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**Stakeholders
management in public
hospitals in the context
of resources**

1. Introduction

Hospital environment has been described for many years as turbulent and hostile as it has been experiencing tremendous changes, usually connected with increased competition and poor economic situation (Lee, Alexander 1999, p. 923-946). These changes impose the necessity to develop strategies for survival. Changes that can be noticed are also characterized by administrative demands, and multiple issues, in other words – the need for balancing the desires of multiple stakeholders. If hospital managers are to cope with environmental uncertainties, they need to reduce anxieties and effectively manage stakeholders (Blair, Whitehead 1988, p. 153-166). In order to address this dilemma, it is necessary to determine who should be considered as key stakeholder, and what is the reason to regard a particular stakeholder as such.

In the last 20 years, and particularly in the last decade, the stakeholder theory has taken a number of respondents place in the management theory and in the practice of public organisations. Developing the approach created by Feldman and Khadenian, Bryson

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(2004) argues that strategic management in public organisations is impossible without thorough stakeholder analysis. Although there is unanimity in this topic, and a great number of publications refers to the concepts and principles of stakeholder theory, the amount of research on this topic is limited. The question of what initiatives were undertaken by public sector organisations to manage different stakeholders, and what were their motivations, remained unanswered (Ferlie, Hartley, Martin 2003, p. 1-14).

The aim of this paper is to understand strategies of stakeholders management applied by public hospitals and to discover how stakeholder groups are being recognized in the public hospitals' decision-making in the context of resources. Results of empirical research in stakeholders management in public hospitals are presented. The underlying premises of this issue concern first of stakeholder influence and expectations but also resources that are crucial for ensuring operation. This may suggest that applying Resource Based View and Resource Dependence Theory may be useful for explaining actions taken towards stakeholders.

2. Stakeholders theory and public management

The stakeholder view offers a practical approach to understanding how organizations can succeed in the current and future environment (Freeman 1984). The stakeholder theory evolves from private sector, and from the need to understand the firm and its environment (Mitchell, Agle, Wood 1999). Stakeholder theory is considered to be a theory of organizational management and ethics. It gives attention to more than maximizing the wealth of shareholders (Phillips 2003).

Stakeholder considerations underlie decisions of public institutions, as their existence is determined by meeting the interests of these groups, which are sufficiently influential to sustain the political premise and provide funds for their existence (Rainey 1997). Bryson (2004) argues that the concern for stakeholders is the most important element of the entire strategic management process, because the success of a public organisation depends on satisfying the expectations of primary stakeholders.

According to A.J. Hillman, G.D. Keim (2001, pp. 295-314), the effects of processes going on in a public organization should balance the interests of different stakeholder groups. The fact that public organisations have a large number of important stakeholders, whose interests are often in opposition to each other, is undeniable and it entails the necessity to manage stakeholder

relationships as a part of the strategy. Moreover, stakeholder satisfaction involves meeting these needs, which are perceived as valuable in the hierarchy of a particular stakeholder. This, in turn, means that they may be (and often are) in conflict with the economic goals of an organisation, which complicates decision-making process even more.

The healthcare stakeholder literature suggests that hospitals should manage their stakeholders (Kumar, Subramanian 1996, p. 31-40). J.H. Freeman (1984) proposes that stakeholder management consists of three capabilities: 1) analyzing who are the organization's stakeholders and what are their perceived stakes; 2) establishing organizational policies, procedures, and processes that enable the organization to take into consideration its stakeholders and their interests; and 3) implementing transactions with stakeholders that help organization to achieve its mission.

R.K. Mitchell, B.R. Agle, D.D. Wood (1997) propose to consider which stakeholders really count. Their model offers a framework to assess. They identify classes of stakeholders by their possession or attributed possession of the following attributes: power, legitimacy and urgency. The less attributes the stakeholder possesses, the lower its saliency is. Power is the extent to which a stakeholder can influence the organization. Legitimacy is a generalized perception that the actions of an organization are desirable, proper, or appropriate within system of norms, values and beliefs. Urgency is the degree to which a stakeholder's stakes calls for immediate attention because of its time-sensitive nature and its importance to the stakeholder. The more attributes a stakeholder has, the more important it is. In consequence, managers should pay attention to these who really count.

As stakeholder theory cannot be regarded as a fully-fledged framework, other theories are used to develop it. Some scholars suggest that understanding stakeholder management requires integrating different theories, such as institutional, resource dependence, resource based view and organization cognition (Agle, Mitchell, Sonnenfeld 1999, p. 507-525; Eesley, Lenox 2006, s. 765-778; Mitchell, Agle, Wood 1997, p. 853-886; Harrison, St. John 1997, p. 12-13). Firstly, there are similarities between and stakeholder theory and resource dependence theory. They both consider interdependencies of an organization and its stakeholders. Stakeholders regularly place competing claims on the organization's resources (Freeman 1982, s. 1-32; Hosseini, Brenner 1992, p. 99-119). Stakeholders may have different opinions about how or where human, financial and organizational resources should be utilized. Secondly, resource-based factors (i.e., dynamic and nondynamic capabilities) and cognitive factors

(i.e., interpretations of urgency and manageability) affect the extent to which organizations accommodate interest group pressures (Scott, Ofori Dnkwa, Justis 2008, pp. 963-984). Pfeffer and Salancik (2003) also point out that theories which emphasize the importance of environment neglect processes of gaining resources.

3. Stakeholder management in public hospitals

Stakeholder theory may be characterized as instrumental, since an organization is at the center of a network of stakeholders (Barringer and Harrison 2000, p. 367-404; Rowley 1997, p. 887-910). The primary assumption is that firms that meet interests of a broad group of stakeholders enjoy higher levels of performance than firms that focus primarily on one or a few stakeholders (Donaldson, Preston 1995, p. 65-91; Jones 1995, p. 404-437).

The essence of such approach is proposing the dilemma which managers face in determining which stakeholders are crucial and how to recognize them. Probably the most popular is a stakeholder salience model proposed by R.K. Mitchell, B.R. Agle, D.D. Wood (1997) which was mentioned before. However, such an approach to the problem of managing relations with stakeholders causes those stakeholders who do not affect the organization (and who may be affected by the organization) to be omitted, while those who can exert such an influence are recognized. This phenomenon is considered to be a weak point in organization-oriented managing relations with stakeholders.

Another view on managing stakeholder relationship was proposed by M.Banks and D.Vera (2007). At the core of their proposal, there is the assumption that an organization is a kind of contract between the interests of cooperation and competition, and an organization (a commercial company) which manages relationships can achieve better financial results, *ceteris paribus*. Thus, an organization is a set of contracts, which are a metaphor for an organization and its stakeholders. The contract with a stakeholder may take the form of an economic transaction, an exchange of values and knowledge, formal documents, expectations of fair treatment, etc. An organization may have several contracts with a particular group of stakeholders. The strategy of managing relations with stakeholders is captured in the behaviour aimed at seeking, the character of which might be described as *ex ante*, and response processes, the nature of which might be referred to as *ex post*.

The *ex ante* strategy applies to the phase of deciding whether to enter a contract with a stakeholder. This choice is related to the deployment of resources

in activities aimed at searching for stakeholders, gaining information about potential relationships, reorientating existing relationships, which altogether implies learning and using knowledge. Therefore, one might refer to the concept of exploration and exploitation, as made familiar by the theory of organizational learning, in which exploration is understood as volatility, radical change, long-term orientation, and exploitation - as efficiency, incremental change, and short-term orientation.

The ex post strategy is concerned with the choices made after establishing formal or informal contract between a stakeholder and an organization, or the answer to the problem of response to the stakeholders' expectations. Ex-post strategy may take the form of a proactive or reactive activities. Proactive behavior is characterized by seeking solutions to problems in relationships before they become visible, encouraging stakeholders to participate, and extending the range of contract, by including cooperation and confidence building in it. Reactive behaviour is characterized by taking action connected with the relations with stakeholders in response to problems that may arise, minimizing investments in contacts, fulfilling only the basic contract obligations. In other words, the ex post strategy defines how to respond to stakeholders' requests, allowing for an organization's resources (and their limited availability).

Organizations should both allocate their resources in exploitation to ensure current viability, and in exploration, which, in turn, is supposed to ensure future viability. Therefore, a strategy should combine (1) exploration and adaptation to future stakeholder environment, (2) exploitation and adjustment to current environment. When the parameters of the environment are known, a response to stakeholders' needs is requisite. The ex-post strategy contains a number of choices as how to manage contracts with stakeholders and their demands. In the ex post and ex ante strategy framework, organizations should be able to use both their dimensions: exploration and exploitation, proactive and reactive activities. It is necessary to allocate resources in exploitation in order to ensure current efficiency, but also in exploration, to ensure future success. Organisations must therefore look for both new contracts and expand existing ones, and the task of leadership is to create a strategy that combines exploration and adaptation to future stakeholder with exploitation and adjusting to the current environment. Similar relationships apply to the dimensions of the ex post strategy. Organizations should use various possible strategies, depending on the situation. Leaders face a challenge of making a strategy fit to both the resources of an organization, and the importance of various stakeholders (Banks, Vera 2007).

4. Research findings¹

To analyse the stakeholders management strategies and impact of the resources owned by stakeholders on the strategy formulation, we conducted quantitative research that was carried out in February-June 2011 on a target sample comprising 93 Polish public hospitals.

The questions regarding the use of ex post and ex ante strategies were placed on a continuum (from 1 to 7). On the left side of the scale (1) there were exploitative and proactive behaviors, and on the right – explorative and reactive (7). Table 1 and 2 present average assessment of stakeholder relationships strategies with different stakeholders and descriptive statistics for aggregated ex ante and ex post strategies.

Findings of the empirical research show that on average, public hospitals take actions that are more exploitative and proactive than explorative and reactive. In other words, participation of stakeholders and building trust are important values for developing existing contracts (relations). Explorative actions were taken only in relations with doctors and patients. In the first case it may be explained by the pressure to achieve results in the short term which may be due to employment problems usually connected with pay expectations. In the second case, as new patients appear, there is a necessity to build new relationships. The exception in area of ex post strategies relates to pharmaceutical companies. Application of reactive actions may be due to the high level of competition in the pharmaceutical market which gives an advantage to the hospitals.

Table 1. Average assessment for the ex ante strategy of managing relationships with key stakeholders

Variable	Doctors	Patients	NFZ (NHF)	Founding body	Pharmaceutical companies
Orientation on existing relationships vs searching for new relationships	3.96	4.38	3.41	3.01	4.68
The pressure to achieve results in the short term vs in the long term	4.41	3.99	4.05	4.16	3.23
Searching for relationship with a high level of confidence vs. increased risk	3.90	3.81	3.78	3.53	3.09

¹ Results that are presented in his article are part of research project: „Stakeholders analysis in managing public organisation” conducted in the Department of Public Management and Social Sciences, University of Economics in Katowice

ex ante strategies (aggregated)	4.09	4.06	3.75	3.57	3.66
Proactive vs. reactive response to problems	3.95	3.98	4.02	3.95	4.37
Deep vs. shallow relationships with stakeholders	3.22	3.63	3.46	3.16	3.73
Enriching co-operation vs stable range of relationship	3.09	3.62	3.33	3.31	3.76
Enriching relationships with trust-building vs. keeping the scope of cooperation	3.53	3.77	3.74	3.59	4.22
ex post strategies (aggregated)	3.44	3.75	3.64	3.50	4.02

Source: own research

Table 2. Descriptive statistics for the ex ante and ex post strategies of managing relationships with stakeholders

Variable	Number of respondents	Mean	Median	Minimum	Maximum	Standard deviation
Ex ante strategies (aggregated)	93	3.83	3.73	2.20	6.67	0.94
Ex post strategies (aggregated)	93	3.67	3.75	1.00	5.95	0.94

Source: own research

The interest of conducted research was also do discover motivations for relationships with stakeholders groups in the context of resources. A 7-item scale was used.

While analysing the motives for enhancing the status of employees as a stakeholder group, the area of human resources is to be given special attention to, as the field which can be enriched by investment incurred. Subsequently, a possibility of increasing financial resources was pointed out to, which can be explained by the dependence of the level of contracting upon medical staff and its quality.

Table 3. The resources linked with investment in relations with employees

Variable	Number of respondents	Mean	Median	Dominant	Standard deviation
Human Resources	83	5.82	6	6	1.33
Financial Resources	83	4.06	4	Multiple	1.60
Material resources	83	3.37	3	3	1.43
Organizational resources	83	3.61	4	3	1.61

Source: own research

Investing in infrastructure in order to improve the comfort of patients is, according to the respondents, supposed to trigger an increase mainly in the group of material resources, which seems obvious, but it is also expected to make the working environment more attractive for doctors (human resources increase), and to increase the level of funding for the hospital.

Table 4. The resources linked with investment in relations with patients

Variable	Number of respondents	Mean	Median	Dominant	Standard deviation
Human resources	89	4.36	4	6	1.58
Financial resources	89	4.31	4	5	1.69
Material resources	89	4.70	5	5	1.53
Organizational resources	89	4.03	4	4	1.71

Source: own research

The respondents expect that investing in the development of new services shall bring the greatest return in the area of financial resources, and therefore improve the contract with the National Health Fund (NFZ). The area of human resources was also highly evaluated, therefore, in the opinion of the respondents, the development of services allows to create new job posts, and may also increase the quality of staff competence.

Table 5. Resources linked with investment in relation with the National Health Fund (NFZ)

Variable	Number of respondents	Mean	Median	Dominant	Standard deviation
Human resources	91	4,82	5	5	1,60
Financial resources	91	5,09	5	Wielokr.	1,33
Material resources	91	4,71	5	6	1,52
Organizational resources	91	3,93	4	4	1,68

Source: own research

Taking the expectations of a founding body into account, manifested in the form of increasing the level of supplementary capital, is supposed to result mostly in an improvement of a financial situation. Human resources proved to score the lowest in this respect.

Table 6. Resources linked with investment in relations with a founding body

Variable	Number of respondents	Mean	Median	Dominant	Standard deviation
Human resources	62	3,02	3	2	1,60
Financial resources	62	4,10	4	Wielokr.	1,84
Material resources	62	3,69	4	4	1,81
Organizational resources	62	3,55	4	5	1,83

Source: own research

On average, in the respondents' opinion, investing in relationships with pharmaceutical companies is not expected to cause an increase in virtually any group of resources except from low expectations about material resources.

Table 7. Resources linked with investment in relations with pharmaceutical companies

Variable	Number of respondents	Mean	Median	Dominant	Standard deviation
Human resources	61	2,89	3	1	1,69
Financial resources	61	3,48	4	5	1,73
Material resources	61	3,74	4	5	1,79
Organizational resources	61	3,16	3	1	1,69

Source: own research

The aim of research was also to establish how important an estimated growth in the resources critical to the functioning of the public hospital was for respondents, when they assigned values to particular stakeholders. In other words, the dependencies between actions that are aimed at satisfying stakeholders and resources were examined. Respondents were asked to decide how they would allocate financial surplus taking into consideration different areas connected to expectations of different stakeholders which should give the hierarchy of the stakeholders. Than it was possible to correlate hierarchy with managers' expectations in terms of resources. The analysis of the responses indicates that, on the whole, the hierarchy of areas and the resources are not correlated.

Table 8. Correlations of the rankings of the allocated amounts with resource groups

	Correlation coefficients statistical significant correlations are in bold p=0.05			
	Human resources	Financial resources	Material resources	Oragnisational resources
Employees	N=83			
	0.18	0.17	0.11	-0.17
NFZ	N=89			
	0.03	0.15	0.05	0.12
Suppliers	N=91			
	-0.07	-0.02	0.04	0.10
Patients	N=62			
	0.18	0.25	0.11	0.04

	Correlation coefficients statistical significant correlations are in bold p=0.05			
	Human resources	Financial resources	Material resources	Oragnisational resources
Employees	N=83			
	0.18	0.17	0.11	-0.17
NFZ	N=89			
	0.03	0.15	0.05	0.12
Suppliers	N=91			
Founding body	N=61			
	0.03	0.03	0.03	0.12

Source: own research

The only significant correlation applies to patients and financial resources. It may be interpreted in the following way: managers believe that investment in relationships with patients may bring rise in financial resources, which is consistent with logic of healthcare market operating where “money follows the patient”.

5. Conclusions

Public sector organisations have a sufficient influence to win political legitimization and resources to finance their operations (Rainey 1997). If key stakeholders are not satisfied, at least to a minimal degree, by their standards, it will only be natural that an organisation’s budget and operations will be cut, which will lead to redundancies and abandoned initiatives. Organizations that adopt stakeholder management principles probably better satisfy their constituent needs and balance their interests, which results in higher capacity of goal achievement (Freeman 1984).

On the basis of the analysis of answers to the questions about applied stakeholder management strategies, it might be said that the majority of respondents sought to apply actions for both discussed strategies to a similar extent, where actions are on average slightly more exploitative and proactive. There is no strong, unequivocal orientation. Interpretation of this results needs taking more extensive research.

To understand motivations for stakeholders management, Resource Based View and Resource Dependence Theory were applied. The underlying

assumption is that managers analyse hospital resources and capabilities and look for relationships with these stakeholders that may result in gaining valuable resources necessary for their operating. One could expect that managers would be interested in investing more in relationships if they believe to gain valuable resources. Yet, this research doesn't support such an assumption. Although stakeholders have valuable resources that determine the operating of public hospitals, managers do not expect to increase the value of different resources through managing stakeholders. The first explanation may be that managers do not see relationships between satisfying stakeholders needs and possibility of gaining resources they need. The other explanation is that managers in public hospitals take decisions about relationships with stakeholders regardless of their resources because there are more important aspects. Thus, the proposal of R.K. Mitchell, B.R. Agle, D.D. Wood (1997), to consider stakeholder relationships on the basis of their power, may not be valid for public hospitals. Taking into consideration mission of public hospitals, relationships with key stakeholders should be perceived as valuable resource irrespective of their usefulness. In this case, some other framework for analysing actions towards stakeholders may be needed. Strategy of hospitals can take one of two forms: hospitals may respond retroactively with short-term and emotional solutions, which are usually expensive, or they can develop long-term strategic approach, in which organizations are transformed into rational and community-based systems. They can be more active in developing contracts with stakeholders, or focus on existing contracts. Therefore, analysing ex ante and ex post strategies may bring more understanding to the problem of stakeholders management in the public hospitals.

Summary

Stakeholders management in public hospitals - from stakeholders management to stakeholders relations

Public sector organisations have a sufficient influence to win political legitimization and resources to finance their operations by satisfying their stakeholders. Organizations that adopt stakeholder management principles probably better satisfy their constituent needs and balance their interests, which results in higher capacity of goal achievement. The question of what initiatives were undertaken by public sector organisations to manage different stakeholders, and what were their motivations is still unanswered. The aim of this paper is to understand how

stakeholder groups are being recognized in the public hospitals' decision-making in context of resources.

Keywords: *stakeholders, resources, healthcare*

Streszczenie

Zarządzanie interesariuszami w szpitalach publicznych - od zarządzania do relacji z interesariuszami

Organizacje sektora publicznego podejmują działania w celu zapewnienia legitymizacji dla swoich działań i pozyskania zasobów potrzebnych do finansowania ich działalności. W tym celu zaspokajają oczekiwania kluczowych interesariuszy. Organizacje, które zarządzają relacjami z interesariuszami mają większą szansę na osiągnięcie swoich celów. Natomiast nie jest jasne jakie dokładnie działania są podejmowane przez organizacje sektora publicznego w celu zarządzania relacjami z interesariuszami i jakie są ich motywacje. Celem artykułu jest zaprezentowanie w jaki sposób podejmowane są decyzje związane z interesariuszami w odniesieniu do zasobów.

Słowa

kluczowe: *interesariusze, zasoby, ochrona zdrowia*

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