STAKEHOLDER'S ROLE IN HEALTHCARE SERVICES AND NEW INFORMATION TECHNOLOGY

Ana Maria Bobeica[1]

Abstract

The purpose of this study on "stakeholder role in healthcare services" is to facilitate our understanding of increasingly unpredictable external environments, thereby facilitating our ability to manage within these environments whether as the Marketing or the IT Manager decision roles.

There is agreement in the literature concerning the major steps involved in stakeholder analysis:identification of stakeholder groups (e.g., employees, owners, communities, customers); determination of the stakeholders' interests; and evaluation of the type and level of stakeholder power or salience.

Managers perceive the stakeholder to posses, thereby is producing seven categories of relative salience according to the number of attributes: urgency, legitimacy and power.

The study is based one is a very comprehensive and internationally accepted classification of "stakeholder" based on Mitchell Theory 1997 with a broad review of five leading general management journals (Academy of Management Journal, Academy of Management Review, Journal of Management, Organization Science, Strategic Management Journal) and of two journals in the social issues in management field (Business & Society, and Business Ethics Quarterly).

It identifies and repositions the role of the CIO (Chief Information Officer) in the internal structure of the company regarding the stakeholder's interests and purposes.

Keywords: stakeholder theory, management perspective, healthcare marketing, information technology

I. Literature Review

Stakeholder definition

A. Broad or Narrow view

Identifying stakeholders is a difficult thing because we don't know exactly who they are until we search the literature. Unfortunately the stakeholder literature offers a variety of theoretical classification models.

This section analyzes the prevailing classification models in the light of their prospects for actually identifying stakeholders. From our perspective on stakeholder identification as explained in the introduction, we consider the following points relevant for this analysis.

[1] PhD Student in Marketing Faculty of Marketing, Academy of Economic Studies, e-mail: a_bobeica@yahoo.com

A good way to start the analysis of the classification is the *definition of Freeman*: "*a stakeholder in an organization is (by definition) any group or individual who can affect or is affected by the achievement of the organization's objectives*". Regarding the efficacy of some kind of classification, the "Freeman definition" clearly represents a broad view on stakeholders, which is, according **to Mitchell et al.** based on the "*empirical reality that companies can indeed be vitally affected by, or can vitally affect, almost anyone*".

Particularly Mitchell et al. indicates the importance of setting boundaries when applying a classification because it should not be too difficult to make a list of stakeholders who fall into these two categories but difficult to bind or delineates the two categories.

The "Freeman definition" in last year's management literature is usually cited as a starting point for a **narrow view** on stakeholders categorized by "determiners" and "affected". Just a few examples of these categorizations are stakeholders who have "potential for collaboration" and stakeholders who have "potential for threatening" (Blair and Whitehead, 1988), "fiduciary and non-fiduciary" stakeholders (Goodpaster, 1991), "primary and secondary" stakeholders (Clarkson, 1995) or "voluntary and involuntary" stakeholders (Clarkson, in Mitchell et al., 1997).

Rowley one important authors in the literature pointed that "*although debate continues over whether to broaden or narrow the definition, most researchers have utilized a variation of Freeman's concept.*" But there are some issues which in point of particularly in terms of delineation, remain unresolved. For example, for an organization, dealing with the problem of identification, it still is an important issue.

Major differences between broad and narrow view

Narrow views of stakeholders are based on the *practical reality of limited resources*, limited time and attention, and limited patience of managers for dealing with external constraints and these couple of theories also reborn after the economical crises.

Several scholars define stakeholders in terms of their necessity for the firm's survival but a few other scholars rearrange the field in terms of their *moral claims*. They say that the essence of stakeholder management should be the firm's participation in creating and sustaining moral relationships.

In any case, we see those favoring a narrow definition of stakeholders as searching for a "normative core" of ***legitimacy*** so that managers can be advised to focus on the claims of a few legitimate stakeholders. *The broad view* in contrast is based on the empirical reality that companies can indeed be vitally affected by, or they can vitally affect, almost anyone.

The idea of comprehensively identifying stakeholder's types, then, is to equip managers with the ability to recognize and respond effectively to a disparate, yet systematically comprehensible set of entities that may or may not have legitimate claim.

That is, *managers* want to know about all of their stakeholders for firm centered purposes of survival, economic well-being, damage control, taking advantages of opportunities, "doing in" the competition, winning friends and influencing public policy coalition building and so on.

B. Direct or Indirect

The literature offers several processes for differentiating stakeholders one of that is Clarkson's 1995 which divides stakeholder groups into *primary* and *secondary*. The idea is based in the fact that the corporation depends on the primary stakeholders for its survival, while secondary groups are not essential but have influence or are influenced by the corporation.

Prioritization theory

After a profound research we identified ***Mitchell 1997 theory*** to be the most comprehensive regarding *stakeholder's identification*. This idea was also in the center of numerous research papers, some of more *recent interest* is who analyze Mitchell's theory.

Therefore, the authors suggest that we need to evaluate stakeholder-manager relationships systematically, both actual and potentially, on terms of the relative absence or presence of all or some of the attributes: *power, legitimacy, and/or urgency.*

Mitchell et al (1997) justify the three attributes from the literature, noting many stakeholder scholars who contend that stakeholder selection is often based solely on the legitimate claims of potential stakeholders, which reduces the importance of power and urgency.

Mitchell et al define **power** *''as the extent to which a party has or can gain access to coercive, utilitarian, or normative means, to impose its will in the relationship'(Freeman 1984, Jones 1995, Kreiner&Bhambri 1988, Dahl 1957, Pfeffer 1981, Weber 1947).* **Legitimacy** is defined as *''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 1995, Weber 1947)* **Urgency** is defined *''as the degree to which stakeholder claims call for immediate attention''(Merriam- Webster Dictionary).*

II. Management Role: Introduction in the theory of Salience

Although groups can be identified reliably as stakeholders based on their possession of *power, legitimacy and* urgency in relationship to the firm, it is the *firm's manager* who determine which stakeholders *are salient* ant therefore will receive management attention.

Prioritizing claims will allow management to position their forces and allocate resources in a systematic response. *Mitchell et al (1997)* strongly state that *management's perspectives dictate stakeholder salience.*

The manager's perspective can be influenced by situations like crisis, development, financial responsibility and entities related with the company like shareholders, employees, customers, government and communities.

In that case, the priority given to one stakeholder over another is valid only from a *managerial perspective*, which could be problematic in the context of social and environmental responsibility. The literature suggests that if *managers* alone determine stakeholder salience, then attention to those groups or individuals representing social and environmental concerns depends upon two factors.

In the first instance, management's internalization of some social or environmental issue or the firm's moral commitment to uphold stakeholders' interests influences strategy and financial performance. In the second instance, managers take a strategic approach, responding to stakeholder pressure and only when such action could result in financial gain (Berman, Wicks, Kotha and Jones 1999; Winn 2001).

The *Salience model* applies *the Mitchell et al theory* because it meets several requirements suggested in the literature and described above: it allows for site-specific influence, it offers a finer-grained typology than generic groups and it is normative as well as descriptive (Russell R. Currie, Franz Wesley, (2009)

Salience by definition is described as the degree to which managers give priority to competing stakeholder claim.

Managers perceive various stakeholder groups differently. They give them high level of urgency if they believe the stakeholder has a legitimate right which calls for immediate action (i.e. urgent) and possesses the power to influence the dynamic of the organizations or activity it runs.

III. Stakeholder typology

Mitchell et al (1997) present their theory in a *Venn diagram* of three sets, with each set representing one of the three attributes. All groups or individuals gain salience in stakeholder status depending upon the cumulative number of stakeholder attributes: **the greater the number of attributes the higher the salience of the stakeholder.** In the *Venn diagram*, then, the more sets to which the stakeholder belongs, the greater the salience. (Russell R. Currie, Franz Wesley, (2009))

Stakeholders possessing only one attribute are termed ''**latent stakeholders''; with two attributes**, ''**expectant stakeholders''**; and with all three attributes, **''definitive stakeholders''.**

Entities perceived as having none of the three attributes will not be stakeholders and have no salience. Depending upon the number and type of attribute, the stakeholders' needs are different as is their ability to influence the management of the development.

Latent stakeholders

Key sentence: "Stakeholder salience will be low where only one of the stakeholder

attributes –power, legitimacy, and urgency – is perceived by managers to be present"

1. Dormant stakeholders

The relevant attribute of a dormant stakeholder is ***power***. Dormant stakeholders possess power to impose their will on a firm, but by not having a legitimate relationship or an urgent claim, their power remains unused. Example: employees who have been fired.

2. Discretionary stakeholders

Discretionary stakeholders possess the attribute of *legitimacy*, but they have no power to influence the firm and no urgent claims. Example: Schools, soup kitchens and hospitals who receive donations and volunteer labor.

3. Demanding stakeholders

Where the sole relevant attribute of the stakeholder-manager relationship is *urgency*, the stakeholder is described as "demanding". For example: a picketer who marches outside the headquarters of a company with a sign that says: "the end of the world is coming. Your company is to blame on..."

Expectant Stakeholders

Key sentence: "Stakeholder salience will be moderate where two of the stakeholder attributes – power, legitimacy, and urgency – are perceived by managers to be present"

1. Dominant stakeholders

In this situation where stakeholders are both powerful and legitimate, their influence in the firm is assured, since by possessing power with legitimacy, they form the "dominant coalition" in the enterprise (Cyert&Mart, 1963). The general characteristic of these stakeholders is dominance, in deference to the legitimate claims they have upon the firm and their ability to act on these claims. For example, corporate boards of directors generally include representatives of owners, significant creditors, human resources department, and public affairs offices. In addition, corporations produce reports, proxy statements to legitimate, powerful stakeholders including annual reports, proxy statements.

2. Dependent stakeholders

Stakeholders who lack power but who have urgent legitimate claims are "dependent", because they depend upon others (other stakeholders or the firm's managers) for the power necessary to carry out their will. Example: Oil Company and safety environment. Dependent stakeholders: local residents, marine mammals and birds, or even the natural environment. They depend upon stake government and court system to provide guardianship of the region's citizens, animals and ecosystem.

3. Dangerous stakeholders

Mitchell suggests that where urgency and power characterize a stakeholder who lacks legitimacy, that stakeholder will be coercive and possibly violent, making the stakeholder "dangerous", literally to the firm. Examples of unlawful, yet common, attempts at using coercive means to advance stakeholder claims include: wildcat strikes, employee sabotage and terrorism.

Definitive Stakeholders

Key sentence: Stakeholder salience will be high where all three of the stakeholder attributes – power, legitimacy and urgency – are perceived by managers to be present.

By definition when a stakeholder expresses both the attributes of *power* and *legitimacy* already is part of a dominant coalition. When such a stakeholder right is urgent, managers have a clear and immediate mandate to attend to and give priority to that stakeholder's claims.

For examples stockholders of IBM, General Motors and American Express became *aware* when they felt their legitimate interests and causes were not being served by the managers of their companies. A sense of urgency was felt and the managers were removed.

IV. Limitation of the theory by Mitchell

Possible limitations: *identifying stakeholders despite the dynamic nature* of their position (they try to acquire new attributes by varying means: coalition building, political action, social persuasion and economic dependence). *Another limitation of the theory is the lack of quantifiable measurement* for the attributes etc.

A *previous study tested the theory*, finding strong support for the relationship between the three attributes described above and salience ***(Agle et al 1999).*** While that study supports the descriptive nature of the theory, its normative elements suggest potential for application in an objective sense.

V. Stakeholder's role in healthcare services

In healthcare services we may find the typology of stakeholders described above: *government, local authorities, public sector, pharmaceutical companies, private foundations* etc. **We can identify by *latent stakeholders* as:** employees who have been fired, OSPITAL –Foundation sector, ***expectant stakeholders*:** private healthcare institutions managed by a committee or board of directors, *definitive* ***stakeholders:*** conflict between managers and board of auctioneers etc.

Managers Role in Crisis Management

According to the *Institute for Crisis Management*, a recent list of crisis industries included medical/surgical manufacturers, software manufacturers, pharmaceutical manufacturers, telecommunication companies, computer manufacturers, commercial banks etc.

In the event of a crisis, an organization must have formal guidelines and procedures for communicating to employees, as well as the general public.

Scholars have noted the importance ***of an organizational crisis management team.***

A crisis management team may consist of individuals from senior administration, technical operations, public affairs, public relations, consumer affairs, investor relations, and advertising. In other words, *the crisis management team* should involve personnel from *all* departments within the organization directed by ***the manager as a key leader.***

An important factor that may influence the effectiveness of a crisis management team is the *style of leadership of the management.*

Other scholars have also noted characteristics of a manager as a ***charismatic leader and a visionary one.***

Marketing managers and Stakeholders

The Marketing Manager decisions regarding marketing policies can be affected by the interest of stakeholder's when they want to take decisions which may influence: the company's *strategy, publicity and contractors, rebranding and public image, budgeting and government* and much more. Marketing is all about stakeholder communications, whether the stakeholders are customers, shareholders or employees of the organization.

This is why the Healthcare Marketing Managers have to be part of the Management Board of Directors, communicate decisions and plans long before putting them into practice and implying the Community when taking decision affecting Community and using also the full potential of the Communication Strategy. Placing the customer and stakeholder at the centre of the communications plan it is become more critical at a time when integrated marketing communication is the key to success.

VI. Stakeholder and New information technology

The CIO: part of the New Management Team

Over the past decade the role of information technology (IT) has evolved from a supporting role to an increasingly strategic role with the full potential to provide a competitive advantage and increase shareholder wealth because of the high advance in technology and Internet. *(Detlev Smaltz, V. Sambamurthy and Ritu Agarwal)*

In fact, *Mata, Fuerst, and Barney* suggest that managerial IT skills have the most significant potential to create sustained competitive advantage inside an organization while many organizations have created an executive position to manage IT -- the chief information officer (CIO) in connection with stakeholder's interest.

In the healthcare sector, the current threat revolves around the **health information security** (a strategic unit and importance) and privacy, building a healthcare industry organizational model, an integrated delivery network and a unique set of applications: **the integrated computer-based patient record**. *(Detlev Smaltz, V. Sambamurthy, Ritu Agarwal)*

The specific literature focuses on specific CIO roles with the CIO's ***four key role dimensions****: technologist, enabler, innovator, and strategist*. (McLean & Smits) It is suggested that there is a dynamic nature to these roles: the lower function roles are the *technologist and enabler* roles and the more strategic roles: *innovator or strategist* with higher expertise.

Therefore the CIO has to be part of the top management team interacting with the stakeholder's interest and plans.

The research suggested that there is a 0.9 probability that a CIO's longevity and perceived effectiveness in healthcare organizations is dependent upon acceptance as an integral part of the organization's executive management team. Also the lack of full acceptance by executive minimizes the

CIO's influence and affects the IT department's ability to address key issues. Also membership on the top management team provides the CIO with regular opportunities for engagement with other top managers and be perceived as being effective in addressing the firm's salient IT management and use challenges. *(Detlev Smaltz, V. Sambamurthy, Ritu Agarwal)*

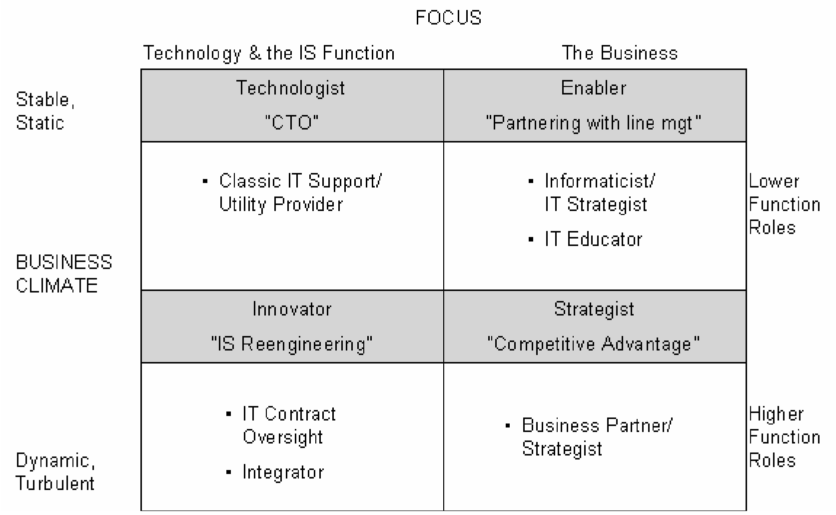

Figure 1 – Mapping of 6 Roles
Source: *McLean and Smit's*

In the figure above, 6 distinct CIO roles are found operational for healthcare service delivery organizations:

[1]. classic IT support/utility provider,
[2]. informatics/IT strategist,
[3]. IT educator,
[4]. IT contract oversight,
[5]. integrator
[6]. business partner/strategist

The investigation of *McLean and Smit's* suggests that the healthcare organizations need to hire potential CIOs that possess political and communication skills as well as high levels of both business and IT knowledge in order to serve well the company and also the community of stakeholders that the company has.

VII. Conclusion

The purpose of the research was to explore the benefits of incorporating stakeholder theory and application to the feasibility analysis of a future view in *healthcare system management, especially integrating the roles of the Marketing Manager and the Chief Executive Officer.*

Determining stakeholder orientation using the three attributes of *power, legitimacy and urgency* is beneficial in a number of ways: providing common language based on defined characteristics which multiple project leaders can discuss with stakeholder further; it clearly delimits stakeholders allowing for informed predictions where stakeholder relationships are often undetermined etc.

In the Healthcare Management System an important role is played out by the Chief Executive Officer and his relations with the Stakeholders urged by the high development in technology of the last decade.

The 6 distinct CIO roles are important in relation with the higher management. The future predicts an integrated role of Marketing and CIO leaders which drives the company and their stakeholders to a more professional relation in the benefit of all the parts involved.

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