym for the term cluster. These are terms or “buzz words” that have become a part of the discourse of regional development, causing new lines of thought and various kind of action. My research also shows that clusters are often described with a series of structural characteristics, for example size, number of businesses, number of jobs, knowledge flow in terms of employee interchange, geographic area, revenue and other similar attributes. This structural perception of clusters also applies to cluster initiatives, where the number of members, funding, financial key ratios and growth measures often are discussed (Sölvell et al., 2003).

In order to contrast this perception I apply another perspective. I have chosen to view the CI as a process. The initiative is something *occurring*, various kinds of activities, meetings and communication between organizations with the desire of achieving something, a state or condition that is perceived to be advantageous. As already mentioned, I regard the CI coordination task, which is the responsibility of the hub, to be challenging, especially since the hub has no formal power and often has limited resources. I reach even further and claim that a CI may be understood as an oxymoron, since it is an initiative that aims to “manage” and “coordinate” a number of businesses which by their nature do not accept any external control or management. Drawing further on this reasoning, I argue that this is a phenomenon that we do not quite understand. Clusters and cluster

initiatives are popular concepts, widely applied among academics and policymakers, but these terms are arcane and difficult to grasp. Now, what interests me is about the way in which a hub attempts to gain support for an idea that is abstract and not easily grasped. This is where I focus my attention to the importance of legitimacy.

According to neo-institutional theory, organizational activity is based on a conscious or unconscious desire to adapt to cultural and social demands from key stakeholders and society as a whole. More explicitly, organizational action is driven by social justification, i.e. the desire of organizational actors so seek legitimacy or approval for their actions (Suchman, 1995). Legitimacy is the sum of perceptions of a collective audience whereby something or someone is recognized and accepted as right and appropriate. Drawing on neo-institutional theory, it is claimed in this thesis that the hub must obtain and sustain legitimacy in order to accomplish its challenging mission (dito). Thus, the aspect of legitimacy is of uttermost importance in the CI process and will be examined in this thesis.

Several researchers point to the need for making a distinction between external and internal legitimacies (Bitekine, 2011; Drori & Honig, 2013; Kostova & Roth, 2002; Kostova & Zaheer, 1999). Kumar and Das (2007) take the reasoning further and argue that within inter-organizational networks it is essential to include internal legitimacy negotiations regarding goals, rules and norms, which may be referred to as interpartner legitimacy, when attempting to interpret and analyze a network process. Hence, this thesis investigates both external legitimacy and interpartner legitimacy in the CI process.

1.3 Research Aim and Main Themes

By following the case of a regional cluster project within the tourism industry in Dalarna, the objective is to deepen the understanding of CIs. The purpose of this thesis is therefore the investigation of the CI development process and the deepening of the understanding regarding the evolution of a CI from inception and during the first two years.

A case can be made that the hub's task of garnering support for what is often perceived as an abstract and difficult to grasp idea, is challenging. Another aggravating circumstance for the hub is its limited access to formal power and resources. My interest in the CI is also due to the large investments that are being made in these kinds of projects, which motivates further research in the field. In

addition, since much research of CIs discusses the outcomes of CIs, I have chosen to study the CI from a process based perspective. The analytical lens that is applied throughout this thesis is legitimacy.

The investigation of the CI development process has been conducted by regarding two main themes, each of which correspond to one of the two appended papers. The first paper focuses on *the internal relationships in the CI*, examining the formation and development process of a CI by regarding different types of interpartner legitimacies. The focus of the second paper is *the relationship between the hub and its external stakeholders*, meaning both CI members and external organizations that have a stake in the CI or somehow are involved in the process. In this paper I examined the formation and development process of a CI by regarding external legitimacy.

1.4 Outline of the Thesis

In the next chapter the reader is presented with the empirical setting, whereas the third chapter contains a discussion on the theoretical framework. This is followed by an account of the research design and methods in the fourth chapter and a case report in the fifth chapter. The sixth chapter contains a summary of the appended papers and chapter seven offers some final reflections and suggestions for further research. Finally, the two appended papers follow in full text.

2 The Empirical Setting - Organizing for Regional Development

There are numerous theoretical sources to the practice and discourse of regional development. The purpose of this section is to briefly discuss the concepts of cluster and innovation system and the reasons for their popularity. The section also acquaints the reader with the notions of cluster initiative and hub, which are frequently discussed in the thesis.

2.1. Clusters and Innovation Systems

Since the notions of cluster and innovation system have proved to be the most popular and influential within the practice of regional development (Martin & Sunley, 2003), this section will give a brief account of their emergence and possible causes of their popularity. The *cluster* concept was, as mentioned, popularized in the early 1990's by Michael Porter (1990, 1996, 1998, 2000) when he suggested that the competitive advantage of a nation is derived from its tendency to engage in "clustering". According to Porter, nations gain leading positions in the world market not only through successful production of dominant commodities, but also through industries supplying specialized inputs, technology and related services. Since the 1990's there has been a gradual conceptual displacement, from understanding clusters as functionally related industries towards a more spatial focus of the concept. This shift is due in part because Porter himself has launched many different definitions of the concept¹. The following definition was proposed by Porter in 2000:

Clusters are geographic concentrations of interconnected companies, specialized suppliers, service providers, firms in related industries, and associated institutions (e.g., universities, standards agencies, trade associations) in a particular field that compete but also cooperate (2000).

Martin och Sunley (2003) note that among all the work that has been done on organically emerged and geographical cohesive agglomerations, Michael Porter's work on "clusters" has proved by far to be the most influential (see also Asheim, Cooke & Martin, 2006; Simmie, 2008). When reflecting about this, the authors put forward three potential reasons his work has proved to have such a massive impact, both on theoretical scholars and on policymakers. First, they claim that Porter's focus on the determinants of "competitiveness" (of businesses,

¹ As early as in 1995 it was observed that there were an immense number of definitions in circulation (Doeringer & Terkla, 1995).

industries, nations and now locations) agrees well with the growing belief, not only among businesses but also among regions and nations, that competitiveness is the key to success in today's global economy². Porter's cluster theory offers a toolkit and gives businesses, regions and nations guidelines about how to compete on the world stage. Martin and Sunley also see a close connection between the Porterian framework and the policy imperatives of raising productivity and innovation, as they can be attributed to the "competitiveness" reasoning as well.

A second reason, offered by Martin and Sunley, is the way Porter frames his ideas in terms of economics of "business strategy", which easily translate into practical business and policy strategy. In fact, Porter claimed that government plays an important role, influencing competition through local and state government policy (Porter, 1990) and Porter has successfully promoted his cluster framework both as an analytical concept and as a key policy tool.

Finally, a third reason is the generic nature of the concept. Like many other researchers, Martin and Sunley pinpoint that the cluster concept as defined by Porter lacks clear boundaries, both industrial and geographical. They further state:

Rather than being a model or theory to be rigorously tested and evaluated, the cluster idea has instead become accepted largely on faith as a valid and meaningful "way of thinking" about the national economy, as a template or procedure with which to decompose the economy into distinct industrial-geographic groupings for the purposes of understanding and promoting competitiveness and innovation. (2003, p. 9)

Therefore, it is the very ambiguous nature of the cluster concept that has been an important reason for its popularity (Martin & Sunley, 2003; Perry, 1999). Its success has also been declared by Bergman (1998) who notes that "It is difficult to identify another equally obscure concept that appeals to such a broad spectrum of academic disciplines, professions and even lay people". Nauwelaers (2001) claim that the reasons for the cluster concept's popularity are its accent on developing linkages and synergies, which respond nicely to the requirement of a more interactive vision of innovation processes. Additionally, when the cluster concept is used with a

² However, some researchers maintain that this analogy between a company and a nation or a region is false (see for example Krugman 1994, 1996 ; Turner, 2001)

geographical focus it also fits well with the political objective of strengthening regional competitiveness.

Another frequently used concept among practitioners, as well as theorists, in the field of regional development is the *innovation system*. Similar to the cluster concept, it accentuates inter-organizational networks as the locus of innovation. The notion became popular as a result of research conducted by, among others, Freeman (1988), Lundvall (1988; 1992), and Nelson (1988; 1993) and it has indeed constituted the focus area of innovation research during the last two decades. There has been a rapid growth of this type of literature since the mid-1990s (Carlsson, Jacobsson, Holmén & Rickne, 2002; Cooke, 1996; Hjalager, Huijbens, Björk, Nordin, Glagestad & Knútsson, 2008; Maskell & Malmberg, 1999; Sundbo, Orfila-Sintes & Sørensen, 2007).

The first influential writings on innovation systems concerned national innovation systems (Lundvall, 1992; Nelson, 1993). The idea of an innovation system as a system which occurs on the national level has subsequently been applied to both regions and functional sectors (Asheim & Coenen, 2005; Cooke, 2001; Lundvall, 2004). The concept has attained a high level of popularity and has been refined and developed over the years. A more recent definition of the concept is suggested by Edquist who defines it as “*all important economic, social, political, organizational, and other factors that influence the development, diffusion, and use of innovation.*” (2001, p. 14).

As the reader might have noticed, there are several similarities between the concepts of cluster and innovation system. Both stress the importance of competitiveness and rest on the idea that a cluster (or a system) of businesses and other economic actors, developing a web of relationships, and both concepts are an adequate way of describing economic activity. Moreover, both concepts are quite broad in their nature and are generically defined. Peck and Lloyd point out that the two concepts are almost indistinguishable from each other when put in practice (2008, p. 397) and both concepts can be understood as a variation, or type, of a CI.

One example of the way in which theoretical development in this field has occurred in parallel with its practice and discourse is the increasing emphasis on clusters and innovation within regional and national policies. In Sweden, for instance, the Swedish government has founded special agencies for innovation

systems (VINNOVA³) and for regional growth (The Swedish Agency for Economic and Regional Growth⁴) and in addition a national innovation strategy was launched in 2012⁵. These political strategies support and create the practice of regional development among policy-makers, officials and practitioners and within this practice a special discourse is developed and adopted. The discourse referred to here is the language and special concepts that are adopted at meetings, in documents, on websites etc.

2.2 Cluster Initiatives and the Hub

It is hardly possible to capture the regional development practice with a single theoretical framework and as the discussion in the previous section indicates the intermingling of concepts, words and ideas has caused widespread confusion in the field. However, there have been attempts to describe the regional development initiatives with newly founded concepts, of which the concept of cluster initiatives (CIs) probably is one of the most frequently applied⁶. According to the literature, CIs are organized collaborations between public and private sector actors, such as businesses, government agencies, and academic institutions, with the purpose of enhancing the growth and the competitiveness of clusters (Sölvell et al., 2003; Teigland & Lindqvist, 2007).

Although there are still relatively few studies dealing explicitly with CIs, there has been extensive quantitative research done, for example through the Global Cluster Initiative Surveys of 2003 and 2005 (Sölvell et al., 2003; Ketels, Lindqvist & Sölvell, 2006). The surveys indicate that CIs are an increasing phenomenon as the 2005 survey identifies more than 1400 CIs across the globe, compared to about 500 two years earlier. Furthermore, the surveys indicate that the organizations within CIs are commonly engaged in a broad range of activities, such as joint marketing, training, developing technical standards, coordinating joint R&D projects, promoting commercialization of academic research, supply chain development, improving the regulatory environment, and lobbying for better infrastructure or foreign direct investment incentives. Quantitative studies have thus broadened the knowledge regarding the proliferation of CIs and their most common activities. Moreover, qualitative studies have contributed with

³ Vinnova was founded in January 2001.

⁴ Website of Swedish Agency for Economic and Regional Growth: <http://www.tillvaxtverket.se/>

⁵ Government offices website: <http://www.regeringen.se/sb/d/15700/a/201184>

⁶ Another concept with similar implications is regional strategic network. See for example Andresen, 2011; Hallén et al., 2009 and Lundberg, 2008.

performance indicators such as number of businesses, financial key ratios and growth figures (Klofsten, Bienkowska, Laur & Sölvell, 2015).

The hub is often described in literature as the coordinating body that is given the responsibility to coordinate, administer and initiate joint activities, communicate and disseminate information, encourage development of social relationships, and handle conflicts (Andresen, 2011, Hallén et al., 2009; Jarillo, 1988; Lundberg, 2008).

The conceptualization of cluster initiatives and the hub contributes to this thesis by providing an understanding of the phenomenon being studied. The bearing is in its ability to frame the regional development practice in theoretical terms, unlike e.g. clusters or innovation systems. As already indicated in the first chapter, CIs are conventionally viewed from a structural perspective. However, CIs may also be seen as a process, meaning various kinds of activities and communication with the aim of achieving something through cooperation, e.g. a state or condition that is perceived to be advantageous. An interesting implication of this process based perspective is that without these meetings, communication and joint activities, there would be no CI.

For the purpose of this thesis the concept of cluster initiative (CI) refers to *“activities and communication that are strategically designed and conducted with the purpose to create and strengthen cooperation between businesses and other types of organizations within a certain region, industry or other congregation”*.

Having introduced the empirical setting and the fundamental concepts, it is of importance to clarify that this comprehensive field of theory, including clusters, innovation systems and cluster initiatives, only contributes to an understanding of the phenomenon and is not applied as an analytical tool in this thesis.

3 Theoretical framework

The choice of theoretical framework proved to be a major challenge. According to Bryman and Bell (2007) there could be several reasons why a researcher's choice of theory may change as a result of the analysis of the collected data. Conducting social research is seldom a linear process. In this case the data collection began while I was still confident that the comprehensive theory of clusters and innovations systems would be applicable. However, the data collection did not proceed very long before I realized that this theoretical framework was not useful as an analytical tool with regard to this particular set of data. Consequently, since research on cluster initiatives commonly has emphasized structure, types of activities and performance it was required to consult other theory sources to analyze the CI process.

The challenge of process oriented research is to capture a sense of how the dynamics of the process shape meaning over time. In pursuit of adding depth and detail to the theoretical discussion on CI processes, I decided to take the context into account in terms of the influence of social norms. The neo-institutional perspective is a theoretical framework that has incorporated the organization as a part of social society and contributed to the understanding of organizations by recognizing the social and cultural basis of external influence and processes (DiMaggio and Powell, 1991). As noted by DiMaggio and Powell in 1983: "*organizations compete not just for resources and customers, but for political power and institutional legitimacy, for social as well as economic fitness*". The legitimacy aspect is further emphasized by Suchman (1995, p. 576) when he argues that legitimacy has a crucial influence on "*how the organization is built, how it is run, and simultaneously, how it is understood and evaluated*". Taking these reflections into account, a decision was made to draw on the neo-institutional field of theory, and to examine the CI process through the analytical lens of legitimacy.

3.1 Strategic Approach

The literature on legitimacy within organizational theory is divided into two basic categories; one strategic approach and one institutional approach (Suchman, 1995). This section clarifies why this thesis leans to the strategic side of the two schools.

The *institutional approach*, as the name implies, derives from institutional researchers like DiMaggio and Powell (1983, 1991), Meyer and Rowan (1991), Meyer and Scott (1983) and Zucker (1977). They do not depict legitimacy as an

operational resource, but as a set of constitutive beliefs (Suchman, 1988). To put it more simply they contend that cultural norms and traditions exist on a meta level that cannot easily be influenced or controlled and thus institutionalists downplay structure and the managerial role. The institutional perception is that cultural values affect organizations in all aspects, how they are enacted, how they are evoked, how they are understood and how they are reacted to.

Within the *strategic approach*, (Dowling & Pfeffer, 1975; Pfeffer, 1981; Pfeffer & Salancik, 1978) legitimacy is depicted as an operational resource (Suchman, 1988) and work in this approach adopts a managerial perspective based on the belief that the organizational management have some kind of control over the legitimation process. According to this view, which this thesis leans towards, legitimacy is something that an organization or a network can influence through different strategies. However, it is not claimed in this thesis that managerial control is without competition. Quite the opposite, legitimacy is regarded as socially constructed and influenced by several parties of which organizational management (in this case the CI hub) is one. Put differently, there is reason for the hub to formulate a strategy for fostering legitimacy but at the same time the hub must take into account the possibility that the strategy may not succeed because of the unpredictable and complex environment.

3.2 Resources, Stakeholders and Institutional Fields

As indicated in the previous chapters the hub has a critical role in the CI development process. However, the hub is indeed highly dependent both on the member organizations in the network, as well as on external actors, in order to be able to carry out its tasks. This implies that the hub has both internal stakeholders (CI members) and external stakeholders (e.g. funding agencies, regional government, local businesses and local municipalities). A *stakeholder* is an individual or group who can affect or is affected by the performance of the focal organization and who can influence or exert some form of power over the performance of that organization (Freeman, 1984; Sautter & Leisen, 1999). To be able to mobilize support and resources from internal and external stakeholders, the hub seeks legitimacy. Legitimacy is therefore argued to be a critical element in the CI development process, and it is even suggested that legitimacy in itself may be depicted as a *resource*. Resources can be defined as every type of element, financial, material, immaterial or human that may be used productively (Håkansson & Snehota, 1995).

With reference to the discussion above, it may be assumed that, in order to be perceived as legitimate, an essential task for networks (and thus especially for network hubs) is to convince the stakeholders that the network's actions and plans are desirable and proper. Following DiMaggio and Powell (1983), in order to be perceived as legitimate, it is of great importance to understand and interpret the social and cultural environment of the stakeholder, referred to as the institutional field. An *institutional field* is comprised of those organizations that, in the aggregate, constitute a recognized area of institutional life and is a concept which is useful in understanding how organizations are influenced by sets of functional associated organizations, like suppliers, financiers, etc. By recognizing the idea of institutional fields, attention is paid to social and cultural dependencies between the CI and its surroundings and how the CI becomes governed by shared rules, norms and meaning (dito; Meyer and Rowan, 1991). However, Meyer and Rowan did not perceive organizations as passive and automatically behaving, but as having room for strategic action (Scott, 1991, p. 167).

Another influential researcher in the institutional field is Richard Scott. In a retrospective account of his research career he concludes from a study of educational systems in the late 1970s and early 1980s that: *the key insight, however, was the recognition that models of rationality are themselves cultural systems, constructed to represent appropriate methods for pursuing purposes* (Scott, 2004). Consequently it has been stated that norms of rationality play a causal role in the creation of formal organizations (Meyer and Rowan, 1977). In this context it is interesting to note that the above described cluster promoting policy also builds on the norms of rationality, as the "Porterian" framework has a business strategy focus and as the aim of this policy is an increase in regional growth.

3.3 Legitimacy

The concept of *legitimacy* lies in the core of the neo institutional theory and it is posited that organizational actions are driven by social justification, that is, by the desire of organizational actors so seek legitimacy or approval for their actions (Suchman, 1995). This is specifically important for organizations that do not have an outcome that is easily measured (DiMaggio and Powell, 1983; Scott, 1995). Many definitions have been suggested throughout the years, but one of the most cited is proposed by Suchman (1995, p. 574) who suggests a definition that includes both evaluative and cognitive dimensions; *"legitimacy is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions"*. Suchman explains

the term “generalized” to be an umbrella evaluation, meaning the sum of the perceptions of many different individuals. He also pinpoints that legitimacy is not earned in a moment, but dependent on a history of events. An organization may therefore occasionally act in a non-approved way, but still retain legitimacy because the action or the departure from the norm is regarded as unique. Thus, this thesis is based on the idea that legitimacy is socially constructed and dependent on a collective audience in an institutional field, together with the organization or individual whose actions gain legitimacy.

To reconnect to the previous discussion on institutional versus strategic approaches, it is possible to identify two basic perspectives on the concept of legitimacy. The first, which corresponds to the institutional approach, focuses on the *essence of legitimacy*, viewing it as a process of ‘collective making of meaning’ (Neilsen and Rao, 1987, p. 523). The second, which corresponds to the strategic approach, focuses on the *management of legitimacy* (e.g. Ashforth and Gibbs, 1990; Elsbach, 1994; Kumar and Das, 2007; Suchman, 1995). Hence, this paper draws on the second perspective, in which legitimacy is seen as a resource (Suchman, 1995). Legitimacy management is a proactive enterprise and it is mainly based on communication between the focal organization (or the network) and its stakeholders (Elsbach, 1994). An indication of the degree of legitimacy an organization is perceived to have in a specific organizational field may be indicated by the flow of resources to the organization (Hybels, 1995), because stakeholders are most likely to supply resources to organizations that appear desirable, proper or appropriate (Aldrich & Ruef, 2006; Drori & Honig, 2013; Parsons, 1960; Shane & Stuart, 2002). Hence, access to resources may be one crucial incentive for legitimacy management. In fact, there is an array of reasons why organizations might seek legitimacy.

Following Suchman (1995), there are two applicable dimensions in this discussion. These are, the distinction between; 1) *continuity* versus *creditability* and 2) *passive* versus *active support*. These dimensions are relevant because organizations seek legitimacy for many reasons and the estimation about the importance, difficulty and effectiveness of legitimacy efforts may depend on the objectives against which these efforts are measured. The first dimension, continuity versus creditability, deals with the idea that efforts which enhance persistence are not always identical to those that enhance meaning. It is posited that legitimacy not only affects how people act toward organizations, but also how they understand those organizations. In other words, legitimate organizations are seen as more meaningful, more predictable and more trustworthy, within its organizational

field, and therefore organizations may be seen not only as understandable but also as desirable. The second dimension, passive versus active support deals with whether the organization only seek passive approval to continue to operate or if the organization needs active support from external individuals, organizations or other societal groups. According to Suchman, this dimension represents divergent implications for the focal organization and must therefore be taken into account.

3.3.1 Types of Legitimacy

As mentioned several researchers suggest a distinction between external and internal legitimacy (Kostova & Zaheer, 1999; Kostova & Roth, 2002; Bitekine, 2011; Drori & Honig, 2013). *External legitimacy* is the kind of legitimacy that is granted to an organization by external stakeholders who endorse the worthiness of its vision or objectives and its competence to efficiently work towards achieving the designated objectives (Zimmerman & Zeitz, 2002). *Internal legitimacy*, on the other hand, is rendered through individual agency and is the accumulation of individual-level perceptions within an organization or a network. Drori and Honig (2013, p. 347) defines internal legitimacy as “*the acceptance or normative validation of an organizational strategy through the consensus of its participants, which acts as a tool that reinforces organizational practices and mobilizes organizational members around a common ethical, strategic or ideological vision*”.

Kumar and Das (2007) claim that internal legitimacy negotiations regarding goals, rules and norms, called *interpartner legitimacy*, ought to be particularly relevant to consider when studying strategic alliances as they deal with how the alliance partners perceive each other, which in turn affect the evolving process of the strategic alliance. They define interpartner legitimacy as: “*the mutual acknowledgment by the alliance partners that their actions are proper in the developmental processes of the alliance*” (dito, p. 1430). Even though Kumar and Das discuss strategic alliances in particular, this reasoning also applies to other forms of inter-organizational networks, either organically developed or strategically designed. They have member organizations that face the challenges of the legitimations process. By focusing on the interpartner legitimacy aspect, it is possible to further scrutinize the internal development process of an inter-organizational network.

Considering CIs, compared to strategic alliances, it may be even more relevant to take the interpartner legitimacy aspect into account. When a CI is established, the relationships between member organizations have seldom been able to be formed over time. Instead one or several actors take the initiative to create a

network by inviting a number of other actors to participate for a common good. Therefore, the initial pronounced purpose of CIs is often vague in order to appeal to a large number of actors and there is a risk that members have a latent and inconsistent understanding regarding the nature of the common task. The larger the discrepancies in latent understanding, the higher the risk of problems in coordinating activities. Hence, at the formation of a CI the CI needs to gain external legitimacy in order for it to be accepted by the external stakeholders, but it also needs a rapid build-up of interpartner legitimacy in order for the CI to survive the formation stage. The papers appended in the thesis investigate both the external legitimacy aspects and the internal, or interpartner, legitimacy aspects of the CI process.

Furthering the discussion on different types of legitimacy, it is of interest to pay attention to the typology emphasized by Suchman (1995) and refined by Kumar and Das (2007). The typology discerns three broad types of legitimacy: pragmatic, moral and cognitive. Each type rests on somewhat different behavioral dynamics. *Pragmatic legitimacy* rests on self-interest calculations and refers to the estimated value, economic or immaterial, which an organization expects from the exchange with its counterpart. *Moral legitimacy* rests on normative evaluations and refers to the perception that an organization and/or its actions represent something desirable from a broader societal perspective that goes beyond the interest of those directly involved. *Cognitive legitimacy* rests on culturally and socially developed cognitive structures within a society and refers to the comprehensibility of an organization and/or its actions. The highest level of cognitive legitimacy is reached when something is taken-for-granted. In the second paper this typology by Suchman is utilized as part of the proposed analytical model, which can be used both as an analytical tool in order to understand the CI process from a hub perspective and as a strategic tool to facilitate the task of establishing and supporting an inter-organizational network like a CI.

Additionally, in the first appended paper, a typology proposed by Kumar and Das (2007) is utilized. They bring in the above mentioned types of legitimacy into the discussion of interpartner legitimacy as they propose a distinction between different types of interpartner legitimacy in order to better understand a network development process. *Pragmatic interpartner legitimacy* means that the network organizations' members see their involvement in the network as a means to contribute to their own benefit. The higher the pragmatic interpartner legitimacy (i.e. expectations of a positive outcome) the more committed the network

members will be towards the network. *Moral interpartner legitimacy* is based on normative evaluations of whether a member's behavior within the network is appropriate. The behaviors of the network members must not violate social norms and the network as such must be considered the right thing to do in order for the moral interpartner legitimacy to be high. *Cognitive interpartner legitimacy* means that the network is seen as natural and necessary in the broader context. When the decision to enter into the network is viewed as inevitable and taken-for-granted, the cognitive interpartner legitimacy is high.

4 Research Design and Method

The point of departure for this thesis was neither a theory nor a specific method, but it was a social phenomenon. To be specific, it was the phenomenon of CIs and an ambition to enhance understanding about CIs. Knowing that relatively few studies have examined the process of CIs, I rather soon decided to investigate the formation and development process of a CI. Furthermore, in order to shed light upon two different aspects of the process, I decided to focus on two different themes; the internal relations within the CI in the first paper and the relations between the CI hub and its external stakeholders, in the second paper. This far, the research process unfolded quite easily. However, when doing social research, it is at some point necessary to ponder over the role of the researcher and the assumptions that underpin the research process. As Crotty (1998) argues, “*we need to be concerned about the process we have engaged in; we need to lay that process out for the scrutiny of the observer; we need to defend that process as a form of human inquiry that should be taken seriously*”.

Much of my deliberation about my influence as a researcher on the data collection and analysis, is irradiated in a methodology often referred to as *reflexivity*. There are numerous uses of the term reflexivity in qualitative research, but to me it means a way to be observant of the intersecting relationships between existing knowledge, my own experience, my role as a researcher and the environment. Throughout the research process I have been aware of the inevitable circumstance that I will make an imprint on the research process based on my pre-knowledge, my assumptions and interpretations. In order to relate to this circumstance and to minimize my impact, I have exercised reflexivity. Willig (2001) identifies two kind of reflexivity: personal reflexivity and epistemological reflexivity. *Personal reflexivity* involves giving consideration to the ways in which the researcher’s beliefs, interests and experiences might have impacted upon the research. In order to record thoughts and personal experiences, a research diary was kept during the research period. The diary provided access to a line of thought along the way and thus it was possible to track when, during the process, a new line of thought had occurred and possibly determine the reasons for the change.

Epistemological reflexivity refers to the researcher’s reflection upon how his or her assumptions about the world have informed the research process. This could include the choice of research strategy, how the research questions have been defined and the method of analysis that is undertaken. My theoretical

assumptions about the world are based in an interpretive approach. Within this approach the social world is regarded as being subjective in the sense that every individual may have a unique experience of a specific situation, where no experience is more “right” or “wrong” than another. The social world is seen as an emergent social process which is constructed by the individuals collectively (Burrell and Morgan, 1979). No human exist in a vacuum and therefore there is always an interaction between humans and consequently between organizations. Put differently, the social world is not seen as a steady state, but a dynamic process that occurs, rather than merely exists. Hence, by applying epistemological reflexivity it becomes clear that my aim in this thesis is oriented towards obtaining an understanding of how the CI process is experienced and understood. In line with this goal, it was essential to clarify with sufficient detail, the relationships and dynamics of the process in order to capture the complexities of the phenomenon.

4.1 Case Study

At this point in the research process it was required to decide on a suitable research design. In line with my aim to obtain an understanding of the complex social phenomena of CIs, I settled on a single case study strategy of an explorative and longitudinal character (Stake, 1995; Yin, 2009). This choice is motivated by numerous reasons. First, it is stated that a case study strategy is particularly suitable when the situation being researched is contemporary, which CIs are, and embedded in contexts where boundaries are blurred (Flyvbjerg, 2006; Merriam, 1994; Stake, 1995), which is also a typical attribute of CIs. Many business and public organizations are involved in the process and, as mentioned, it is based on voluntary agreements, which constitute a factor of uncertainty when it comes to the members of the CIs and their stakeholders. Second, it is considered suitable when studying relationships and network development processes, as it offers a possibility to capture great detail (Halinen & Törnroos, 2005; Heikkinen, Mainela, Still & Tähtinen, 2007) and to retain the holistic characteristics (Yin, 2009). Relationships and processes within social settings tend to be interconnected. Thus, to understand one thing it is necessary to understand many others and how they are interlinked, for the use of a case study can facilitate this process of comprehension. Finally, another advantage is its applicability when current theories seem insufficient or inadequate and little is known about the phenomenon (Yin, 2009).

There are also some counterarguments to the case study strategy. The most common is perhaps the question of generalizability. The conventional view of case study research is that its weakness lies in the notion that it is not possible to draw conclusion about a larger population based on the result of a single case (Flyvbjerg, 2006). However, in the research community there is disagreement regarding the relevance of the issue of generalizability (Sandberg, 2005). The disagreement follows from different opinions of what knowledge is and how it is achieved. Among researchers within the interpretive approach, the rejection of an objective world beyond the human minds have opened up new possible spaces for inquiry. Context-dependent knowledge is viewed as most valuable and therefore case studies have risen in status. Flyvbjerg argues, for example, "*That knowledge cannot be formally generalized does not mean that it cannot enter into the collective process of knowledge accumulation in a given field or in a society*" (2006, p. 227). Still, it is possible to make use of the result of a single case study when interpreting other cases as well as for theoretical guidance. Another disadvantage is the likeliness of the ability to gather an enormous amount of data. I did have some problems regarding this issue, as the initial attempts to capture the CI process were too indefinite. Nevertheless, taking these counterarguments into account, it is my belief that for the purpose of this thesis, the advantages of a case study strategy outweigh the disadvantages.

Another crucial methodological consideration refers to the selection of case. The case is defined by Miles and Huberman (1994) as, *a phenomenon of some sort occurring in a bounded context* and the case is, *in effect, your unit of analysis* (p. 25). As I was invited to follow the on-going formation process of a regional CI in the tourism industry, the selection of case was motivated by the great opportunity to attain access to primary data. Another justification to the choice of case is based on the motive that the tourism industry is identified as being of great relevance in the context of regional development, both in Sweden and elsewhere (Fossati & Panella, 2000; Gunn & War, 2002; Keith, Fawson, & Chang, 1996; Paniagua, 2002). Finally, since most CIs have been implemented within manufacturing and technology-based industries, there is also an overrepresentation of studies within those industries and few studies are conducted within service-intensive industries like tourism. Therefore, a case study of a tourism CI would broaden the knowledge base of CIs.

My ambition with this case study was to capture the essence of the CI process by following activities and experiences of individuals and organizations over time. An initial task would be to select what section of the process to study and how

to determine its boundaries. However, I realized that even though there are theoretical process models available, it is problematic, if not unmanageable, to follow them strictly and to make delimitations of the process based on a model. Instead, there must be an empirical delimitation of the process to a certain period of time. My study encompassed the years 2006-2011, because the CI was established in 2006 and in 2011 an important milestone in the CI process was reached, although the process has continued after that year.

In order to avoid the risk that I would try to answer a question or cover a topic that is too broad, I wanted to place additional boundaries on my case. Binding the case is recommended to ensure that the case study remains reasonable in scope (Yin, 2009; Stake, 1995). My experience is that such a binding occurs over time. It was not clear from the beginning where I could place these boundaries. Instead it became clearer after I had following the case for a while and acquired a conception of the CI. Since I studied a network of organizations and a myriad of relationships between those organizations, I figured that one possible binding was to identify a focal point of the study. I settled on the hub as the focal point. Another possible binding was to select a specific perspective from which to view the hub. It could be from the viewpoint of the hub managers looking “out” or it could be from the viewpoint of the environment looking “in” (cf. Elsbach, 1994). The choice wasn’t self-evident, because as Suchman claims (1995) “real-world organizations face both strategic operational challenges and institutional constitutive pressures”. However, since the purpose of the second study is to examine how the CI act strategically in relation to its stakeholders, I settled on an “inside-out” perspective. Still, there is of course no clear border between inside and outside, the individuals and organizations involved all share the same context of trying to form and develop a CI.

My research process has been of the iterative kind, alternating between observing the case and interpreting my observations. I started with an interest in the phenomenon of CIs, and throughout the case study (on which I placed boundaries along the way) I successively formed themes of interests. Thus, the empirical material has guided me to find a path that seems relevant and worthy of research. As already mentioned, this thesis encompasses two papers which shed light upon two different aspects of the CI process. However, both papers are based on the same case and the same empirical data. It is only thereafter that the data is utilized in separate ways. The first paper has a narrative structure, where the experienced events bring the story forward. The second paper is also

an interpretation of the process, but concerns the communication pattern between the CI hub and its stakeholders.

4.2 Data Collection

The main sources for data collection are interviews and observations. In addition to the primary data, documents has been used as supplemental data sources. The CI development project started in 2006 and this study encompasses the years 2006-2011. What occurred during the years 2006-2009 was revealed through retrospective interviews with persons involved and by studying documents. During the years 2010–2011 the project was followed in real time.

I was presented to the CI members by the hub manager, who also functioned as my key informant. It cannot be excluded that a key informant may act as a gatekeeper, preventing the researcher from gaining access to certain respondents. However, I was granted unfettered access which secured my entree to meetings and enabled me to gain an introduction to the CI members and to representatives of different stakeholders. Persons of importance for the study were identified through snowball sampling (Patton, 1990), i.e. respondents suggested additional persons to interview.

4.2.1 Interviews

In total, 16 personal interviews were carried out with 10 different respondents. The interviews were conducted in a little more than a year, but mainly in 2010. As the CI had relatively few members, I interviewed them all. Other respondents were public officials responsible for regional economic development issues and consultants that were directly involved in the CI. Some of the respondents were interviewed a second time and in those cases it was possible for me to come back to a specific question for clarification. The interviews lasted one to two hours and were recorded and transcribed.

The interviews were designed with the purpose of gaining an understanding of the process from the respondents' point of view and to unfold the meaning of their experiences (Kvale and Brinkmann; 2009). To minimize my impact, the interviews were conducted in an open manner, based only on a topic guide (King and Horrocks; 2010), and at the respondents' choice of location. As a result, most of the interviews were conducted at a conference room or in an office at their workplace. During the interviews I was flexible regarding the phrasing of the questions and the order in which they were asked. Moreover,

the respondents were allowed to reflect freely on their experiences with regard to the CI process and encouraged to elaborate on emergent themes and ideas (Gummesson, 2000). The topic guide contained broad and open questions and covered themes such as: how the collaboration was initiated, their role in the CI and their expected outcomes, relationships with other members within the CI, who are external stakeholders to the CI and their respective roles, events of interest in the process and the respective importance of those events.

Since I did not have any preference for a particular research output, it is likely that the respondents felt that they could be honest in their replies. I was aware of the risk that some respondents might be reluctant to share their opinions if they were concerned about confidentiality and anonymity. However, I had the overall perception that the respondents discussed openly during the interviews.

4.2.2 Observations

Any study of action and meaning must consider context because behavior gains meaning in situations that are also located in time (Pye and Pettigrew, 2005). One useful method to examine the social setting is through participant observations.

Participant observations were carried out during 2010 and 2011 at more than twenty different meetings. The meetings were mostly between the hub and the other members of the CI, but also between the CI and external stakeholders, such as businesses and the regional government. In connection to the different meetings I also had informal conversations with attendants, the objective of these meetings was to acquire a better understanding of the meaning the participants attach to different happenings.

The observations may be described as open and passive, since I took notes and only sparsely participated in the conversations. Following Gans' (1968) classification of participant observer roles, I took 'the researcher-participant role', whereby I participated in the meetings, but was only semi-involved so that I could function fully as a researcher in the course of the situation. On some occasions I was permitted to make recordings during the meeting, which later were transcribed. More often, I took notes during the meeting and after the meeting I wrote up full field notes, including such details as location, attendants, summaries of events and the researcher's reflection on behaviour (if considered remarkable in some sense). I also made notes about the informal conversations.

Although much information can be obtained through interviews, observations compose a nice complement to interviews. Interviews rely primarily on the spoken word and what one person remembers. That is not the case with observations. By attending meetings, I was able to sense the atmosphere within the network and gain a better understanding of how the CI members interacted and collaborated. Therefore, observations contributed to a richer empirical trove of material that includes personal experiences.

4.2.3 Documents

Finally, to enforce the validity of the research, secondary sources of evidence were included, such as formal applications, written policies and strategies, articles in the media, advertisements and public relations material in printed form and on the Web. The secondary sources were used to build complementary descriptions of the CI and its history, but also to double check data and to track how the language was applied towards different stakeholders. Thus, I made use of documents that contained information about the up-building of the CI, the ongoing processes in the CI, the communication between the CI hub and its stakeholders and to some extent the social setting of the CI.

4.3 Data Analysis

The data analysis is a matter of giving meaning to my empirics. For me the data analysis was not a clear-cut phase of the research process, but rather an iterative interplay between the collection and the analysis of data. I aimed to give meaning to my first impressions as well as to my final compilations. This approach enabled me to make adjustments in the data collection phase, which lasted for over two years. It also gave me the advantage of letting the research issue or puzzlement (Stake, 1995) of each paper emerge in parallel with the data collection. In such manner I could chisel out the aspects of the process that seemed relevant. When I finally completed the data collection in 2011, interviews, observations and documental studies had provided me with a rich collection of empirical material. What is more, I had identified my two main themes of study and the analytical lens I wanted to apply.

The analysis and search for meaning has been quite a challenge. It was an oscillating motion between dissectioning the parts to putting them back together again. My focus in both papers was to investigate and understand the role of legitimacy in the process. In the first paper I examined the aspect of interpartner

legitimacy and how it affect and is affected by the interplay between the members in the CI, especially between the hub and the member organizations. In the second paper, I focused on the interplay between the hub, understood as the focal organization, and its stakeholders. Particular focus is on the language and use of rhetoric. Both written and spoken language is investigated. Language is central because people in organizations and networks rely very much on both verbal communication as well as written documents in order to accomplish their goals. It is through language that people in an organization interact with each other.

5 The Case

5.1 Tourism as a Regional Generator

The selected case is a regional cluster project in tourism. The tourism industry may be regarded as an oddity in the cluster context since most CIs are found in technology-intensive areas (Sölvell et al., 2003). However, the tourism industry has gained ground recently. Let me use Sweden as an example. Sweden has for a long time been dependent on exporting manufactured, often high-tech, products. Tourism has in the past been of insignificant economic importance. It has barely been recognised as an industry. Nevertheless, a change has occurred and in recent years the impact of the tourism industry has increased on the Swedish economy. Between the years 2000 and 2009 the tourism export value (foreign visitors' consumption in Sweden) increased by more than a dramatic 130 percent, compared with Sweden's total exports of goods and services during the same period, which increased by 43 percent in current prices. The same trend is also noticeable in employment statistics. The Swedish tourism industry has created nearly 36,000 new full-time jobs during the period from 2000 to 2010, which is an increase of almost 30 percent, in comparison with the total increase in employment of 4 percent. (Swedish Agency for Economic and Regional Growth, 2010)

The importance of tourism as an industry has also been articulated by politicians. In 2004 the Swedish government put forward a new bill, from which the following quote is taken:

Tourism can be an engine for employment and economic development in all parts of the country. Especially in those areas suffering from a long-term population decline and a strained economy, tourism can function as an important counterforce and may reverse a negative development. (En politik för en långsiktigt konkurrenskraftig svensk turistnäring, Prop 2004/05:56).

Against this backdrop of tourism being a rapidly growing industry worldwide and identified as a promising engine for growth, it is reasonable to presume that CIs will be an increasing phenomenon in the industry. In addition, growth in the tourism industry may be more or less important to a nation, but for regions and other sub-national entities, it can play a crucial role (Fossati & Panella, 2000; Gunn & War, 2002; Keith et al., 1996; Paniagua, 2002). That implies that the fixed geographic location of the tourism industry makes it particularly suitable

for CI investments. Another reason why tourism is suitable in the CI context is its nature of being a personnel-intensive and job-creating industry.

Typical for the tourism industry is that it can be characterized by high complexity due to its many stakeholders and private-public engagement. A central notion in the tourism literature and a commonly used unit of study is the tourist destination (Pike, 2004). The concept of a destination does not have a standard definition, but it can be argued that a destination is best defined as a geographical space in which a cluster of tourism resources and service providers exists (Fyall, Garrod & Wang, 2012). Typical for destinations is that they contain a mix of different types of service providers; mostly small and micro-scale businesses but also public agencies and non-profit organizations (Wang and Fesenmaier, 2006; Fyall & Garrod, 2005).

The marketing and management of the destinations, including cooperation with stakeholders, is in general assigned to Destination Marketing and Management Organizations (DMOs), which commonly are non-profit organizations (Elbe, Hallén & Axelsson, 2009; Gretzel et al., 2006; Pearce, 1992) created by public agencies and financed by public means, sometimes in combination with private funding (Pike, 2004). Funding is frequently a critical issue for DMOs, as they often lack products or services of their own to gain sales revenue (ditto). Although resources may be limited, they are perceived to hold the greatest legitimacy regarding destination development since they are publically created (Timur & Getz, 2008). In order for a DMO to be able to carry out destination marketing and management strategies, it must have its strategies accepted and supported (Middleton, 1994; Buhalis, 2000; Gretzel et al., 2006; Sheehan, Ritchie & Hudson, 2007), and it needs to be able to mobilize additional resources from the stakeholders (Gretzel et. al., 2006; Wang and Fesenmaier, 2006).

5.2 Dalarna – a Swedish Region that Invests in Tourism

The case study was conducted in a medium-sized Swedish region called Dalarna. The region has a strong industrial tradition built around its natural resources and historically it was the industrial plants, such as mines, ironworks, saws, mills and power plants that employed much of the population. Due to rationalization during the late 20th century there has been a loss of employment in these traditional industries and for that reason regional politicians have been forced to look for alternative ways to maintain employment levels and growth rates. In this context regional politicians have upgraded the significance of tourism as it is a personnel-intensive industry. Investments and development in tourism are

expected to result in new jobs and therefore the industry has experienced an upswing on the political agenda during the last decade. In line with this reasoning and tendency on both the national and EU levels, the board of the Regional Development Council (RDC) made a strategic decision in 2003 to adopt a “cluster development strategy” in order to stimulate regional competitiveness and growth.

Dalarna comprises mainly rural areas, but also some medium-sized cities. It is a region with rich and diverse tourism products and a variety of natural attractions, seasonal focus and customer segments. Except for the metropolitan destinations of Stockholm and Gothenburg it is one of the largest tourism regions in Sweden, mainly due to successful ventures within the fields of activities, events and retail (Amcoff & Niedomysl, 2011). During the time of the data collection, the region was divided into five separate tourism destinations. These five destinations included from one to five municipalities and each destination was managed by its own DMO. Three of these DMOs were organized as public limited companies, bringing together both private businesses (as members and share-holders) and municipalities. The other two DMOs were governed by the municipalities alone without private involvement, one as a public limited company and the other as a non-formal partnership between five municipalities.

Dalarna offers a diversity of landscapes and great variety of cultural and industrial heritage, which is reflected upon in the different marketing focuses among the five destinations. Two destinations had an apparent concentration on the winter season, including two major ski resorts in Sweden with strong brands of their own. The third destination drew on its cultural heritage to a high degree, offering many folklore-related attractions. The fourth destination comprised two close urban areas with a variety of activities throughout the year as well as a significant number of conferences. Finally, the fifth destination with its rich industrial heritage had no seasonal emphasis, but markets both summer and winter activities preferably towards families.

5.3 Destination Dalarna

As a result of the decision made by the board of the Regional Development Council (RDC) in 2003 to adopt a “cluster development strategy”, the Regional Tourism Manager was commissioned to establish a regional tourism CI. The CI, named Destination Dalarna, was granted national public funding in late 2006 and initiated in early 2007. The overall purpose of the project was to consolidate the regional tourism industry, to strengthen the name of the region as a brand, and

to establish the entire region as a single destination. The underlying aim of the project was to strengthen the competitiveness of tourism businesses' and to stimulate regional economic growth.

In practice it was the Regional Tourism Manager, and sometimes a few of her colleagues at the RDC, that functioned as the hub. The CI originally had five members, representing each of the five destinations in Dalarna. The CI experienced some start-up problems, which the hub and the members managed to overcome. In the process the hub and the members experienced both successes and setbacks, which are described more in detail in the first paper.

Destination Dalarna is a CI project that is still ongoing, but this study covers the years 2006-2011. During these years the hub had several key stakeholders. One obvious key stakeholder is the national funding agency that provided the start-up funding and also additional financial means. The hub had a central role in mediating between the CI members and the national funding agency. The function of the hub as mediator is to be found in every key stakeholder relationship, which is described further in the second paper.

6 Summary of Appended Papers

6.1 Paper I: Interpartner Legitimacy Effects on Cluster Initiative Formation and Development Processes

6.1.1 Aim of the paper and Abstract

The aim of this paper is to contribute to the research body of regional development and cluster initiatives by offering an inside perspective of a cluster initiative and to show how different types of interpartner legitimacies hinder and facilitate the cluster initiative formation and development process.

“In spite of the growing interest in cluster initiatives (CIs) as a means of regional development, there are still few studies of CIs that offer an inside perspective. This article takes such an inside perspective, focusing on the internal legitimacy aspects of the formation and evolving processes of CIs. We propose the inclusion of interpartner legitimacy effects in order to better understand the formation and development of CIs. A case study method is applied on a Swedish CI in the tourism industry. Faced with the situation that their region was lagging behind other Swedish regions in the development of tourism, the actors were spurred to promote a CI. Its central purposes were to consolidate the regional tourism industry, strengthen the regional brand and to establish the entire region as a single coherent destination. This paper contributes to the research body of regional development and CIs by showing how different types of interpartner legitimacies hinder and facilitate the CI process.”

6.1.2 Method, Theory and Findings

The empirical material is collected in a case study of a regional development project in tourism. The case illustrates a CI formation within the tourism industry composed of five separate destinations. Critical events in the process have been identified through the use of Critical Incident Technique. The analysis is based on the neo-institutional theory and focuses the role of pragmatic, moral and cognitive interpartner legitimacy.

The case highlights the complexity of a CI formation and development process in terms of the different pressures that are being put on the CI members. The CI members are embedded in different institutional settings, such as the CI itself, the destination and their own organization, each with different legitimacy pressures. When relating to each other in the CI, the members also have to take the wishes of all their stakeholders into account. This implies an intractable complexity which makes the legitimacy-development process within the CI

challenging and time consuming. The focus of the paper is on the interplay between the different interpartner legitimacies and between external legitimacy and interpartner legitimacy. The paper contributes by showing that in order to understand a CI formation and development process, it is necessary to incorporate interpartner legitimacy aspect into the analytical model. It is also shown that different types of interpartner legitimacies hinder and facilitate the CI process. Increasing pragmatic, moral and cognitive interpartner legitimacy strengthened the CI process whereas decreasing pragmatic, moral and cognitive interpartner legitimacy harmed the CI process. Finally it seems that while pragmatic and moral interpartner legitimacy may develop independently, the outcome in terms of cognitive interpartner legitimacy is dependent on the development of pragmatic and moral interpartner legitimacy both jointly and separately.

6.2 Paper II: The use of Rhetoric in Legitimation Strategies when Mobilizing Destination Stakeholders

6.2.1 Aim of the paper and Abstract

The aim of this paper is to contribute to the field of destination management by introducing legitimacy as a fundamental aspect and proposing an analytical model on legitimation strategies by the use of rhetoric for Destination Management Organizations (DMOs).

“Organizations need to gain legitimacy from their stakeholders in order to be able to attract resources. This is of particular importance for organizations that are highly dependent on other actors in their environment. This holds especially true for Destination Management Organizations (DMOs) since DMOs are dependent on a number of different stakeholders in order to be able to carry out their tasks. Legitimacy may therefore be seen as the most critical asset for this kind of organization. It is argued in this paper that gaining legitimacy through the use of rhetoric is a useful strategic approach that a DMO may adopt in order to mobilize support and resources from its stakeholders. To gain legitimacy by using rhetoric – to be able to conform to, adapt to, convince and even manipulate the institutional logic of important stakeholders – becomes an essential strategic approach. An analytical model on legitimation strategies which incorporate the use of rhetoric for DMOs has been developed. The model is illustrated by means of a case study of a regional destination development project in central Sweden.”

6.2.2 Method, Theory and Findings

The empirical material is collected in a case study of a regional cluster project in tourism, where the regional DMO also function as the hub of the cluster initiative. The data is thereafter analysed with a focus on coveted resources and key stakeholders that dispose over these resources. Drawing on neo-institutional theory, the legitimacy aspects of the relationship to each key stakeholder is analysed. Specific focus is on the way in which the hub communicates in terms of a rhetoric approach.

Since DMOs commonly are non-profit organizations, they are to a high degree dependent on being able to mobilize resources from external stakeholders. This also applies for the hub of a CI. The paper contributes by showing that the *external legitimacy* is highly critical, when striving for required resources. A model is suggested, based on the following concepts: required resources, stakeholders, rhetorical approach, type of rhetoric and finally type of legitimacy. The model is based on the idea that the identified key stakeholders belong to different organizational fields, with somewhat different forms of institutional logic. By being aware of that logic and utilizing an appropriate rhetoric approach in every individual relationship, the DMO may gain external legitimacy. In order to gain legitimacy, the DMO uses different strategies and different types of rhetoric to conform to, adjust or even manipulate, what they believe is the existing logic in the respectively institutional field of every key stakeholder. Hence, the outcome of that pursuit is based on how well the DMO understands and interprets the institutional logic of the specific stakeholder. The model may be used as a device when analyzing how rhetoric is strategically used to increase the legitimacy of a DMO. It may also be applied by DMOs as a tool when making strategic plans for how to approach different stakeholders.

7 Final reflections

At the core of this thesis lies the CI formation and development process, and the complexity of the CI coordination task. The hub has the mission to mobilize and gather businesses and other organizations into collaboration and thereby form the foundation of a cluster. In the beginning of this thesis I suggested that a CI may be understood as an oxymoron, since it aims to “manage” and “coordinate” a network of businesses which by their nature do not accept any external control or management. Management is a means that usually requires a hierarchy and within a CI there is no formal chain of command, instead these are businesses with their own objectives and management. Following this reasoning the hub, which has the “management” and “coordination” responsibility, may have an impossible mission. I wanted to dig deeper into this circumstance that, to me, appeared to be a “hindering factor”, and try to gain an understanding around the CI development process. The hub must hold things together, organizations and activities, and the question that arises is: what is the glue that the hub utilizes in order to successfully complete its mission?

Usually when clusters and cluster initiatives are referred to, they are discussed in terms of structures, sometimes as networks with nodes and links. Research often investigates these structures in some way, for example the content of the nodes and links. These structures may exist, but they are always snapshots because these structures are alive and continuously changing. The point is that by adopting another perspective and view the CI as a process, it is possible to see new aspects, other than structural, of the CI. A process perspective of CIs implies that the CI is some kind of activity that occurs, activity that holds the CI together. Moreover, the important role of the hub comes even more to forefront in this perspective. The hub is the body that materializes the CI, meaning that without the hub there is no coordination, no momentum and no energy that runs the process. Therefore the responsibility to ensure that the CI is alive and always running, rests heavily on the hub. The process perspective also contributes by illustrating that the CI has no sharp boundaries, instead it is a very apparent connection between what occurs inside and outside the CI. Activities are dynamic as they often involve new persons or even new organizations.

The case study enabled me to investigate a CI in terms of its activities and events. The focus has been on the hub, which in my case was the regional DMO. In practice there was one person in charge of the *organizing* and that was the regional tourism manager. My analysis of the activity and the role of the hub, revealed that

one principal task and main challenge for the hub was to gain support for an idea that indeed was perceived as abstract and difficult to grasp. The idea is the cluster, or the advantages that comes out of a cluster, often in the form of competitiveness. It could be regional competitiveness or firms' competitiveness. It could also be other advantages that every single organizations may have. Moreover, this is an ongoing process. It does not come to an end, even if the CI members currently are confident in the excellence of the idea, new persons enter the arena and various events could weaken the support and thus the status and unity of the CI.

Another important revelation, from my study, which has a strong connection to the pursuit of support, is the critical role of legitimacy. Neo-institutional theory proposes that all strategic and economic activity is embedded in a social and normative context, which motivates organizations to seek legitimacy. It was this reasoning that inspired me to examine the role of legitimacy in CIs. My analysis indicates that the hub principally deals with a legitimation process. What occurs within the CI, between the members themselves and between the members and the hub, is legitimation. This also applies to external relationships, between the hub and its external stakeholders, like funding agencies, regional government, local businesses and local municipalities. A prerequisite for realization in its mission is that the hub obtain and sustain legitimacy; legitimacy for itself as the coordinating body, for the idea, for the other CI members, for the different activities and for the industry as such.

My study also indicates that the legitimation process is reciprocal, which is illustrated in Figure 1 below. The reciprocal legitimation process occurs continuously on two levels, the internal level and the external level. Externally, the CI gains legitimacy from its members and from the resources it disposes. At the same time, the rendered legitimacy increases the access to recourses and attracts new members to the CI. In turn, the access to resources raises the interest level of potential members and stimulates participation in the CI, while new members imply greater access to resources. Internally, the existing members of the CI gain legitimacy from participating in the CI simultaneously as the CI gains legitimacy from its constituent members. The legitimacy that is rendered on the internal level is both internal and external, meaning that the CI and its members gain legitimacy both mutually in relation to each other and in relation to external stakeholders.

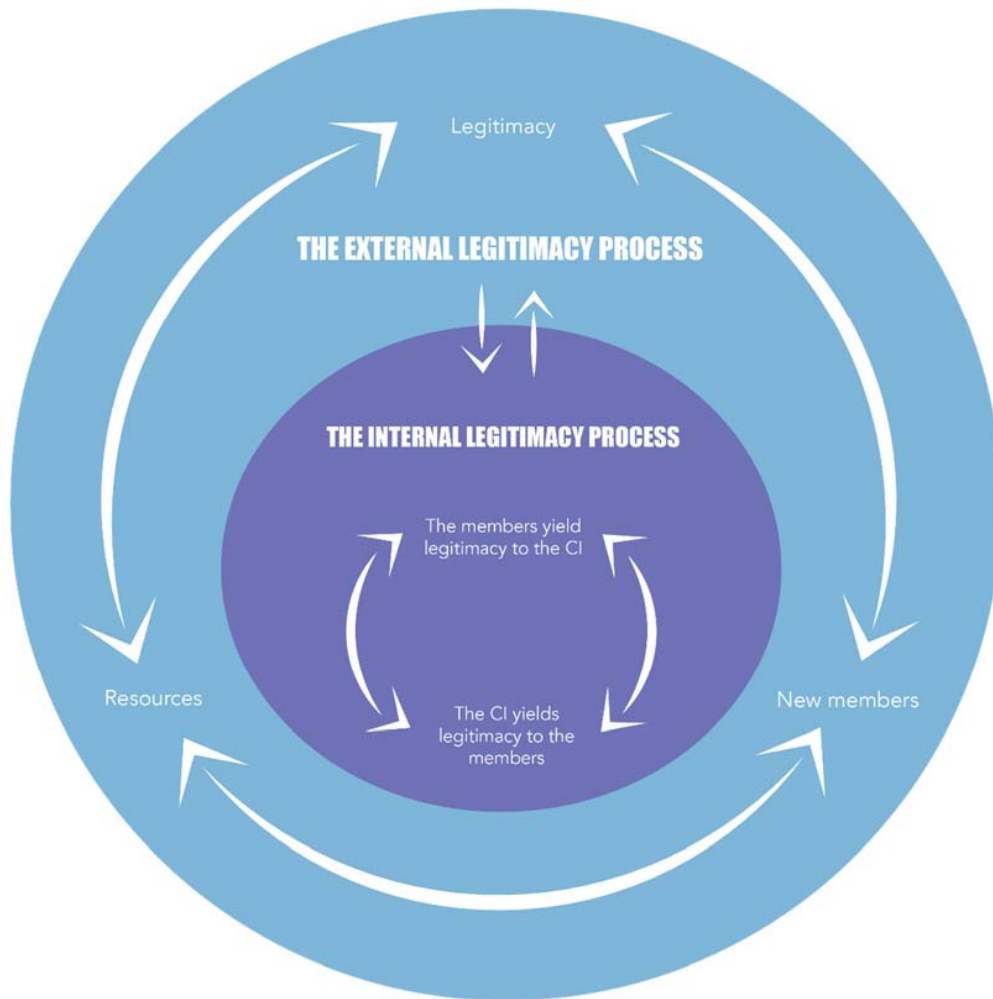


Figure 1. The Reciprocal Legitimation Process.

In my study it appears clearly that viewing legitimacy as a perception formed solely by external stakeholder does not capture the complexity of the legitimation process. In the first paper it is shown that internal legitimacy negotiations regarding goals, rules and norms, called *interpartner legitimacy*, is of uttermost importance in the CI formation and development process. In order for a CI to function and develop, it is central to minimize opportunism and agree on a shared value system among the members within a CI. Every member should benefit from participation in the CI. Furthermore, the representatives from each member organization must have sufficient authority from their own organization to act and to make decisions. It is also shown that the interpartner legitimacy is not static, but evolves and changes over time and that the three types of interpartner

legitimacy, *pragmatic*, *moral* and *cognitive*, have different levels of importance which change over time. If the hub is aware of the interpartner legitimacy process, this knowledge may be advantageously utilized by the hub when planning activities and communicating with the CI members.

In the second paper the analysis reveals that the *external legitimacy* is highly critical, when striving for required resources. It is clearly evident in the case that the CI cannot develop without external support, derived through legitimacy. Key stakeholders are those stakeholders that dispose critical resources and the hub must relate to these stakeholders adequately. A hub is to a high degree dependent on being able to mobilize resources from stakeholders in various fields. It could be politicians, different types of public authorities and interest groups. It could also be businesses of all sizes, from small local businesses to multinational corporations. These stakeholders operate in different institutional fields, each holding a set of organizational actors that share a predominating institutional logic. It is argued in this paper that the hub needs to be perceived as legitimate in order to successfully mobilize their stakeholders' resources. Furthermore, in order to gain external legitimacy, the hub uses different strategies to conform to, adjust or even manipulate, what they believe is the existing logic in the respective institutional field of every key stakeholder.

To reconnect to the overall research aim, which is to deepen the understanding of the CI formation and development process, it is shown in this study that the role of interpartner and external legitimacy in the CI should not be underestimated. Legitimacy is found to be a required means for the hub, when handling and relating to both existing CI members and external stakeholders. The study further reveals that there is an interplay between the interpartner and external legitimacy and that the legitimacy process is embedded in every activity and all communication. Hence, the hub is, consciously or unconsciously, always dealing with the legitimacy process. Legitimacy is the ground on which the hub builds the CI and it is through activities and communication that the hub has ability to influence that legitimacy. In essence, what can be observed in the case is that legitimacy functions as the link that bridges activities, communication, business benefits and regional development goals together. It is the glue that keeps everything together. The implication is that aspects of legitimacy should be taken into account when analyzing or trying to understand a CI. This insight can also advantageously be adopted when planning or running a CI.

To end with, I want to draw attention to some limitations of this study and suggestions for further research. While a case study is uniquely positioned for the type of inductive approach undertaken here, we must also note the inherent limitations due to methodological constraints of the case study strategy. The case represents only one specific example: a CI in Sweden within the tourism industry. Hence, there may be aspects of the CI process that are overlooked because other industries and other countries vary in cultural and normative influence. Thus, further research, exploring more cases would enrich the empirical base and test the findings against another social context.

Furthermore, in the first paper I have based my analysis upon a retrospective approach of critical incidents, which means that the data, to a large extent, relies on the respondents' ability to recall the critical parts of the process. However, since my aim in this thesis is oriented towards obtaining an understanding of how the CI process is experienced, it seemed reasonable to base the analysis on experienced critical incidents. To complement the respondents' stories, I have compared them to each other and to my own observations.

Another possible limitation derives from the circumstance that the study was conducted based upon the view of only one side of the CI process, the hub's side. The described situations could be perceived differently if described by the members', or from the stakeholders' view. Thus, additional research scrutinizing the process from another view is needed in order to further develop the process perspective. Comparative studies could be fruitful in this ambition.

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The Legitimacy Process that Supports the Formation and Development of Cluster Initiatives

Today, large public investments are being made with the aim of creating and developing cooperation between businesses in inter-organizational networks. Such initiatives are commonly denoted cluster initiatives and their underlying purpose are to spur innovation and regional growth.

Much research has been conducted in this field, but relatively few studies have examined the process of cluster initiatives. By following the case of a regional cluster project within the tourism industry in the region of Dalarna, Sweden, the objective of this thesis is to deepen the understanding of the formation and development process of cluster initiatives. The investigation has been conducted by examining two main themes; the internal relationships within the cluster initiative and the relationships between the cluster initiative and its external stakeholders, such as funding agencies, regional government and local businesses.

The analysis is based on a legitimacy perspective and indicates that the coordinating body of the cluster initiative, the hub, principally deals with a legitimization process. What occurs within the cluster initiative, between the members themselves and between the members and the hub, is legitimation. This also applies to external relationships, between the hub and its external stakeholders. A prerequisite for the realization of its mission is that the hub obtain and sustain legitimacy; legitimacy for itself, for the other members, for the idea, for the different activities and for the industry as such.

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