Executive Summary

Stakeholders play a key role in the management of a project, ultimately determining the project's success. As such, communication is of vital importance between the project team and stakeholders because it allows the expectations and requirements of stakeholders to be heard and understood by the project team. Communication should initially be done at the start of the project and should then be continuous for the project's duration.

There are various kinds of stakeholders to every project and each of these stakeholders can have different opinions and expectations. While all stakeholder expectations should be considered in the project decision process there are stakeholders whose influence on the project is higher than others. The expectations of the business owner, or CEO, are of the highest importance because they are the benefactor behind the project. Without their support there would be no project at all.

Project teams should ensure that all stakeholders have been identified, as unidentified stakeholders pose a risk to projects. Unidentified stakeholders will not have their expectations taken into account by the project team and, consequently, the completed project could have a negative impact on those stakeholders, and be less successful than it could have been. Additionally, unidentified stakeholders and stakeholders that have poor communication with the project team can inadvertently delay the project, cause the project to exceed budget, and even termination.

1. Introduction

With the increasing availability, accessibility and range of software in modern society, it is becoming increasingly important to develop products that are more specific to the needs of the customer. Advances in technology and the expansion of developer tools have broadened the ease and range of possible products that a client can request; however, this can also increase the amount of misunderstanding of user needs, unrealistic project expectations and team miscommunication. Because of this, it has become vitally important to consider the needs of not only the users of software products but a greater range of people. These people are known as stakeholders.

Stakeholders can be defined as, "persons or organizations (e.g., customers, sponsors, the performing organization, or the public), who are actively involved in the project or whose interests may be positively or negatively affected by the performance or completion of the project" (Project Management Institute, 2008). That is to say a stakeholder can be viewed as any entity that is impacted

by the outcome of the project, either directly or indirectly (Usmani, n.d.). Many stakeholders play a major role in the development of a project, hence the identification, understanding of and management of their expectations is integral to the success of the project. As this report will detail, being unaware and unadaptable to the needs and influence of these stakeholders may present undesired consequences such as significant loss of money, legal issues, and invaluable products. However, understanding this and being able to apply communication techniques successfully can allow a project team to develop a favourable, profitable and ultimately valuable product.

2. Stakeholders

Stakeholders can be categorised as internal or external:

- Internal stakeholders are stakeholders that are internal to the organisation that is completing the project, for example the Sponsor and the Internal Client/User (Usmani, n.d.).
- External stakeholders are stakeholders that are not part of the organisation completing the project, including external Client/End User, Government bodies, Supplier and local communities (Usmani, n.d.).

Stakeholders can also be categorized as either having positive or negative interests in a project. A positive stakeholder sees the positive outcome of the project and hence has interests in helping the project succeed. Whereas a stakeholder with a negative interest in the project will see potential negative consequences from the project's outcome, and hence will often not help the project to but will hinder its success. An example of a negative stakeholder is the government, whose interest in the project is ensuring that all laws are obeyed and that taxes are paid correctly. (Usmani, n.d.)

2.1. Types of Stakeholders

There are various kinds of stakeholders that are commonly involved including the customer/user, sponsor, portfolio manager/review board and sellers/business partners (See Appendix A).

2.1.1 Customer/User

A customer/user is the people/organisation that will use either the product, or the results from the product. Customers can be internal or external and can have multiple "layers" of product use. For example a new pharmaceutical drug is released the customers/users would include the doctors prescribing the drug, the patients and the insurance companies. (Project Management Institute, 2008)

2.1.2 Sponsor

A sponsor is a person or organisation that funds the project financially, especially at the time of project initiation and has the final say in defining the initial scope and the charter. They may also act on behalf of the project manager to escalate project issues. (Project Management Institute, 2008)

2.1.3 Portfolio Manager/Review board

The portfolio manager holds a collection of projects completed. Review board committees are a project selection panel, that is made up of CEO's. They review each project for its return value for the investment required, the value of the project and the risks involved. (Project Management Institute, 2008)

2.1.4 Sellers/Business Partners

The sellers and business partners include the suppliers and contractors that work on the project. These include the companies that enter into an agreement to provide the project with services/products. They often provide specialized expertise or fill specific roles on the project, including installation, customization, training or support. (Project Management Institute, 2008)

2.2. Problems with non-identified stakeholders

Not correctly identifying stakeholders, particular in the early stages of the project, can have a significant impact on the chances of success by the project (See Appendix B). Stakeholders may also be able to support the project but to do this the stakeholder must see the value in the project. By not identifying/communicating with stakeholders the valuable support they may offer will be ignored.

Failure to correctly identify stakeholders, including understanding their interests and the power they hold on the project, can lead to project failure in terms of delaying the project, cost overrun or project termination. This is particularly significant in the later stages of the process, as there may be obstruction from certain stakeholders, for example not considering the government may mean the project becomes unexpectedly delayed by now having to document past activity to follow legal procedures.

Stakeholders can often shift in interest or power in regards to the project being undertaken, meaning that a stakeholder deemed unimportant may become crucial in the project later on (Project Management Institute, 2008). Conversely the stakeholder with the most power and interest may drop

in their interest(Project Management Institute, 2008). This means not correctly identifying stakeholders, and not continuously re-categorizing stakeholders can lead to project fail if an unidentified stakeholder would have been crucial to the project .

3. Stakeholder expectations

Stakeholder expectations are concerns that the stakeholder holds about what the project must meet (Li, n.d.). For example a Business Owner expects the project to be profitable, the government expects the project to follow all laws and pay taxes (Li, n.d.). These expectations can often conflict one another therefore it is important to identify the importance of each stakeholder to determine how significantly their expectations need to be met.

3.1. CEO Expectations and Potential Conflicts

Ultimately, all businesses follow the expectations of one stakeholder, the business owner or CEO. They might have any number of expectations, and these may differ depending on their background and past experience, especially hinging on whether they are from a software engineering background or otherwise. Throughout the lifecycle of a project, most CEO's will hope that a project will fall within a certain budget and timeframe, in the end deliver some sort of value, and that they have the right people employed to achieve these. These expectations may conflict with those of other stakeholders. For instance, if a project is demanded on a low budget and short schedule, then risk will increase and the product will have less quality (Dorsey, 2010), which might be expected by another stakeholder. An example of this situation occurred in the London 1992 Computer Aided Dispatch Service Disaster which was largely a result of an unreasonable budget and time schedule (£1 million and 11 months) which resulted in an extremely faulty system, eventually causing 46 people to lose their lives (Musick, n.d.).

A less experienced CEO might also fall into traps regarding false expectations. For example, the CEO might expect early visible progress in a project. Planning and feasibility testing very often take a large portion of budget and time yielding no visible product. As a result, it is easy to think that no progress is being made and hence skip the planning process too early or cancel the project all together (Dorsey, 2010). Another expectation is that given the changing nature of client and user needs, the ability to accommodate for these changes can be easily done. This is often not the case and can take more effort than expected and can conflict with the schedule and budget (Dorsey, 2010). A traditional

CEO might expect that adding more personnel to a late project will quicken the process. This has been shown to be untrue and in fact is quite the opposite as shown by Brooks' law: "adding manpower to a late software project makes it later" (Brooks, 1975). Ignoring this would directly affect the schedule, affecting either the quality or release date of the project. One more expectation is that the newest technology is always the best technology to implement but this can be untrue if this technology has been largely untested (as it often is) and may not eventually have the quality assumed it would have at the beginning. An example of this occurred in 1997, when a Washington State vehicle registration system failure caused a project that already spent USD$40 million to be entirely canceled. After this, motor vehicle officers admitted that they were caught up chasing the newest technology rather than finding something that was more focused on their needs (Charette, 2005).

3.2. Importance and responsibility of managing stakeholder expectations

If the expectations of one stakeholder are not fully understood, or misinterpreted by the project team, the project may not meet the needs of that stakeholder. If their expectations are unreasonable, then the completed project will likely be a disappointment to them. In each case the project may not be able to meet these expectations and this would result in a failed project that is disliked by stakeholders because it either goes directly against their expectations, or is seen to be a temporary fix since it did not meet every expectation to the asked for level. Therefore, a person/team dedicated towards external communication would be required. They would be in charge of communicating with both positive and negative stakeholders - the former with status updates or clarifications; and the latter with negotiation to resolve the difference in interest. (Karim, et al., 2007)

4. Communicating with stakeholders

Communication is crucial to successfully managing stakeholders and is needed across all stages of a project. It is a form of human relationship management and should follow the principle of honest, trusting and respectful (Association for Project Management, n.d.). The timing of communication is also important. It should be done as early as possible to avoiding potential conflicts by having mutually agreed project requirements established early on, and continuously to ensure that the project remains on the right track and no future problems would occur.

4.1. Stakeholders communication approach

Through identifying individual stakeholders' power level, interest and hence stand on the project, they are categorized into different type of stakeholders. Such categorization is useful for prioritisation and determining the appropriate communication approaches. They can be divided into high power and high interest, high power and low interest, low power and high interest, and low power and low interest.(Association for Project Management, n.d.) (See Appendix C)

4.1.1. High power and high interest

This type of stakeholder is in the highest priority, a proactive communication approach must be taken. If they are supportive, e.g. client, they must be constantly involved and communicated with possible changes that can affect their interest and expectations to avoid them changing their stand (Karim, etal., 2007). In comparison, if they are non-supportive, conflict resolution strategy must be used to along with constant engagement; else the project might not be able to proceed forward.

4.1.2. High power and low interest

This type of stakeholder is in the second highest priority and an example would be managers who are not directly involved in the project. Despite their general lack of care in the project, they are also important in keeping satisfied due to their ability to affect the outcome of the project with ease. Therefore, an accommodative approach is desired where they are involved and informed at stages of the project with, for example: board meetings, to avoid turning them into non-supportive stakeholders via negatively affecting their interest. (Karim, et al., 2007)

4.1.3. Low power and high interest

This type of stakeholder, such as family members in some occasions, is in the second lowest priority. If they are supportive, they can be informed and involved to a certain extent as they can sometimes contribute towards the project at no particular costs. Contrastingly, if they are non-supportive, a firm defensive strategy can be employed and does not have to be kept satisfied (Karim, et al., 2007). They should be communicated with the least amount of effort required to ensure that no major issues would occur. A communication method might be fortnightly email.

4.1.4. Low power and low interest

This type of stakeholder, an instance being the general public in some projects, is in the lowest priority. They are unlikely to influence the project due to both their inability and disinterest in doing so, thus a reactive approach can be taken - they can be ignored or monitored with minimal amount of effort (Karim, et al., 2007). They can be communicated, if ever-needed, with a blog progress update.

4.2. Evaluating and meeting stakeholder expectations

A number of strategies can be used by a project manager to identify how well stakeholder expectations are being met. Such a strategy can include creating an action plan that describes how to keep stakeholders informed, obtain information and manage their expectations (Bourda, 2013). Another very important strategy that is part of almost every software development life cycle is to create early prototypes and progress reports. These should be regularly created and shown to stakeholders to make sure any changes needed are noted as early as possible. Feedback tools should be used such as surveys, online tools, email and report cards to make sure stakeholder expectations are identified. (Bourda, 2013).

If the feedback gathered suggests changes, then the project manager will know that their expectations are not being met. This allows the team to reassess the expectation and if needed ask the stakeholder to provide further clarification. This allows the team to make the necessary changes to alter what they have completed to greater satisfy the needs of this stakeholder.

5. Conclusion

Stakeholders can often play a crucial role in the success of a project, by being able to provide support or by hindering the project. There are various forms of stakeholders including customer/user, sponsor, portfolio manager/review board, project management office and sellers/business partners, with these stakeholders having varying levels of power and interest in the project. Different strategies need to be used to communicate with each of these stakeholders since their level of power and interest in the project can vary and can change throughout the project life cycle. Therefore it is significantly important to be able to correctly identify, communicate and manage each stakeholder's expectations, to ensure each stakeholder feels satisfied during the project life cycle. If a stakeholder does not feel satisfied during the project life cycle then valuable resources may not be offered by them or they may have a negative impact on the project, including delaying the project, cost overrun or project

termination. However, if regular communication is held and reasonable expectations developed and well implemented, the stakeholder will be satisfied, which should lead to a successful project and eventually profitable and valuable final product.

6. References

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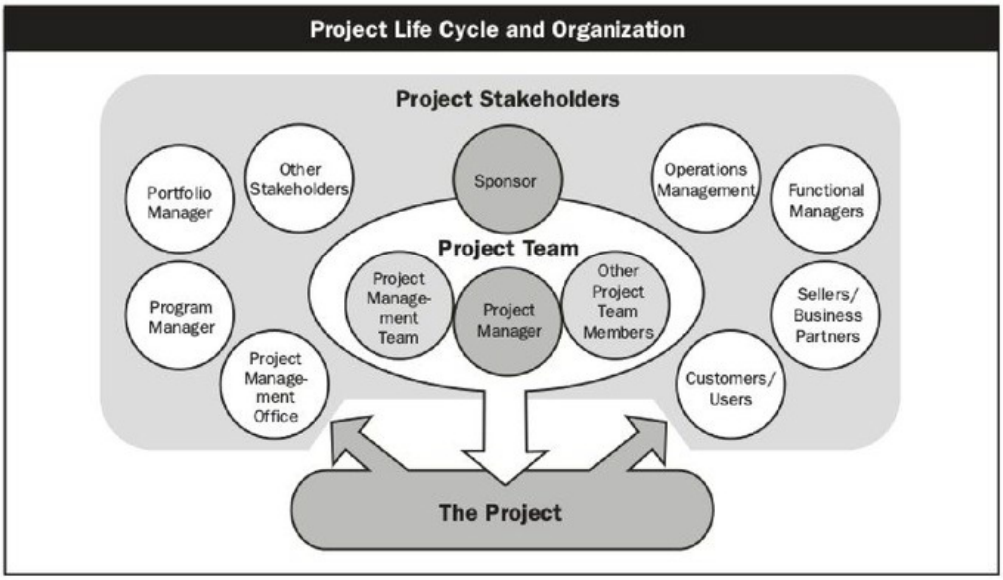
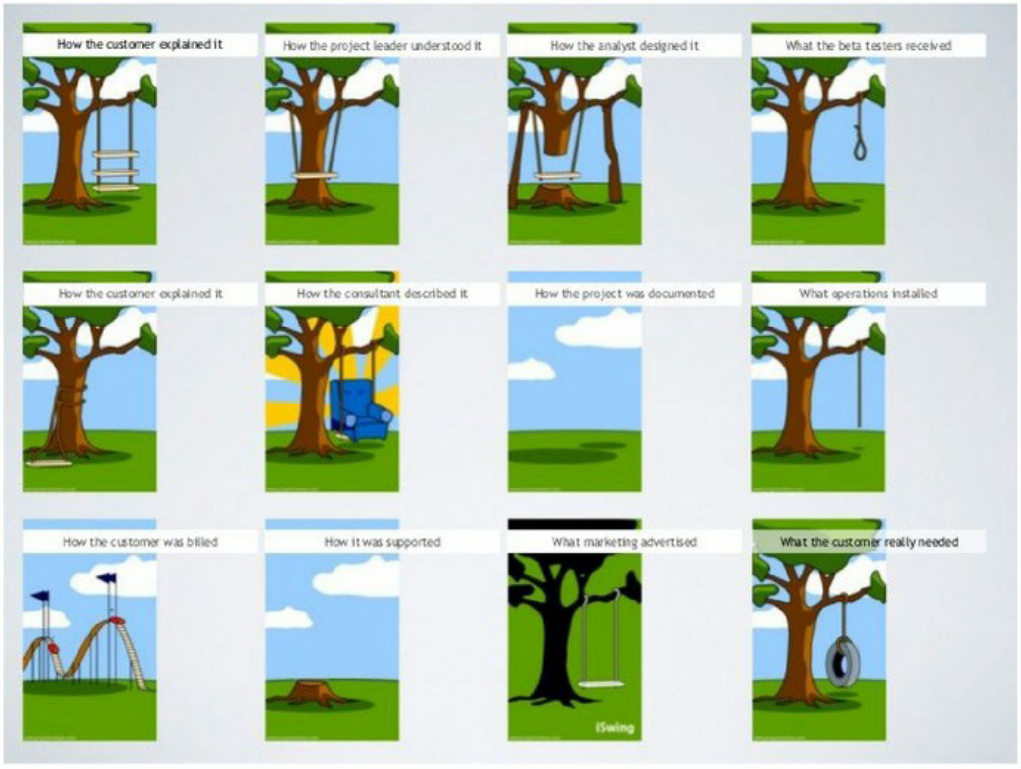
7.0. Appendix

Appendix A The Relationship Between Stakeholders and the Project (Project Management Institute, 2008)



Appendix B Stakeholders expectation (Anon., 2006)



Appendix C Categorizing stakeholders (Mind Tools Ltd, n.d.)