

STAKEHOLDER THEORY, PARTNERSHIPS AND ALLIANCES IN THE HEALTH CARE SECTOR OF THE UK AND SCOTLAND

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ABSTRACT

This article explores the potential for the application of stakeholder theory to resolve some paradoxes and dilemmas of NPM where partnership and alliances are concerned. It argues that stakeholder theory should be further developed and adapted to meet the needs of public sector managers seeking a “rosetta stone” to negotiate the increasingly complex and world which they inhabit. The article provides a practical as well as a theoretical perspective as it draws upon a recent project examining a three way partnership between a third sector organization, local government and the National Health Service in Scotland. The concept of “public sector bargains” (Hood, 2000) has relevance and application to such partnership activity.

INTRODUCTION

This article explores the potential for the application of stakeholder theory to resolve some paradoxes and dilemmas of NPM where partnership and alliances are concerned. It is argued that stakeholder theory should be further developed and adapted to meet the needs of public sector managers seeking for a “rosetta stone” to negotiate the increasingly complex and world which they inhabit. The work will endeavor to bring a practical as well as a theoretical perspective as it draws upon a recent project examining a three way partnership between a third sector organization, local government and the National Health Service in Scotland. The research project utilized both in depth interviews and focus groups with service users and staff. The concept of “public sector bargains” Hood (2000) has some relevance and application to such partnership activity.

New Public Management NPM models and theories have been the subject of a great deal of attention in both the academic and practitioner literature. (Ferlie et. al. 1996; Pollitt and Bouckaert 2000; Hood 1998). The debate has also been conducted through a range of journals such as Public Management Review and Public Money and Management The International Public Management Journal IPMJ and its associated network of scholars has also emerged as a growing source of international debate.

A number of paradoxes were identified by Hood (Hood, 2000) when considering comparative experience of public service management reform. The paradoxes described by Hood may also be amenable to a different theoretical approach which draws upon a broader theoretical base than “old style public administration”. Such an approach is offered by the growing “stakeholder” literature. Stakeholder theory is well established academically with an interesting provenance reaching back into attempts to deal with paradoxes in the “private sector” world of the corporations of the USA. Clarkson (1998). The academic debate has been conducted just as rigorously through the pages of

such journals as the *Academy of Management Review*. As recently as 1999) a whole volume of the *Review* was devoted to Stakeholder theory (vol. 24: 2. The debate explored the contribution by chiefly American stakeholder theorists such as Donaldson and Preston, Freeman, Jones and Wick. Stakeholder theory attracted proponents from a range of national backgrounds. Juha Nasi (1995), for example, provided a platform that brought together North American and Scandinavian approaches.

The origin and application of stakeholder theory has been explored by the author in work with a Scottish Health Board following devolution. The increase in the number and proximity of political stakeholders was a significant factor. (Murdock 2000) The author has subsequently extended the implications of a stakeholder approach to the Fire Service and to a central government agency (Murdock, 2001b; 2001b).

This article will identify and explore the overlap between stakeholder theory and New Public Management NPM where partnerships and alliances are concerned using the data from research on a Scottish partnership. NPM has been presented as 4 models following (Ferlie et.al 1996). The fourth model Public Service Orientation envisages a move back to user concerns and greater local political accountability. Stakeholder Theory offers the potential to explore the implications of these broader user and political concerns. The article will take as its departure the threefold classification of stakeholder theory offered by Donaldson and Preston and subsequently used by Jones and Wicks (1999).

THE NATURE OF NEW PUBLIC MANAGEMENT

Hood described the rise of New Public Management NPM over 10 years ago in what became a landmark article as “one of the most striking international trends in public administration”. At the time he identified the following doctrinal components of NPM:

- “Hands-on professional management” in the public sector;
- Explicit standards and measures of performance;
- Greater emphasis on output controls;
- Shift to disaggregating of units in the public sector;
- Shift to greater competition in the public sector;
- Stress on private sector styles of management practice;
- Stress on greater discipline and parsimony in resource use. Hood (1991)

The origins of NPM (Hood saw as emerging from new institutional economics on the one hand and “successive waves of business-type managerialism” on the other. Since then NPM has been the subject of much academic debate. (Ferlie et. al. 1996; Pollitt and Bouckaert 2000; Hood 1999; Minogue 2000). The practitioner aspects have also been explored most notably by Osborne and Gaebler in the USA 1992 and more practitioners focused, though less well publicized, material has been published in the UK. (Rose and Lawton 1999, Blundell and Murdock 1997, Flynn 2002). Of the latter Flynn’s work is possibly the best known by UK practitioners and is now in a 4th. Edition – an unusual attribute for a field with a limited text book market.

More recently Hood commented that, “Everyone knows New Public Management is an international or even global phenomenon, that it represents an attempt to correct the

shortcomings of traditional public organization in efficiency and service delivery to citizens, and that one of its central themes is to stress the importance of public managers’ discretionary space or freedom to manage.” (Hood, 2000: 1)

Gow and Dufour have suggested that, following Kuhn, NPM could be seen as a paradigm change. As such they are following a well established viewpoint that NPM is a reaction against what used to be described as Public Administration. (Hood 1991). They note, “Many governments and scholars believe that NPM is a different and better way than Public Administration PA for studying and improving the management of public organizations. Their criticism of PA mainly concerns the fact that it seems unable to explain the reality of public organizations in a context of downsizing or to provide managers with tools to improve their operation. NPM is also different from public policy, of which it is the complement.” (Gow and Dufour 2000: 578)

Gow and Dufour pose an interesting question for NPM. Is NPM a paradigm shift and if so at what level? They observe that at the first level the paradigm represents a set of beliefs: “A paradigm governs, in the first instance, not a subject matter but rather a group of practitioners” (Kuhn, 1970: 180). At the second level it represents something more than theory alone – it represents a theory which offers a more successful explanation than its predecessors. The third level is that of examples or instances of concrete problem solutions. Gow and Dufour discuss whether it is possible to discern a paradigm for NPM which in effect has substituted for either traditional public administration on the one hand and a straightforward private sector paradigm on the other.

Hood has posited a possible paradigm for the public sector which is capable of operating at a range of levels and between different national entities. He provided a 2 by 2 matrix based upon two factors: GRID and GROUP.

Figure 1: Four Styles of Public Management Organization

GRID / GROUP	<u>Low Group</u>	<u>High Group</u>
<u>High Grid</u>	The Fatalist Way	The Hierarchism Way
<u>Low Grid</u>	The Individualist way	The Egalitarian Way

Source: Hood, 1998: 12.

Hood asserts that, ““Grid” and “Group” are fundamental to public management” and that if you put them together they will “take us to the heart of much contemporary and historical discussion about how to do public management” (Hood 1998: 8). This is a quite bold assertion which would very possibly be construed as a claim to Group and Grid as the basis for a paradigm for public management in terms of the earlier comments by Gow and Dufour.

Grid represented the difference between accepting government by rule and regulation at one extreme and deciding things on an “ad hoc” basis at the other. The “freedom to manage” which has been part of the management debate in the public sector can be seen as an attempt to move from high to low grid. “Group” on the other hand represents the

tension between highly participative forms of governance and delivery of services as opposed to “professional” structures separate from the clientele which they serve.

When these two dimensions are combined according to Hood you get to the “heart of much contemporary and historical discussion about how to do public management”. (Hood, 2000) A society with a strong affinity for rules but where a high level of distrust exists, co-operation is rejected, and apathy prevails would, according to Hood, be associated with “fatalist” style of public management. If the rules are present but the society is socially cohesive then the style would be “hierarchist” – something typically found in uniformed organizational structures. With a lesser stress upon rule-dominated behavior low grid the egalitarian style involves a high degree of participation in decision-making where each case is decided on its own merits but through “collective structures” involving government or public sector professionals. An “individualist” approach is where market forces might be seen as appropriate to services with negotiation and bargaining as a way of resolving transaction issues.

THE PARADOXES OF NEW PUBLIC MANAGEMENT

A number of paradoxes were identified by Hood when considering comparative experience of public service management reform.

- In spite of NPM being presented as an international or even global phenomenon there are significant elements of diversity in public sector reforms.

Here Hood is referring to the significant degree of variation found between different countries. The global paradigm of NPM which is implicit in much of the writing has to confront a reality where the same reforms adopted in different countries were in fact due to “different and often contradictory reasons”. There were also differences in the speed of adoption of reform. Furthermore, some writers see countries pulling in different directions.

- The issue of what Hood calls the “malade imaginaire” whereby those systems which seemingly had the least need for reform were the first to undertake reform and conversely those most in need of reform were late comers – or resisted it altogether

Is NPM seen as a remedy to address the deficiencies of previous systems of “old style” public administration? The OECD suggests that competitive international forces have been a driver for change. However, as Hood points out, it is strange that the countries which have adopted NPM are the ones who, in terms of repute and efficiency of their public sector, would seem to be least in need of it. It is reminiscent of the observation that “the poor, who have the most need of money, are the very people who have the least money”.

- Even in the most reform focussed countries “managerialism” was often adopted only in part and in an unclear fashion.

The concept of allowing managers space and discretion to deploy resources in order to achieve targets in the style of the private sector has been regarded as a part of NPM. In the mantra of the New Labor Government in the UK the phrase has been “...do what

works". The implication here has been the "de-politicization" of public services and the separation of "operational and strategic/policy" aspects of the operation of government departments. However this sits uneasily with the emergence of the "regulated state". Elsewhere Hood and his colleagues comment that in the UK, "Regulation inside UK government, when all its forms are taken together, amounts to a large enterprise, approaching, if not exceeding the scale of regulation of the private sector." (Hood et. al, 1998: 61) In effect the discretion apparently accorded to managers in the realm of NPM may turn out to be illusory. The manager may be required to operate in a regulatory straightjacket. Indeed the UK has seen this in the area of education with the freedom of teachers and education managers becoming the subject of increasing levels of oversight, compliance to standards and inspection regimes.

Hood suggests that these paradoxes can be explained through "public sector bargains" which he uses to mean "any explicit or implicit understanding between senior public servants and other actors in a political system over their duties and entitlements relating to responsibility, autonomy and political identity, and expressed in convention or formal law or a mixture of both". (Hood 2000: 8)

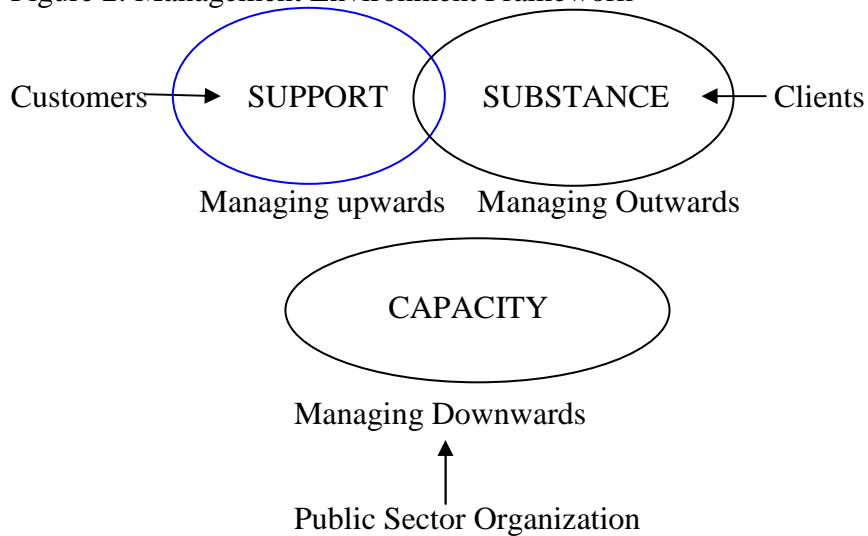
It may further be argued that such bargains not only occur but may be beneficial in terms of enhanced provision of public services. In the public domain services are often contracted by public officials with organizations on behalf of clients or end users. In effect the beneficiary is not the purchaser. This has elsewhere been characterized as the Principal-Agent problem. (Ross 1973, Arrow 1985). Talking about a welfare situation Monroe described the problem as residing in the fact that "differences of interest and information between the two parties mean that the agent may not always act in the interests of the principal, and the costs and difficulties of selecting an agent and monitoring his performance mean that the principal may not be able to enforce her will on the agent." (Monroe, 1999).

Moore has described the creation of public value as the desire on the part of public managers which equates to the creation of profit in the private sector. (Moore, 1995) In conceptualizing this Moore suggests that three key questions might be posed. (Moore, 1995: 22)

- Whether the purpose is publicly valuable
- Whether it will be politically or legally supported
- Whether it is administratively and operationally feasible.

In review of Moore's book, Symes developed this model as a tripartite framework (Symes, 1999: 163):

Figure 2: Management Environment Framework



Source: Symes, 1999: 163.

The questions and model identify the importance of key groups in the managers' environment. The need to identify and respond to customers and clients in a politically charged setting raises questions as to how managers might identify and work with stakeholders in order to achieve objectives in an environment where it is not easy or may even be impossible to find a generally acceptable measure such as profit. The dilemma for a manager following Moore's approach of "creating public value" may be to be confronted with several concepts as to what constitutes "public value". The concepts may be incompatible and yet strongly held. As a personal example the author was pressured by a professional team to make a managerial appointment on the basis of race and sex criteria. When an applicant who possessed the desired race and sex attributes was appointed the team then complained fiercely because the person was not also the most highly qualified applicant for the role.

The author believes that to resolve these dilemmas and work with often conflicting objectives a public manager has to find ways of both assessing the perceptions of different groups and also working with such diverse groups to good effect. The stakeholder approach can provide both a theoretical and practical means to do this.

THE STAKEHOLDER LITERATURE

In 1999, the Academy of Management Review devoted much of an issue to examining the state of the literature in stakeholding. In this volume Jones and Wicks set out what they considered to be the current state of research into stakeholder theory. They posit what they consider to be the essential premises of stakeholder theory. (Jones and Wicks, 1999) It is useful to examine these in turn:

1. The corporation has relationships with many constituent groups, i.e., stakeholders that affect and are affected by its decisions.

This premise is drawn from the seminal work by Freeman (1984). Freeman is frequently cited in the literature especially that originating from North America. (Svendson 1998,

Key 1999, Frooman 1999). His work is also regarded as important though not perhaps as critical by some European sources (Wheeler and Sillianpaa, 1997; Johnson and Scholes, 2001). Freeman sought to account for the relation between the organization firm and its external environment. His focus was upon commercial organizations and he examined the possibility that non-shareholders might impact upon managerial decision making. He suggested that each company had its own set of discrete stakeholder groups. Some groups would be primary, in that their interests were directly linked to those of the company, and other would be secondary in that their influence was indirect or that they were less directly affected by the activities of the company (Svendsen, 1999).

The interesting questions which Freeman's work gives rise to is the closeness of the relationship, the nature of the influence of the company upon the stakeholder and the stakeholder upon the company. This leads to the second premise of Jones and Wicks:

2. Stakeholder theory is concerned with the nature of these relationships in terms of both processes and outcomes for the company and for the stakeholders.

Much of the operationalisation of stakeholder theory has appeared in the form of various models which have sought to depict these relationships. Mendelows' mapping model (1991) has become popularized through main stream strategic management texts (Johnson and Scholes, 1999) and it is hard to imagine a recent MBA student who has not been required to engage in some form of stakeholder mapping exercise. Frooman has sought to explore the concept of stakeholder influence strategies in a more sophisticated fashion through the concepts of power and resource dependence to produce a model of four types of firm-stakeholder relationships. (Frooman, 1999). Frooman examined the way in which an environmental pressure group influenced a company StarKist, so that the company in turn prevailed upon its suppliers to change their behavior. The suppliers were foreign tuna fishing fleets and the environmental pressure group wanted them to change their form of fishing practice. They did this by a campaign aimed at the customers of StarKist. The environmental group was not a customer or a significant shareholder of StarKist but felt it had the right as a stakeholder in its activities to take this action. This leads to the third premise about stakeholder theory:

3. The interests of all legitimate stakeholders have intrinsic value and no set of interests is assumed to dominate the others.

This premise is perhaps more challenging to unpack. It certainly flies in the face of much organizational theory which accords primacy to a particular group whether it be shareholders or to the customer or service user. It begs certain questions such as how does the legitimacy of a stakeholder get established. Can a smoker lay claim to a legitimate interest in being able to smoke even though other stakeholders in the organizational environment are opposed to it? It presumes that stakeholder differences are in some way mediated in a fashion which involves a degree of compromise – or at least acceptance of minority opinion.

Johnson and Scholes express the practical implication succinctly, "Are managers really the honest brokers who weigh the conflicting interests of stakeholder groups? Or are they answerable to one stakeholder – such as shareholders. Or are they, as many authors suggest, the real power behind the throne, constructing strategies to suit their own

purposes and managing stakeholder expectations to ensure acceptance of these strategies?” (Johnson and Scholes, 1999: 217)

Jones and Wicks (1999) suggest that stakeholder theory might seek to describe behaviors but they view instrumental approaches more favorably – namely that the theory puts up a certain postulates that particular actions may lead to certain outcomes. They suggest various such postulates and outcomes. They note that another approach is to adopt a normative standpoint and suggest what moral obligations stakeholder theory places upon managers. This approach – often explored through the literature on Business and Managerial ethics – purports to furnish a way or ways? of answering the dilemma of how to deal with conflicting stakeholder interests.

Jones and Wicks go on to suggest a hybrid theory which brings together the instrumental and normative approaches. This could be achieved by grounding instrumental theory in “morally sound principles”. This raises an interesting possibility for extending stakeholder theory into a domain where morally sound principles must reside alongside an expectation or at least acceptance of instrumentality – namely that of state provided health care.

STAKEHOLDING IN HEALTH CARE IN THE UK

Health Care represents, in the context of the NHS, a service for the individual citizen of the UK or individuals otherwise qualified to receive the service – such as EU citizens. Thus the number of potential stakeholders is enormous. Since the principle of the NHS is a service free to those in need then the recipient is not in effect a purchaser of the service. This makes the NHS what Flynn (1997) describes as a “Type 2 Market”. This has some clear implications for stakeholding theory in the NHS. The internal market of separation of purchaser from provider of health care is mirrored in stakeholding terms by the separation of recipient from payment for service.

The internal market was seen by many writers as requiring NHS organizations to “seriously consider their environment, as a failure to do so would adversely affect the viability of those organizations which were not competitive” (Millar and Wilson 1998: 51). Miller and Wilson examined the situation of an NHS Trust whose contract and thus source of funds appeared to be vulnerable. They suggest that this came about because the Trust had adopted a reactive rather than pro-active approach which meant that the stakeholder relationship was being neglected. The research, which involved interviewing 12 Trust staff and asking them to list key stakeholders.

Of a maximum of 12 interviewee responses the following stakeholders were identified numbers relate to number of interviewees identifying them:

Health Authorities	11
Local Authorities	11
General Practitioners	10
Community Health Councils	9
Service Users	8
Local and Voluntary Organizations	8
Trust Staff	7
Local Community	5

MP's	4
Lobbying Groups	4
Carers	4
Primary Health Care Teams	3
Universities	3
Other provider units	2
Other professional schools	2
Trust Executive	2
Regional Health Authority	2
GP Fundholders	2

These were the stakeholders identified as more important by more than one respondent. Other stakeholders such as therapy staff, nurses, other care providers, media, and trust management were each named once only.

Miller and Wilson asked respondents to place the various stakeholders on a matrix using the Johnson and Scholes power/dynamism and power/interest matrix. This led them to conclude that Health Authorities, Community Health Councils, General Practitioners, Local Authorities, and Trust staffs were regarded as the most important stakeholders.

The researchers analyzed the reported expectations of the various stakeholders as expressed by respondents and compared these with the researcher's assessment. They concluded that:

...although there was considerable consensus as to who the stakeholders are, the interviewees had different perceptions about the power, dynamism, and interest of each stakeholder. The differing perceptions inevitably lead to problems in prioritization which, in turn, exacerbate the difficulties the trust can be expected to experience in formulating its response to the competing claims of its various stakeholders. (Miller and Wilson, 1998: 57)

Some years earlier Berman Brown and colleagues suggested that there were three main groups of stakeholders in the NHS. These they identified as professional clinicians, managers and patients (Berman Brown et. al, 1994). They note that the immediate answer to the question, "Who is the NHS for?" was "the patients who use it" – but then they suggest that "...differing views of how this is to be achieved contribute to a misreading between stakeholders of one another's remit." (Berman Brown et al., 1994: 63). They suggest that their three stakeholder groups have differing views of how the purpose of the NHS is to be accomplished. They then went on to assess the views of the different groups and identify the patients as the most dependent and least well informed; the clinicians as powerful and closely linked to the patients and end results and the managers as more remote and more focused on resource efficiency and effectiveness considerations.

Berman Brown et al. consider the impact of the new managerial ethos of the NHS reforms and suggest that both managers and clinicians are more concerned with illness treatment than health promotion. This is fostered by the highly visible nature of the waiting list factor. They observe that:

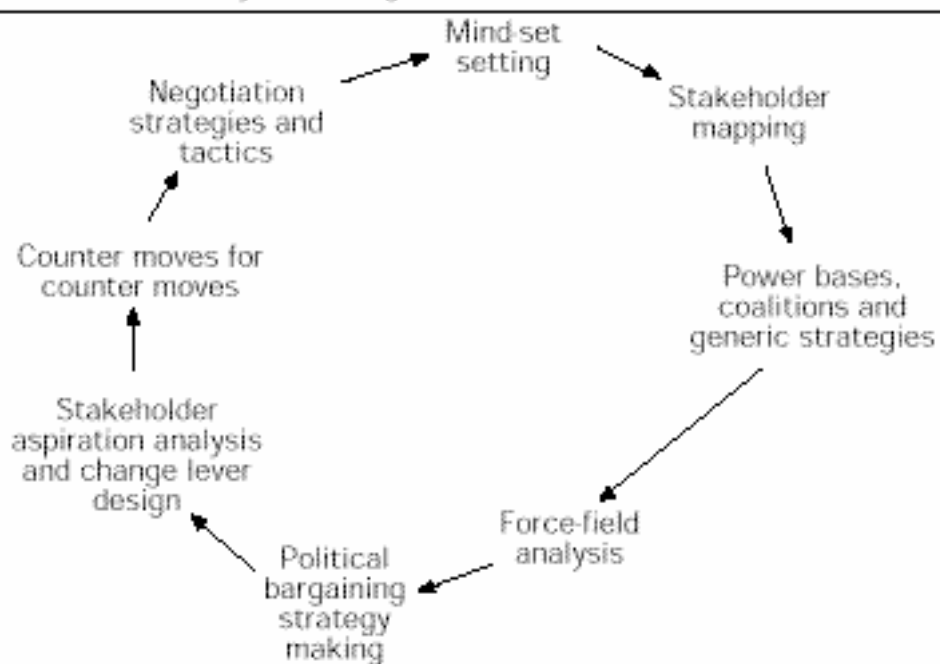
An orientation towards health rather than illness would be a profound change for the NHS, but one that may be brought nearer by the rise of the professional manager. To the latter, a particular clinical treatment is only a means to an end, and if allocating resources away from treatment to, say, health education is more efficient at improving overall health, it will seem a rational use of finite resources. (Berman Brown et al., 1994: 69)

Nwanko and Richardson (1996) stress the importance of a political perspective for an organizational leader. Their article offers some very useful insights for a manager operating in the sort of highly politically charged environment which is characteristic of the NHS. In particular the changes in the Scottish setting make a political awareness an even more critical attribute for an effective manager, as they observe:

A double-sided political mind-set accedes to the likelihood that some people will be for and some against particular strategic developments. Politically adept leaders seem to carry a cognitive political map into their managerial work. Intuitively and without the need for formal analysis they understand who, in and around their organizations, have the means and the will either to foster or damage their projects. (Nwanko and Richardson 1996: 44)

Figure 1

Political rationality enhancing activities



Source: Nwanko and Richardson, 1996: 44.

Figure 1 suggests a strategy for the politically astute manager to engage in a constructive and effective analysis and strategy implementation cycle with relevant stakeholders. The suggestion that effective managers “intuitively” engage in this may have a considerable basis in the reality of many organizations. However when an organization such as the NHS in Scotland confronts a sudden change in its political

environment then the reaction of managers may not have an intuitive template on which to rely. Previously the political levers went but indirectly to Westminster via the more proximate doors of the civil servants. To some extent to Health Ministers based in London, Scotland was probably seen as not possessing the immediacy of health issues nearer to the London media.

A MODEL FOR STAKEHOLDING IN THE CONTEXT OF THE NHS

Strategic Management texts such as Johnson and Scholes (1998) suggest that stakeholder analysis should involve assessing stakeholders in terms of such criteria as:

- power
- interest
- predictability

Table 2: Stakeholding Variables: Level of Interest and Power

		LEVEL OF INTEREST	
		Low:	High:
POWER	Low:	Minimal Effort	Keep informed
	High:	Keep satisfied	Key players

Source: Author, 2003.

Table 3: Stakeholding Variables: Predictability and Power

		UNPREDICABILITY	
		Low:	High:
POWER	Low:	Few Problems	Manageable though uncertain
	High:	Powerful but known	Greatest risk and opportunity

Source: Author, 2003.

When a professionally-oriented not for profit public body such as the NHS is concerned we feel that it may be appropriate to open out these criteria to take account of the particular environment within which the NHS Scotland operates. In particular the impact of changes of this environment namely the political changes wrought by devolution, the ending of the internal market and the creation of new relationships and bodies.

It may be suggested that the analysis of stakeholders in this environment could benefit from the following model of stakeholder analysis:

THE NATURE OF STAKEHOLDER POWER

1. Positive vs. negative

Certain actors in the NHS clearly possess positive power. Thus politicians may allocate extra resources to a particular Health Board and within a Health Board the manager may favor a particular service or department for additional funding. More commonly in a large and relatively bureaucratic publicly funded body without an obvious bottom line the power is negative – the power to obstruct or delay.

Understanding the power basis of a stakeholder is clearly critical for the Health Board. Positive power is more easily understood – particularly as it is typically exercised downwards through the provision of funds, the use of performance measures or the operation of contractual arrangements. Negative or countervailing power in the health care setting is less well recognized and understood. (Mechanic 1991)

In the NHS setting a clear example of negative power was the refusal or reluctance to provide information. Under the internal market there were implicit if not explicit financial consequences when a provider failed to furnish information of activities undertaken under a contract. John Harvey Jones graphically uncovered these in the Troubleshooter Series broadcast on television when he assessed the problems of the Bradford Hospital Trust. The Health Authority in Bradford withheld funding from the Trust on the basis that the Trust had not furnished a proper accounting of its activities.

However with the move towards dismantling of the internal market the negative power of the Health Board to withhold funding may be perceived differently by the Trusts with which it deals. The “partnership mantra” implies that the Board is a “conduit” for such funding and “conduits” are not meant to impede the flow.

The move in Scotland towards empowering the Trusts and making the Health Boards more “strategic” and less operational has the potential to change the way in which power is exercised. In particular the financial leverage that the Boards held through control of the purse strings may be weakened with a move towards partnership models and longer duration funding arrangements. The powers of the Boards both in positive and negative terms may be reduced. The model below would predict that this would encourage alliance seeking behavior by the Boards.

Table 4: Stakeholding Variables: Use of Power and Power I

		USE OF POWER	
		Negative:	Positive:
POWER	Low:	Only a threat in alliance	High alliance potential
	High:	Change blocker	Key change agent

Source: Author, 2003.

2. Direct vs. indirect exercise of power

Stakeholders may exercise power directly and usually openly. This is generally well understood and accepted. Thus the Health Board directly and openly liaises with Local Authorities to produce Health Improvement Plans (HIPs) in accordance with Government requirements. The plenitude of Government directives and official pronouncements give an impression of direct control upon the operation of a Health Board.

However, in a public sector context where there is no clear bottom line such as share price, profit margin or sales it is inevitable that directives are interpreted or mediated. The presence of both national and Scottish government departments creates a complexity of relationships. In a professional collegiate setting the quality orientated bodies which have been set up may prefer to operate obliquely as opposed to the more direct functioning of their contractually focused predecessors. On the other hand the “mantra” of collaboration and partnership may take time to percolate through and replace the culture of the internal market.

The presence of a new set of politicians in the form of Members of the Scottish Parliament has been a factor. Health has been an obvious focus for their activities as it is proportionally a large part of the budget and a key element of devolution. The Scottish Executive has also become involved in Health issues. In areas such as care of the elderly and assessment of health care needs and effectiveness the Scots have parted company with the NHS south of the border.

Overall the pattern of indirect and lower levels of power prior to devolution has thus been replaced by evidence of direct and higher levels of power. The Scots have become “agenda setters”. The results of the recent NHS poll by the BBC demonstrated that a key part of the Scottish agenda – free long term care of the elderly – was overwhelmingly prioritized by respondents in both the phone in vote and web vote held on February 20, 2002.

Table 5: Stakeholding Variables: Use of Power and Power II

		USE OF POWER	
		Indirect:	Direct:
POWER	Low:	Whispering campaign	“In your face tactic”
	High:	“Behind the throne influence”	“ Agenda setter”

Source: Author, 2003.

3. Acting alone vs. in alliance with other stakeholders

Most people are familiar with the device of the sticks: a Master gives a stick to a disciple and invites the disciple to break it which the disciple does. The Master then

gives the disciple a bundle of sticks and the disciple cannot break them. The lesson is of strength in numbers – or in alliance.

In the stakeholding context the analogy is that a weak stakeholder can achieve power through alliance with another stakeholder. The alliance may take several forms.

- Two or more weak stakeholders may join together in order to more effectively press their case.
- A strongly interested but weak stakeholder may prevail upon a stronger but otherwise relatively uninterested stakeholder to champion its cause.
- Two weak stakeholders may agree to support each other in areas where one has an interest but the other has not – or to “take it in turns to be the dominant party.”

In a number of public sector settings such stakeholder alliances are familiar phenomena. NOC Local Authorities No Overall Control are an obvious example. In order for political impasse to be resolved the political groups must come to an understanding and – usually – engage in some sort of political “horse trading.” Health Boards, however, are non-elected bodies and are made up in part of political appointees. Professional clinicians tend to be focused upon the needs of the speciality and “horse trading” may not be an avidly practiced skill.

The work with the Health Board showed that examples of alliances were to be found. In particular there was an example of an agreed policy to site a particular facility for drug users being frustrated by a local politician acting in alliance with the local community and the media.

Table 6: Stakeholding Variables: Use of Power and Power III

		USE OF POWER	
		In Alliance:	Alone:
POWER	Low:	“Potential surprise”	“Ineffective protest”
	High:	Highly effective	“Big hitter”

Source: Author, 2003.

INTEREST FOCUS

1. Predictable-not predictable

A stakeholder can be considered in terms of how predictable is likely to be their stance on a particular issue. To some extent this is linked to the degree of knowledge and experience of the particular stakeholder. A familiar stakeholder is easier to predict accurately than one who is relatively distant or unknown.

In the context of the changes in the NHS in Scotland this is a key element as familiar stakeholders may have become less predictable due to the “changing environment”. New stakeholders are emerging with the requirement to engage in collaborative planning with Local Authorities. New bodies to assess quality and performance of care are set up. Most significantly of all there is a whole new political structure with a Parliament, MP’s and a Health Minister. There is often no background of previous experience to draw upon to predict the behavior of these stakeholders. It has to be “learned in the raw”. Sometimes it is based upon casual knowledge and rumor related to the individuals concerned.

The Health Boards had to deal with a sudden increase in their political environment. From having distant politicians whose eyes rarely turned northwards they had to confront a complex and active local political environment. Knowledge of local politicians and their particular concerns and interests appeared limited.

Table 6: Stakeholder Attitude and Interest

		ATTITUDE TO ISSUE	
		Favorable:	Opposed:
INDIVIDUAL INTEREST	Predictable:	Nurture as ally	“Disarm” or win over
	Unpredictable:	Need to assess... and persuade	Need to consult

Source: Author, 2003.

2. Specific or Generic

Stakeholders may have some very specific areas of interest. When these are threatened the stakeholder will become very energetic and vociferous. Otherwise the stakeholder is virtually as “sleeping partner” as far as the Health Board is concerned. Other stakeholders may perceive a broader engagement with the affairs of the Board. If the demeanor of the stakeholder is known then the Board can predict and anticipate or foster particular behaviors by the stakeholder.

An example which emerged strikingly was the relocation of a needle exchange for drug users. The Local Authority had agreed to this and the Health Board was surprised to encounter strong resistance to setting up the needle exchange from a local councilor. It was suggested that this may have been associated with the actual physical location over a local Post Office. Such a location could be predicted to arouse local political sensitivity which the councilor would feel bound to express in a forthright fashion. The generic question of the setting up of a needle exchange was accepted. It was the specific nature of implementation which gave rise to the stakeholder issue.

Table 7: Stakeholder Interest Types

		NATURE OF INTEREST	
		Specific:	General:
INDIVIDUAL INTEREST	Favorable:	Issue based support	Ally
	Opposed:	Issue based opposition	Opponent

Source: Author, 2003.

3. Favorable-Opposed

Stakeholder may be in favor of a particular innovation, service or proposed change to service – or they may be opposed. The oft used phrase is to ask whether the stakeholder is “for it or against it.”

A stakeholder who is favorable is obviously likely to be amenable to co-operative strategies and may well be willing to consider some form of alliance to the mutual benefit of both parties. A stakeholder who is opposed may need to be won over either by concession or by some form of trade-off. Alternatively if the stakeholder is not amenable or the situation does not lend itself to such tactics then the likely reaction of the stakeholder has to be assessed. Will the stakeholder be able to singly, or in alliance with others, pose a serious threat? If so how might that threat be countered or neutralized?

This is an area where the skilled politician thrives. The NHS Scotland has “enjoyed” a political distance from Westminster politics in the past. Local Government politics, due to the structure of the internal market, have possibly represented more of a spectator sport as NHS has not been required to co-operate with local authorities to produce joint plans and agree common strategies.

However with the advent of devolution and a Scottish Parliament and Health minister this has introduced some changes. Members of the Scottish Parliament have been very concerned with local health questions in a way that Westminster MP’s were not. The Scottish Health Minister, Susan Deacon, has adopted a highly public profile. The new NHS is also required to collaborate with local councils to produce Health Plans. Where the Health Board has several such councils within its area this poses a complex challenge.

CONCLUSIONS

The paradoxes of new public management noted by Hood may be argued to be relevant to analysis of the NHS in the UK and specifically in Scotland. For example, there has been less focus on private sector initiatives and a modernizing agenda in Scotland than in England even though the need for these measures may be greater in Scotland. Indeed there are relatively few PPP/PFI initiatives north of the border. Within one country, the UK, the differences in speed of adoption of new initiatives in individual parts of the nation are readily apparent.

The key element of NPM – devolution – has, in combination with a different history of public law and institutions, resulted in significant differences in implementation. Scotland may conceivably set some of the agenda for change in the National Health Service south of the border. Although this may be framed to be understood in terms of New Public Management criteria, it may be better illuminated by the stakeholder approach applied herein. The stakeholder environment in Scotland has changed dramatically and the differences in course arising from this are amenable to analysis, explanation, and – possibly – prediction using the stakeholder theory and its associated techniques. New political actors have emerged with the Scottish Parliament; the reduced relevance of London based politicians and public servants in driving change has been accompanied by a re-configuration of local sources of power.

Stakeholder analysis enables public managers and policy makers to make sense of the new landscape. In particular, the health sector that has previously been guided largely by civil servants who looked South of the border for guidance and often for future careers has now become highly sensitive to local political considerations. More questions are asked in the Scottish Parliament presently about health than any other issue.

Adjustments to more local concerns will be challenging and may be very hard for both health professionals and health care managers to make. In a relatively short time, the political environment has become immediate, and often the micro-environment is to the forefront as witness in the example of the needle exchange scheme. Under the former Westminster-based environment the issue would not have been over the siting of the facility but rather the fact that the budgetary agreement would have been a long, drawn out process involving distant and possibly disinterested parties.

Knowing who your stakeholders are and consulting them appears to be an obvious priority for local managers in the public domain. However identifying the key stakeholder groups and individuals is not a straightforward task and the impact of change is not easy to predict. Potentially affected individuals and groups may not be known to the policy makers or to each other. Therefore, the traditional and formalized consultation mechanisms that policy makers use may elicit limited and sometimes misleading information. The set planning processes beloved in the public sector environment may, by their very nature, favor certain groups over others. When the balance of incentives changes, there are winners and losers; process change and power shifts may not appear or palatable to many participant stakeholders.

The literature and folklore of public management offers numerous examples of policy failure and of unintended – and often unforeseen – consequences. Stakeholder analysis and mapping techniques can enhance the identification of affected parties and provide knowledge of their interests and their likely reaction to policy changes.

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