Project Stakeholder Management

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Before we go into the detail of stakeholder motivations, how to do stakeholder analysis and possible techniques for stakeholder management, we need a toolbox of concepts and to understand the context in which the stakeholder management takes place – the project.

**DEFINING IMPORTANT CONCEPTS**

This book is about stakeholder management in projects. Projects are established to generate benefits for the permanent organization behind the project (the base organization) (Andersen 2008). For example, a company may initiate a construction project to establish more production capacity to increase output and thereby generate more profit. In this case, the company is the base organization and the increased profit is the desired benefit. Benefits are generated through project deliverables produced by the project team during the project process. In the above example, the production facility is a deliverable. Other examples of deliverables may be new products, accomplishment of events, replacement of machinery, or implementation of a new organizational structure. Unfortunately, most projects do not result solely in benefits. They also result in side effects which can be negative, positive or neutral. Negative side effects are also sometimes referred to as disbenefits. Benefits and side effects incurred by a project are project outcomes. In the production facility example, noise from the construction process which bothers the neighbours may be a negative side effect. This is an example of a side effect that will disappear when the project is completed. Other side effects such as negative environmental impacts may last for a long time. While the project deliverables are delivered during or at the end of the project process, project benefits and side effects may not materialize until sometime after the project has been closed down. This is likely to be the case for a project for which the main deliverable is a new hospital or for which the main deliverable is a new product line within a company. It is only once the impact of the hospital is felt in the local community or that the company can realize sales from its new product line that benefits and side effects are apparent.
As mentioned above, the project affects its stakeholders. However, the project stakeholders may also affect the project. Examples of project stakeholders are project investors, various decision makers, project teams, authorities, suppliers, customers and end users; each description, for example ‘project investors’, typically covers several persons or entities. In managing project stakeholders you must decide on the level of stakeholder disaggregation (Ackermann and Eden 2011). This concerns whether you will treat all the stakeholders covered by the same label as a single entity or whether you will single out one or more subgroups or persons. You may for example choose to differentiate between a lead investor and other investors. You may also differentiate on the basis of personal characteristics. Specific persons or groups might be especially supportive and others especially non-supportive towards the project. Further, you need to figure out if you should deal with all members of a stakeholder group collectively or with a single person representing the group; for example in the case of a group of employees. Typically, stakeholders are identified at an aggregated level in the beginning of the project, for example as ‘suppliers’ and ‘end users’, while more specific stakeholders or subgroups may emerge at later stages once you have developed more knowledge about both the project and the stakeholders.

In order to clarify responsibilities and accelerate project progress, project management literature strongly recommends that specific formal roles are assigned to persons participating in the project (Gareis 2005, Eskerod and Riis 2009). A ‘role’ is a set of expectations placed on a person or a team holding a specific position. Project roles are temporary. The most basic project organization consists of the following project roles: project owner, project manager and project team (consisting of project team members). The project owner represents the base organization and has the overall responsibility for the project. The project manager is the day-to-day manager of the project while the project team members produce the deliverables.

To be able to produce the project deliverables, the project requires sufficient contributions from stakeholders (Pfeffer and Salancik 1978). These may be financial and non-financial. They can take many forms, for example: approvals and guidelines from decision makers and authorities; expertise and working hours from the project team members; deliveries from suppliers; and compliance with the intended use of the project deliverables from the end users. Contribution implies a cost to stakeholders; this may be direct or indirect in the form of making an effort or spending time on the project. Individuals and groups can influence the project by providing or withholding contributions needed to accomplish the project. In other words, they have the potential to help or harm the project (building on Freeman 1984, Freeman, Harrison and Wicks 2007, Savage et al. 1991). Stakeholder management theory assumes that project stakeholders will only contribute as needed if they are motivated to do so. You therefore need to consider who is sufficiently motivated and who needs encouragement to contribute.
to the project. Motivation depends on expected costs and outcomes. Negotiations aimed at aligning expectations around project purpose(s), deliverables, scope and contributions are essential elements of stakeholder management as these activities enable influential stakeholders to air their views and – hopefully – align their expectations.

Project stakeholders will have their own interests and perspectives related to the project. That means that they will not necessarily contribute, on their own account, as you may wish. You must be alert to important stakeholders and aware of how they may act rather than simply considering what you need from them. The aim of project stakeholder management is to increase the likelihood of project success. Consequently, project stakeholder management consists of all the purposeful activities carried out in connection to the project stakeholders in order to enhance project success. Project stakeholder management should enable and encourage the project stakeholders to contribute when and how you need them.

Project managers do not have unlimited resources for interacting with stakeholders. You must decide carefully how to spend the time and resources which you have available for this task. This involves making strategic decisions on how to interact with project stakeholders in a way so that the scarce resources are used in the most efficient way. One way is to prioritize the stakeholders so that more resources are allocated to those stakeholders that have the greatest potential impact on the project (negative or positive) on a certain issue and may be reluctant to contribute quite as much as is needed, and less time and resources are set aside for working with those stakeholders who have only a limited stake in the project or who are committed to contributing whatever is required.

A project cannot be established and accomplished – and the project benefits realized – without carefully considering and dealing with the project stakeholders. You need to find out (1) who can affect or will be affected by the project – identify the stakeholders; (2) how they need to contribute to secure project success, and whether and why they can be expected to contribute as needed – assess needed contributions and motivations; and (3) who you need to allocate more management attention to – prioritize the stakeholders. To do so, you should perform one or more stakeholder analyses during the course of the project. Ideally, the first stakeholder analysis is done even before the project is established to find out whether there are powerful stakeholders who will want project success or be able to hinder it (Andersen 2008). Once the project is established, you should always make one or more thorough stakeholder analyses as more detailed information becomes available, allowing more targeted stakeholder management than what is possible at the outset.

Project stakeholder management thus consists of two types of activities: conducting project stakeholder analyses to provide the information needed for stakeholder management
and, on the basis of the results of these analyses, interacting purposefully with the project stakeholders. Examples of information needed for stakeholder management are the stakeholders’ requirements, wishes and concerns related to the project.

Figure 2.1 lists definitions of the key concepts presented in this chapter.

- Projects are temporary organizations created to generate benefits for an organization (the base organization).
- Project deliverables are what the project team must produce to generate aimed for benefits.
- Project outcomes can be both the stipulated benefits and positive, negative and neutral side effects for the base organization as well as for others.
- Project stakeholders are individuals, groups, or entities that are affected or who can affect the project.
- Project stakeholders may be able to help or harm the project.
- Stakeholder contributions to the project can be financial and non-financial.
- Contributions can be in the form of actions for the project or refraining from actions against the project.
- To contribute, project stakeholders take on costs.
- Project stakeholder management is all purposeful activities towards the stakeholders to enhance project success.
- Project stakeholder analysis consists of identification, assessment, and prioritization of stakeholders.

**Figure 2.1  Key concepts in project stakeholder management**

**ESSENTIAL PROJECT CHARACTERISTICS**

When you perform stakeholder management in projects, you need to take a number of essential characteristics of projects into consideration.

**The project organization serves another organization**

Erling S. Andersen in his book *Rethinking Project Management – An Organisational Perspective* (2008) defines a project as follows: ‘A project is a temporary organization created by its base organization to carry out an assignment on its behalf’ (Andersen 2008:10). A project is thus an undertaking which is officially sanctioned by a permanent organization, and the members of the project organization act on behalf of this organization. The base organization delegates authority and responsibility to the project organization in relation to the project task. The members of the project organization are expected to plan and accomplish the project in ways that create benefits for the base organization and its members.
Some members of the base organization may affect as well as be affected by the project process and the project outcomes and are thus stakeholders. Some of these stakeholders are central to the project. Examples of such stakeholders are (top) managers who decide whether to allocate resources to the project as well as approve the scope of the project; employees who are appointed to undertake the project as project team members; departments delivering expertise and parts to the project; and employees who need training in order to sell a new product or to comply with new procedures. As the project is established to serve the base organization and the base organization allocates resources to the project, it is very important to consider important stakeholders in the base organization.

Many elements relevant to project management such as the project roles, ways of interacting with project stakeholders, norms and explicit values are determined or influenced, to greater or lesser extent, by the existing processes, culture and ways of working in the base organization including its previous project management practices. This means that you need to be aware of routines in the base organization when you perform project stakeholder management. The same holds true if your project involves other permanent organizations, for example a client organization.

A temporary and unique endeavour

The project is a temporary organization. It has an explicit starting point and an ending point, a foreseeable time span, a time before the project (pre-project phase), and a time after the project (post-project phase). The project life cycle covers the time during which the project is undertaken while the project investment life cycle includes all the time in which resources are spent on the project and in which the project generates benefits. When doing project stakeholder management it is important to consider the whole project investment life cycle when you assess who will be stakeholders of the project, including people that will deal with the project deliverables after the project has been closed down as it is important that they ensure that the deliverables will actually result in the desired benefits.

The management phases in the project life cycle are as follow: formation, planning, execution and close-down. Figure 2.2 illustrates the project life cycle and the project investment life cycle.

![Figure 2.2 Life cycles in projects]
Figure 2.3 lists important challenges and related stakeholder management tasks across the project life cycle. In the *project formation phase*, the project is set up and the planned benefits, scope and constraints of the project are determined. In this phase, you will perform the first stakeholder analysis on which you will base the activities for the project team that are designed to establish the initial elements of your interaction with the key stakeholders. This means that focus is on building relationships; clarifying the aim of the project and putting this into words. In the *project planning phase* you will have identified further stakeholders needing management attention. The relationship with these new stakeholders needs to be established; you need to align their expectations and make them aware of the project. During the *execution phase* you will be working to sustain all these relationships. In the *close-down phase* the relationships will be dissolved and the stakeholders’ role in the project disengaged (although they may remain important contributors as part of securing the stipulated benefits).

The explicit temporality of any project may affect how the project team members think of the project stakeholders. They may be tempted to think in very short-term ways: ‘We only need this supplier for this project. Let’s get the best deal we possibly can.’ When you perform stakeholder management in projects you should be aware of the possible risk inherent in this type of thinking. A focus on positive and equitable *relationships* with project stakeholders may serve the base organization better creating long-term benefits because it is very likely that you meet at least some of them again in other projects.

<table>
<thead>
<tr>
<th>Project Management Phases</th>
<th>Project Formation</th>
<th>Project Planning</th>
<th>Project Execution</th>
<th>Project Close-down</th>
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<tbody>
<tr>
<td><strong>Challenge</strong></td>
<td>Engage key stakeholders.</td>
<td>Engage stakeholders.</td>
<td>Follow-up on engagement and engage possible new stakeholders.</td>
<td>Disengage the stakeholders.</td>
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The project organization will be dissolved when the project is closed down. But the benefits that the base organization derives from the project will only be harvested after the project close-down, for example by use of the IT system developed in a software development project. This means that you will need to encourage stakeholders to contribute to deliverables at every stage of the project when, in return, all you can give them is an expectation that the deliverables will result in the stipulated benefits. This is a challenge in project stakeholder management and emphasizes the need to develop the stakeholders’ trust that the benefits will materialize at a time when the members of the project organization can no longer influence the stakeholders (as the project organization has been dissolved). You need to consider the contributions required to harvest the benefits after the project has been closed down. For example, that there will be people responsible for operating the IT system after implementation and ensuring that the IT system is actually used. In other words, think about how and when to engage those stakeholders who are perhaps only significant once the project has been closed and who are not already on your radar when focusing on the project deliverables.

Every project has some elements that are unique. Some projects are very similar to previous projects while other projects may have many new elements. For example, a construction company will run a number of construction projects and many of these may be virtually identical. However a small number may require new construction techniques, involve challenging environments, firm deadlines or a different approach to stakeholders. Think about the difference between constructing a block of flats and constructing the Olympic athletes’ accommodation; both essentially similar products but very different projects!

A permanent organization can typically improve its processes over time as the repetitive nature of much of the work enables them to identify inefficiencies and try out new processes. However, a project with many unique elements may have to start from scratch on a number of issues and in such cases it may be hard to transfer knowledge from previous projects. Further, the nature of projects means that some (or most) of the project stakeholders change from project to project. This makes it especially difficult to identify all of the stakeholders in a project, work out their interests and how to accommodate them to ensure the needed contributions. The base organization may be a project-oriented organization with well-defined ways of running projects or it may be an organization unfamiliar with projects or immature in terms of project management capability. Likewise, the project manager may be more or less experienced in running projects. Managing projects that involve many new issues will be easier for the experienced project organization or the experienced project manager than it will be for inexperienced organizations or project managers. The more new issues and the more inexperience, the more important it is to allocate time for analytical and well-structured processes for project stakeholder management involving more people.
Project stakeholders have their own stakeholders

The matrix organizational structure often used when dealing with projects and the temporality of projects means that the project team members have other ‘homes’ and other superiors for whom they also work. They have to prioritize a range of tasks of which the project represents only one. There is no guarantee that the project will ‘win’ in this resource battle. The project team is a group of people put together for a defined period of time, representing diverse interests. The personal bonding between the members may consequently be weaker than between colleagues in a permanent organization. Because the project team members have different ‘homes’ they may well have differing work styles and values as a result of differences in profession, background, experiences, position in the permanent organization, and organizational or national culture. The same also holds true for stakeholders external to the project. The project may not be the only customer for the supplier; suppliers have to prioritize between customers. The challenge here is that you don’t know who else is in the stakeholder landscape: who are the stakeholders of your stakeholders and how might they compete for the same resources as your project? To ensure the project runs smoothly you need to reveal and deal with possible conflicts of interest and other issues between the stakeholders.

Negotiation and renegotiation

Projects are established by people. They determine the aimed-for benefits, define the scope of the project, and agree on deliverables, time and budget constraints as well as on success criteria. Agreements are reached as a result of negotiations between stakeholders who may have differing aims, beliefs and preferences. If these differences are not clarified it may lead to misunderstandings and a breakdown in trust, particularly if stakeholders feel that their expectations are not met or, worse still, are ignored. You must clarify stakeholder differences early on in the project process and consider them carefully when planning your stakeholder management. This may be challenging: you may not know the stakeholders in advance, and you will also have many other tasks that you need to complete at this stage to get the project running.

Renegotiations with stakeholders may take place a number of times during the project process. You may need to renegotiate elements in order to define deliverables and scope precisely. In some projects it is impossible to determine all the project deliverables and the exact project scope at the beginning of the project. This will be the case where many aspects of the first phase of the project are unique for this project as this requires that you develop the necessary knowledge to establish and agree on deliverables and scope.
Effective project stakeholder management cannot be conducted without considering what it is that the project is expected to accomplish and thus the criteria for success of the project. Unfortunately, project success is not a one-dimensional concept. A straightforward view is that a project is successful if the agreed project deliverables are delivered in time and within budget. But many examples of projects can be offered in which the projects were on time, to specification and within budget but did not lead to stipulated benefits for the base organization and other project stakeholders. And at the same time we sometimes see projects that produce deliverables that are radically different from the original specification and well outside the original schedule and budget that are nonetheless very successful. It may well be that the stakeholders have not been able to recognize and articulate their needs and aims at the beginning of the project and that the deliverables decided on at this time were, therefore, not the ‘right’ ones to create the benefits but should have been redefined. This redefinition may also be necessary when the needs and desires of customers change during the course of the project, not least because knowledge and understanding about the opportunities and potential sometimes grow substantially along the way. Another explanation for lack of perceived project success may be that the base organization or other stakeholders for whom the project should create benefits are unable or unwilling to make use of the deliverables; consequently no benefits are generated.

Case 1 (page 83) provides an example in which a decision taken during the project process had implications for members of the base organization that had to be taken care of.

There are at least two types of success: **project product success** (Baccarini 1999) and **project management success** (Munns and Bjeirmi 1996). Project product success is reached if the stipulated benefits are generated, whilst project management success is achieved if the project organization is able to produce the deliverables within time, to specification and within budget. **Project success** is the sum of **project product success** and **project management success** (Andersen 2008, Baccarini 1999). If either is missing it may compromise project success.

This means that it is important to understand the criteria for success amongst the various stakeholders, including both hard criteria (like usability of the deliverables, money, time) and soft criteria (like expectations to the project process) of which they are not automatically aware or explicit about (Morris and Hough 1987, Shenhar and Dvir 2007). It is also important to be aware that the criteria for success may change along the project course.

We have now presented project characteristics that are especially important to consider when dealing with project stakeholders. These are listed in Figure 2.4.
Let’s synthesize these elements and highlight the implications for project stakeholder management.

**IMPLICATIONS FOR PROJECT STAKEHOLDER MANAGEMENT**

Every project is unique and has its own set of stakeholders from which it needs contributions. The stakeholders often have other interests than just to serve the project and the stakeholders of the project may have conflicting interests. Proper project stakeholder management improves your ability to (1) anticipate opportunities and threats in a timely manner when room for manoeuvre still exists; and (2) make wise decisions on how to spend the project’s resources in effective interaction with the stakeholders.

Stakeholder management is about being proactive and prepared on a continuous basis even though uncertainties and previously un-encountered issues make it difficult to know exactly how to prepare. The idea behind project stakeholder management is that the project manager (together with the other members of the project organization) can increase the likelihood of project success through a process of purposeful and thoughtful activities in connection with the project stakeholders. These activities may be planned or improvised but should always be based on careful analysis of the project stakeholders and their interests.

As you have seen in this chapter, the stakeholders are not a given in projects. They must be identified and you need to get a feeling of who they are, the organization that they come from, as well as of their expectations of the project and what contributions you need from them to accomplish the project successfully (bearing in mind that not all success criteria may be immediately apparent). In addition, you need to take your limited resources into consideration and decide which stakeholders require the most management attention at various times during the project course. All this knowledge is generated from a stakeholder analysis. The process involves three main activities: identification of stakeholders, assessment of stakeholders, and prioritization of stakeholders as regards the need for management attention.
You should use the outputs of the project stakeholder analysis to plan how to relate to each stakeholder. In a dynamic world planning may seem a thankless task because you will almost certainly be confronted with changing environments and changing stakeholder preferences leading to changes in threats and opportunities. However, thorough understanding of your stakeholders and their desires and expectations will give you insights that can be useful when changes occur. The real benefit in planning comes from the insights it gives you into the situation at hand which enable faster, easier and better considered decisions, even when changes occur that require that the plans should be revised. This means that plans are never final. They should only be seen as inputs to the project process and they will need regular review and updating. In the following chapters we give you the foundations to understand what motivates project stakeholders and how to make a stakeholder analysis and develop a stakeholder management plan.