

# UPRAVLJANJE INTERESNO-UTJECAJNIM GRUPAMA U ZDRAVSTVENOM SEKTORU: ANALIZA ODABRANE ORGANIZACIJE

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# STAKEHOLDER MANAGEMENT IN HEALTHCARE: A CASE STUDY

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*In this paper, stakeholder management in healthcare viewed as a complex adaptive system has been examined on the example of the Clinical Institute of Clinical Chemistry and Biochemistry operating at the University Medical Centre Ljubljana, Slovenia. The goals of the study were to determine the nature of the stakeholder management in the chosen organization, followed by the analysis of challenges, benefits and influence on its performance as a driver for its transformation. Stakeholders were examined according to the following categorizations: primary and secondary stakeholders and real stakeholders, stakewatchers and stakekeepers. Their power, legitimacy and urgency was analyzed next, followed by examining the accepted stakeholder model. It has been determined that effective stakeholder management should be based on continuous learning of all stakeholders and about all relevant stakeholders. In this regard, good quality stakeholder management has been identified as the major input for the organization's knowledge management followed by organizational learning as a means toward achieving the goal of long-term viability. Considering the fact that there are few studies regarding stakeholder management in public organizations, this study serves to fill this gap.*

**Keywords:** *stakeholders, stakeholder management, organizational learning, Clinical Institute of Clinical Chemistry and Biochemistry.*

## 1. Introduction

Healthcare organizations integrate a wide array of stakeholders such as hospitals, laboratories, physicians and other medical staff, patients, insurers, suppliers, the government and the media to provide solutions to various health-related issues and challenges. Their alignment is a dynamic process based on the intention of all parties to establish collaboration based on the sense of commitment to certain goals and strategic directions. A higher degree of stakeholder alignment enables a more efficient and effective coordination of activities and completion of the shared goals. Good stakeholder management is especially important because value

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provided in health care is expressed in terms of quality, clinical efficacy and effectiveness, patient centeredness, patient satisfaction, timeliness, clinical efficiency, cost-effectiveness, productivity, affordability, and cost.<sup>3</sup> However, their relationships are characterized by heterogeneity, difference in the level of involvement, trust, respect, leadership styles and approaches to conflict management. The key barrier to establishing alignment is the question of mutual goal alignment, which is a dynamic process dependent of results of the negotiation process among the involved stakeholders. However, the process of mutual alignment is an opportunity to share knowledge, skills and perspectives that could improve the capacity of all stakeholders to achieve both individual and collective goals. That is why effective stakeholder management and stakeholder orientation is key to the development of multifaceted systems such as healthcare organizations facing ever increasing societal expectations.

In this paper, we have focused on stakeholder management in the Clinical Institute of Clinical Chemistry and Biochemistry operating at the University Medical Centre Ljubljana, Slovenia. Besides examining challenges and obstacles to stakeholder management, the purpose of this paper was to investigate effects and benefits of the stakeholder management on its performance. Interpretative approach in terms of a case study was used to capture contextual complexities of stakeholder relations with regard to the examined organization. The paper addresses the following research questions: *RQ1: What is the nature of stakeholder management in the examined healthcare organization? RQ2: What challenges does the examined healthcare organization face in its stakeholder management? RQ2: What are the benefits of implementing stakeholder management for the examined healthcare organization? RQ3: Does stakeholder management enable transformation and development of the examined healthcare organization and to what extent?*

Stakeholder theory has been mostly examined in the context of large, publicly held multinational corporations to enable exploration of the multitude of stakeholders' interests, influences and perspectives. Relatively less attention has been dedicated to its exploration in the context of other organizations such as SMEs, partnerships and alliances, non-profit organizations and public organizations. By focusing on examining the postulates of the stakeholder theory in the Clinical Institute of Clinical Chemistry and Biochemistry, this research serves to fill this gap.

## **2. Healthcare as a complex adaptive system**

Critical evaluation of modern organizational practices and determination of their future strategic directions could be achieved by applying the principles of systems and strategic thinking. The reason lies in the fact that modern organizations are complex adaptive systems continuously in the interaction with their stakeholders with which they form tight or loose connections depending on the circumstances. That means that priorities can shift, resources get reallocated, scope of work becomes broader or narrower etc. However, societal systems are being developed as intelligent learning systems that achieve excellence by continuously improving the processes of organizational learning and knowledge management in their

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<sup>3</sup> Price, C. P.; St John, A. (2016) The Real Value of Laboratory Medicine, Laboratory Reflections, July 2016

relations with various stakeholders in the pursuit of integrative solutions.<sup>4</sup> In that way, their activities are mostly emergent rather than fully planned and dependent on interactions with their internal and external environment.

Similarly, decomposition and partial adjustments of component elements of societal systems introduced by will or by force as a means of analysis and improvement are doomed to failure because the best design of a specific element might not be the best solution within the functioning whole. The functioning of societal systems is based on synergy which requires optimal functioning of component elements as well as optimal functioning of the whole based on the established relations between component elements that serve as a means of resource and information exchange. The problem is manifested to a lesser degree when the system is governed by an authority with the power to impose solutions to behavioral problems. However, most societal systems are self-organizing without an authority in charge that could solve problems of structural and behavioral variety.

Healthcare could be described as a complex adaptive system based on the review of the following characteristics.<sup>5</sup> It is composed of independent agents (mentioned previously) whose goals and behavior are primarily driven by their own welfare concerns, which makes conflict a likely occurrence in their interactions. Its functioning is socially conditioned in terms that a certain level of healthcare is to be provided (which is the higher goal) so the interaction of component elements is based on dialogue, negotiations and mutual adaptation. Continuous adaptation is based on intelligent behavior of component elements. Intelligence of health care constituents is based on the process of individual and organizational learning, which is based on experience and continuous knowledge acquisition. The behavior of component elements is based on self-organization, which is based on learning.

Its behavioral characteristics are also not predetermined but are of emergent nature. That is why in the process of adaptation constituents could transcend their initial perspective. Their behavior is non-linear and dynamic, it never reaches a fixed-equilibrium point and could appear random or chaotic. The direction of healthcare activities is influenced by a number of factors: breakthrough or incremental innovations in methods and means of care, social factors such as aging of the population, economic factors such as recession or prosperity, cultural factors such as inclination toward certain care modalities and political factors such as dominance of a political party. There is no single point of control. This property contributes to the healthcare system's propensity to be influenced by the component elements, which also makes all other constituents adjust to the newly emerging behavioral patterns. For example, breakthrough innovations in healthcare make the state reconsider previous guidelines regarding the behavior of other constituents as well as the financial framework of the system. Similarly, increasing health concerns in the population require adjustments of healthcare capacities, approach and financing. To enable a more efficient and effective adaptation of healthcare as a complex system, the results of a thorough stakeholder analysis could be of significant importance and benefit.

<sup>4</sup> Rupčić, N. (2018) Complexities of learning organizations – addressing key methodological and content issues, *The Learning Organization*, Vol. 25, No. 6, pp. 443-454

<sup>5</sup> Rouse, W. B. (2000) Managing complexity: disease control as a complex adaptive system, *Information • Knowledge • Systems Management*, Vol. 2, No. 2, pp. 143-165

### 3. Stakeholder analysis – an overview

Stakeholder analysis is aimed at examining an organization enmeshed within interactions between internal and external entities. Stakeholders can be defined as “any group or individual who can affect or is affected by the achievement of the organization’s objectives.”<sup>6</sup> Hill and Jones<sup>7</sup> define stakeholders as “constituents who have a legitimate claim on the firm”. Considering the fact that Freeman and others suggested the legitimate and not legal justification of the stakeholders’ interests and involvement, the number of parties could be extended to the whole socio-political system. Freeman suggested that the management should perform the value analysis regarding the organization’s stakeholders in which it is important to determine who the stakeholders are, what they want and how they try to obtain that<sup>8</sup>. In other words, it is important to determine who the stakeholders are, what type of influence they exert and how an organization can respond to them. If in the decision-making process management is unable to identify the stakeholders’ values and interests correctly, there is a high likelihood that the decisions would be questioned and opposed by those whose interests were misrepresented or not considered at all. However, it should be noted that an organization does not always respond to each stakeholder group individually but rather designs decisions which reflect the interaction with multiple stakeholders and their influences.

Stakeholder management is mostly applied in profit organizations due to the rapid rate of change in their environments. It has especially grown in importance as a tool to assess the organization’s social responsibility and business ethics. Due to the fact that the influence of stakeholders could be direct and indirect, contributing to a high degree of strategic interactions, the decision making process from the organizational standpoint is very complex and often ambiguous. As soon as certain decisions are made public, the powers of the socio-political dynamic are set in motion and either support or oppose them. Considering the rate of change in the public sector, stakeholder analysis is of importance for the viability of those organizations as well. The rationale for this thesis could be found in the fact that the stakeholder theory represents an alternative to the stockholder theory by noting that enterprises serve the interests of multiple stakeholder and not just one – those of the owners.<sup>9</sup> Since value is created through interactions with and for multiple stakeholders, management should be based on the balanced approach toward them. In addition, continuous value creation is possible through maintaining positive relationships with stakeholders. These assumptions equally apply to public organizations.

Stakeholders could be categorized as primary who are essential for the survival and success of organizational performance and secondary with whom an organization interacts but they are not essential for its survival.<sup>10</sup> Fassin<sup>11</sup> distinguishes between three categories of stakeholders: “real” stakeholder, “stakewatchers”, and “stakekeepers”. The real stakeholders

<sup>6</sup> Freeman, R. E. (1984) *Strategic Management: A Stakeholder Approach*, Pitman, Boston, p. 46

<sup>7</sup> Hill, C. W., Jones, T. M. (1992) Stakeholder-agency theory, *Journal of Management Studies*, Vol. 29, pp. 131-154

<sup>8</sup> Frooman, J. (1999) Stakeholder influence strategies, *Academy of Management Review*, Vol. 24, pp. 191-205

<sup>9</sup> Freeman, R. E., Harrison, J, Wicks, A. (2007) *Managing for stakeholders. Survival, reputation and success*, Yale University Press, London

<sup>10</sup> Clarkson, M. B. E. (1995) A stakeholder framework for analyzing and evaluating corporate social performance, *Academy of Management Review*, Vol. 20, No. 1, pp. 92-117

<sup>11</sup> Fassin, Y. (2009) The stakeholder model refined, *Journal of Business Ethics*, Vol. 84, No. 1, pp. 113-135

refer to the stakeholders in the original approach as those that have real or concrete stake in the organization (hold stake), which is positive in nature. Their relationship to the organization is contractual, which gives them legitimacy to possess a real claim over the organization's operations. Their power and influence to the organization are reciprocal. Phillips<sup>12</sup> refers to them as normative stakeholders as those to whom the organization has a moral obligation. Even though relationships between the real stakeholders and the organization are not without conflicts, they generally rest on cooperative behavior.

Stakewatchers do not have a stake but protect the interests of real stakeholders and from this fact draw their legitimacy and power. They can be referred to as "watchdogs" because they protect the interests of real stakeholders with scrutiny and care (watch over the stake). The examples could be consumer associations protecting the interests of consumers, labor unions protecting the interests of workers and NGOs or special interest groups protecting the stakes of the community or the environment. Their activities refer to a good cause such as protection of human and labor rights, the rights of the environment and future generations.<sup>13</sup> Due to the fact that NGOs seek to participate in the public debate and influence organizational decision making, Holzer<sup>14</sup> calls them "stakeseekers". Organizational power of influence over them is not reciprocal. Phillips<sup>15</sup> refers to them as derivative stakeholders as the organization has no moral obligation to them but they can benefit or harm the organization.

Stakekeepers refer to entities that do not have a stake in the organization but they have the legitimacy to impose external control and regulations on the organization. They could be called independent regulators who are engaged to keep the stake or keep the gate, as they are sometimes referred to as "gatekeepers". The influence that the organization has over them is not reciprocal. The most important stakekeeper is the government, followed by courts, regulatory agencies, certification or accreditation organizations (especially those related to security and quality), evaluation bodies etc. The outcome of their influence could be seen in laws, norms, codes and standard operating procedures based on analyses and performance reports. Regulators are often considered a constraint and a non-stakeholder. Their activity could be influenced by the media, which is also a special group of stakekeepers. Even though the relationship of stakewatchers and stakekeepers is not contractual, their interests and activities should be considered in strategic management of the organization because their actions could benefit or harm the organization.

According to the stakeholder salience model, the stakeholders' importance could be examined according to three attributes: power, legitimacy and urgency.<sup>16</sup> Power could be defined as the exercise of one's will over others. It can be based on coercive means (e.g. force, violence, restraint), utilitarian means (e.g. use of material or financial resources) or normative means (e.g. based on normative symbols such as prestige, esteem, love, acceptance). Urgency

<sup>12</sup> Phillips, R. (2003) Stakeholder legitimacy, *Business Ethics Quarterly*, Vol. 13, No. 1, pp. 25-41

<sup>13</sup> Schepers, D. (2006) The impact of NGO network conflict on the corporate social responsibility strategies of multinational corporations, *Business & Society*, Vol. 45, No. 3, pp. 282-299

<sup>14</sup> Holzer, B. (2008) Turning stakeseekers into stakeholders. A political coalition perspective on the politics of stakeholder influence, *Business & Society*, Vol. 47, No. 1, pp. 50-67

<sup>15</sup> Phillips, R. (2003) Stakeholder legitimacy, *Business Ethics Quarterly*, Vol. 13, No. 1, pp. 25-41

<sup>16</sup> Mitchell, R. K., Agle, B. R., Wood, D. J. (1997) Toward a theory of stakeholder identification and salience: Defining the principle of who and what really counts, *Academy of Management Review*, Vol. 22, No. 4, pp. 853-886

refers to the degree to which the stakeholder claims call for immediate attention. Sensitivity to time and criticality are the basis to assess urgency regarding the stakeholder's claims. Time sensitivity refers to the extent to which the delay in attending to the claims of a stakeholder is considered unacceptable to the stakeholder. Criticality refers to the importance of the claim of the stakeholder. Legitimacy refers to the assumption that some actions are acceptable, desirable and appropriate within the system of social beliefs, values and norms. Legitimacy stems from moral claims, proprietary rights or other sources. Legitimacy combined with power results in authority. However, legitimate stakeholders do not need to be powerful. The attributes according to the stakeholder salience model are used to determine stakeholder prioritization. However, these attributes are volatile and can be subject to change relative to a particular organization-stakeholder relationship. It should be noted that these attributes represent a constructed and not an objective reality because their degree is likely to differ relative to different perceptions.

Considering the orientation, two stakeholder models can be identified.<sup>17</sup> According to the instrumental approach, a good stakeholder management is of instrumental value for the organization in terms of its influence on the organizational performance. This is especially the case regarding stakeholders who have control over resources that are relevant for the organizational value-creation. According to this orientation, stakeholder management is a part of the organization's strategy but does not drive it. The goal is to achieve the goals of one stakeholder – the owners. According to this orientation, when a relationship with a specific stakeholder does not continue to produce benefits or fails to produce them, it is discontinued and discarded, and replaced with relationships with other stakeholders. On the other hand, if stakeholders are affected by the achievement of the organization's goals, the organization then affects their welfare, which points to the normative approach or the normative obligation to stakeholders on the part of the organization. The principles of stakeholder management then drive organizational decision-making. According to this approach, stakeholders' claims are based on certain moral principles which an organization should not ignore simply because they do not serve its strategic interests.

It should be noted that the stakeholder theory has been widely criticized. First, the homogeneity in a particular stakeholder group does not resonate with practical reality. Stakeholders within a specific group may have diverse interests which could also differ in the short and long term. They may share the common claim and stake but not the same objectives or means on how to achieve them.<sup>18</sup> Their responsibilities and interests may differ and even conflict, which is the case in groups such as employees, managers, customers etc. So, every stakeholder group could have subgroups which should be identified and effectively managed. In addition, many external stakeholders such as the media directly influence other stakeholders and not the organization itself, such as the employees, customers etc., which further influences organizational actions. Further, a particular stakeholder could belong to more than one group and hence have many roles. That is why a systems and network

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<sup>17</sup> Berman, S., Wicks, A., Kotha, S., Jones, T. (1999) Does Stakeholder Orientation Matter? The Relationship between Stakeholder Management Models and Firm Financial Performance, *Academy of Management Journal*, Vol. 42, pp. 488-506

<sup>18</sup> Winn, M. (2001) Building Stakeholder Theory With a Decision Modeling Methodology, *Business & Society*, Vol. 40, No. 2, pp. 133-166

approach to their management is more beneficial compared to the static approach when the organization is in the center of attention. Their influence could also vary regarding power and influence. That is why at the center of the stakeholder presentation should be management and not the organization in general considering the key role of management in reconciling the stakeholders' interests. However, even that particular group could have conflicting interests which should be managed and reconciled. Lastly, if it is determined that an organization has responsibilities to stakeholders, the reciprocity should apply. However, in stakeholder theory stakeholders are usually not considered entities that have (moral) duties and obligations toward the organization.

#### **4. Method**

The main instrument used to gather data regarding stakeholder management in the Clinical Institute of Clinical Chemistry and Biochemistry operating at the University Medical Centre Ljubljana, Slovenia (hereinafter referred to as the Institute) was a questionnaire with which we probed into the aspects of its stakeholder orientation. The questionnaire was supported by in-depth semi-structured interview with our key respondent – management. We also thoroughly interviewed employees or organizational members, especially those directly related to the value creation process in the examined organization. This approach enabled us to gain solid knowledge regarding its operations relative to their stakeholders, which was the foundation for examining their stakeholder orientation. However, previously described methods were also supported by observing organization's operations and procedures, which assisted our data gathering and enabled triangulation.

We employed the interpretative approach in terms of the case study to capture the contextual complexities of the stakeholder orientation in the examined organization. Case study is the most frequently used method of qualitative research and it enables researchers to study a phenomenon in its natural context.<sup>19</sup> The case study approach enabled us to reach in-depth insights regarding challenges and implications of the stakeholder management in the examined organization.

#### **5. Stakeholder analysis of the Clinical Institute of Clinical Chemistry and Biochemistry**

One of the largest laboratories in the field of laboratory biomedicine operating at the University Medical Centre Ljubljana (UKCL) is the Clinical Institute of Clinical Chemistry and Biochemistry (KIKKB). It performs laboratory diagnostics in the field of hematology, biochemistry and immunology and serves as a national reference laboratory for laboratory activities. According to the EU regulation, laboratories are considered an auxiliary service in healthcare. In Europe, laboratory medicine practitioners are merged into two associations: The European Federation of Clinical Chemistry and Laboratory Medicine and the European Association of Laboratory Medicine Specialists.

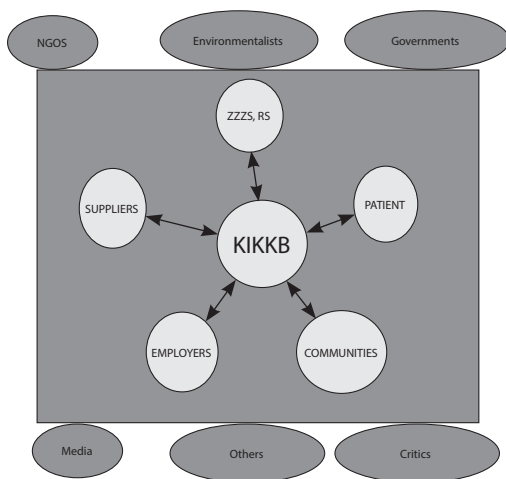
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<sup>19</sup> Yin, R. K. (2003) *Case Study Research: Design and Methods, Applied Social Science Method Series, 3rd edition, Vol. 5*, Sage Publications, Thousand Oaks, CA



The Institute's stakeholders could be presented by distinguishing between its primary and secondary stakeholders.<sup>20</sup> Primary stakeholders have a direct and contractual relationship with the organization while secondary stakeholders may be affected by organizational actions but their relationship is not of contractual nature. The organization's activities are impossible without the participation of primary stakeholders, while secondary stakeholders could influence its operations and are influenced by them, but are not directly involved in its performance.<sup>21</sup> As suggested by Freeman,<sup>22</sup> the Institute is placed at the center of analysis (Figure 1).

Figure 1: Stakeholders of the Clinical Institute of Clinical Chemistry and Biochemistry



Primary stakeholders are employees, customers (patients), suppliers, financier and the community. Secondary stakeholders are the government, environmentalists, NGOs, media, critics and others. In that way, the Institute is considered a part of a politico-economic system of stakeholders who interact and influence each other's behavior. Financing of laboratory activities is mostly related to funding from the sources of the Health Insurance Institute of the Republic of Slovenia. However, laboratory services in terms of the level of service are linked to the level of healthcare (primary, secondary and tertiary). The Health Insurance Institute of Slovenia (ZZZS) as a financier is a Slovenian public institution and the provider of compulsory health insurance in the Republic of Slovenia. In November of 1999 the Health Insurance Institute transferred voluntary health insurance to Mutual Health Insurance Company d.v.z. Given that laboratory services are included in the cost of the patient treatment, laboratory budget is determined according to the annual number of analyses carried out and internal realization. Very rare special tests are paid as a payment fee and transferred directly to the budget of the health institution - University Medical Centre Ljubljana.

<sup>20</sup> Caroll, A. B. (1989) *Business and Society: Ethics and Stakeholder Management*, South Western, Cincinnati, OH

<sup>21</sup> Carlon, D. M., Downs, A. (2014) Stakeholder Valuing: A Process for Identifying the Interrelationships between Firm and Stakeholder Attributes, *Administrative Sciences*, Vol. 4, pp. 137-154

<sup>22</sup> Freeman, R. E. (1984) *Strategic Management: A Stakeholder Approach*, Pitman, Boston

Patients are referred to the laboratory for laboratory tests in case of injuries and illnesses. In University Medical Centre Ljubljana, the number of patients who visited ambulance facilities in 2018 was 771 242, while 118 000 patients received hospital care. The Institute is involved in their treatment by examining their samples. The Institute has between 130 and 140 employees on average. Laboratory staff must have at least secondary education while higher education is preferred (university degree or higher). Laboratory hires laboratory technicians, laboratory engineers, laboratory analysts and specialists in medical biochemistry. Suppliers are one of the most important stakeholders in the interaction with the Institute. It is estimated that in vitro diagnostics accounts for between 1.4 and 2.3% of total health expenditures and less than 5% of total hospital costs.<sup>23</sup> The costs of laboratory reagents and material amount to 4.5 million euros per year. The Institute is located in Ljubljana and is therefore of vital importance for the local community but also for the whole population of Slovenia when medical assistance is needed.

The government and the Ministry of Health are related to the Institute in the way that they appoint the members of the board. In addition, the Institute is a part of the University Medical Centre Ljubljana, which is under governmental influence and supervision. NGOs as external and secondary stakeholders serve an important role in raising awareness of the harmful effects of illegal substances, alcohol and tobacco. The Institute performs diagnostics based on chemical reactions with reagents, which could be harmful to the environment. Handling of chemicals is strictly regulated. However, environmental NGOs monitor these operations and can further influence regulations by means of appeals to the government. The media also serves the role of indirect monitoring through reporting of incidents and troubling circumstances in the area of public health. Other secondary stakeholders are professional associations such as the Chamber of Laboratory Medicine, Slovenian Association for Clinical Chemistry and Biochemistry, etc. Their role is supportive to the work of the Institute by forming professional college for laboratory medicine-medical biochemistry, which is the highest and autonomous expert body committed to providing guidelines based on the achievements of science and verified methods, taking into account public health interests.

The examined Institute's stakeholder management follows the principles of the normative approach. The main value that drives its behavior and the decision-making relative to its stakeholders is the value of public health. However, the Institute has also adopted a strong customer (patient) orientation. This approach is in accordance with the intention of the government to improve public sector services. The importance of a strong customer orientation has been recognized by the principles of the New Public Management as a means to deliver services in the context of decreasing public resources such as healthcare, education, energy, child and elder care.<sup>24</sup>

A more dynamic approach to stakeholder analysis calls for further differentiation between stakeholders as real stakeholders, stakewatchers and stakekeepers<sup>25</sup> (Table 1).

<sup>23</sup> Lewin group report (2005) <http://www.lewin.com> (accessed 12.12.2017)

<sup>24</sup> Riege, A., Lindsay, N. (2006) Knowledge management in the public sector: Stakeholder partnerships in the public policy development, *Journal of Knowledge Management*, Vol. 10, No. 3, pp. 24-39

<sup>25</sup> Fassin, Y. (2009) The stakeholder model refined, *Journal of Business Ethics*, Vol. 84, No. 1, pp. 113-135

Table 1: The Institute's real stakeholders, stakewatchers and stakekeepers

STAKEHOLDERS	REAL STAKEHOLDERS	STAKEKEEPERS	STAKEWATCHERS
LABORATORY STAFF	X		
MANAGEMENT	X		
PATIENTS	X		
DOCTORS	X		
SERVICE PERSONEL	X		
ZZZS	X		
SUPPLIERS	X		
UNIVERSITY MEDICAL CENTER LJUBLJANA	X		
GOVERNMENT OF RS		X	
ACCREDITATION		X	
OTHER HEALTHCARE INSTITUTIONS			X
CHAMBER OF LM			X
TRADE UNIONS			X
NGOs			X
ENVIRONMENTALISTS			X
MEDIA			X

The quality and the scope of work of the Institute is regulated by the Republic of Slovenia, which issues a permit for all providers of laboratory medicine. The health policy is defined by the Government of the Republic of Slovenia or its National Assembly. In 2015 a test accreditation of four major biomedical laboratories took place in Slovenia. That was the occasion when the Institute first had the interaction with its most important stakekeeper. The Institute holds ISO 15189 accreditation, which means the laboratory work it provides is comparable with other certified laboratories. ISO 15189 determines standard requirements regarding the quality and the level of staff competence in medical laboratories. While ISO accreditation is not mandatory in the public sector, several clinical laboratories in Slovenia have obtained the ISO Standard Certificate, which is assumed to contribute to the quality of work. Before this process, the commission appointed by the Ministry of Health was the most relevant regulatory stakekeeper which examined the operations of every laboratory and issued the five-year work operating license. These stakeholders are entities that define the legal framework of the organization and determine its strategic management, making it socio-political in nature.

Two important stakewatchers are the Chamber of Laboratory Medicine of Slovenia and the Unions. The Chamber is an independent professional organization that consists of experts with university education or master's degree who represent the laboratory medical activity in the territory of the Republic of Slovenia. Prior to 2014 the Chamber of Laboratory Medicine possessed the public power to perform control and grant authority to laboratory workers. However, according to new provisions, it has lost many of its powers reducing its activity to education and record keeping. Its role has therefore been changed to the role of the stakewatcher instead of a stakekeeper.

Trade union of the Institute is a voluntary, independent, professional, non-party, interest group of workers united with the purpose to exercise their rights and voice their interests regarding protection and improvement of their social and economic status. In 2001, together with the Union of Laboratory Medicine of Slovenia, they established the Trade Union in the Health Sector of Slovenia, which joined the Trade Union Confederation of Slovenia Pergam. The union is therefore also an important stakeholder in the interaction with the Institute. Next, the importance of the Institute's stakeholders is examined according to three attributes of the stakeholder salience model: power, legitimacy and urgency (*Table 2*).

Table 2: Power, legitimacy and urgency of the Institute's stakeholders

STAKEHOLDERS	URGENCY	POWER	LEGITIMACY
LABORATORY STAFF			X
MANAGEMENT	X	X	X
PATIENTS	X		X
DOCTORS	X	X	X
SERVICE PERSONEL			X
ZZZS		X	X
SUPPLIERS		X	X
UNIVERSITY MEDICAL CENTER LJUBLJANA	X	X	X
GOVERNMENT OF RS		X	X
ACCREDITATION COMMISSION		X	X
OTHER HEALTHCARE INSTITUTIONS			X
CHAMBER OF LM			X
TRADE UNIONS			X
NGOs			X
ENVIRONMENTALISTS			X
MEDIA			X

As shown in *Table 2*, all stakeholders share legitimacy over the Institute's operations. However, their origin is different. Power is evident in entities that have superior power either internally or externally. In that way, doctors have power internally over other internal stakeholders such as laboratory staff, management has power over all internal stakeholders, suppliers have power over the Institute regarding its needs for material, insurance company has power over the Institute in terms of ensuring its continuous work, University medical center Ljubljana has power regarding completing necessary operations, while the government and the accreditation agencies have power in terms of providing licenses. However, only those related to core activities of the Institute influence it in terms of urgency.

After thorough stakeholder analysis key objectives of the Institute could be identified. These are: optimize the quality and safety of laboratory services, increase satisfaction of users, continuously improve the quality of processes and services by introducing corrective measures and by following certification and accreditation guidelines, manage performance on the basis of the balanced scorecard to ensure transparency, continuously assess and manage risks, and establish an effective and efficient information system. The main values of the

Institute are quality, transparency, efficiency and effectiveness. Disloyal, opportunistic, irresponsible and unlawful behavior is not desirable and is continuously prevented. Organizational members are suggested to value and develop knowledge, learning, innovative behavior, integrity, honesty, respect and trust. It is expected that organizational members behave responsively, efficiently and effectively toward all other stakeholders. Opportunistic and dishonest behavior is discouraged and replaced with cooperation and striving toward creation of common values.

The more attributes a stakeholder has, the more salient it is. The Institute's management is the key factor in relation to all stakeholders and is responsible for effective stakeholder management and the specific stakeholder orientation. The Institute is managed by the head appointed for four years, who could be elected among university professors with specialization in medical biochemistry and with previous managerial experience. The Institute's head performs the following tasks: represents the Institute in front of external stakeholders; performs managerial functions of planning, organizing, human resource management and controlling or supervising the work of organizational units that make up the Institute according to quality guidelines; makes strategic plans regarding the development of the Institute in accordance with the advances in the field of laboratory medicine etc. By integrating the interests of all stakeholders, the Institute's management ensures smooth operations of the Institute according to all regulations, quality standards and professional norms. Management therefore has legitimacy to run the Institute, power to impose decisions and require urgent actions according to the needs of the stakeholders. Considering the interests of various stakeholders, especially regulatory bodies, the role of management is crucial in successful and continuous performance of the Institute on the premises of quality, efficiency, effectiveness, transparency and legitimacy.

Considering the rate of change in the profession and in regulatory propositions, stakeholder management in this public organization should also be based on the premises of the proactive strategic and learning orientation to ensure long-term viability. Stakeholder management is an important factor in achieving a more effective public government and public policy development that should be based on the systematic capturing, dissemination, transfer and application of knowledge.<sup>26</sup> Effective stakeholder management should therefore be based on continuous learning of all stakeholders and about all relevant stakeholders. According to the ISO 15189 standard, management and staff involved in professional operations must be permanently educated and the program's performance should be periodically reviewed. Staff must participate in regular professional development activities. An annual external training plan is developed each year. Professional medical seminars are continuously organized for specialists in the field of medical biochemistry which also involves the suppliers who present novelties in the field of diagnostics in laboratory medicine. Employees continuously share the knowledge gained in training programs outside the Institute with their co-workers. Knowledge management is supported by BIART, online information platform which enables easy access and retrieval of information necessary for the operations management.

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<sup>26</sup> Riege, A., Lindsay, N. (2006) Knowledge management in the public sector: Stakeholder partnerships in the public policy development, *Journal of Knowledge Management*, Vol. 10, No. 3, pp. 24-39

Considering the rate of change in laboratory medicine, the viability of the Institute depends on its ability to be developed as a learning organization that stimulates learning of all its members from internal and external sources, and facilitates continuous knowledge exchange based on dialogue, knowledge storage and its continuous updating. On the basis of the acquired knowledge, the Institute modifies its operations and procedures or organizational routines, which contributes to its organizational learning and further development. However, it should be noted that the Institute's knowledge management and organizational learning depend on the effective stakeholder management as a vehicle for knowledge acquisition and system adaptation. It is the effective stakeholder management that enables good detection of new information relevant for the development of the Institute, which stimulates its acquisition, exchange with other stakeholders and internal sharing, thorough analysis and further action based on knowledge.

Organizations could be engaged in single-, double- and triple loop organizational learning.<sup>27</sup> Single-loop organizational learning occurs when the deviations from standard operating procedures are detected and errors are corrected based on existing policies. This type of organizational learning does not interfere with existing organizational activities, assumptions or goals. Double-loop learning refers to changes in the underlying organizational assumptions and values, which is reflected in changes in the organizational goals. By engaging in the triple-loop organizational learning an organization undergoes a deep and thorough transformation which could result in the change of its mission. The Institute is aimed at excelling in single-loop organizational learning in which errors in operations are detected and corrected, followed by instructions for improvement to avoid future deviations. The Institute does not change its major goals. However, due to changes in the field of laboratory medicine, assumptions underlying organizational approach in terms of policies and procedures are prone to changes. This process is again supported by a strong stakeholder orientation and an effective stakeholder management. External pressures, such as the recent recession, also urge for rapid adjustments of the Institute's operations. In that way, the Institute is also engaged in double-loop learning, which contributes to its viability. It is not likely that the Institute as the public institution established to protect the interests of the public health would engage in triple-loop organizational learning anytime soon. However, in case external pressures such as another economic crisis would increase and persist, the Institute would have to consider alternative approaches, maybe through establishing partnerships with other organizations of a similar purpose home or abroad.

To maintain the present level of the public health, it is crucial to preserve, upgrade and develop the Institute's operations. In this regard, it is worth noting that as many as 60% of diagnoses are based on the results of laboratory tests. The number of ordered laboratory tests show an increase of 7% annually. Thus, relying on physical examination only would represent a step back in the quality of the public health. However, external pressures such as lobbying from manufacturers and distributors of laboratory apparatus and reagents, many of which are multinational corporations, to upgrade existing practices when and if that is not financially justifiable could pose a threat to the viability of the Institute, especially regarding its financial position. That is why stakeholder management should insist on balance and fair rapport. Currently,

<sup>27</sup> Argyris, C., Schon, D.A. (1981) *Organizational Learning*, Addison-Wesley, Reading, MA

the annual consumption of the state funds for laboratory activities and transport of patients in Slovenia account for about 115 million euros. In its stakeholder management, the Institute should therefore balance the interests of its main stakeholders – the hospitals and the patients with the need to upgrade, modernize and further develop its practices within the boundary of publicly available funds. Certain steps in that direction have already been taken in terms of consolidation or integration of laboratories in different locations into the so-called Diagnostic Therapeutic Services as a joint service at one location in UKCL.

## 6. Conclusion

In this paper, the path-dependence perspective toward the analysis of stakeholder management of the chosen public sector organization was adopted, which enabled the dynamic presentation of the stakeholders' interactions based on the changing conditions especially regarding regulation. Changing regulatory conditions in the field of laboratory medicine has shown an increase in accreditation agency's salience, whose requirements and recommendations management should take into consideration to remain viable. Strategic management of public organizations is heavily influenced by propositions determined by regulatory bodies, which plays the role of the unifying factor in stakeholder analysis.

Effective stakeholder management complemented with effective knowledge management and organizational learning ensure the Institute's existence and development, which is reflected in the positive evaluation of the accreditation committees. However, effective dialogue among stakeholders should be encouraged because stakeholders may not always articulate their values and goals clearly. Further improvements could be achieved by continuous fine-tuning with all stakeholders based on the continuous stakeholder analysis and learning. In this regard, a good quality stakeholder management has been identified as the major input for the Institute's knowledge management followed by organizational learning as a means toward achieving the goal of the long-term viability or independent existence relative to its environment.

The findings from this paper could be of relevance to both the management of healthcare institutions and policy makers engaged in designing programs that could contribute to more coherent and advanced collaborative efforts of the stakeholders in the healthcare sector. Since this study was limited to a single organization, replication of the proposed research framework on a larger sample and in other countries would be beneficial.

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Sažetak

**UPRAVLJANJE INTERESNO-UTJECAJNIM GRUPAMA U ZDRAVSTVENOM SEKTORU: ANALIZA ODABRANE ORGANIZACIJE**

*U ovom radu se istražuje upravljanje interesno-utjecajnim grupama u zdravstvenom sektoru kao složenom adaptivnom sustavu i to na primjeru Kliničkoga Instituta za Kliničku Kemiju i Biokemiju pri Sveučilišnom Medicinskom Centru Ljubljana, Slovenija. Ciljevi istraživanja su bili utvrditi prirodu procesa upravljanja interesno-utjecajnim grupama u odabranoj organizaciji, istražiti njegove koristi i prepreke te njegov utjecaj na djelovanje organizacije kao pokretača za njenu transformaciju. Interesno-utjecajne grupe analizirane su prema sljedećoj kategorizaciji: primarne i sekundarne grupe, prave interesno-utjecajne grupe te grupe koje nadziru organizaciju (engl. stakewatchers) te grupe koje reguliraju njeno djelovanje (engl. stakewatchers). Potom su analizirani njihovi atributi u smislu snage, legitimiteta i hitnosti djelovanja te usvojen model upravljanja odnosima s interesno-utjecajnim grupama. Utvrđeno je da se učinkovito upravljanje interesno-utjecajnim grupama treba temeljiti na kontinuiranom učenju svih dionika i o svim relevantnim dionicima. Stoga je učinkovito upravljanje interesno-utjecajnim grupama identificirano kao temeljni input u procesu organizacijskoga procesa upravljanja znanjem koje prethodi procesu organizacijskoga učenja kao načina postizanja cilja dugoročne održivosti. S obzirom na činjenicu da ima malo istraživanja o upravljanju interesno-utjecajnim grupama u javnim organizacijama, ovo istraživanje služi kao prilog u tom smislu.*

**Ključne riječi:** *interesno-utjecajne grupe, upravljanje interesno-utjecajnih grupa, organizacijsko učenje, Klinički Institut za Kliničku Kemiju i Biokemiju.*