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Stakeholder management through empowerment: modelling project success

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Stakeholder management is part of the project management process and this ongoing research builds on previous studies in the field of relationship management in Hong Kong and Australia and presents a testable stakeholder management process model in which the concepts of empowerment, organizational culture, trust and commitment are used as a basis for exploring the process. This may appear somewhat paradoxical to the reader as project managers, traditionally, have been seen to attempt to mollify stakeholders while focusing their attention on the details of project management rather than to empower stakeholders to have a significant input to the project—empowerment being seen to encourage ‘interference’ from non-specialists into the managers’ domain. This change in attitude to stakeholders marks a culture change in the real estate and construction industry, brought about by an increased emphasis on relationship management. The research reported in this paper looks at the issues of stakeholder management via a research model that has identified project contextual factors which, through perceptual processes, influence empowerment and so the outcomes of the project. Hence, the problem addressed is how and why relationship management and stakeholder management are different in two unique cultures and what elements can be considered common and what elements are different.

Keywords: Australia, empowerment, Hong Kong, relationship management, stakeholder management model.

Introduction

Stakeholder management involves the project team in a process of enabling stakeholders to identify, negotiate and achieve their objectives, such as social, environmental or economic, through active participation in the project process (Brammer and Millington, 2004; Pajunen, 2006). This involvement inevitably necessitates some degree of empowerment of the stakeholders to facilitate their engagement. Thus, the concept of empowerment is addressed in this paper in order that the process of project management can be put into an appropriate, contemporary context. To do so, this paper reports findings from ongoing research undertaken in Hong Kong and Australia.

The research analysed the role of relationship and stakeholder management in directing project resources

and, based on case studies of best practice, builds a model of the stakeholder management process which takes the concepts of empowerment and engagement and utilizes these to explain how a relationship management approach can generate both a sense of group empowerment and project satisfaction. The objectives of the research were: to investigate the relationship management process in real estate and construction projects in both countries; to identify good practice in the management of stakeholders; to develop a framework within which to compare and contrast stakeholder management practices in Hong Kong with Australia and elsewhere. It was found that stakeholders’ interests were influential on project performance and the relationship management process and that, in the best performing projects, stakeholder management was a key focal point. This paper reports the main findings of the research and presents the emergent framework to be used in further research.

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Relationship management

All the projects that were studied have a multiplicity of stakeholders whose interests must be taken fully into account as an integral part of the design, construction and facility management process if the project is to be successful. Managing the relationships with and between stakeholders is performed daily in the normal course of business, yet the extent to which such management is treated as a recognizable activity in practice is limited. In this paper, stakeholder management is represented as a particular type of relationship management, having both an internal and external focus.

Cheung and Rowlinson (2006) found that, *inter alia*, relationship management is characterized by:

- trust building between strategic alliance partners creating an opportunity and willingness for further alignment;
- reduced need for partners to continually monitor one another's behaviour;
- reduced need for formal controls;
- reduced tensions despite the existence of short-term inequities.

However, fundamental differences have been noted in the operation of relationship management in the two societies; for example, more use of formal procedures and mechanisms exists in Hong Kong and there is a greater degree of empowerment of public sector employees in Australia. As the research focused on the public sector client this difference is important; a 'one size fits all' solution to relationship management methodologies does not exist. Hamel (1989) suggests that organizations that enter into collaborative alliances (short-term) are aware that their partners are capable of disarming them. Parties to these alliances have clear objectives and understand that their partners' objectives will affect their success. Cooperative alliances (long-term) encourage alliance partners to commit their resources to the relationship to generate mutual learning (Love and Gunasekaran, 1999). Ketelholm (1993) suggests that cooperative, strategic alliances create a competitive advantage and can lead to supply chain sustainability. This issue is dealt with in detail below.

Relationship management thus embraces and underpins an approach to stakeholder management by use of mechanisms that bring about collaborative working arrangements and fair risk-sharing mechanisms. Relationship management becomes a long-term process, develops and changes over time and involves substantial relations between the parties. The characteristics of relationship management and construction contracts in

Australia are summarized in the report of the CRCCI (Cheung and Rowlinson, 2006). However, these characteristics are somewhat different in Hong Kong with greater emphasis on formalization, procedures and documentation, reflecting to some extent the strong cultural differences between the two societies.

Stakeholder management

Various authors have shown that a stakeholder management approach to governance entails long-term social exchange between parties, mutual trust, interpersonal attachment, commitment to specific partners, altruism and cooperative problem solving (Stoney and Winstanley, 2001; Carter, 2006). It has been shown that successful construction contracts have such typical relationship management characteristics which ameliorate the inertial effects of engaging numerous parties in a process of extensive informational exchange in the process. Case studies show that an evaluation of stakeholder demands and influence should be considered as a necessary and important step in the planning, implementation and completion of any construction project (Olander and Landin, 2005). Relationship management provides the means to achieve sustainable, ongoing relations in projects (be they long and complex or short and simple) by adjustment processes of a more thoroughly transaction-specific, ongoing, administrative kind (Stoney and Winstanley, 2001; Carter, 2006). Thus, the techniques, learnings and products from this research have been applied to the analysis of stakeholder management and lead to the synthesis of a comprehensive model for use in project management which is generally applicable, thus enabling the exploration of the influence of cultural differences.

Although corporate governance is essential for projects as well as companies, how it is implemented in projects is different, owing to the transient nature of projects. Additionally, in projects internal stakeholder management is essential for dealing with peer-to-peer relationships in the client organization, where role ambiguity is common. In other words, the process of engaging pluralistic clients needs careful management and cannot be handled in an ad hoc fashion. This situation will occur where, for example, different departments are acting as customer and contractor or where the distinction between purchaser and provider is not well defined or regulated. Co-location of purchaser and provider groups can exacerbate an already challenging situation in which competing objectives lead to conflict (Olander, 2006). The importance of the development and acceptance of common goals is thus paramount in such a context.

External stakeholder management can involve a range of official, formal and informal groups (e.g. industry, government, non-government, public, private and education). Stakeholders are often grouped into a cascade of categories, such as: project participants (e.g. land owner), secondary stakeholders (e.g. the City council, central government departments and agencies) and tertiary stakeholders (e.g. local residents, indigenous and aboriginal groups, green groups and others). Bourne and Walker (2005, p. 649) state:

... project managers need to be able to engage more effectively with the hidden reservoirs of power that are exercised by project stakeholders in the interaction between individuals in their social networks.

They go on to argue that only by adopting a sustainable view of projects and the supply chain and so incorporating a triple bottom line approach can the identification of a broad set of stakeholders take place. This approach comes from the viewpoint of corporate social responsibility and is accepting of the impact of politics within organizations on project strategy. They also clearly point out that a comprehensive and effective set of performance measures can only be developed by taking into account this broad set of stakeholders and their interests. They further argue that innovation and learning throughout the supply chain are only possible within such a context. Hence, the adoption of a multi-level view of performance and the relevance of these 'views' to each stakeholder becomes a prerequisite for successful stakeholder management, and is, indeed, a prerequisite for a sustainable supply chain. In essence, stakeholder management refocuses participants' perspectives from the project level to the business and industry levels.

Olander (2007) produced a stakeholder impact index which determined the nature and impact of stakeholder influence, the probability of stakeholders exercising their influence and each stakeholder's position in relation to the project, which may be as proponent or opponent. The analysis of the stakeholder impact index can help project managers to formalize a stakeholder management process. The work reported here deals with the stakeholder management process and its effectiveness.

Who are the stakeholders?

Li (2007) identifies stakeholders as any individuals or groups which can affect organization or project performance or which are affected by the achievement of the organization's or project's objectives. A range of categories of stakeholders is shown in Table 2.

In this paper the authors combine the approaches of Li (2007) and Walker *et al.* (2007) and identify stakeholder classes as:

- upstream stakeholders—paying customers and end users;
- downstream stakeholders—suppliers and sub-contractors;
- external stakeholders—general community and independent concerned parties;
- invisible stakeholders who engage with the project team in delivering the ultimate project benefit but whose cooperation and support is vital for project success; and
- project stakeholder group—project sponsor or champion and project delivery team.

Importantly, it is recognized that each stakeholder has a different viewpoint and that these perspectives lead to conflict and so generate a need for stakeholder and relationship management. Thus, the authors developed a perspective-based view of supply chain sustainability which is accepting of the necessarily diverse objectives of the project participants while recognizing that there is a need to accept, manage and incorporate diversity into both project goals and the approach to project management.

Research propositions

In the construction industry in Hong Kong heightened competition, tight schedules and squeezed profit margins are forcing organizations to grapple for mere survival, often relegating people management issues to a low priority. Such conditions can foster feelings of low self-efficacy, a lack of both meaningfulness and sense of belonging in individuals, project teams and participating organizations resulting in poor performance (Yip and Rowlinson, 2006). Hence, even in booming economies such as that in Australia, the multi-organizational project-based delivery structures of the industry demand the empowerment of individuals and teams to remove feelings of powerlessness and improve performance through collaboration, cooperation, creativity and innovation (Lingard *et al.*, 2007).

Thus, the following questions were formulated to investigate these issues:

- (1) What are the contextual factors that affect relationship management, stakeholder management and empowerment?
- (2) What levels of individual and project team empowerment can enhance the achievement of

specific dimensions of project performance and stakeholder management?

- (3) Can empowerment facilitate a fit between project team and stakeholders to enhance project delivery?

In fact, these questions emerged during the final, evaluation stage of the study and led to the iterative development of the model presented later.

Method

As this research was exploratory in nature and the objective was to uncover those characteristics which enabled relationship management to enhance project performance, a triangulated approach, using both qualitative and quantitative methods was adopted. At the outset semi-structured interviews, observation, document examination and case studies were used to highlight and isolate the constructs to be used in the study. This approach allowed the researchers to explore the perception of a range of professionals in the construction industries of Hong Kong and Australia. On completion of this process 15 independent variables were identified for further study and these were used in an initial pilot and then main survey which investigated the influence of these variables on project performance. Multi-item scales were used to measure the independent variables and the reliability of the scales was tested using Cronbach's alpha and the scales were found to fall within the recommended alpha range of 0.7 or above. However, before these results could be corroborated a second phase of qualitative studies had to take place in order to verify the quantitative study. This was done with the assistance of two groups of experts in each location and, following presentation of the findings of quantitative analysis, a discussion was maintained among the participants and researchers which focused on critiquing and verifying the results as presented. This completed the triangulation of the study.

However, it can be seen from Table 1 that although the variables which influence relationship management and project performance are very similar in Hong Kong and Australia their effects are different. This can be rationalized as the expected outcome from different cultures and different institutional frameworks. While not being able to fully explain immediately these differences it was the opinion of researchers and participants alike that culture and tradition played a major role in bringing about the differences. The research team and many of the participants had lived in both countries for considerable periods of time and so credibility was lent to the conclusions drawn in this regard.

Table 1 Characteristics of relationship management in Hong Kong and Australia

Australia	Characteristic	Hong Kong
D	Formalization	I
D	Procedures	I
I	Documentation	I
	Power distance	I
D	Tendering procedures	I
D	Can do attitude	D
D	Competitive environment	I
D	Work-life balance	I
I	Collectivism	D
D	Frankness	I
I	Mateship	
D	'In' formalization	I
D	Procurement systems	D
D	Stakeholders	D
D	Limited competition	
D	Individualism	I

Notes: D=driver, I=inhibitor.

During the course of this final phase of the research it became apparent that although relationship management could be seen to affect project performance, the Hong Kong sample was strongly focused on project performance measures, improvement and client satisfaction with outcome. A different emphasis appears in the study in Queensland, Australia. The expected outcome of relationship management went beyond project performance and teams had attempted to include issues such as business performance and the longer term view of supply chain sustainability. However, it was apparent that relationship management practised in Australia could in many instances deliver the first two lower order performance objectives but delivery of the longer term performance objectives was weak. The Hong Kong sample exhibited a good grasp of the concepts of the different levels of performance but did not show a strong commitment to these and argued that current practice and procedures did not facilitate the achievement of such objectives. A typical response from the Australian sample was that relationship management approaches could deliver these longer term objectives but additional emphasis and focus on hitherto neglected areas was needed for this to occur. Hence, this study unearthed further concepts which were thought to be essential for successful long-term sustainability of businesses and the industry and which focus on stakeholder management. It is these variables which are the focus of this paper and the consequent development of a stakeholder management model.

Table 2 Different views on key organizational stakeholders (adapted from Li, 2007, p. 92)

Researcher(s)	Key organizational stakeholders identified
Freeman (1984)	Government, political groups, shareholders, financial community, activist groups, consumers, consumer advocacy groups, unions, employees, trade associations, competitors and suppliers.
Dröge <i>et al.</i> (1990)	Shareholders, customers, voters, general public, financial community, lawmakers, communities, the press, higher education, employees and their families, labour unions, company distributors and other companies including competitors.
Lerner and Fryxell (1994)	Customers, community, stockholders, government, employees.
Morgan and Hunt (1994)	<i>Buyers</i> : intermediate customers (distributors and retailers) and ultimate customers; <i>Suppliers</i> : goods and service suppliers; <i>Lateral stakeholders</i> : competitors, government and non-profit organizations; <i>Internal stakeholders</i> : functional departments, employees and business units.
Briner <i>et al.</i> (1996)	Client, project leader's organization, outsourced services, invisible team members
Atkinson <i>et al.</i> (1997)	<i>Environmental stakeholders</i> : customers, owners, community; <i>Process stakeholders</i> : employees, suppliers.
Sirgy (2002)	<i>Internal stakeholders</i> : departments, divisions and functional units, etc.; <i>External stakeholders</i> : customers, shareholders, distributors, suppliers, employees, local community, the mass media, the environment, etc. <i>Distal stakeholders</i> : competitors, government agencies, labour unions, auditors, industry leaders, etc.
Bao (2004)	Owners, governments, customers or clients, employees, communities, society, suppliers.
Fitzroy and Hulbert (2005)	Shareholders, customers, employees and other stakeholders including suppliers, communities, etc.

Performance measures

When performance was discussed with respondents an interesting paradox emerged. While believing that long-term benefits should accrue from relationship and stakeholder management respondents reported that while relationship management and stakeholder management were generally successful in achieving project performance and client satisfaction they did not necessarily lead to business success and facilitation of future development and growth, i.e. a sustainable supply chain. Thus, even when triple bottom line sustainability was a policy objective this long-term view was not reflected in the management of the project. Hence, the model of project performance proposed by Walker *et al.* (2008) in Figure 1 was found not to be adopted in many instances.

On further investigation a number of respondents indicated that engagement and empowerment of stakeholders were two crucial issues in this respect. Without engagement these longer term objectives could not be enunciated, debated and incorporated into project objectives. Furthermore, even if this engagement took place the objectives could not be attained unless the stakeholders were empowered to participate effectively in the management of the project. Rowlinson *et al.* (2006) give examples of this engagement and empowerment, on the BWEA project in Australia, being facilitated by the use of an Alliance coach and an Alliance psychologist and Cheung (2006) gives examples of how this has been undertaken by Queensland

Department of Main Roads in developing a sustainable supply chain in the precast concrete and asphalt industries. In these examples triple bottom line sustainability—social, economic and environmental—has been achieved throughout the supply chain and industry development stimulated. This reflects the outputs desired by the community benefit approach to contractor selection adopted currently in the UK (Khalfan and McDermott, 2007). This reinforces the proposition of a number of respondents that stakeholder and relationship management are essential for the achievement of broader sustainability goals.

Indeed, it became apparent in analysing case studies in Hong Kong and Australia that focusing on relationship management can be successful in achieving short-term objectives of project efficiency but longer term objectives cannot be achieved without additionally focusing on stakeholder management issues. For example, the majority of Hong Kong cases showed a lack of engagement and empowerment of stakeholders leading to objectives remaining unrecognized and so a sustainability policy was not implemented because of this lack of engagement. Hence, the researchers concluded that supply chain sustainability was rarely taken on board as a project objective in Hong Kong, despite it being a stated government objective. Furthermore, the positive role of stakeholders in Hong Kong was generally not recognized. Thus, one might conclude that without the focus on stakeholder management project organizations are 'stuck' at the left of the lens position shown in Figure 1 and the

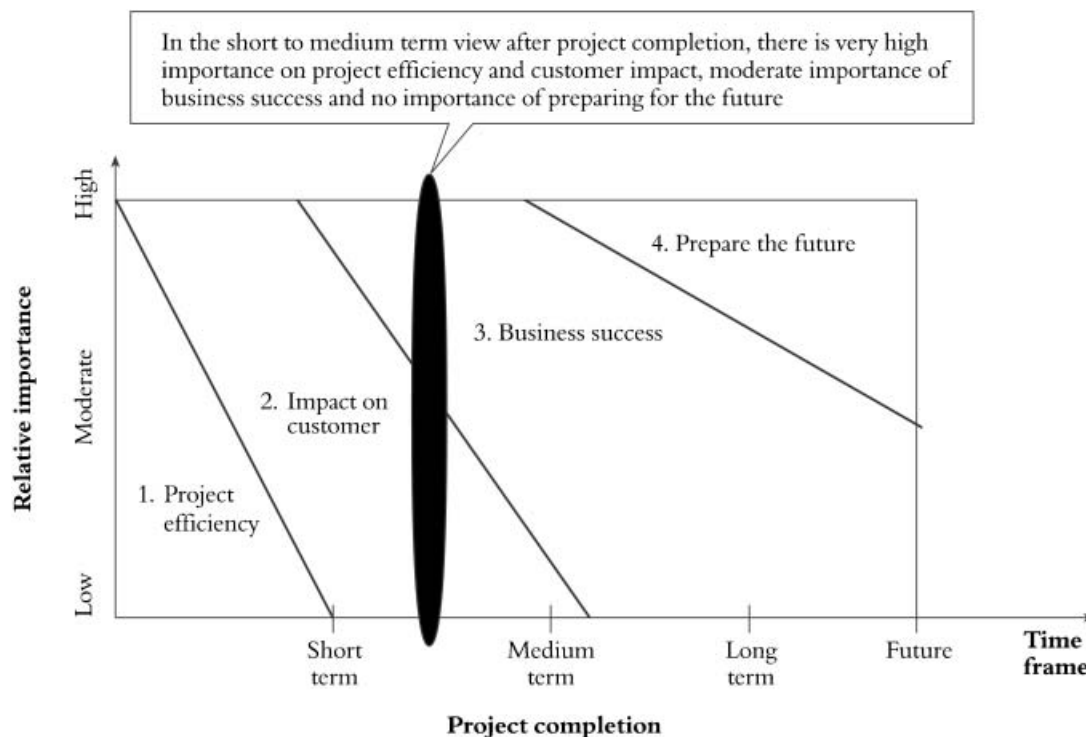


Figure 1 Views on project success (adapted from Walker *et al.*, 2008)

sustainability objectives are not being sighted, let alone achieved.

Results

In summarizing the results of this research it can be stated that relationship management, as measured by the constructs used in this research, is confirmed to enhance project performance and client satisfaction but has not explained how sustainability objectives can be attained. However, through case studies and corroborative interviews it was revealed that stakeholder management, and engagement, are prerequisites for a sustainable supply chain. Indeed, it was posited that a focus on stakeholder engagement and management is instrumental in aligning participants and their perspectives on project management and project success. For example, in the BWEA case study a team member stated ‘we would never have seen the advantage of the solution if we had not brought the supplier into the discussions at such an early stage. Not only did we provide a better solution but the supplier’s business expanded and its reputation was enhanced’ (Simons *et al.* 2004).

Model development

Thus, the original problem addressed in this paper, to understand the mechanism by which stakeholders can

be effectively managed and engaged in construction projects, was expanded to the development of a model of stakeholder engagement and how this may lead to a sustainable supply chain and a sustainable industry. The view from participants was that the engagement process is one which traditionally has been conducted in a haphazard manner and this research focused on investigating the management process and producing a model which can be incorporated into the project management body of knowledge and used generically in projects. By starting with the proposition that relationship management leads to cooperation and collaboration the issue of stakeholder management is internalized into the project management process. Hence, the research takes a holistic rather than piecemeal approach to the issues raised above.

Context of the model

In reporting the outcomes of the quantitative study to participants, in order to confirm results, the following issues were raised—these issues added previously unrecognized ‘dimensions’ to the study. The view of participants was that the success of relationship management in general and stakeholder management in particular is contingent upon a well-defined communications strategy and plan, supported by structured facilitation and relationship management activities. The latter are used to bring people together to state positions, exchange views and negotiate outcomes.

Dealing with the ensuing conflict is a part of the process of moving a project forward and need not become a contest between competing factions as long as a structured approach is adopted (Shaw and Barrett-Power, 1998; Alemi, 2006). Indeed, the approach should become the norm and not be seen as something reserved for exceptional projects. All projects have the potential to descend into acrimony if multiple stakeholder interests are not properly addressed.

Another key factor often cited by respondents in the success of a project is having a 'good client'; meaning that the client engages in the process, is well informed and decisive. Developing awareness within client circles of the need for stakeholder management is necessary and this can be demonstrated through a well-developed communications strategy. Stakeholder analysis is a part of what should be done routinely on a project. However, it requires particular skills and an effective communications consultant is often needed to facilitate stakeholder engagement.

This kind of consultation can be very time consuming and costly, and may well warrant two project managers on major projects—one to manage contracts and the other to manage stakeholders. In an example case (Rowlinson *et al.*, 2006) the additional cost was recovered from a relatively conflict-free project, with no lingering disputes or claims. Unfortunately, clients contend that a conflict-free project is what they should be getting in any event and so there is no need to pay extra for that entitlement. Perversely, many clients know that the construction sector is inclined towards conflict and litigation, yet they avoid taking steps to minimize the discomfort and time lost on disputes. Putting this issue on the table at the outset was viewed by many respondents as an essential prerequisite to any 'collaboration' project.

Culture

The model presented here was synthesized from parallel research studies undertaken in both Hong Kong and Australia. Although a generic model has been developed it is emphasized that cultural differences affect the implementation of this model in any location. Indeed, a significant difference in culture was identified in the way that relationship management was undertaken in Hong Kong and Australia. As a consequence, the research reported here in Hong Kong and Australia provides support for the contention that the management of stakeholders and relationship management is context specific. The implication is that different management approaches are required in different locations. For example, the attitude of public and private groups towards development in Hong Kong has changed significantly over the past 10 years since the Handover and so there is a necessity for a

structured approach to stakeholder management if the industry is to be able to operate effectively and efficiently whereas similar stakeholders in Australia are well established, informed and, in many instances, empowered. Essentially, the model provides a context for management where similar dimensions need to be addressed but different procedures and processes have to be employed to fit the context.

Emergent themes and concepts

This section reports the findings of the qualitative study. This survey investigated the structuring and communication which went on in the projects using the methodology developed by Cheung and Rowlinson (2006). This involved measurement of organizational culture (Handy, 1985), and organizational structuring (Van De Ven and Ferry, 1980) and commitment (Meyer and Allen, 1997). The results of this study, which have contributed to the development of the stakeholder management model, are presented below. Detailed statistical analysis and conclusions drawn there can be found in Cheung (2006), Rowlinson *et al.* (2006) and Cheung *et al.* (2005); the following section reports on the results and conclusions drawn from the qualitative analysis (and supported by the empirical data) which led to the development of the stakeholder management model.

Trust

One of the key issues in the study has been the emergence of the emphasis on trust and trust development. This issue is reported in detail by Lau (2004) and Lau and Rowlinson (2005) in Hong Kong and by Cheung (2006) in Australia. Cheung indicates that the trust-building process is a long-term, relationship-based issue and, although it has primarily led to more effective and efficient project management as far as technical issues are concerned, an emergent side effect has been the focus of the project team members on stakeholder interests and stakeholder management. She cites the director of a public corporation as follows:

... level of cooperation and trust has been built up between MR [the client] and some of our contractors during the past years ... project administration and problems were solved on a day-to-day basis. There has been a **change of focus and culture** from the Contractor ... putting the focus on stakeholders and understanding that's the way of conducting business (Cheung, 2006b).

Communication—formal/informal, structured/relaxed

Communication was identified as the key driver in the trust-building process. Participants generally indicated

that open communication in the project team was one of the key factors in stimulating effective relationship management. Not only did it affect work relationships, it also affected the effectiveness of problem solving. A typical example in a road construction project in Australia was the contractor being willing to talk openly and raise concerns about problems or risks which were foreseen. Informal communication channels such as telephone conversations, face-to-face talks, e-mails and faxes were commonplace in this project. It was reported that relationship management had not cut down the number of e-mails or letters, written correspondence was still used on specific issues for documentation; yet issues were often discussed on the telephone or in face-to-face meetings. Relationship management advocates more collaboration and integration between all of the stakeholders with a best for project objective. This attitude is best expressed using the following quote from an interviewee: 'If the issue can be talked through in a few minutes, why spend two hours writing a two page letter?' Thus, as one would expect in all walks of life, trust and cooperation were built up by face-to-face communication between all concerned parties, stakeholders. An alternative example emerged in Hong Kong during the process of a pre-contract workshop. The client organization was asked, along with the two joint venture contractors, the designers and a principal subcontractor, to sit down as a group and determine, from its own viewpoint, the most serious problems the project and project team were likely to face. Despite having been together for almost a complete day in a series of mixed groups, when the client organization came together as a separate group it quickly picked out three key issues and a problem arose. The group were not prepared to reveal to the other participants their true feelings and knowledge concerning these issues. Trust had not been built or established and the whole process of the relationship management workshop fell down on this particular point. Key stakeholders, which have been identified prior to the workshop, were excluded from the workshop and so the opportunity for these stakeholders to act as catalysts for open and honest communication was lost.

Despite such examples to the contrary, 'worthwhile' was often the description used for relationship management foundation workshops (Cheung, 2006). The most common view on relationship management was that it allows open communication with problems placed on the table with 'Charter Objectives' produced at the end of the workshop, representing the expectations and targets of the stakeholders. Of course, this presupposes that all relevant stakeholders are given a role and invited to participate in these workshops. Together with the common charter, a dispute/problem

resolution matrix was often developed during the foundation workshop. An interviewee pointed out that decisions were seen to be made in a much more direct way, which cost less in terms of time and money when compared with projects using a traditional contracting approach. Such openness at the outset of the project was almost contagious, leading to an attitude of culture change among the project team members and stakeholders who could commence the projects with an element of trust in the forefront of their minds. A commonly heard comment was that it is more enjoyable to work in such projects and in such an atmosphere. In this project, participants were empowered to participate fully in decision making through the adoption of a matrix system of organization, thus giving weight to the proposition that both the organization culture and organization structure must be matched in order for each to be effective. Rowlinson cites good examples of this approach in his study of public sector organizations in the run-up to the Hong Kong Handover (Rowlinson, 2001). The underlying theme which comes through in these examples from the research in both Hong Kong and Australia is the positive effect that empowerment has on trust relationships and the engagement of stakeholders. However, it is clear from these examples that the way in which empowerment is granted differs greatly in the two countries. These differences may be explained by Hofstede's concepts of power distance and uncertainty avoidance (for a more detailed discussion of this please refer to Dulaimi and Fellows (2006)).

Leadership and commitment

Leadership and commitment from both client and contractor at senior management level were perceived to be crucial throughout the range of projects studied. It was seen to be crucial that the philosophy of relationship management was understood and adopted at all levels if empowerment was to be achieved and stakeholder engagement effected. There were many examples seen in the projects studied where open and informal communications between project team members and stakeholders were the norm. Also, in an example presented earlier in the study, the major subcontractor was brought into the foundation workshop and monthly relationship management meetings by the main contractor. Certain project issues, asphalt in this case, were able to be discussed and solved with the subcontractor's expertise. This once again highlighted contractor commitment to the project and a change of attitude; indeed, during the course of this study it became common for such engagement to take place on projects in Australia. Perhaps due to cultural

and institutional issues, this is still not commonplace in Hong Kong. In the Australian example it became the norm for both foreman and site inspector from the operation level to attend all monthly relationship management meetings, once again reinforcing the level of commitment from both parties to relationship management and empowerment and engagement.

Political

One of the charter objectives produced during the relationship management foundation workshop for one project was 'a proactive approach keeping all stakeholders informed and resolving issues promptly'. 'Complaints from the public/community' was identified and flagged as one of the high risk project challenges. In this case, both contractor and client engaged in constant communication with the community stakeholders. The local community was involved to minimize risks to existing services (e.g. community notices on change of traffic conditions and project updates, house visits, etc.). At one level, this was aimed at minimizing risks of public resistance and a backlash, but the communication strategy put in place also led to positive suggestions for alternative approaches to the construction process. There was also regular contact between politicians and the project manager resulting in a 24-hour hotline being set up for the duration of the project and immediate rectifications undertaken should a mishap or breach occur.

Indeed, stakeholder management was seen to facilitate financial success on one Australian project. An interesting feature of the example case was that there had been no envisaged role for the contractor in dealing directly with the community (external stakeholders). Yet, the contractor developed a sense of obligation and this led to a change in its work practices. A sense of pride in the project developed from this willingness to involve the community. Despite the rigorous, detailed and documented approach evident on the project, relationship management was still seen as a personal matter, whose success comes down to the personality of the people involved. Good facilitation of workshops—in dealing with their inherent dynamics—was an essential requirement: people relate to people. At the end of workshops, common charters could be produced. These embodied on one page the expectations and aspirations of the stakeholders. For facilitators and the project manager (who may also be acting in that role) the whole process became stressful. 'Dealing with everyone's concerns can be a drain emotionally as well as physically'. However, the process led to 'a tight organization' with positive attitudes towards innovation and value management which ultimately lead to cost

savings for client and contractor and satisfaction on the part of the external stakeholders (Cheung, 2006). Similar responses are being reported in Hong Kong Government Highway Department and Water Services Department.

Development of the stakeholder management model

Based on the foregoing studies a stakeholder management model has been synthesized within which framework further research is now being conducted. The research builds on a model of effectiveness and incorporates the following key elements. These elements are determined by the coalition or temporary multi-organization which is typical of the construction industry and its stakeholders. Having drawn together the various elements of this research the model in Figure 2 has been developed to illustrate the influences on relationship and stakeholder management. The model is generic in the sense that it provides a framework for describing the processes in any country; it allows and accepts the influence of culture on how the various constructs are seen to interact.

Contextual factors

In order to investigate how relationship management can affect perceptions of project outcome, a set of contextual factors needs to be identified and their influence on the outcome needs to be investigated. Through the initial studies a research model has been developed which fits with the ideas and concepts brought out in the grounded study and emphasizes the issues of communication which were highlighted in the subsequent empirical study. The research model developed is presented in Figure 2 and it can be seen from the model that an input-conversion-output paradigm is used but the model focuses on the contextual factors that determine the effectiveness of the conversion and output processes. Thus, the model makes a significant contribution to our understanding of previously opaque influences on the effectiveness of relationship and stakeholder management. Having been built on the basis of prior research the model provides a comprehensive, research-based view of the context and parameters important to achieving project success in an increasingly complex environment. Underlying the model are the concepts and dimensions of sustainability which are represented by the different 'views' of a project (see Figure 1).

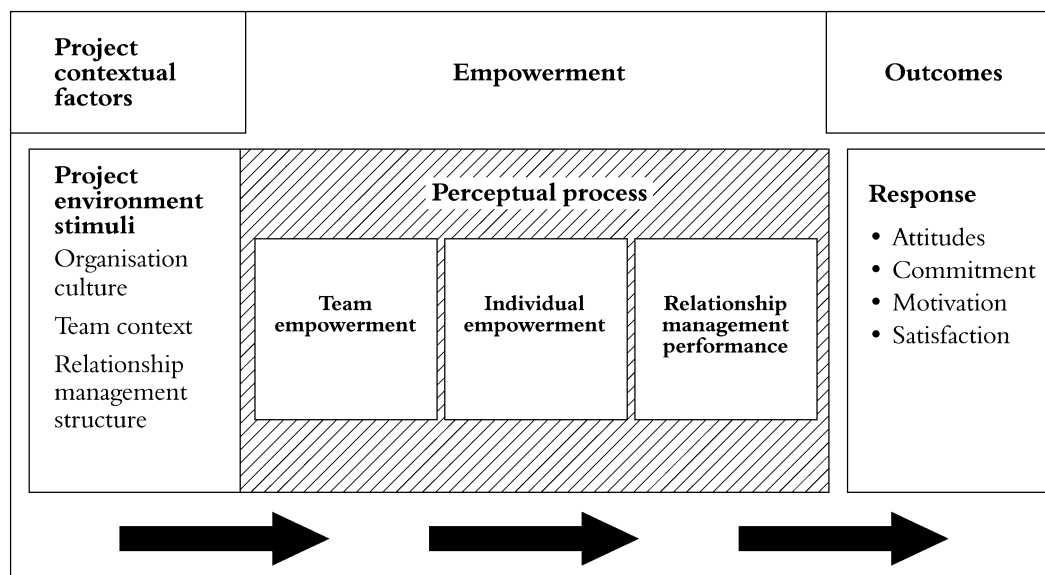


Figure 2 The stakeholder management model (adapted from Ivancevich *et al.*, 2005, p. 111)

Empowerment

Various definitions have been proffered for empowerment; for instance Fawcett *et al.* (1994) proposed empowerment as:

the process of gaining influence over events and outcomes of importance to an individual or group.

This is a useful starting point and this is extended for this study by the definition proposed by Page and Czuba (1999):

Zimmerman (1984) has stated that asserting a single definition of empowerment may make attempts to achieve it formulaic or prescription-like, contradicting the very concept of empowerment. ... As a general definition, however, we suggest that empowerment is a multi-dimensional social process that helps people gain control over their own lives. It is a process that fosters power (that is, the capacity to implement) in people, for use in their own lives, their communities, and in their society, by acting on issues that they define as important.

Thus, empowerment is considered to be one of the outcomes of a successful relationship management process which negotiates the needs of stakeholders into tangible outcomes and fosters power in projects too. By studying the nature and degree of the perception of empowerment in the stakeholders, one may determine the 'success' of the stakeholder management process. Empowerment operates at the individual and group levels and so must be considered at both of these levels in the relationship management process—the BWEA project provides a good example of this with the roles of alliance coach and psychologist.

Group process

Group process is about relationships within and between groups (Brown, 2004), which involves intra-group and inter-group actions that transform resources into a product (Gladstein, 1984). Process behaviours are either maintenance behaviours (Bales, 1958) that 'build, strengthen and regulate group life' or task behaviours that enable the group to 'solve the objective problem to which the group is committed' (Philp and Dunphy, 1959).

According to Brown, groups are sources of social identity. They are our sense of who we are and what we are worth and this is derived from our group memberships (Brown, 2004). There is a constant tension in group life between its task and socio-emotional aspects—'getting on with the job' while also 'getting on with people'. Group dynamics are frequently governed by a comparison process, both within the group and between the in-group and various out-groups. These concepts are highly relevant to the management of stakeholders in that if a stakeholder is 'relegated' to the out-group it is likely to provoke a reaction. If this stakeholder is 'powerful' then this can spell disaster for the project and the project team (Bourne and Walker, 2005).

Perception

Perception is the process by which an individual selects, organizes and gives meaning to environmental stimuli (Andre *et al.*, 2003). It explains the manner in which information (stimuli) from the environment around us is selected and organized, to provide meaning for the

individual. Perception is the mental function of giving significance to stimuli such as shapes, colours, movement, taste, sounds, touch, smells, pain, pressures and feelings (Mullins, 1996). It gives rise to individual behavioural responses to particular situations. In this research perception plays an important role in translating project management actions into (dis)satisfaction with projects and project outcomes and hence is an important issue in this research.

Organizational culture and structure

In an unsuccessful project, it is often found that people in the project or the organization do not understand the organizational culture and the existing culture is not felt to be supportive. Organization structuring also plays a major role in project success. It is the way in which the interrelated groups of an organization are constructed. Yet to develop or to change an organizational structure takes much less time when compared with changing organization culture. Changes in organization structure can also be carried out more frequently, e.g. by changing the organization chart, and there is a large body of literature dealing with this issue (Blau and Schoenherr, 1971; Galbraith, 1977; Galbraith and Nathanson, 1978; Van de Ven and Ferry, 1980; Handy, 1985; Allen and Meyer, 1990; Cheung, 2006).

Conclusions

Based on research in Hong Kong and Australia, this study has formulated a stakeholder management model which is being tested in both jurisdictions and the study reported here led to the development of this model in order to explain the relationship between relationship management, stakeholder management and sustainable performance. The study concluded that:

- Buy-in is crucial at all levels (not only at the senior management level) for successful implementation of relationship management and changes.
- The degree of match and mismatch between organization culture and structure has an impact on staff's commitment levels and so achievement of project objectives.
- Parent organization influences project (temporary intra-organization) culture.
- Mismatches between organization and project cultures must be recognized and accepted by organization staff.
- Commitment to the goals and objectives of an organization is crucial in facilitating successful implementation of relationship management or

organizational changes. This commitment must extend to the stakeholders.

- Relationship management needs to be constantly maintained and facilitated to retain effectiveness.
- Stakeholders (client, contractor, subcontractors, external organizations) must have the right attitude to relationship management. They need to be familiar with the relationship management principles and relationship management in practice for effective integration.
- Relationship management culture must be championed in organizations. The concept must be promoted through in-house training, and education in universities and institutions.

However, the above findings lacked a context within which they could be fully utilized and so the stakeholder management model seeks to define and elaborate this context. Such a context will add to the project management body of knowledge and provide a basis for both practical guidance and further research.

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