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# Slipknot…or Not: Applying Stakeholder Management Theory to Entertainment Venue Booking Decisions

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Consider the following situation:

> A fairly new venue in a small community hosts an event to increase revenues and increase awareness of the facility in the surrounding areas. The venue is a baseball stadium that hosts a professional Texas League baseball team and occasional small-scale local events. The entertainment company responsible for booking the facility booked and promoted Slipknot as part of the Ozzfest Tour. The event posed numerous problems for the venue. Parking, traffic congestion, and inadequate security were among the major obstacles. The venue managers received numerous complaints from the surrounding residential community about the obscene language used during the concert. During the event, residents contacted law enforcement, and following the event, local politicians received numerous phone calls. Regional newspaper and news stations reported the negative reaction from various community groups. In addition to putting a $70,000 naming rights deal in peril, the decision to book this event resulted in new city ordinances being put in place, and a decrease in other event ticket sales.

The above scenario is a brief, but true account of the types of unintended consequences that can occur when the interests of multiple stakeholders are not considered when booking events in a public assembly facility. This account is not uncommon. A review of news stories reveals residents in Tempe, Arizona becoming upset by the number of ticketed events crowding out community events in their park (Berry 2006), the Latin Grammy Awards being moved from Miami to Los Angeles due to

Cuban exile group demonstrations (BBC News 2001), gay rights groups threatening to protest a pre-awards concert because of alleged anti-gay lyrics by one of the performers (Infantry 2004, Malvern 2004), and Citizens for Peace and Respect denouncing a Marilyn Manson concert at Mile High Stadium in Denver (2001, Marilyn).

In all of these examples, groups of people became important stakeholders to the venue managers. Only within the past two decades have business enterprises shifted their paradigm in how they perceive the firm and its multilateral relationships with constituents or stakeholder groups. Previously simplistic models of the firm outlined by Carroll and Buchholtz (2003), with its suppliers and consumers as its only stakeholders, have been displaced by a broader stakeholder view of the firm.

Many successful firms run their business in a way that is consistent with stakeholder theory. Companies like eBay, Google, Lincoln Electric, and others featured in books like *Built to Last* and *Good to Great* (Collins 2001, Collins and Porras 1994) are examples of how managers understand the key concepts of stakeholder theory.

In a comprehensive review of stakeholder theory, Parmar, *et al.* (2010) highlight the major uses and adaptations of "stakeholder thinking" across a broad array of disciplines such as finance, accounting, marketing, and management. While there are both critics and friends of stakeholder theory, the evidence has shown effective management of stakeholders can be a source of competitive advantage (Harrison, *et al.* 2010), and help poorly performing organizations improve financial performance quickly, and over a longer period of time (Choi and Wang 2009). In the field of marketing, applications of stakeholder management theory have served as a warning that too much emphasis on a single or small group of stakeholders can be detrimental to an organization (Bhattacharya and Korschun 2008). Among other topics in the field of management, applications of stakeholder management theory have been used to understand leadership in turbulent times (Taylor 1995), leader-power sharing (Heller 1997), and developing leadership skills (Nwankwo & Richardson 1996).

Advocates of a "shareholder" ideology might conclude that the goal of "maximizing shareholder value" is the only appropriate goal for managers in the modern corporation (Freeman, *et al.* 2004). While profit maximization for shareholders is important for the companies above, it is not the fundamental driver of what they do (Freeman, *et al.* 2004).

According to Carroll and Buchholtz (2003), a stakeholder view of the firm requires management to perceive its stakeholders as not only groups that it thinks have some stake in the enterprise, but also as those groups that themselves think or perceive they have a stake in the enterprise. The challenge for enterprises, including venues, is to identify the stakeholders that may impact their business, and to have an appropriate response, given the saliency of the stakeholder.

## A Stakeholder View of Venue Booking Decisions

To become good stewards of their stakeholders' resources, managers should gain important knowledge about their stakeholders and use this knowledge to predict and respond to their behavior (Carroll, *et al.* 2003). The five questions are:

1. Who are our stakeholders?
2. What are our stakeholders' stakes?
3. What opportunities and challenges do our stakeholders present to the firm?
4. What responsibilities does the firm have to its stakeholders?
5. What strategies or actions should the firm take to best handle stakeholder challenges and opportunities?

The profession of venue management recognizes that time and space are a venue's primary inventory (Esckilsen, *et al.* 2009). For a venue to maximize its profitability, it must manage its inventory efficiently and effectively with the right tools, practices, policies, and people. The ticket buying consumer is clearly one of the primary stakeholders of a venue. However, as illustrated earlier, some venues can get derailed from serving the customer because of the interests of other emergent stakeholders. If venue managers are to thrive in a more turbulent environment—characterized by increased competition, complex governance structures, unique ownership arrangements, immediate media coverage, higher public scrutiny, and increased pressures to be profitable—they could benefit from an event booking decision making process that considers who the stakeholders are, and which ones really count.

What follows is an application of the five key questions of stakeholder management to the function of event booking in sports and entertainment venues. While it would be difficult to address who and what really counts for every type of sports and entertainment venue, an application of Carroll's (1993) five key questions should help venue professionals assess the appropriateness of events, given multiple stakeholders.

## Question 1: Who Are Our Stakeholders?

Every venue manager must ask the question, who are our stakeholders? While not applied to venue management specifically, Wheeler and Sillanpää (1997) presented a useful way to categorize stakeholders in general business settings.

In its most basic form, stakeholders are categorized as either primary stakeholders or secondary stakeholders.

Primary stakeholders include:

- Shareholders and investors
- Employees and managers
- Customers
- Local communities
- Suppliers and other business partners

Secondary stakeholders include:

- Government and regulators
- Civic institutions
- Social pressure groups
- Media and academic commentators
- Trade bodies
- Competitors

In this model, primary stakeholders are considered more influential because they have a direct stake in the organization. While secondary stakeholders can also have influence, their interests are often representational, and thus have less direct influence. As a result, the level of accountability to secondary stakeholders tends to be less than that of primary stakeholders. While these categories are helpful for description and identification of stakeholders, the stakeholders can actually move in and out of categories. Media attention, for example, can give a secondary stakeholder legitimacy and shift it to primary stakeholder status. In the scenario that opened this paper, the residents near the stadium moved from secondary status to primary stakeholder status due to the power garnered from media. Government officials were also thrust into a primary stakeholder role.

It is also important to recognize that the stakeholder groups identified above are generic groups. Each of these groups may have few or many subgroups with different stakes. By asking the question, "Who are our stakeholders," venue managers begin stakeholder identification at a more refined level. In so doing, they are better prepared to answer the next question, "What are our stakeholders' stakes?"

## Question 2: What Are Our Stakeholders' Stakes?

Even groups in the same generic category have different interests, concerns, expectations, and perceptions of rights. A venue manager's challenge is to determine the nature and legitimacy of a group's stakes, its power to influence, and the urgency of the group's claims or interests.

Returning to the opening scenario, one can speculate that the generic category of "community" has more specific subgroups:

1. Residents who live within two miles of the stadium
2. Residents who live within the path of the booming sound
3. Residents who live outside the path of traffic and noise coming from the concert
4. Elected officials who live elsewhere in the city

Because all of the subgroups live in the community and provided the means for the stadium to be built, all seem to have a legitimate stake in what events are presented in the venue. However, when one takes a look at power and urgency, differences can be detected. Residents who live outside the path of the loud music probably have less urgency than those within earshot of the concert. Further, elected officials probably have more power than individual residents, unless individual residents are able to organize to create more collective power.

Stakeholders who have all three attributes present (legitimacy, power, and urgency) are viewed as more salient to management when there are competing stakeholder claims (Mitchell, Agle, and Wood 1997). As a result, salient stakeholders would likely receive priority attention. Further analysis of the opening scenario might suggest that during the research and planning of the event, venue managers viewed the stadium owner's interest in profitability as more salient than the community's interests. It's questionable whether management ever identified the community as a stakeholder in the first place.

### Question 3: What Opportunities and Challenges do Stakeholders Present to the Venue?

Eventually, stakeholder management analysis will help venue managers decide what strategies or actions should be taken to respond to salient stakeholders. Answering the question, "What opportunities and challenges do our stakeholders present?" allows venue managers to examine the potential for a favorable or unfavorable outcome. A favorable outcome may be an opportunity for cooperation with stakeholders, whereas an unfavorable outcome may be a challenge in the form of a decline in reputation, financial position, or capabilities of the venue.

In the opening scenario, members of the community presented a challenge to the reputation of the venue by writing newspaper editorials and calling city officials. Many of these community members threatened to stop buying tickets to sporting events at the stadium.

Savage, *et al.* (1991) assert that threats should be weighed in light of the stakeholder's relative power and relevance to the particular issue. They further suggest that management should look for possible opportunities to join forces with other stakeholders for the advantage of all parties.

### Question 4: What Responsibilities Does the Venue Have to its Stakeholders?

Carroll and Buchholtz (2003) suggest all organizations have economic, legal, ethical, and philanthropic responsibilities. Obviously a venue has economic responsibilities to its owner(s)—whether a private, public, or quasi-public arrangement. The analysis becomes a little more difficult when considering the legal, ethical, and philanthropic questions. One would hope that venue managers would follow the rule of law. However, the opening scenario suggests city ordinances and community standards might have been breached when performers shouted profanities from the stage. Venue managers have a responsibility to understand their communities, and more importantly, to assess the risks involved when booking potentially caustic performers in an open-air venue. One can see ethical responsibilities at play in the case of a Marilyn Manson concert being booked in a Denver arena shortly after the 1999 Columbine school massacre. Opportunities to fulfill philanthropic responsibilities exist when venues support charitable causes through additional ticket fees, reduced rental fees, and other arrangements. A stakeholder perspective on venue booking decisions suggests managers systematically think through its array of responsibilities.

## Question 5: What Strategies Should Management Follow?

Savage, *et al.* (1991) have proposed a model to classify stakeholders into four types (see Figure 1). Similarly, stakeholders of venue events may be classified into four categories. The venue manager can then develop a unique strategy for each type of stakeholder. What follows is a discussion of each type of stakeholder in the context of venue booking decisions with suggested strategies for each.


Figure 1. Diagnostic typology of organizational stakeholders.

## Supportive Stakeholders

The organization's greatest asset is its supportive stakeholder. The stakeholder supports the goals and the actions of the organization. "[T]he supportive stakeholder…is high on potential for cooperation and low on potential for threat" (Carroll & Buchholtz 2003, 84). The high level of cooperation allows the stakeholder to be the most positive influence on the venue. Supportive stakeholders can give an event the added publicity, support, and/or participation that are needed for success. A venue manager responsible for booking may identify such supportive stakeholders as corporate sponsors, board members, employees, volunteers, and/or fans. These stakeholders may hold a financial, political, or personal interest in the success of the venue. As such, the model suggests venue managers look for ways to involve the supportive stakeholder. Cooperation by supportive stakeholders is obviously valuable; the question for venue managers is, "To what degree should supportive stakeholders be involved?"

In the opening scenario, board members could have been consulted prior to booking the band to assess the potential unintended consequences. While board members are typically not involved in the day-to-day operations of a venue, a carefully selected board can provide a valuable perspective on the pulse of the community, and its appetite for controversial performers.

### Marginal Stakeholders

The second type of stakeholder identified by Savage, *et al.* is the marginal stakeholder. The marginal stakeholder is low on both potential for threat and potential for cooperation. This stakeholder group is the least likely to be characterized as advantageous to the organization. The venue manager may place this type of stakeholder at the end of his or her list of worries in the booking decision-making process. Marginal stakeholders are usually not concerned with most aspects of an organization until they notice it doing something, thus transitioning them to the level of supportive or non-supportive stakeholders. The appropriate strategy for addressing the marginal stakeholders is to monitor their actions and to move them toward the supportive category when resources and opportunities exist. Marginal stakeholders may change status because of the actions of the venue. They include social activist groups, volunteer groups, and consumers.

In the opening scenario, the marginal stakeholders could be the season ticket holders for the minor league baseball team, the anchor tenant of the stadium. There is low potential for them to threaten or cooperate with this particular event. They have a fondness for baseball, and as long as additional events do not interrupt their season, they are likely to stay on the sidelines. However, as the Savage, *et al.* (1991) model suggests, the venue managers should monitor this stakeholder group and look for opportunities to move them to a more supportive category. One strategy is to keep season ticket holders apprised of additional events taking place at the ballpark, and persuade them that these additional events help keep the stadium competitive and its anchor tenant viable.

## Non-supportive Stakeholders

The third group is the non-supportive stakeholder. "Stakeholders high on potential threat but low on potential cooperation are the most distressing for an organization and its managers" (Savage, *et al.* 1991, 66). Venue managers must consider the negative outcome occurring from booking decisions that conflict with the views of these stakeholders. These groups or individuals may have the greatest potential impact on the organization. Examples of potential non-supportive stakeholders surrounding venues would be the media, regulatory government agencies, and competition. The strategy used to combat the non-supportive stakeholder is defensive in nature. Defending the organization against non-supportive stakeholders may be the most difficult of all strategic actions. Organizations may use the strategy of defense to reduce damage that may be caused by the non-supportive stakeholder.

In the opening scenario, the religious community, and specifically a church holding services concurrently and next to the stadium, would be considered a non-supportive stakeholder. Perhaps the only remedy in this situation would be for the venue staff to apologize after the fact, and make amends in some way (e.g., donations). Eventually, the venue managers instituted a sound ordinance stronger than the city ordinance in an attempt to mitigate actions against the venue by the non-supportive city officials. The long-term goal of the venue would be to change a non-supportive stakeholder to the status of a marginal, or even a supportive one.

## Mixed Blessing Stakeholders

The final type of stakeholder venue management professionals must consider is the mixed blessing stakeholder. The mixed blessing stakeholder is categorized as high on both potential for threat and potential for cooperation. This group of stakeholders could possibly be the most influential to the venue because of the uncertainty of their motives. In the venue booking process, mixed blessing stakeholders may be agents, road managers, performers, or competitors. The strategy for maximizing the mixed blessing stakeholder influence for cooperation is collaboration. In addition, the strategy would allow the venue manager to uncover the motives of the stakeholder to discover the likelihood of threat or cooperation.

Returning to the opening scenario, the most obvious example of a mixed blessing stakeholder group is the performers. Performers have a high potential to threaten or cooperate with venue managers and their interests. When booking a controversial band like Slipknot, the venue manager must take a proactive approach to collaborating with the performers through their representatives: their agents and road manager. Realistically, this appeal for collaboration will take place in an informal manner, asking the road manager to convey to the performers the importance of not inciting the crowd, or the community at large. Admittedly, the risk of booking a controversial act is significant, and the likelihood of collaboration is minimal. Nonetheless, a proactive strategy is better than none at all.

## Implications

The strategies outlined above will aid the venue manager in developing a process of defining and reorganizing these potentially threatening stakeholders. The non-supportive stakeholder has a high potential for threat and a low potential for cooperation. An ideal outcome for the venue manager would be to transform the non-supportive to the supportive stakeholder. The possibility of making this change may be beyond the abilities of the venue manager. He or she may only change the position of these stakeholders by reevaluating and changing the entire mission of the organization. Managers must assess whether the change is feasible and beneficial for the venue in order to increase support. The strategy of defense against non-supportive stakeholders may be the most logical course of action in most cases.

The marginal stakeholder provides more uncertainty for the venue. This group of stakeholders may cause damage to the event or may benefit the event. The venue manager's main goal here is to identify whether threat or cooperation is the motive of this group of stakeholders. The strategy of collaboration, as stated earlier, would be the best way to manage the cooperative stakeholder. The venue manager must plan ahead to combat any problems the group may cause and work to change the group's status. The Savage, *et al.* (1991) model provides the groundwork for developing a larger base of cooperative stakeholders.

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