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Project Stakeholders: Analysis and Management Processes

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Abstract

Stakeholders are all internal or external actors, social and economic partners of a company. The activity of the company has a direct or indirect impact on these actors, and these actors have a more or less important influence on the company. The company is therefore accountable to all parties and must take into account their opinions. It is important to identify stakeholders but there is also a need to plan stakeholder management. This includes management strategies to literally engage them and generate interest throughout the project. Depending on the nature of the project, there may be several types of stakeholders that may have sometimes divergent interests. In some projects, some stakeholders can play several roles at a time. Stakeholders may have a positive or negative influence on a project. Managing stakeholders in a pro-active way is an important factor that can influence the project success.

Keywords: Stakeholder, Salience Model, Power-Interest Grid, Management cycle, project

I. INTRODUCTION

A project is a unique process that consists of a set of coordinated activities with start dates and end, with the aim of achieving an objective in accordance with specific requirements and every project has its stakeholders.[1] Those are a group or an individual that may be internal or external to a company and who can affect or can be affected by the project.

Stakeholders identify all the interested parties. An individual, group, or organization who may affect, be affected by, or perceive itself to be affected by a decision, activity, or outcome of a project. [2]

The stakeholder analysis synthesizes and summarizes information about all the people, groups of people, organizations and institutions involved in one way or another by the future project.

This involves identifying all actors involved in the action; to examine their respective roles, interests, ability to participate or curb the project, estimate

the degree of collaboration or potential friction between the different parties.

Depending on the type and size of the project, there might be several types of stakeholders that have different requirements, goals and objectives. A competent project leader recognizes the key impact that stakeholders can have both to help and hinder the progress of the project. Careful stakeholder analysis and a careful communication plan will maximize the project's chances of delivering deliverables on time and in budget.

II. STAKEHOLDER MANAGEMENT CYCLE

The management of the project stakeholders includes the processes necessary to identify the persons, groups or organizations likely to affect the project or to be affected by it, to analyze the expectations of the stakeholders and their impact on the project, but also to develop appropriate management strategies to effectively mobilize stakeholders by involving them in project decisions and implementation.

Stakeholder management also pays particular attention to the communication with stakeholders in order to understand their needs and expectations, to address issues as they arise, to manage conflicting interests, and to promote a commitment of the stakeholders in the decisions and activities of the project. Stakeholder satisfaction should be managed as a primary objective of the project.

The following figure gives an overview of the management processes of the project stakeholders.



Figure 1: Stakeholders management cycle

A. Stakeholders identification

This process consists of identifying the persons, groups or organizations that may affect a decision, or be affected by a project activity, or its final outcome. It also analyzes and documents relevant information about stakeholder interests, participation, interdependencies, influence and potential impact on the success of the project. The identification of stakeholders is based on data from the project charter, procurement documents, environmental factors of the business and organizational assets.

B. Stakeholders analysis

This step involves the analysis of stakeholder's responsibilities, contribution and commitment to the project. By specifying the interests, needs and concerns of the various parties involved, the analysis is useful in helping decision-making when different stakeholders have contradictory interests, when the resources are limited and when the needs of the actors involved needs to be finely balanced.

C. Stakeholders planning

This process involves developing appropriate management strategies to effectively involve stakeholders throughout the project life cycle, based on an analysis of their needs, interests and potential impact on the success of the project. Based on the project management plan, the stakeholder register, the environmental factors of the company and the organizational assets, the project manager will be in a position to "develop the stakeholder management plan". This plan, which is a component of the project management plan, will serve to determine the frequency and range of information provided to stakeholders. A stakeholder with other concerns is a potential risk to the project. To avoid spending too much time in the wrong place, a strategy based on the stakeholder's commitment level can be created.

Commitment level	Strategy
Unaware	Depending on the impact, inform the different parties and see if the level of commitment needs to be improved.
Resistant	Listen, influence and convince.
Neutral	Listen and evaluate if it can become resistant.
Supportive	Listen, inform and thank. Determine if the different parties can be

	engaged even more.
Leading	Listen, inform, thank and involve.

Figure 2: Appropriate strategy for each commitment

D. Stakeholders execution

This process involves communicating and working with stakeholders to meet their needs and expectations, address issues as they arise, and promote appropriate stakeholder involvement in project activities through its life cycle. The project manager will use his interpersonal and managerial skills in order to promote the involvement of the stakeholders with the support of the different means of communication previously identified in the communications management plan.

E. Stakeholders monitoring

This process consists of an overall follow-up of the relations with the project's stakeholders and the adaptation of strategies and plans for their involvement. The objective is to maintain or increase the effectiveness of stakeholder engagement activities throughout the life cycle of the project. This process is supported by the project management plan, the major problems registry, work performance data and project documents.

Using this input data and an information management system; the project manager will be able to broadcast information about the performance of the work in order to assess the overall effectiveness of the strategy adopted in managing the stakeholders.

III. TYPES OF STAKEHOLDERS

A. Internal stakeholders

Internal stakeholders include general groups such as managers and employees (and/or volunteer workers or other types of members, in not-for-profit organizations). For example the procurement function may have to market itself to senior management or management teams, or may have to communicate changes in purchasing policy and procedures to all staff. [3]. Internal stakeholders are represented by:

- **The leaders:** they may be tempted to privilege their personal interest to the detriment of the overall interest of the company.
- **The shareholders of the company:** they are a special type of stakeholder. They have no contractual relationship with the company, but are co-owners and are therefore directly interested in

the results of the company in general, and by its financial results in particular. They seek a return on investment, that is to say, of dividends.

- **The employees of the company:** constitute an essential part of the capital of the company. They ensure not only the production of a good or a service, but may also improve the quality of products and services if placed in favorable conditions (quality of management and the working environment, incentives autonomy, training and remuneration).

B. External stakeholders

Businesses are increasingly aware of the need to maintain a positive reputation in the marketplace, and this may require a more inclusive approach to stakeholder management which recognizes the legitimate needs and concerns of wider, secondary or 'indirect stakeholders. External stakeholders are likely to have quite diverse objectives and degrees of influence.

Those stakeholders are:

- **Customers:** have the power of pressure based on competitive intensity. Taking into account the expectations of clients requires a range of measures to improve the customer service from quality procedures, to toll-free numbers and satisfaction surveys.
- **Suppliers:** the company is considered Co-responsible of the actions of its subcontractors because it has all the latitude to condition its purchases to the respect of social or environmental criteria.
- **Competitors, local, national or international:** the company can adopt strategies to be more competitive than they are (innovation, "price war", protection measures ...) or try to avoid competition in deals or alliances to share the market.
- **The State:** governments, international organizations and local authorities. The State is a stakeholder through its legislative role. It may impose constraints on enterprises or, on the contrary, improve the environment in which the business carries out its activities. Well aware of the importance of this actor, companies lobby more or less the authorities to ensure an enabling environment and a regulatory framework at least as flexible as that of their foreign competitors.
- **The neighbors:** these are all those who live around the sites of a company and directly or indirectly, benefit or suffer the economic, social or

environmental issues related to the company's operations. Life and community development still depend largely on the economic spin-offs generated by enterprises, in terms of employment, but also professional taxes, the life of associations, maintenance of utilities and businesses.

C. Phantom stakeholders

People who are subject to, part of, or impacted by the project, yet have not formally been identified by the project manager or project team as stakeholders.[4]

IV. THE POWER/INTEREST GRID

This instrument sheds light on the interest of possible actors in the project or some of their aspects, and on the power or influence of an actor to move things forward and to achieve the expected results.

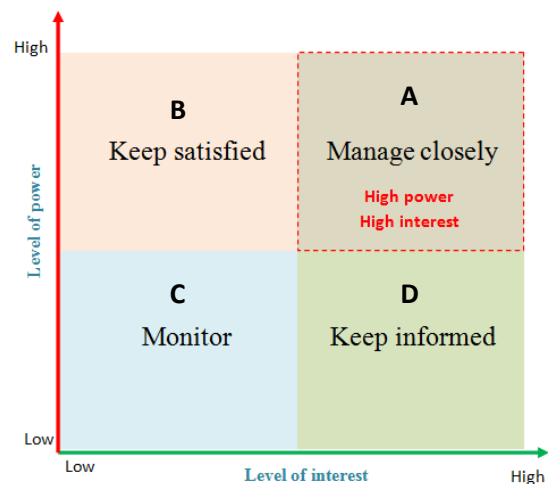


Figure 3 : Power/ interest matrix

This classifies stakeholders in relation to the power that they hold and their level of interest in the project. The type of relationship, which the project manager will need to establish and maintain with each type of stakeholder grouping, is shown for each of the four zones. [5]

Quadrant A stakeholders have interests and can influence the achievement of objectives.

The actors of Quadrant B also deserve attention because, because of their power, they can behave destructively, for example when they are uninformed and feel neglected. Quadrant C

stakeholders may seem unimportant, but they may just be cautious and have decided to wait and watch before showing more interest or using their influence. Quadrant D actors are important despite their lack of power. They are

Often those who bring skills and / or the dynamism that makes cooperation work.

D. Key stakeholders

High power, high interest stakeholders are key players. Key Players are stakeholders who have a high influence on your project and a high interest in the project's success or failure. In order to identify the key stakeholders, many questions can be asked:

- Who holds the project budget?
- Who is responsible for the relationship with the customers?
- Who will get promoted if the success of the project is reached?
- Who will be providing resources?

V. SALIENCE MODEL

This instrument focuses on the different views of the key stakeholder in relation to the objectives of the cooperation. To define a key stakeholder, we look at the three central decisive functions to have a key position in the context of the project:

- **Legitimacy:** Is the appreciation by the other actors that the action of the first actor is desirable or appropriate according to socially constructed norms, values, beliefs and definitions.
- **Power:** Is the ability (expressed or potential) of an actor to impose his will on others.
- **Urgency:** Is the feeling, by the actor himself, that his own request is urgent or important.

The three criteria (power, legitimacy, urgency)

	Unaware	Resistant	Neutral	Supportive	Leading
Stakeholder name		C			D
Stakeholder name	C			D	
Stakeholder name			C, D		

Figure 4: Salience model / Typology of stakeholders

make it possible to classify the stakeholders into eight categories.

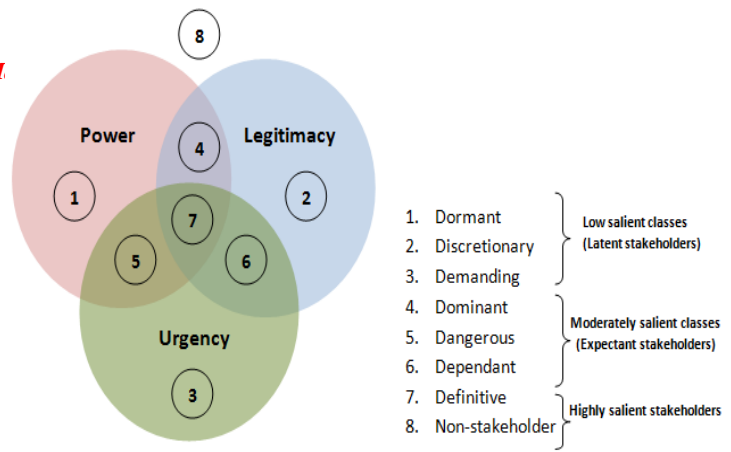


Figure 5: Example of stakeholder engagement assessment matrix

VI. STAKEHOLDER REGISTER

It is the output of the process of the stakeholder identification. This document includes:

- **Identification information:** name, organizational position, location, role in the project, contact information;
- **Assessment information:** major requirements, main expectations, potential influence in the project, phase in the life cycle with the most interest;
- **Stakeholder classification:** internal/external, supporter/neutral/resistor.

The stakeholder register must be consulted and updated regularly through the life cycle of a project because the stakeholders may change.

VII. STAKEHOLDER MANAGEMENT PLAN

The project management plan includes stakeholder management plan. It consists of identifying the strategies required to effectively manage the engagement of stakeholders.

The stakeholder management plan provides:

- Engagement level of stakeholders.
- Identified interrelationships between stakeholders.
- Stakeholder communication requirement during the current project phase.
- Information that must be sent to all stakeholders (language-format-context...).
- Time frame required distributing the information.

VIII. STAKEHOLDER ENGAGEMENT ASSESSMENT MATRIX

The stakeholder engagement assessment matrix is the appropriate tool to use in order to evaluate participation levels of the project team to ensure that all the members are on the same level to reach the completion of the project successfully.

The different commitment levels presented in Section 2.3 in this article are presented in a table with “C” referring to “Current” and “D” referring to “Desired” for each stakeholder.

IX. RESPONSIBILITY ASSIGNMENT MATRIX (RACI)

This tool is used to clarify the roles and responsibilities of each member of the project team. RACI is an acronym derived from the four key responsibilities most typically used: Responsible, Accountable, Consulted, and Informed. [7]

-R: Responsible: The members who do the work required to achieve the task. The work can be delegated to other members, so the responsibility can be shared.

-A: Accountable: The individual who is answerable for the activity or decision. There must be only one *accountable* for each task or deliverable.

-C: Consultant: The individual to be consulted to make a final decision and with whom there is two-way communication.

-I: Informed: The individuals who are kept up-to-date on progress and any decision or action that is taken.

Tasks/ Role	Person 1	Person 2	Person 3
Task 1	A	C	I
Task 2	A	R	C
Task 3	A, R	C	I
Task 4	C	A	R

Figure 6: Example of RACI matrix

X. CLARKSON’S PRINCIPLES OF STAKEHOLDERS MANAGEMENT

The purpose of the principles of stakeholder’s management is to provide guidelines to help business managers in order to interact with business stakeholders, and to meet the needs of the project stakeholders.

-Principle 1: Managers should acknowledge and actively monitor the concerns of all legitimate

stakeholders, and should take their interests appropriately into account in decision-making and operations.

-Principle 2: Managers should listen to and openly communicate with stakeholders their respective concerns and contributions, and about the risks that they assume because of their involvement with the corporation.

-Principle 3: Managers should adopt processes and modes of behavior that are sensitive to the concerns and capabilities of each stakeholder constituency.

-Principle 4: Managers should recognize the interdependence of efforts and rewards among stakeholders, and should attempt to achieve a fair distribution of the benefits and burdens of corporate activity among them, taking into account their respective risks and vulnerabilities.

-Principle 5: Managers should work cooperatively with other entities, both public and private, to insure that risks and harms arising from corporate activities are minimized and, where they cannot be avoided, appropriately compensated.

-Principle 6: Managers should avoid altogether activities that might jeopardize inalienable human rights (e.g., the right to life) or give rise to risks which, if clearly understood, would be patently unacceptable to relevant stakeholders.

-Principle 7: Managers should avoid altogether activities that might jeopardize inalienable human rights (e.g., the right to life) or give rise to risks which, if clearly understood, would be patently unacceptable to relevant stakeholders. [8]

XI. COMMUNICATION WITH STAKEHOLDERS

The finished product of a stakeholder analysis is a communication plan that is a part of the full project plan.

The effort of communication, mode and frequency depend on the cost and the level of influence of the stakeholder. Some will require simple and infrequent news; others will require regular, detailed and frequent communications.

Communication tools may include:

Formal meetings: with powerful stakeholders.

Informal meetings: with interested persons.

Mailing list: disseminating information to people on the progress of the project.

Newsletters: By mailing list, sent by e mail or printed.

Information screens: visual representation of the progress of the project in public places.

Website: regular information updates on the project in "self-service".

Individual Briefings: for those who have more interest and are willing to attend.

Tours and Demonstrations: for interested external people and organizations.

Public forums: more appropriate when there are community stakeholders.

Press Releases: report on significant project milestones.

Advertisements and mailings: newspapers, magazines, billboards.

Liaison committee: representatives from larger groups.

XII. CONCLUSION

Economic agents, individuals and organizations whose interests are linked to a company or a project are grouped under the generic term of stakeholders. Stakeholders are all the actors, internal or external, and economic and social partners of the company. The activity of the company has a direct or indirect repercussion on these actors, and these actors have a more or less important influence on the company. They are complex networks of influence, relationships, partnerships, power, and interdependence: to a certain extent, the company depends on each of its stakeholders for its survival, and vice versa.

Stakeholder management is closely linked to the success of the project and the success of the organizations. To properly carry out the stakeholder management task, there is a very specific process to follow.

A good project leader recognizes the key impact that stakeholders can have both to help and to hinder the progress of the project. Careful stakeholder analysis and a careful communication plan will maximize the project's chances of delivering deliverables on time and in budget.

The management and communication strategies to be adopted for each type of stakeholder will be detailed in future works.

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