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Impact of Stakeholder Relationship Management on Project Efficiency

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ABSTRACT

Dealing with individuals or groups who may affect or be affected by the project processes, contents, or outcomes, i.e., the project stakeholders, has always been acknowledged as a core task within project management for a long time. However, many problems related to stakeholder issues can be observed and many projects are characterized by the fact that stakeholders' expectations are not sufficiently considered or being met especially because different stakeholders may define project success factor differently. Stakeholder relationships play a crucial role, often setting the ground rules and fostering a collective approach that strongly influences the project performance. However, there are uncertainties regarding various aspects of project stakeholder's influence, particularly related to their relationship style. The main objective of this paper is to identify and understand the key factors that influence stakeholder relationships like communication, trust etc. The aim is also to analyze and assess the impact of these relations on project's efficiency. This study involves devising methods that would help develop effective stakeholder relationship management strategies that would enable to meet project goals and objectives effectively.

Keywords: Stakeholder Relationship Management, Impact, Stakeholder Influence, Project Efficiency

INTRODUCTION

Stakeholders are those entities who can positively or negatively impact the output of the project and their relationship works as lubrication in the project success. Successful completion of a construction project requires the ability to coordinate activities of numerous individuals participating in tasks that often have high levels of complexity and uncertainty. Thus, the stakeholder relationships play a crucial role, often setting the ground rules and fostering a collective approach that strongly influences the project performance. However, there are uncertainties regarding various aspects of project stakeholder's influence, particularly related to their relationship style.

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The purpose of the paper is to identify and understand the level of effect of stakeholders on a project and satisfy the demand of stakeholders and their relationship which is essential for the success of the project. Also, it is necessary to understand the stakeholders' expectations, which can sometimes be problematic as stakeholders often have very diverse or conflicting objectives.

Rapid developments in the current society have made the interaction with surrounding stakeholders an inevitable factor. Construction projects face several issues leading to cost- and time overruns. The wrong interactions or miscommunications with involved stakeholders lead to conflicts, causing issues in the project. These issues must be solved with the relatively new discipline: Stakeholder Relationship Management (SRM), which has developed from unfamiliar to indispensable during construction projects over the last several decades. The project stakeholders are important for project success because the project needs contributions (financial and nonfinancial resources) from stakeholders; stakeholders often establish the criteria for assessing the success of the project, stakeholders' resistance may cause various risks and negatively affect the success of the project and the project may affect stakeholders in both negative and positive ways.

OBJECTIVES

The main objectives of the paper are:

1. To study the benefits and challenges of stakeholder relationships.
2. To study a relationship between stakeholder relationship management strategies and project success.
3. To study a strategy for better stakeholder relationship management in project organizations through better communication, coordination, positive approach etc.

REVIEW OF LITERATURE

Before the 19th century, companies typically were small, owner, entrepreneur founded entities and a key factor of business success was dependent primarily on the firm's ability to satisfy suppliers and customers. After the Industrial Revolution, a major difference happened in the working hence there was a shift to "Managerial view of firm" rather than "Production view". Stakeholder analysis served some purpose and resulted in increased possibilities of project success (Eskerod et al, 2015). During the project initiation process, it is important that all stakeholders' needs are assessed so that a satisfactory and realistic solution to the problem being addressed is obtained (Smith et al, 2004). Studies of critical success factors (CSFs) are then regarded as an effective way to identify the essentials for "management success". Findings from the study show that all the CSFs are regarded as critical for the success of stakeholder management in construction projects by most respondents (Yang et al, 2010).

The paper also states that understanding conflicts are inevitable and they occur at each

stage in the life cycle of construction projects. Impact of stakeholder relationship management on project efficiency can be direct or indirect on schedule, quality, cost and safety. Stakeholder relationships that are more complicated with the project adopting the traditional model also define the stakeholder involvement in the operation process of the utility. Stakeholder internal relationships help in the project preplanning, designing and implementation in the whole life cycle of the project (Li, et al, 2015.) If the relationship is inaccurate then possible projects get inefficient or even failure. Effective stakeholder management has been identified as one of the key requirements for successful project delivery by several scholars. Some papers focused on improving the chances of achieving successful Multifarious Projects delivery too (Zhang et al, 2018).

The fact that relationships exist in projects does not mean that they will always be aggregators because there are a number of obstacles that hinder the creation of positive relationships, that is, trust relationships. Although trust and stakeholder management have varied studies due to their importance, there are few that deal with the interaction and relationship between them. To assist in the discussion of this gap, our paper aims to investigate the influence of stakeholder management on trust in project environments (Roque et al, 2018). It also provides a concise description of the framework and its constructs and outlines the proposed methodology for testing its relevant hypothesis. With the primary objective of facilitating the input of stakeholders in infrastructure planning, the proposed approach aims to help project developers define and characterize the network of stakeholders in a specific project phase, assess relative importance of risks associated with the interactions based on the fuzzified input of a wide range of stakeholders, and integrate the results of the assessment into the project plans using social network analysis (Valentin et al, 2008). Stakeholder relationships change when an organization undergoes a crisis as compared to routine circumstances.

During crisis, the stakeholder relationships are under pressure, and there with the organization's reputation and the crisis intensity. Pressure from both internal stakeholders (i.e., management and employees) and external stakeholders (i.e., news media and interested citizens) influences public-relations professionals' communicative relationships with these stakeholders in such a crisis (Verhoeven et al, 2005). Hypothetical studies on models of the associations between major project managers' personal attributes and project success in the context of the Australian Defense industry was developed and tested. The model was tested in an online survey with 373 major project managers. Emotional intelligence and cognitive flexibility were found to be related to the development, quality and effectiveness of major project managers' relationships with both internal and external stakeholders; and these in turn were associated with their ratings of project success (Mazur et al, 2003).

REVIEW OF LITERATURE

S.N.	Article Title	Author & Publisher	Key Factors
1	Project Stakeholder Management – Past and Present	Pernille Eskerod, Martin huemann, and Grant Savage (2015)	Identification of Stakeholder in project.
2	Stakeholder Management During Project Inception: Strategic Needs Analysis	Jim Smith, Peter E.D. Love (2004)	Involvement of Stakeholder in early stage.
3	Promising New Tool for Stakeholder Interaction	Cynthia J., Wilson Orndoff (2005)	Influence of stakeholder in decision making
4	Critical Success Factor for Stakeholder Management: Construction Practitioners' Perspectives	Jing Yang, Geoffrey QipingShen, Derek S. Drew and Manfong Ho (2017)	Ethical responsibilities
5	Integrating the Input of Stakeholders in Infrastructure Risk Assessment	Pernille Eskerod,, Martin huemann, Grant Savage (2018)	Internal pressure relationships, communication among stakeholders.
6	Communication in times of crisis: The stakeholder relationship under pressure	Toni G.L.A.,van der Meer,. Piet Verhoeven, . Hans W.J. Beentjes and RensVliegenthart (2017)	role of time pressure, external and internal stakeholder relationships, influence of media
7	Stakeholder management influence on trust in a project: A quantitative study	Gilberto Francisco de Oliveira,Roque RabechiniJr (2018)	Relationship and communication between stakeholder
8	Barriers to effective stakeholder management in the delivery of Multifarious Infrastructure Projects	Gali A. Zarewa (2018))	Stakeholder needs and expectations, conflict areas
9	Rating defense major project success: The role of personal attributes and stakeholder relationships	Alicia Mazur, Anne Pisarski,Artemis Chang and Neal M. Ashkanasy (2013)	Effective communication, emotional intelligence, cognitive flexibility.
10	Stakeholder management in Complex Projects	Tuan Son Nguyen Published (2018)	Project performance, effective communication, roles of stakeholder and expectations.
11	Major project managers' internal and external stakeholder relationships: The development and	Alicia K. Mazur and Anne Pisarski (2015)	Locus of stakeholder, identification of stakeholder, relationship parameters, works

	validation of measurement scales		Satisfaction.
12	Research on the Conflict Management of Stakeholders in a Construction Project	Yingjie Li1; Shengyue Hao; and Xu re. (2015)	Impact of conflict
13	Dynamic Research on Stakeholders of the Utility Tunnel PPP Project	Hong Zhang and Bingjie Wang (2018)	Stakeholder role, quality and cost issues
14	Project Stakeholder Management	Jan Terje Karlsen (2002)	Stakeholder relationship management strategies.

Table 1. Key factors from paper Studies

RESEARCH METHOD

The research methodology of the study involves a comprehensive analysis of the key factors such as cost, quality, trust, communication, internal relationships, external relationships, stakeholder impact related parameters etc. that influence the relationship between the stakeholders and the stakeholders' influence on project's efficiency. To understand these parameters, the literature review of various research papers related to the topic was conducted. From the literature review, the most significant factors affecting stakeholder relationship management and its impact on project efficiency were derived. A self-structured questionnaire was prepared including all these derived factors for survey. Convenient sampling technique was chosen for data collection. A pilot survey consisting of twenty-five industry professionals who had up to 5 years of experience working in the real estate and infrastructure domain were selected for the sample study.

As construction industry reports a lot of issues in project implementation related to stakeholder management and the cost and schedule escalations thereof, a sample from construction industry was chosen to understand the impact of stakeholder relationship management in detail. This is the first stage of the study and the sample would be further increased and the data would be collected from various other industry types and analyzed in detail. In this first phase, data is analyzed in the form of descriptive statistics, i.e. calculating the simple averages of the responses received for the factors studied.

The aim of the present paper is to propose or develop methods or strategies that would help effective stakeholder relationship management and enable the industry practitioners to meet the expected project goals and objectives. Also, through this research, the study tries to provide optimum solutions for efficient management of various project performance parameters like cost, time, decision making process and safety of the human resources.

RESULTS

A pilot survey was conducted with 25 construction industry professionals who had up to 5 years of work experience working in the real estate and infrastructure domain. Based on the analysis of the responses received for the survey, the following parameters or factors that influenced stakeholder relationship management were noted:

- Ability of stakeholders to influence the outcome of a project is usually high in the initial stage.
- Stakeholder needs and expectations play a crucial role in timely completion of a project. It would be beneficial for a project, if stakeholder relationships were managed.
- Among the main stakeholders such as Client, Contractor and Consultant, the Client and Contractor relations were more closely correlated with project success.

Stakeholder relationship influence	Cost > Time > Quality > Schedule > Technical performance
Conflict among the various stakeholders	Communication > Expectation > Trust > internal relation > External Factors
Influence of hierarchical level in organization	Middle Level > Upper level > lower level
Main Stakeholders' correlation impact on project success	Client-Contractor > Contractor-Consultant > Consultant-Client

Table 2.1 Pilot survey based observation

S.N.	Influence Parameters	Strongly Agree	Agree	Neutral	Disagree	Strong Disagree
1	Efficiency	43.40%	51.30%	4%	0%	1.30%
2	Time	36.00%	52.00%	6.00%	5%	0%
3	Cost	45%	40%	14.60%	0.00%	0%
4	Quality	30.60%	36%	30.60%	2.60%	5%
5	Technical Performance	12.00%	47%	25.34%	13.34%	3%
6	Schedule	29.34%	44%	14.60%	8.00%	3%

Table 2.2 Influence parameters percentage based response

S.N.	Conflicts factors	Very high	High	Medium	Low	Very Low
1	Trust	20.00%	47%	28.00%	2.60%	1%
2	Communication	49.34%	40%	4.00%	4.00%	0%
3	Exceptions	24.00%	59%	14.67%	1.30%	1%
4	External factors	12.00%	33%	36.00%	12.00%	4%
5	Internal Relations	10.67%	44%	32.00%	8.00%	4%

Table 2.3 Stakeholders relationship conflicts factors

CONCLUSION

The conclusions and inferences drawn from the review of available literature and the pilot survey related to the study of Impact of Stakeholder Relationship Management on Project Efficiency are as follows:

- It's observed that communication, interaction, trust and internal relationship impact the most in stakeholder relationships and with these parameters, and the project gets impacted.
- By implementing strategies, efficiency becomes controlled and improved. This means that there is a need to be aware of requirements of relationship management in the industries.
- The nature of personal interest, behavior and action, and stakeholder relationship impact stakeholders effectively on every activity.
- Conflicts arising between the stakeholders need to be controlled by implementing effective methods and strategies of conflict management and stakeholder power matrix.
- Improving stakeholder communication methods and updating them frequently, clarifying stakeholders' personal interest in the project, establishing project stakeholder management departments and taking care of their personal interests professionally could be important solutions.
- The main stakeholder contribution, indirect or direct stakeholder relationship, effect varies with respect to the size and type of the project. Therefore, we cannot ignore or avoid the interpretation of small or large stakeholder groups in any project or individual activities.
- Project efficiency depends on time, quality, and cost. Stakeholders who make decisions regarding all standards need to be consulted and every decision should be made after each relevant stakeholder's consent has been obtained. Therefore, relationships between stakeholders play an important role for each other to seek advice, suggestions and feedback, and to make final decisions. As the internal relationships between the main stakeholders can impact every step in the project, the time, quality and cost of the project can have a vital impact.
- Cost and time are the main factors that affect the project the most and stakeholders need to have a better understanding, consulting, and communication with each other. Also, there should be necessary considerations among the many stakeholders of the various project stages related to their activities or project efficiency. It could be made better by brainstorming and this is possible only when there is a strong connection and relations between them.

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