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Editorial: stakeholder management in construction

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Interest in stakeholders has grown considerably since Freeman's (1984) seminal work *Strategic Management: A Stakeholder Approach* was published. Over 100 papers concerning what has become termed 'stakeholder theory' were published by 1995 alone (Donaldson and Preston, 1995, p. 65), with many more published since. Increasingly, stakeholders have been referred to in mainstream media and government communications, not just in academic texts (Friedman and Miles, 2002).

While having its origins in strategic management, stakeholder theory has been applied to a number of fields of enquiry including, more recently, construction project management. As interest in the concept of stakeholders has grown, so too has the proliferation of perspectives on the subject (Friedman and Miles, 2002). Attempts at harmonization or classification have been made (Stoney and Winstanley, 2001), with Jones' (1995) précis the most widely accepted. Jones (1995) argues that there are three main approaches to stakeholder theory: descriptive approaches, which tell us *what happens*; instrumental approaches, which describe *what happens if*; and normative approaches, which describe *what should happen*. Unfortunately, a heated, and sometimes personal, debate from proponents of these different approaches has overshadowed more fruitful explorations of the notion of stakeholders (see for example the exchange between Freeman, 1999; Frooman, 1999; Gioia, 1999a, 1999b; Jones and Wicks, 1999a, 1999b; Trevino and Weaver, 1999a, 1999b). In response, Freeman and McVea (2001) called for stakeholder research to turn away from pure research that focuses on the development of stakeholder theory, and instead to apply the insights of stakeholder theory to real world problems. Despite these pleas, further development of stakeholder theory has occurred with many diffuse strands emerging in the literature and leading to a somewhat confused set of definitions and perspectives. Friedman and Miles (2006) have responded by effectively updating Freeman's 1984 work to consolidate the literature on stakeholder theory, providing a solid base for practice and applied research.

Construction project management, as a discipline, has focussed on the process of planning, and managing the complex array of activities required to deliver a construction project, such as a road or building (Morris, 1994). Managing stakeholders is thus a critical skill for construction project teams (Vinten, 2000). Successful completion of construction projects is dependent on meeting the expectation of stakeholders throughout the project life cycle (Cleland, 1995), including clients, project managers, designers, subcontractors, suppliers, funding bodies, users, owners, employees and local communities (Newcombe, 2003, pp. 842, 847). The failure of project management teams to address the concerns of construction project stakeholders has resulted in countless project failures (Bourne and Walker, 2005), primarily because construction stakeholders have the resources and capability to stop construction projects (Lim *et al.*, 2005). As a consequence, a robust body of literature has developed on how to identify and manage stakeholder interests and relationships (Olander, 2006).

Stakeholders can be divided into internal and external (e.g. Freeman, 1984; Gibson, 2000), internal stakeholders being those directly involved in an organization's decision-making process (e.g. owners, customers, suppliers, employees) and external stakeholders being those affected by the organization's activities in a significant way (e.g. neighbours, local community, general public, local authorities). In construction, there has traditionally been a strong emphasis on the internal stakeholder relationship such as procurement and site management, while the external stakeholder relationships to some extent have been considered a task for public officials via the rules and legislation that concern facility development.

This special issue brings together contributions that reflect the contemporary and emerging themes

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affecting project owners and their teams in stakeholder management. We see how the concept and definition of stakeholder management is evolving to acknowledge and, increasingly, to accommodate issues such as uncertainty, risk, ethics, empowerment and sustainability. The various authors in this special issue reveal where our knowledge of stakeholder management needs to expand and where further research is required. It is clear from their findings that we are dealing with a key concept in construction project management today, which demands a highly developed understanding on the part of practitioners supported by reliable theories and principles.

Olander and Landin follow the debate about officialdom having been seen traditionally as the guardians of external stakeholder interests. They discuss the factors affecting the stakeholder management process in the context of project implementation. Two projects with similar prerequisites, but with very different outcomes in the stakeholder management process, have been studied. From the comparison of the projects, conclusions can be drawn on those efforts in a stakeholder management process that might have positive as well as negative effects and impacts. Olander and Landin's paper contributes to our understanding of how stakeholder management can be used as a means for adding to the overall performance of a construction project, so underscoring the positive aspects of stakeholder engagement.

Ward and Chapman review the various ways that stakeholders can give rise to project-related uncertainty and some of the ways that this uncertainty can be understood and managed. A key feature of their review is the use of a nine-phase generic project uncertainty management process framework, the *SHAMPU* process, to provide a structure within which various approaches to analysing stakeholders and related uncertainty management issues are discussed. Employing this framework allows the full implications of stakeholder-related issues to be integrated into a comprehensive project uncertainty management process, rather than being treated in a partial manner as a separate aspect of project management. A further consideration is the extent to which stakeholder influences on a project can vary over different stages of the project life cycle. Consequently, they conclude that a systematic approach to stakeholder management warrants not only the use of a structured process for project uncertainty management, but also an uncertainty management process that addresses the different stages of the project life cycle.

Fraser and Zhu examine the effectiveness of construction project managers by identifying the specific working performance elements and testing different degrees of their importance from the aspect of stakeholders' perceptions. By utilizing a 360-degree method as the main tool of analysis, this paper is able to show that: (1) internal stakeholders appear to have similar perceptions as to what constitutes effective management, with the greatest differences in viewpoint occurring between the stakeholder groups rather than with the managers themselves; and (2) high performing managers were found to have views that were similar to those of their superiors and distinctly different from those of underperforming managers. Theoretical and empirical improvement in managerial performance could be realized from applying the results of this research and a better relationship among stakeholders might also be achieved.

Chinyio and Akintoye use interviews with different organizations to discuss approaches that can be used while engaging with stakeholders. The paper is written from the perspective of an organization that wants to interact with its many stakeholders and satisfy them optimally even when their influences and expectations are in conflict. It is about using different combinations of tactics to engage with different stakeholders. This is a complex issue because the influences of stakeholders depend on their power and interest, and these are ever-changing. It is thus necessary for an organization always to understand the outlook of its stakeholders at each point in the project life cycle and be able to respond in the most appropriate way. The authors suggest the development of a pool of tried and tested techniques, such as communication, negotiation, trade-offs, offering incentives and making concessions, which can then be used circumspectly. No single technique is superior to the others and so their usage is dependent on efficacy. As stakeholders' expectations change, the way to engage with them is varied likewise requiring judgement about which set of techniques is prudent for each occasion.

Through a conceptual analysis, Mathur *et al.* highlight how the evolving discourses on stakeholder engagement, sustainability and its assessment are increasingly calling attention to dialogue-based approaches. The authors argue that existing practices view stakeholder engagement: (1) mostly from a management perspective; (2) sometimes from an ethical perspective; (3) less often as a combination of the two; and (4) rarely have any element of the social learning perspective. The contribution of this paper is to emphasize the need and potential for developing a framework for integrated sustainability assessment that can maximize the potential benefits from these emerging concepts as a means for pursuing sustainability.

Stakeholder management has emerged as an important function in projects worldwide, particularly with

the current focus on sustainability in project delivery and use as noted above. Rowlinson and Cheung explore the use and operation of relationship management as a means for engaging stakeholders through parallel studies in Australia and Hong Kong. They identify stakeholder typologies and adopt a multi-perspective view of project performance in order to link relationship management, stakeholders and sustainability in a framework which allows exploration of projects and their success. Based on case studies in the two countries, they identify drivers and inhibitors of relationship management and indicate the similarities and dissimilarities brought about by cultural context. They then go on to present an emergent model of stakeholder management which identifies project contextual factors, perceptions, empowerment and relationship management processes as determinants of project success.

A 21st-century construction industry needs to orientate itself towards the dilemma of conflicting stakeholder and ethical demands. Moodley *et al.* point to the ethical relationship interfaces that construction organizations have with their stakeholders and review them from the perspectives of ethics, social contracts and corporate responsibility. Building upon earlier work, a prototype stakeholder ethical responsibility matrix is proposed as a management tool. The increasingly complex global construction industry presents many challenges, as key business decisions in construction are, in reality, also moral decisions. The relationship matrix offers a way forward for managing the ethical dimension of construction industry decision making.

Conceptually, stakeholder management has adopted a utilitarian standpoint, which in practice has meant that project managers have tended to respond to other stakeholders from the awareness and knowledge base of their own organizations. Smyth argues that while this may deliver benefits, it does not necessarily maximize net welfare. An ethics of care approach is proposed as an alternative. This approach encourages the nurturing of relationships in context. The implications for practice are that project management organizations would need to muster and allocate resources to build up capabilities to improve the way relationships are managed with greater consistency on projects and across them without harming stakeholder interests. This implication aligns with the limits of procurement-led initiatives to collaborative working and concurs with more proactive approaches, as offered by relationship management. The discussion draws upon PPP/PFI evidence that shows lack of nurture and paucity of the management of relationships on projects. It therefore feeds into reviews of the way in which PPP/PFI projects are managed, as in the UK, as well as having broader lessons for projects.

Walker *et al.* remind us that despite the availability of literature to project managers in developing *hard* project skills centred on time, cost and quality control, there has been a dearth of literature relating to disciplines that can contribute to project managers developing *soft* people engagement skills. Stakeholder identification, management and engagement are recognized as key project management skills; however, this is a *soft* skill that requires both intuition and a strong capacity for analysis. There are few tools and methods to which people undertaking stakeholder management activities can turn. Highly complex problem-solving activities, such as stakeholder management, can benefit from high level conceptual approaches that allow those involved to see clearly or to visualize the situation being examined. Visualization tools for stakeholder management can thus be of great value. The development and use of two such tools are described. While they are both independently useful they could be effectively combined. This prospect could reduce the chances of project failure and enhance success through having clearer pictures of stakeholder influence patterns. The significance of this paper and its contribution to construction project management knowledge and practice is that it provides detailed discussion of two highly practical tools and signals how these may be used to better engage with and manage project teams as well as the many project-external stakeholders. Improved stakeholder engagement can help with managing their expectations, reducing unforeseen risk and unleashing positive energies or reducing negative actions or reactions that have potential impact upon project success.

Finally, Chapman and Ward address the way the approach to risk and uncertainty management influences the approach to contracting. A key feature is the use of a balanced incentive and risk sharing (BIARS) framework to consider all specific form of contract choices, like fixed price, design and build (D&B), and design, build, finance and operate (DBFO). 'Balance' in a BIARS context implies aligning client and contractor objectives. Key tools are cumulative probability distribution portrayals of all relevant uncertainty and risk when making choices at any level, and layered cumulative probability distributions which portray how overall uncertainty and risk accumulate to the level being considered for any option. The key conclusion is that full integration of contract choice decisions and other aspects of a best practice approach to risk and uncertainty management is practical and advantageous, and a reasonable next step in the evolution of best practice.

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