

# [Importance of stakeholders](https://assignbuster.com/importance-of-stakeholders/)

Project management is the discipline of supervising all the different resources and aspects of the project in such a way so that the resources will deliver all the output that is required to complete the project within the defined scope, time, and cost constraints (Lewis A. , 2010). It is the application of skill, knowledge, tools and techniques to project activities to achieve project requirements. It can be accomplished through the application of initiating, planning, executing, monitoring and controlling and closing (Lewis, 2007). This is mainly done in order to meet the exceeding needs and expectations of the stakeholders (Introduction to Project Management Principles, 2003). The call for project management was determined by the various businesses that realised the benefits of organising, communicating and co-ordinating work across the various departments and professions. This helps in coordinating the various resources of a project durning the project initiation stage so that by the time the project has begun its work all stakeholders and team members will have a clear cut understanding and acceptance of the process, methodology and expected outcomes of the project. (Lewis A. , 2010)

Stakeholders refers to those individuals or a group who has vested interest in the outcome or the results of the body of a work in an organisation. (Johnson, Scholes, & Whittington, 2008) defined stakeholders as the “ people or small groups who depend on the organisation to fulfill their own goals and on whom, in turn, the organisation depends”. They may be actively involved in the project and may have an interest on the total performance or completion of the project. They have the power to exert positive or negative influence over the project, its deliverables and its team members.(Bourne, 2009). Hence stakeholders can be called as the key people involved in a project. They have an interest in the execution of the project, getting the approvals and resources, and they also have a stake in the project outcome. Although they may not have an official role on the project, these are the people who will ultimately estimate the success or failure of a project (Koning, 2009).

## IMPORTANCE OF STAKEHOLDERS

All projects, in spite of its size, needs to have a clear cut idea and agreement about: who will decide the requirements of the project, the budget, resources, standards and in case of any change in the project, who will do the authorization of the changes and so on. Although a project manager could independently decide all these factors, unless and until the key stakeholders agree to the decision made, the project will not be able to progress and will have no scope for success (Koning, 2009).

## STAKEHOLDER ENGAGEMENT

The term “ stakeholder engagement” is budding as a means of describing a broader, more inclusive, and continuous process. It takes place between the company and the potentially impacted stakeholders that encompasses a range of activities, approaches and, the entire span of a project. The change that is likely to occur reflects the broader change in the business and financial worlds. It increasingly recognizes the business and reputational risks that may occur as a result of poor stakeholder relations. It also places a growing emphasis on corporate social responsibility, transparency and reporting (Corporation, 2007) . Stakeholder engagement can therefore be defined as the process of effectively eliciting the stakeholders’ views on their relationship with the organization (Friedman & Miles, 2006).

Stakeholder engagement is increasingly becoming a part of mainstream business and is being used to improve communications, obtain wider community support or buy-in for projects, gather useful data and ideas, enhance public sector or corporate reputation and encourages more sustainable decision making (Gray, 2002). Without proper engagement of the stakeholders, it is impossible to have a common abiding agreement, ownership and support for a particular project. Any company or an organisation is likely to benefit if it takes care of the environment in which it is operating and aiming to meet the needs of its stakeholders (Gray, 2002). Stakeholder engagement gives the impression of corporate responsibility. It appears evident that if an organisation shows commitment, through policy and practice, to stakeholder involvement it is acting responsibly towards these stakeholders: the more an organisation engages with its stakeholders, the more accountable and responsible that organisation is towards these stakeholders (Greenwood, 2007). It is traditionally seen as a corporate responsibility in action. The impetus behind the use of the term ‘ engagement’ in corporate social responsibility (CSR) is the need to emphasize that, for firms merely to interact with stakeholders is no longer sufficient and the interaction with stakeholders is a logically necessary activity of business (Noland & Phillips, 2010).

## WHY ENGAGE WITH STAKEHOLDERS IS NECESSARY?

Effective stakeholder engagement relies on a commitment to engage and communicate openly and honestly with stakeholders. The benefits an organization gets from stakeholder engagement activities are cooperation on operations/activities and at times on policy development as well. It enhances the community confidence and creates a more user-friendly, community/industry targeted service. Future costs can be reduced: for example, times spend in managing the crises with regard to the confidence level of the stakeholders can be avoided. It also helps in improving the access to emerging issues and communities, and helps in gaining the capacity to handle them before they develop a negative vibe in the community. This will include avoiding negative press releases.

In the case of changes and benefits that can take place inside the organisation are as follows:

* It increases the organisational effectiveness which will result in more effective and efficient practice and high quality policy input within the organisation
* It enhances the two-way communication skills and better understanding on both sides and thereby bridges the cultural gaps.
* It develops a culture of innovation and learning, for example by building the knowledge into our decisions and practices.
* Simplifies the conflict resolution through building trust, and a clearer articulation of what cannot be resolved.

## STAKEHOLDERS ENGAGEMENT PLANNING

Often the importance of stakeholder engagement is overlooked. It allows you to identify strengths and weaknesses and ultimately develop strategies to engage effectively. The stakeholder engagement is a critical element to the success of the project and it may be useful to develop a stakeholder engagement plan. For this, various sources, conventional and unconventional is used such as the media, online, literature or even word of mouth. As a part of the analysis, it is important to examine existing, current and past relationships, available resources and constraints and the desirable outcomes it looks forward to. For this purpose, the different desired outcomes of the stakeholders as well as the stakeholders engagement processes is analysed and studied.

## DESIRED OUTCOMES

Desired outcomes are nothing but the overall aims of the engagement process. The desired outcomes for undertaking stakeholder engagement process would be

* Improved personal or working relationships
* Changed attitudes
* Improved communication channels
* Promotion of expansive circle of responsibility for actions and decisions
* Identification of key issues, conflicts and benefits
* Creation of new ideas
* Establishment of new orderly partnerships
* Improved services for society
* Change in policy
* Cost savings to long term
* Betterment of individual and organisational learning
* Local support and hostility supported for a new initiative
* Increased community union and strengthened shared identity (Gray, 2002)

## STAKEHOLDER ENGAGEMENT PROCESSES

Stakeholder is an umbrella term which incorporates range of activities and interactions over the project life cycle. These activities can be divided into following components (Corporation, 2007):

* Stakeholder Identification and Analysis
* Information Disclosure
* Stakeholder Consultation
* Negotiation and Partnerships
* Stakeholder Involvement in Project Monitoring
* Reporting to Stakeholders

(Appendix 2)

## STAKEHOLDER IDENTIFICATION AND ANALYSIS

When it comes to identifying the key stakeholders, the project sponsor works along with the project manager to identify the stakeholders. Stakeholders may comprise of a wide range of people that come from different areas of business. It may be people from senior management, human resources, finance, marketing and IT departments. They typically have a particular business stream and their interest in the project is focused on the needs of their particular area. Some stakeholders will have more interest and involvement than the others. (Koning, 2009)

When identifying stakeholders, it may be helpful to first determine the most relevant dimensions: organisational unit, process, function, job role, geographic area and so on. It is more important to consider the external stakeholders including partners, suppliers, customers, customer’s cutomers, consumers and those who would wish they were not stakeholders, such as victims of crimes etc (Bradley, 2006). It is quite important to note that stakeholders are selected with a verification process. It is necessary to ensure that all relevant parties are represented and those participants indicate the interests of those they claim to speak on behalf of (Friedman & Miles, 2006).

Once the identificationis completed, the group of stakeholders are analysised. It is important to understand the interests and opinions of every stakeholder as they may affect the project work. All the stakeholders may not share the same opinion and may have a unified opinion or priorities. Hence conducting a stakeholder analysis has become so important because of its increased interconnected nature of the world (Ketti, 2002). Hence, finding out what the problemis and what is the right solutions might be taken as a way to overcome this problem. This will also help in identifying the stakeholders who are a part of this crucial aspect of problem solving (Bardach, 1998). Stakeholder Analyses mainly helps in better organisational performance and fulfilling its mission. Fulfilling the mission should arise from “ producing fundamental decisions and actions that shape and guide what the organisation is, what it does and why it does it (Bryson, 1995). Hence it is quite important to study and find out the key players amongst the stakeholders itself for the successful completion of the project.

Again as said above, the success of the project, not only depends on being able to deliver customer’s demand but also in being able to met all the stakeholder expectations as well.. The selected stakeholders play a primary task in making the important decisions during the time of initiation, planning and execution of the project. The five primary project stakeholders that are present in most of the projects are: the project manager, the project team, the functional management, the sponsor, and the customer.   In a larger sense, anyone who participates in the project or is impacted by its results is a stakeholder. Each stakeholder has an essential contribution to make and they need to meet their expectations. Contribution made by different people to the project is the principal criteria for identifying stakeholders (Project Stakeholders, their Roles and Contribution, 2006) (Appendix 1)

## COMMUNICATION IN STAKEHOLDER ENGAGEMENT

The core of all relationships is communication and stakeholder engagement is essentially a complex relationship. Negotiation occurs when two or more people are prepared to bargain to achieve a mutually acceptable solution. It is important to acknowledge the effects it might have on the relationship with the organization. Communication also involves being open and honest about the objectives and planned activities. The stakeholders should be communicated in the loop as much as possible, whether it is through email trails, phone calls or face to face engagement. The latter is often the most effective form of stakeholder engagement as it gives the relationship a more human element. A well-informed stakeholder can prevent a project from continuing on a path that will fail to deliver the required benefits, by highlighting issues and concerns as soon as they arise. (Koning, 2009)

## STAKEHOLDERS INVOLVEMENT IN THE PROJECT MONITORING

Stakeholders involvement in any project improves the progression of the project and as project monitoring consists of collection of the data and reporting information according to the project plans, budget and requirements, stakeholder involvement and interaction is needed (Tammer, 2009). The assessment and reporting technique should depend on the size and complicatedness of the project and stakeholder position. If the stakeholders are lacking the required skills in monitoring, then adequate training need to be provided to them for fostering the participatory monitoring. The participation of the project affected stakeholders in monitoring the social and environmental affects is a good practice. External monitoring can lead to the development of trust between the project and the primary stakeholders.

## CONCLUSION

The stakeholder engagement always provides opportunities to further align business practices with community needs and expectations aiding to drive long term sustainability and shareholder value. Stakeholder engagement must take place if the organisation truly needs the inputs from the people involved in the business for decision making. The stakeholder engagement planning should be done in such a manner that it remains beneficial to the organisation. Stakeholder engagement assists any organisation to compete with its rivals in a complex and changing business climates.

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## APPENDIX

## APPENDIX 1

## KEY STAKEHOLDER IN A PROJECT

## Internal Stakeholder

## External Stakeholders

Project sponsor

Customers

Functional Department

Government

Corporate Leadership

Competitors

Other Project Teams

Joint Venture Partners

Employees

Vendors

Unions

Investors/ Shareholders