

BUILDING RELATIONSHIPS WITH STAKEHOLDERS – AS A KEY SUCCESS FACTOR IN PUBLIC SECTOR ORGANIZATIONS

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A b s t r a c t

Success factors are all sources which ensure an organization's prosperity. These are mainly factors which produce a competitive position on the market. The differences between the private and public sector have a major impact on identifying and categorizing key success factors.

The purpose of this article is to analyze relationship building with stakeholders as a key success factor in public sector organizations. The main tool used by the author of this article was subject-based literature. In terms of the public sector, the process of building relationships with stakeholders is complex due to the complexity and diversity of groups involved in the sector. Despite these, it needs precise exploration because it is one of the main success factors for public sector organizations. The literature review is supplemented by sample results of empirical research conducted by the author.

BUDOWANIE RELACJI Z INTERESARIUSZAMI JAKO PODSTAWOWY CZYNNIK SUKCESU ORGANIZACJI SEKTORA PUBLICZNEGO

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A b s t r a c t

Czynniki sukcesu to wszystkie zasoby warunkujące powodzenie organizacji. Zalicza się do nich te, które przesądają o osiągnięciu konkurencyjnej pozycji na rynku. Różnice występujące między sektorem prywatnym a publicznym w znacznym stopniu wpływają jednak na ich identyfikację i hierarchizację.

Celem artykułu jest analiza budowania relacji z interesariuszami jako głównego czynnika sukcesu organizacji sektora publicznego. Autorka zastosowała analizę literatury przedmiotu jako podstawową metodę badawczą. W przypadku organizacji sektora publicznego proces budowania relacji z interesariuszami jest złożony, gdyż grupy otoczenia tych podmiotów cechuje złożoność i różnorodność. Mimo to jest to jeden z głównych czynników sukcesu tych podmiotów, dlatego wymaga on dokładnej eksploracji. Uzupełnieniem przeglądu literatury jest prezentacja wycinka wyników badań empirycznych przeprowadzonych przez autorkę.

Introduction

Key factor analysis is a method to rate sources and qualities of certain organizations. This approach is based on limiting the research to certain criteria which are considered to be the most important in determining the competitiveness and development of the company. This criteria group is called the key success factors and this method is based on the 80–20 Pareto Rule.

The economic sectors vary according to the list of key success factors. Although this subject has been previously discussed, the subject of the key success factors requires more focus. The private sector is equipped by subject literature by means of ready-made sets describing those factors; however, the public sector lacks these means.

The aim of this paper is to analyze building relationships with the stakeholders as the key success factor in public sector organizations. Both Polish and foreign economic literature sources are the basic research material analyzed by the author, with a focus on contemporary knowledge on the subject. The literature review is supplemented by a sample empirical study conducted by the author.

Key Success Factors as Fundamental Methods in Organization Management

The efforts of managing an organization are taken to obtain the fundamental aim which is the success the organization. Success can be understood in terms of prosperity, or a satisfactory result of some activities (PENC-PIETRZAK 2010, p. 109), as well as the organization's long-term ability to develop (DRUCKER 2000, pp. 78–84). Modern organizations have lost their stability, which before was the basic feature guaranteeing the stability of their existence. Nowadays, companies must function in a world without permanent business rules or universal management style, which results in a risk of failure, rather than success (SKRZYPEK 2007, p. 7). The identification of success factors serves a diagnostic purpose – its realization can explain the

reasons for uneven development pace in an organization and serves a normative purpose for providing direction to management staff (LEMAŃSKA-MAJDZIK 2007, p. 44).

The source for key success factor analysis is described in the subject literature as rule “80–20”, according to it only 20% of events that take part in the organization decide about 80% of the effects while, on the other hand, 80% of events impact up to 20% of the effects (OBLÓJ 1994, p. 21). According to this rule, there is no need to analyze all success factors, it is sufficient to focus attention only on those 20%, because this number is responsible for the success or failure of the organization. However, this is a very simplified way of thinking since resource distribution and key skills often vary widely and depend on the economic sector in which the organization is present. Moreover, accepting key success factors without consideration of this fact can cause serious problems and failures (LISIŃSKI 2004, p. 180).

Key or critical success factors are those sources, competences and abilities (FLORES, FADDEN 2000, p. 33), which create an organization’s competitive position on the market and can determine future prosperity possibilities (ROCKART 1979, p. 81–93). They are characterized by their dynamism – they have the possibility to change and adjust to the situation and condition of the organization. Those qualities determine the management field activity (MEIBODI, MONAVVARIAN 2010, p. 124–133) and impact the achievements of the organization (SIRUS, MOGHADDAM 2007). The key success factor is every factor which ensures the organization’s success (BOYNTON, ZMUD 1984, p. 17–27). Jenster, Johnson and Scholes presented a very important definition for critical success factors. They defined key success factors as all criteria to which the organization must adjust, because criteria and other indicators are important for stakeholders and they are the fundamental for the organization’s functionality, prosperity and presence on the market (JENSTER 2002, p. 102–110). The authors stressed the importance of interests of organization surrounding groups and how the fulfillment of those interests leads to the organization’s prosperity.

There are four possible sources for success factors (BARTES, STRZEDNICKI 2003, p. 42):

- own, specific conditions set out by the organization’s field of activity,
- the organization’s position in its own sector,
- the organization’s environment, customer preferences, economic factors and legal issues,
- the current organizational factors, whose importance is based on the present situation.

Sirus and Moghaddam also add a fifth key success factor source – the uniqueness of the organization management (ROCKART, BULLEN 1981).

Despite the critical factors responsible for organization’s prosperity, the subject literature divides them into two groups according to time criteria:

– current – they vary according to actual issues which the organization has to manage,

– planning strategy – responsible for the company's schedule.

The number of factors depends on the size, expanse of the organization and time dedicated by management to managing it (ROCKART, CRESENZ 1983).

The literature search conducted on the basis of Emerald and Ebsco works has allowed the author of this paper to distinguish ten key success factors for a public sector organization:

1. Management involvement – the most important success factor for a public organization (YOUSSEF, ZAIRI 1995, p. 3–19); it is closely related with leadership and requires achieving the most important aims for the organization without using force towards employees, a good leader should be able to motivate employees and create a goal-oriented employee staff (GRIFFIN 1998, p. 491–492).
2. Building relationships with stakeholders – with every person or group which may impact the organization or be impacted by the organization (FREEMAN 1984).
3. Employee involvement – the fundamental element in managing a modern organization (FREEMAN 1984).
4. Clear mission of the organization, its aspirations as a range of socially demanded actions (PESZKO 2002, p. 42) and clear vision – as the future view and role of the organization in the surrounding world (KRUPSKI 2001, p. 108).
5. Managing product quality – an increasingly important element in the management of a modern organization (LISIECKA 2002, p. 9).
6. Constant learning, which acquires the necessary knowledge and interprets it; this kind of process should allow the stakeholders to integrate with the organization's environment and gain a strategic advantage (GARTNER 1985).
7. Team work – necessary for organizations if they want to be competitive and effective (MIKUŁA, PIETRUSZKA-ORYL 2002).
8. Crisis management – actions closely connected with an organization's public relations, designed to foresee anti-crisis actions, create emergency communications and control financial operations to minimize the negative impact on an organization's public image, its employees and the organization's external surrounding groups (BUDZYNSKI 2002, p. 169).
9. Process Management – should be based on many economy priorities, however, the most important is to create quality for the customers (not only external – final, but also internal – associates from other functional divisions) it should rely on continuous quality assessment and improvement of functioning processes by introducing corrections if the results are not satisfactory (BRILMAN 2002, p. 293).

10. Strategic planning – its fundamental aim should be the presumption that organizations create their future according to reasonable strategies (FILIP-CZUK 2003, p. 27).

According to this article, it is necessary to build stable relations between a public organization and its stakeholders.

Public organization – stakeholders. Building the relationships

Nowadays, it is emphasized that an organization is a collection of stakeholders' interests who, thanks to their position, determine the action taken by the organization (MITCHELL et al. 1997). Economic literature presents definitions describing stakeholders. One of the best was created by E. Freeman (FREEMAN 1984), according to which a stakeholder is any person or group of people which may have an impact on the organization or may be impacted by the organization (FREEMAN 1990, p. 337–359). However, M.B Clarkson describes stakeholders as “risk carriers” (CLARKSON 1991). Clarkson divided stakeholders into voluntary and involuntary stakeholders. Voluntary stakeholders carry risks connected with the investment they made in a company, but involuntary stakeholders are subjected to risk – the result of a company's business actions (CLARKSON 1995). Stakeholders can also be referred to as group of people directly or indirectly interested in the activities of the organization and its efforts to achieve certain goals (STONER 1997). The definitions presented by Freeman and Reed are also worth considering:

1. The narrower approach – assumes that the organization cannot meet the expectations of all stakeholders and should therefore focus on the objectives of a limited group of stakeholders, those who have a real impact on the performance of an organization, because they expect real benefits. Such stakeholders can be called the key stakeholders (legal and physical) and are related to the organization by means of formal legal contracts or agreements. Without their commitment a project or the entire company cannot survive or develop (these include: employees, shareholders, investors, finance companies, customers, suppliers and partners).

2. The broad approach – includes the group of stakeholders and anyone who can influence the organization or is under its influence, that is, groups which are in any way involved in the interests of the organization, or submit requests to it. The importance of broad stakeholders (they can be called “auxiliary stakeholders”) are also groups or individuals, which may relate to specific activities within the project (these are government agencies, competition companies, protest groups, associations and non-government organizations, trade unions) (FREEMAN 1983). Those stakeholders are divided into two groups: internal stakeholders (in organization), which include: the owners

(predominant shareholders/supervisory board), managers and employees; and external stakeholders (ambient), including: suppliers and business partners, investors and partners in other forms of cooperation, the public (customers), competitors, financial institutions (banks, insurance companies, creditors), trade unions, state and local government authorities (local), educational institutions, social and pressure groups (Frooman1999). It is worth noting that the organization of internal stakeholders such as employees, unions, groups of managers, may substantially affect the value of the company.

According to Freeman, business can be understood as “a set of relationships between groups that have participated in activities that make up the business. [...] To understand the business, there is a need understand how these relationships work” (KURASZKO 2010). In the process of building and maintaining relationships, or interactions between organization and stakeholder, there must be a high level of care about those relationships. It is worth adding that, in the long-term, the interpersonal relations between the partners are interdependent, but they have clearly defined boundaries in their behavior, and also maintain their identity (SVEDSEN 1998, p. 66).

The process of creating relationships based on cooperation is permanent. Table 1 presents an individual Cycle of Relationship Creation.

The basic cycle of relationship creation: organization vs. stakeholder

Table 1

Stage	Tasks	Tools/Methods	Results
1	2	3	4
Creating the Assumptions	<ul style="list-style-type: none"> - rating the relation as a strategy task - review and improvement of social tasks and its values - Communications obligations 	<ul style="list-style-type: none"> - strategic and plenary sessions with management - employee participation - dialogue with the staff 	<ul style="list-style-type: none"> - making decisions and taking into account their impact on relations with stakeholders - creating group responsible for relations issues - updated mission - aware and work committed employees
Internal arrangements	<ul style="list-style-type: none"> - organizational preparedness assessment - identification of gaps and the lack of coherence actions - the system and structure assessment - implement of the necessary changes 	<ul style="list-style-type: none"> - surveying the workers - system review - the crew participation process to facilitate - the clarified obligations 	<ul style="list-style-type: none"> - rating the employees - improving the system for building better relationships

cont. table 1

1	2	3	4
Development strategy	<ul style="list-style-type: none"> - review and evaluation of existing relationships - benchmarking for best solutions in terms of building and maintaining relationships - meetings with stakeholders - developing strategy and defining new strategy goals - establishing internal structures - dynamic planning 	<ul style="list-style-type: none"> - the questionnaire to review and assess the relationships - group classes devoted to relationships with stakeholders - reviewing the current environment - informal dialogue with stakeholders - meetings with stakeholders groups - formed strategies and operations 	<ul style="list-style-type: none"> - reporting the relationships' progress - introducing the best solutions - identifying the priorities - understanding business' partners point of view and their needs - defined aims - formed stakeholders'
Building Trust	<ul style="list-style-type: none"> - information exchange - determining the expectations and needed operations - creating common aims - developing the organizational structures - determining the roles and responsibilities - development and implementation of "first project" - defining the problems and finding the solutions - ensuring resource availability 	<ul style="list-style-type: none"> - "face to face" meetings - on-line information system (like: e-mail contact) - improvement meetings - experimental meetings like: incentive travels; special sponsored excursions for stakeholders - dialogue - finding solutions for solving special problems 	<ul style="list-style-type: none"> - greater database access - trust increase -co-operation vision - more integrated relationships between entities - innovative solutions - the elevation of the organization's good name
Evaluation	<ul style="list-style-type: none"> - designing and conducting stakeholders audit - celebrating success - avoiding and not repeating previous mistakes 	<ul style="list-style-type: none"> - stakeholders' audit - internal dialogue system relationships 	<ul style="list-style-type: none"> - balanced organization's impact on building - launching permanent communication channels - equalization of values between the organization and the stakeholders
Repeating	<ul style="list-style-type: none"> - repeating the procedure - improving the process 	<ul style="list-style-type: none"> - group classes devoted to relationships with stakeholders - consulting the representatives of stakeholders' groups 	<ul style="list-style-type: none"> - continuous improvement of relationships

Source: SVEDSEN (1998, p. 66).

The organization should systematically review the existing solutions. The review allows updating and improving those solutions. There is high need of considering whether there are specific solutions and how they can be improved, and how to overcome emerging barriers. Using this procedure allows to intensify and improve the quality of relationships between the organization and stakeholders.

R.E. Freeman presented a slightly different approach to building relationships with the organization's stakeholder groups. He distinguished three levels that can be used to analyze the process (DOWNAR 2005, pp. 7–8):

- rational – to understand who is the stakeholder and what are his interests;
- transactional – the identification of links between the organization and stakeholders, as well among stakeholders;
- processing – understanding how the organization manages the relationships with stakeholders, are the organization's procedure appropriate, is the level of integration providing stakeholders' knowledge about strategic processes in the organization.

In terms of the public organization sector, the main character of the interaction of these entities with their surroundings reflects their mission and formal objectives. These goals are complex, vague and sometimes even impossible, thus they are under a kind of pressure:

- are subordinated to the main coalition support;
- a general formulation makes it possible to indicate that they have been realized at least in part;
- vague formulating could be used to defend their own position, to avoid liability and the introduction of virtual innovation in the process of political debate (KOZUCH 2004, p. 96–97).

It is worth noting that in the case of a public organization, the major organizational interactions occur in relationships such as: responsibility and the stakeholders. There can be several types of liability distinguished because they combine with the functioning of the public organization. The external accountability of public organizations is determined by law. The activity of all of their organs is strictly defined by the basis of legal issues. The responsibility towards users, customers and consumers of public goods and services is carried out mainly by the complaints to an ombudsman or other attorneys. Public managers are directly or indirectly responsible to political authority. Public organizations also have an internal responsibility which can be seen in the responsible action of the people employed in these institutions (BRYSON 1996, p. 27). Responsibility is an important element in building relationships between the organizations and their stakeholders. Moreover, managers have a duty to take into account while making the decisions the fact that environmental groups are interested both in the decision-making process and its results. (FARNHAM et al. 1996, pp. 29–36).

It should be also pointed out that the stakeholders of public organizations are often characterized by conflicts of interest, which generates conflicts. Therefore, the process of creating lasting relationships with stakeholders in the organization is a long-term. However, there is need to remember that time and resources incurred for the construction of solid relationships with strategic partners will be compensated by increasing the competitive advantage of the organization by capital growth, a reduction of operating costs and risk cost (SUSNIEN 2008, p. 847).

Building relationships with stakeholders as a key success factor in a health unit

The results of the survey presented in this paper are the element of the research conducted by the author in a public hospital in the province of Silesia. These studies were conducted in 2011. The empirical study consisted of two stages. The first stage was a focus group conducted among the management of the hospital. The key issue was the stakeholders' analysis. The research was supposed to:

- identify stakeholders (a specially designed list of them), defining their expectations for the organization,
- to assess the strength of their impact and relevance to the organization being tested.

The aim of stakeholders' analysis is to clarify and analyze the expectations and behavior in the relationship between stakeholders and the organization, the directions and possibilities of their influence to change organization's objectives, functionality and efficiency and to assess their significance. Influence is the force with which the stakeholder can affect the project. It is important to indicate the validity which has been assigned to fulfill stakeholder needs and the stakeholder's benefits gained thanks to the project effectiveness and its implementation (LISIŃSKI 2004). The obtained results present a certain profile of the stakeholders, according to which they were divided into four groups: key stakeholders, the stakeholders of high influence and low importance, stakeholders with little impact but high importance and stakeholders with a negligible impact and importance. According to respondents the key stakeholders, both in terms of the impact and importance for the functioning of the health unit are: the National Health Fund (Narodowy Fundusz Zdrowia), doctors and nurses working in hospital, trade unions, the founding body and the hospital management.

The second stage was designed to carry out surveys conducted on a group of hospital patients and staff of various levels in the organization. The research goal was to analyze the process of building relationships between the hospital

with its environment. These studies were supposed to evaluate issues such as: admission to hospital, medical care, the patient's role in the healing process, the hospital's information materials and its image.

The obtained results have presented the importance of building relationships with stakeholders in a public organization. The health sector is very diverse field characterized by a multiplicity of goals of the organizations, increasing dynamism, complexity and a large number of stakeholders. The results show that there is need for taking activities aimed at strengthening the process of building relationships between the organization and various entities, if the entities have an impact and importance on decision-making and implementation. This is possible only through mutual trust and openness at all levels in all the stakeholders' groups.

Summary

Determination of the key success factors in public sector organizations should be one of the fundamental tasks of these organizations' managers. These factors are of key significance in making correct decisions for the public organization, they also decide which areas, procedures, or processes should be improved and in which way – as the shortest way to achieve success. It cannot be omitted that building lasting relationships with stakeholders is one of the most important factors. In the case of public sector organizations, this process is complex because the entities which surround them are complex and diverse.

The results obtained by the author can be seen as a prelude to further research aimed at creating a model for verification of key success factors and how to measure their impact.

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