Managing stakeholders throughout the project life cycle management essay

Stakeholders can be defined as: A persons or organizations (e. g. customers, sponsors, the performing organization, or the public), who are actively involved in the project or whose interest may be positively or negatively affected by the performance or the completion of the project (Project Management Institute, 2008).

Stakeholders are the specific people or groups who have a stake, or an interest, in the outcome of the project (Project Management Institute, 2008).

A person, group, organization, or system who can or can be affected by a project’s actions (Serrador, 2009).

(Project Management Institute, 2008)

Over the years public participation has increased drastically in national and international public policies. Decision makers are now in even more pressure as to who are affected by the decisions and actions they undertake. Stakeholders have majority of the power to influence the outcome of the any decision made in a company. Stakeholders have achieved a good reputation and are supported by many, such as corporate managers, media, academics and policy-makers. Most public sectors place a strong emphasis in engaging stakeholders in projects. It is essential to involve stakeholder’s right from the beginning so that their views and ideas can be incorporated to best fit their needs.

A stakeholder analysis is a technique which helps in identifying individuals or organizations to include in a project. The following stages are used to support this analysis:

1. Identify and map internal and external stakeholders.

2. Assess the nature of each stakeholder’s influence and importance.

3. Construct a matrix to identify stakeholder influence and importance.

4. Monitor and manage stakeholder relationships.

Identifying Stakeholders

One of the most important initial steps in any project is to identify who the project stakeholders are. Stakeholders are people or groups that have an influence or interest in a project. Stakeholders will change from one project to the next even if the projects are within the same industry so identifying them correctly is a very crucial part to a project. There are a vast number of ways to identify stakeholders. Some of these methods are designed to look for stakeholders within a specific field or industry, while others are broad and are able to easily identify a variety of stakeholders within multiple fields. For example Rinehart, Laszlo and Briscoe suggest six standard questions which make for an effective and straightforward way to ensure that the project manager looks outside the box when identifying stakeholders (2001).

“ Who cares if the problem is solved/issue is addressed?

Who is being impacted by the problem or issue?

Who can help solve the problem or address the issue?

Who brings knowledge or skills about the issue?

Who will benefit if the problem is solved or the issue is addressed?

Who would bring a diverse viewpoint to the collaboration?" (Rinehart, Laszlo & Briscoe, 2001, p. 1)

In Brown's book ' The Handbook of Program Management' he has written an 8 step guide to identifying stakeholders (2008). Though this is written for program management the basic concept can also be used for the identification of project stakeholders.

"" Follow the money"

A person or group who is paying for the project will be a stakeholder.

" Follow the resources"

Any person or group, no matter their size, supplying any form of resource is a stakeholder.

" Follow the deliverables"

The person or group the project is to be handed over to upon completion is going to be a stakeholder.

" Follow the signatures"

Whoever has the final say regarding the completion of a stage or the entire project to its intended scope is a stakeholder.

" Examine other programme stakeholder lists"

If a project manager was to look at other projects stakeholders which are within a similar field and region they will likely find people or groups who

would be stakeholders for their project too.(for example a local government to a construction project).

“ Review the organizational chart to asses which parts of the organisation may be stakeholders”

“ Ask team members, customers and any other confirmed stakeholders”

An outside view may have a different perspective on who a projects stakeholders are.

“ Unofficial people of influence”

These are people who have influential power rather than positional power.” (Brown, 2008)

Identify And Map Internal And External Stakeholders

Stakeholder mapping is the start of any stakeholder engagement process. Stakeholder mapping is responsible for identifying target groups and gets information on these groups. Stakeholders are referred to as people who have a stake in a situation. There are two categories of stakeholders, the internal stakeholders and the external stakeholders. “ The project management team must identify both internal and external stakeholders in order to determine the project requirements and expectations of all parties involved”. (Serrador, 2009)

External Stakeholders

External stakeholders are those people who do not directly engage in economic exchange with the business however they are affected by the

decisions of the business. These individuals or organizations are affected by the financial well-being of the company. It is essential to get the perspective of these stakeholders. Examples of external stakeholders include;

External Stakeholders

Banks/Lenders

General public

Clients/customers

Suppliers

Media

Community partners

Activist groups

Internal Stakeholders

Internal stakeholders are individual who reside within the company and benefit directly from their own contributions to the growth of the company. They are considered part of the organization and are already committed to serving the organization and acquiring the benefits of it as well. Examples of internal stakeholders include;

Internal Stakeholders

Former /board members

Former/ staff members

Donors

Volunteers/Former volunteers

Identifying Stakeholders' Needs

In the planning stage of a project, once the stakeholders have been identified and prioritized, the needs of the stakeholders will need to be addressed. This will link back to the prioritizing of the stakeholders in the planning stage; where the interests of each stakeholder will need to be assessed according to their level of importance and influence on the project. It is also important to note that the needs of different stakeholders may be the same but still need to be addressed from a different angle (Wright, 2010).

There are several different methods of identifying stakeholder needs. A simple method of analysing this is to ask each stakeholder to fill out a questionnaire this is a sample questionnaire drawn up by Balakian and Bergmann (2009).

(Balakian & Bergmann, 2009)

Stakeholder needs and interests will not stay the same throughout the project life cycle so a project manager needs to constantly ensure that the needs and interests of the stakeholder are being met throughout the project. The diagram below helps by constantly allowing the needs and interests of the project stakeholders to be openly and freely updated and or viewed by each stakeholder (Crag Systems, 2006). This is done by publishing a list of stakeholder needs to each stakeholder so they have the opportunity at any

point throughout the project lifecycle to amend or alter their personal interests for the project manager to know about.

(Crag Systems, 2006).

Stakeholder Assessment Criteria

The stakeholder assessment is based on the influence and impact of the stakeholder towards the project. The assessment criteria usually give a visual idea on which stakeholder has the most priority compared to other stakeholders, and their placing in the project. The stakeholder assessment should include as much stakeholders that is a part of the project, including external stakeholders such as the general public, even though they have little influence and impact to the project, but when numbered they can really impact and influence the project (Project Management Institute, 2008). The process of doing the stakeholder assessment is not a one or two project team member responsibility instead it should take into account the diversity of multiple stakeholders from project sponsors, other project team members, upper management, HR and others that are deemed appropriate to the project (Duardo, 2007).

(Serrador, 2009)

It is important to understand that the matrix is not fixed because changes do occur during the project lifecycle which mean that stakeholders can move around the matrix resulting in the changes of the most influential stakeholders.

Stakeholder Assessment Criteria Analysis

The analysis provides strategies to manage each or group of stakeholders throughout the project lifecycle based on their position in the matrix of the project (Duardo, 2007).

Stakeholder Power / Potential

Low Stake / Interest

High Stake / Interest

Low Influence / Power

Theleast important priority stakeholder group should be either monitor or ignore.

Most critical stakeholder group and should be collaborate very closely.

High Influence / Power

This group of stakeholder providesdecision and opinion formulation, such as their feedbacks about the project and should be mitigated if problems do arises.

The mostImportant stakeholder group. The project team should make them feel involve, and should build capacity and secure interests to feel confident that the project would be successful.

Assess The Nature Of Each Stakeholders Influence And Importance

Individuals and groups behave differently in different situations and the impact the stakeholders have on an organizations strategy, policy and project depends on the relationship with the organization or the issues concerning them. Once the stakeholders have been identified, it is necessary to estimate their estimate and influence.

Stakeholder Sources of Influence

Internal Stakeholders

Hierarchy (formal power) e. g. authority, senior position.

Influence (informal power) e. g. leadership style.

Control of strategic resources e. g. responsibility for strategic products.

Possession of knowledge and skills e. g. expert knowledge that forms the organizations core competence.

Control of the environment e. g. negotiation & network of relationships to external stakeholders.

Involvement in strategy implementation e. g. as a change agent or responsibility for strategic projects.

External Stakeholders

Control of strategic resources e. g. materials, labour, money.

Involvement in strategy Implementation e. g. strategic partners in distribution channels.

Possession of knowledge and skills e. g. cooperation partners,

subcontractors.

Through internal links e. g. networking.

Direct Influence

Direct influence includes:

Legal hierarchy (command control of budgets)

Authority of leadership (charismatic, political)

Control of strategic resources (suppliers of services or other inputs)

Possession of specialist knowledge

Negotiation position (strength in relation to other stakeholders).

Indirect Influence

Indirect influence may also be achieved through:

Social, economic or political in status

Varying degrees of organization and consensus in groups

Ability to influence the control of strategic resources significant to the

project

Informal influence through links with other groups

Other stakeholders in assessing their importance to the project issues.

Stakeholder Prioritization

Stakeholder prioritization is a very important process throughout the project lifecycle especially the initiating phase. If stakeholder prioritization setup was wrong, it usually causes project failures. Such cases from bad stakeholder's prioritization leads too few inputs from few stakeholders, few support from main key stakeholders and wrong assessment criteria that the project team setup (Jacoby, 2011).

The prioritization management strategy is identifying and analyzing stakeholder. The strategy usually compose of –

Identify the stakeholders

Understand their needs.

Manage all stakeholders.

Confirm that stakeholder roles or needs have not changed

In terms of priority, the decision makers should be prioritized as the highest because of their impact to the project. They usually are business users, and/or senior management's position. Then the subject matter experts, specialization decision makers and subject matter experts in this order, which is an ideal way to prioritize stakeholders based on their impact to the project (Serrador, Keeping Your Stakeholders Thoroughly Happy, 2009)

Stakeholder Communication

Stakeholder communication is the most important aspect of any project. It is mentioned in a PMI article " Ignore stakeholders at Your Own Risk" by Lynda

Bourne (2009) that if project stakeholders are ignored there will be a 90% chance likelihood of the project to be unsuccessful, even if one important project stakeholder is ignored. Compared to other project risks such as weather, economy, and any other non-related stakeholder is small.

The most important and useful project risk management is supporting good communication with the project stakeholders throughout the project lifecycle. This will allow project managers and their responsibilities as project managers to reduce as much risks and allows the project to be a success.

The PMI PMBOK differentiates three types of communication to both the internal and external stakeholders.

“ Message – what you want to communicate.

Medium – the way you send the message and

Noise – things that interfere with communication.” (Project Management Institute, 2008)

Stakeholder Communication Strategies

In the article “ Beyond Stakeholder Management” by Lynda Bourne (2012) explained that if basic or common communication skills or strategies are needed to build a relationship with project stakeholders, this can lead to a successful project. This basic communication strategy is about delivering good project outcomes, such milestones and the deliverables, and project contract issues that might arise to the project stakeholder.

Basic communication strategy that project managers should use is –

Basic manners: Basic manners such as saying “ Hello”, “ Please”, “ Sorry” can make a big a difference towards the project stakeholder.

Show respect: Project managers should always show respect to their stakeholder by attending meetings, listening to their stakeholder needs and wants, and their stakeholder attention.

Body language: Project manager need to learn to read and know to use body language. Eye contact is the most important body language during a conversation between project stakeholders and project managers.

Electronic/Written Stakeholder Communication

In most cases when project stakeholders want a written or electronic report or letter. Project managers tend to forgot that reports or letters in a way to communicate are classed as “ noise” by the PMI PMBOK (Bourne, 2011).

Project manager should consider doing –

Well laid out page report or letter.

Consistency and not too much clutter.

The design of the letter or report, such as spacing, headings, fonts...etc.

Managing Stakeholders Through The Lifecycle Of A Project

Managing Expectations

Managing the widely differing expectations of stakeholders throughout the lifecycle of a project is vital to ensure that a project is successful (Schwalbe, 2006). It is imperative that the project manager balances the influence of the

numerous and diverse stakeholders to secure this (PMBOK, 2008). Essential to this are regular meetings and progress reports. Establishing the time, cost and risk parameters linked to the scope of the project and setting stakeholders' expectations around these, is pivotal to avoid subsequent disputes (Jedd, 2007). This strategy encourages synergy within the project from the outset, by setting realistic expectations and common goals. The project manager must reinforce this throughout the project, particularly during the execution stage of the project when conflict may arise (Maylor, 2010).

Poor stakeholder management is often the result of inadequately defined scope in a project. The Construction Industry Institute identifies this as posing significant risks by increasing the likelihood that the project becomes more adversarial between stakeholders later in a project (Construction Institute, n. d.). Clearly defining realistic scope and managing the change which is likely to result from competing stakeholder requirements is imperative for an effective stakeholder management strategy (Gray & Larson, 2011). It is essential to draft a well defined scope statement, that is specific and objective during the initiating and planning stages of a project (Cleland & Ireland, 2007). This will ensure that stakeholders are involved throughout the project. It is also essential that there is adequate governance to avoid ' scope creep', which occurs when minor alterations develop into significant scope alternation. (Nokes & Kelly, 2007) It is necessary to tightly define each item of scope; what it includes and more importantly what it does not include (Gray & Larson, 2011). This should be at the core of the project contract (Jedd, 2007). Inadequately drafted scope statements lead to

ambiguity and can lead to conflict between stakeholders, particularly between the sponsor and project manager at the delivery stage.

Change Control Management

Failure to have well drafted change management processes to monitor and review potential scope modification can prove costly. Well known instances of this are evident both nationally in the well known Integrated National Crime Information System project (Ministry Of Justice, 2000) and internationally, as was evident with the Denver International Airport Baggage System project (Strategic PMM, 2010). KPMG's 2010 NZ nationwide study found only 29% of respondents consistently practiced accurate monitoring of project variation (KPMG, 2010).

The project manager needs to ensure that the sponsor formally approves the scope and change governance. Rigorous change control processes with strict approval methodologies, documentation and traceability are also central to this and will make it easier to manage both internal and external stakeholders throughout the project lifecycle, particularly at the execution stage (Gido & Clements, 1999). The process utilised to evaluate and decide on change requests from stakeholders needs to be implemented at the planning stage onwards (Gray & Larson, 2011). The sponsor must sign the contract, formally approving not only the scope but also has to agree how the scope can be changed. The day to day implementation of the project governance ought to be strictly enforced with any changes formally agreed and impacts recognised (Nokes & Kelly, 2007). This will help ensure that the scope is constantly verified and recognisable to all stakeholders at all stages prior to delivery. Change is inevitable, and alterations may be necessary,

however a thorough change control process is vital to minimise any negative impact on the project and stakeholders' expectations (Gido & Clements, 1999).

(Project Management Tips, n. d.)

Engaging stakeholders

Successful completion of project goals will often be determined by whether the project manager has been able to engage and work with all stakeholders (Schwalbe, 2006). This is because ' projects and its stakeholders depend on each of for their success' (Cleland and Ireland, 2007). It is a good idea for project managers to build relationships with stakeholders before they need them (Gray & Larson, 2011). Failure to properly comprehend expectations can be fatal to a project. Utilising input from the most influential stakeholders is also likely to beneficial to the project since the reciprocity is likely to ensure common project goals through liaison. The project manager ought to ' build a cooperative network among divergent allies' because stakeholder relationships with one another are interdependent (Gray & Larson, 2011). Enrolling stakeholders and keeping them engaged is a difficult but essential task (Buttrick, 1997). It is unlikely a project can be a success without stakeholder support (Cleland & Ireland, 2007).

Whether a project is defined as successful is certainly a subjective qualification, originating from the perspective of individual project's stakeholders. However, it is advisable for a project manager to ' seize every opportunity to realign expectations with reality' (Gray & Larson, 2011). This is also central to the avoidance of stakeholder conflict regarding quality

management. PMBOK now defines managing stakeholder expectations as a process, clearly recognizing the considerable influence they have on the lifecycle of a project (PMBOK, 2008).

Conclusion