

Chapter Stakeholder Management or "How to keep everyone happy!"

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Chapter	3
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3.1 Learning Objectives for this Chapter

Having completed this chapter you will be able to:

- Construct an alternative triangle of triple project objectives
- Understand the distinction between “quality” and “level of specification”
- Understand the need to relate your project objectives to the needs of the project stakeholders
- Identify the types of stakeholders associated with any project
- Learn how to complete a stakeholder identification and needs analysis
- Understand the need for a project communications plan

3.2 Introduction

In the previous chapter we looked at the results of projects in terms of the triple objectives of Time, Cost and Performance. We expand on this work and begin to look at the needs of the various stakeholders involved in the Project.

To introduce this idea we first take a look at an alternative view of the classic Triple Objectives of Project Management.....

3.3 A Different View of Project Objectives

Lock proposes a slightly different view of the triple constraints to the one outlined in the last chapter. This is illustrated in the diagram below.

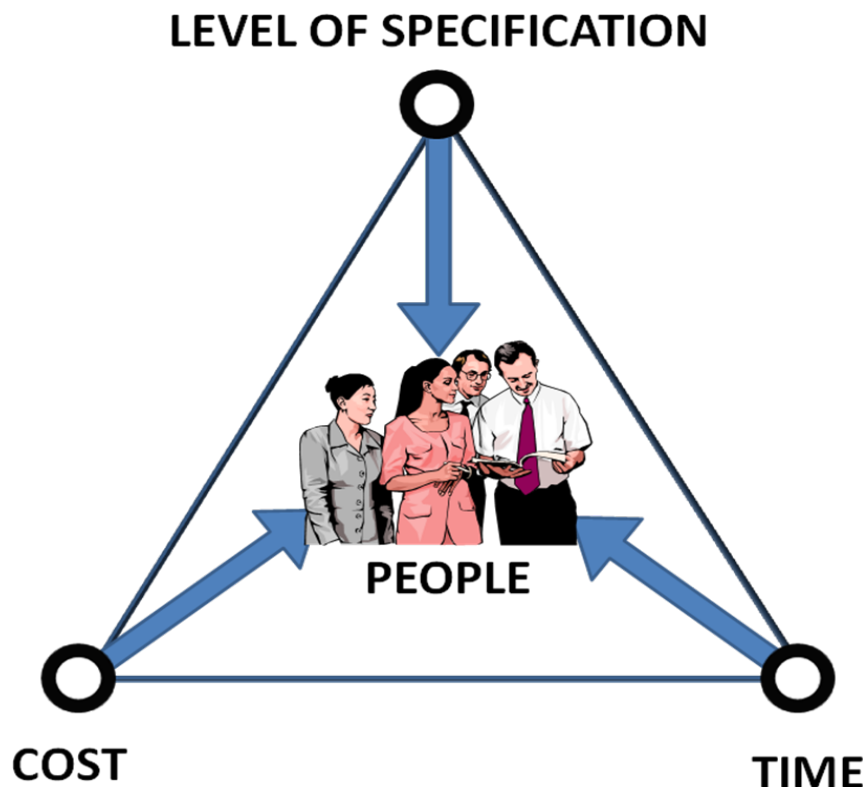


Figure 1 - Alternate View of Objectives

Quality vs. Level of Specification.

In Locks view of the project management world there are also three constraints. However Lock proposes that it is not the *quality* of the deliverable that should be balanced against cost and time but the *level of specification*.

You will remember the definition of quality from Chapter 2 - *"....the end result of any project must be fit for the purpose for which it was intended"*

In contrast, "level of specification" relates to the defined and agreed *grade* for a particular project deliverable. Here is a definition for "grade":

... A category or rank given to entities having the same functional use but different technical characteristics.

An example might help to clarify: My local Ford garage used to offer me three model options when I looked to upgrade my car. They were called Zetec , Titanium and Titanium S (in ascending order of price). I believe that each of the models is capable of the same functional use (to take me to and from work!) however they have different "technical characteristics". Does any one model have more "quality" than another?.... from a quality management point of view the answer is a definite "No". It would not be considered reasonable to say that the "basic" Zetec model is of a low quality- after all – it is still fit for the purpose for which its owner buys it .

Consider then a fully kitted out "Titanium S" model of the same car which is equipped with In Car DVD player & screens, mahogany trimmed dashboard, white leather seats, Satellite navigation etc etc etc . However if you are the lucky owner of such a fine car and it repeatedly breaks down due to faulty workmanship you would most certainly not consider it to be a quality product!

In summary, a project manager should never consider trading quality against time or cost. She may however be willing to negotiate a change of specification.

People.

The second difference in the triple objectives model that Lock proposes is that people cannot be ignored on the project. It is through people that the triple objectives (and ultimate project success) will be achieved. As a consequence of this, a project manager must ensure that the needs of the people involved in the project are understood from the start and are ultimately satisfied.

The rest of this chapter will focus on identifying the types of people (i.e. the stakeholders) involved in projects and also on introducing you to some approaches which will help to understand their needs.

3.4 Stakeholders

A definition from the PMBOK to start with:

A Stakeholder:

.... is a person or organisation that is actively involved in the project or ... whose interests may be positively or negatively affected by the execution or completion of the project.

A stakeholder may also be able to exert influence over the project and its deliverables.

Note that the scope of this stakeholder community extends beyond the project team and sometimes beyond the project or client organisation. Indeed, a stakeholder may be completely unaware of the existence of the project until completion of a deliverable !

Note also that the relationship between the stakeholder and the project can be either one or two way. In addition there can either be a positive or negative nature to the relationship, as illustrated on the diagram below. So the number and type of stakeholder interactions can be many and varied.

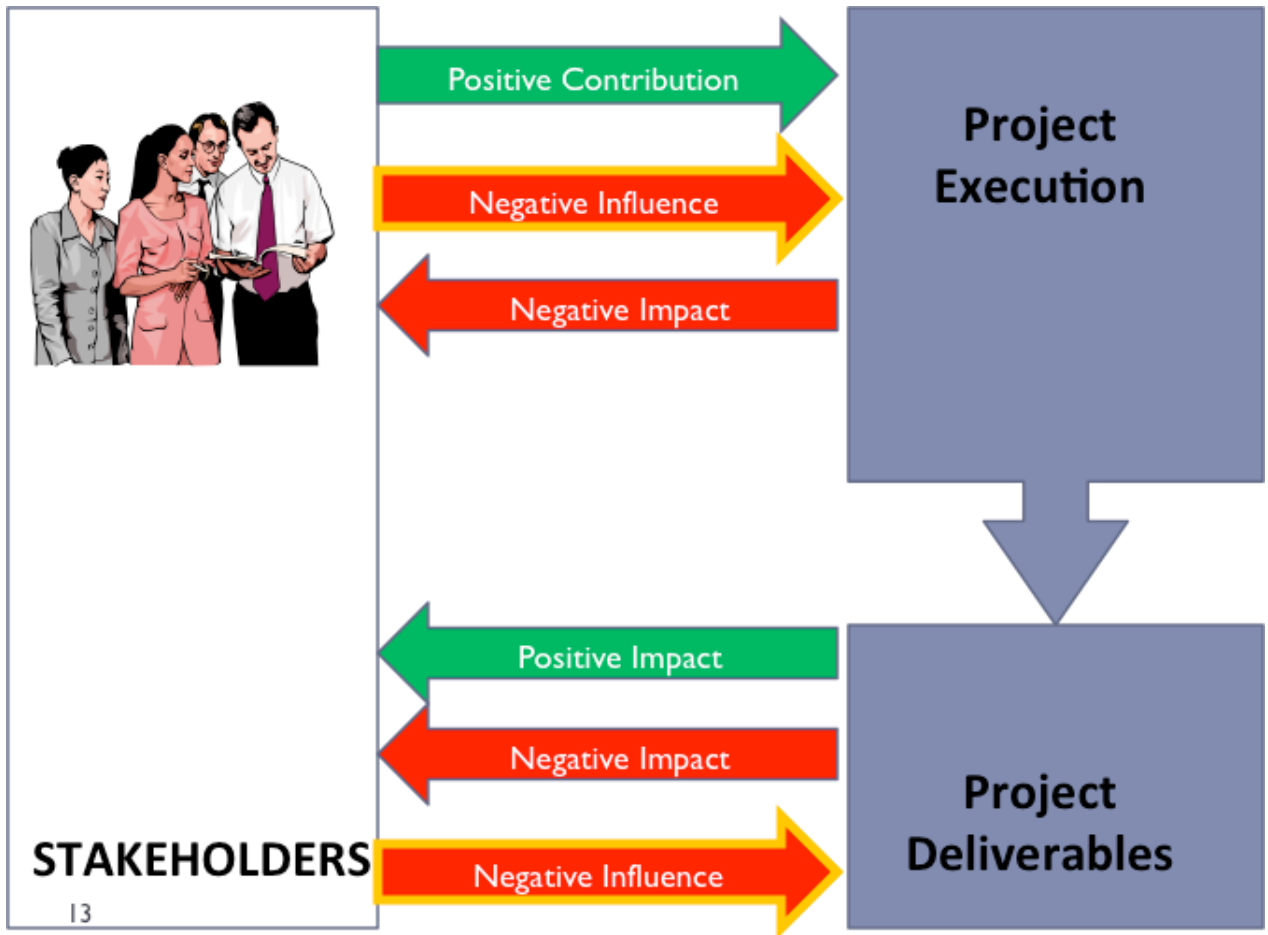


Figure 2 - Stakeholder Interaction with the Project

Any stakeholder's view of project success will be influenced by the nature of their relationship with the project. However all stakeholders may not measure success in terms of the Scope Delivered, the Cost budgets met, the Time deadlines met or the Level of specification achieved!.

For example - consider a project to construct a major new motorway. For the citizens who live along the proposed route of the motorway it is reasonable to assume that the project is likely to affect their interests; in other words they have become stakeholders, whether they know it or not! They may view the project in a positive light and expect to derive benefit from the motorway by way of reduced commuting times. On the negative side, when the project is complete, there may be increased traffic noise levels, loss of countryside amenity and local traffic congestion.

The execution of the project itself may impact them negatively: - during construction phase they are likely to suffer the effects of construction dust and travel restrictions.

Can these stakeholders make a positive contribution to the project? Of course they can. For example, it may be possible to seek their views on the design of the

motorway in order to allay some of their fears and perhaps incorporate suggested changes. If no positive contribution is allowed in this way, they may then decide to influence the project negatively by means of peaceful protest, either during construction or perhaps when it is in operation! Because of these risks it is the responsibility of the project manager to actively manage stakeholders.

Here is a definition of stakeholder management from projectsmart.co.uk :

Stakeholder management is the process of managing the expectation of anyone that has an interest in a project or will be effected by its deliverables or outputs.

Therefore stakeholder management is all about managing expectations. (If you want to read more then Chapter 18 in Horine's book is dedicated to Expectation Management)

3.5 The Project Managers Relationship with Stakeholders

The Project Management Institute proposes a view, illustrated below, of the relationship between the stakeholders and the project. The project manager has a relationship with all stakeholders but has a primary relationship with the project sponsor.

The diagram also introduces the idea of the project management team – those members of the project team who are directly involved in project management activities (Contractor project managers, Sub project leads etc).

The PM and the project manager team are a subset of the total project team which is itself a subset of the total stakeholder pool.

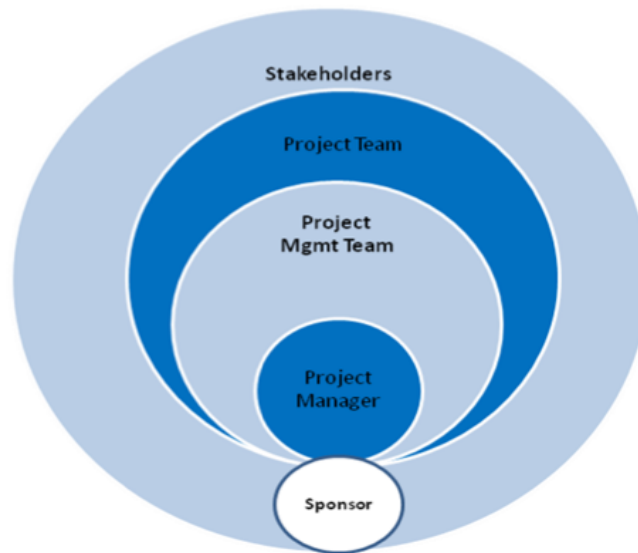


Figure 3 - Relationship between the Stakeholders and the Project (PMI)

3.6 Stakeholder Analysis - The needs of stakeholders

As we see from the motorway example, every stakeholder is likely to have a different level of responsibility and engagement with the project. Their responsibilities and level of engagement may also change over the course of the project. We have also seen that in some cases that stakeholder engagement may cause damage to the successful delivery of the project. It is the project manager's responsibility to ensure that:

- Stakeholders do not ignore their responsibilities to the project
- Stakeholder's interests are considered and planned for. (This does not mean that all stakeholders can be equally satisfied!)

In order to do this the PM must proactively seek out stakeholders and manage their relationship with the project. This task starts with stakeholder analysis.

The purpose of stakeholder analysis is to understand the project needs of stakeholders. The analysis is done during the planning phase of the project but should be reviewed regularly throughout the project until completion.

Analysis consists of the following steps:

- Identify (and categorise) Stakeholders
- For each Stakeholder :
 - Identify level of influence (negative/positive)
 - Identify interest in the project

- Document their:
 - Needs
 - Wants
 - Expectations
- Decide the stakeholder management and communications approach
- Review periodically

3.7 Stakeholder Groups

It can be convenient during stakeholder analysis to group or classify stakeholders (particularly in projects with multiple stakeholders with varied interests in the project). Three options for classification are given below: Level of Influence, Relationship to the Project and Priority

A) Level of influence

A simple classification is to separate them into Primary & Secondary groups. This classification is normally based on the influence of the stakeholder.

Primary stakeholders usually consist of:

- Project Owner/Sponsor
- Project Manager
- Main Project Contractor
- Project Financer

Secondary Stakeholders are likely to include:

- Statutory Bodies
- Lobby Groups
- Minor contractors
- General Public

Third and fourth level classifications of influence may also be used.

B) Relationship of the stakeholder to Project or the Organisation

- Internal
- External

C) Priority

- Based on a ratings scale which can be defined by one or more classifications e.g. a combination of A and B above.

The diagram below shows another possible way of grouping stakeholders.

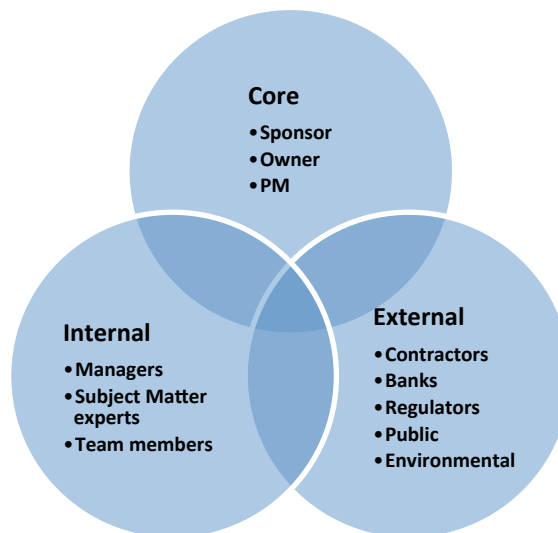


Figure 4 - Sample Stakeholder Grouping

Once all stakeholders have been identified, the project manager can investigate and tabulate their interests. The table in Appendix 1 can be used to summarise your findings.

3.8 Some Stakeholder Definitions

When defining and analysing stakeholders it is important that you are clear on how you define them. You will find various definitions (some of them contradictory). Here are some of the more common definitions of the various people involved in projects:

***Sponsor**....the person or group that provides financial resources, in cash or in kind, to the project*

Customer/User....the person or organisation that will use the projects product, service or result.

Owner....the person whose strategic plan created the need for the project

Contractor... the external companies or people offering specialist expertise to supplement the company's resources.

Note: Lock defines the contractor more generally to mean any organisation which is principally responsible for executing the project work to the customers' requirements



Self Exercise 1

Attempt a stakeholder analysis for the Construction of the Dublin Port Tunnel.

- Attempt to identify all potential stakeholders, Be sure to include Project Sponsor, Client, Owner, Customer etc
- Identify, for each, whether they have positive or negative influence
- Identify which you would classify as Primary stakeholders
- Identify the primary objective of interest to each of them (Cost, Quality, Specification , Other)

3.9 Stakeholder Management & Communications

The purpose of stakeholder analysis is to understand the project needs of stakeholders. The purpose of stakeholder *management* is to satisfy those needs as far as possible within the project constraints. This requires:

- Management of stakeholder issues
- Management of communications with stakeholders

Stakeholder Issues

Throughout the project stakeholders will raise issues of concern to them. All issues raised should be addressed and proactively managed to closure. For minor issues the Project manager will be able to resolve immediately with the stakeholder.

However substantive and long standing issues should always be recorded on the project issues log. This log should be reviewed weekly, ideally at the project Team meeting. The issue log should clearly identify the person responsible for resolution of the issue. A sample issue log is shown in Appendix 2.

Stakeholder Communication

Having completed the analysis the project manager will construct a Communications plan which describes for all stakeholders how the project will communicate with them. This should include:

- Detailed communications requirements (per stakeholder)
- The Information to be transmitted -
 - Type, format etc
- The Method of transmission -
 - eMail, Conversation, Briefing
 - Who is Responsibility for sending
 - Who are the Intended recipients
 - Frequency (how often will the communication take place)