Whitepaper – Stakeholder Management: Is stakeholder management important?

Introduction

Stakeholder management is not simply a loose term but a vital component for the success of any project and this whitepaper proposes to answer the following questions:

- What is the importance of Stakeholder management?
- What the process of Stakeholder Management as defined by both Kerzner and PMBOK?
- What their strengths and weaknesses, opportunities and threats for these 2 methods?
- How to implement this approach in your company?
- What could be the possible problems and how to prevent/address them?

Importance of Stakeholder Management

Stakeholder management has become such an important part of not only every day business, but specifically, project management, so much so that the Project Management Institute (PMI) in their latest guide to the Project Management Body of Knowledge (PMBOK) have dedicated an entirely new knowledge area to stakeholder management called Project Stakeholder Management (PMI, 2013).

So why has stakeholder management become so important? A prime example to the importance of stakeholder management was referenced at the PMI Global Congress (Bourne & Kasperczyk, 2009) that he highlighted the issues of the construction and transition of Heathrow Terminal 5 (T5) in 2008.

Although the project was hailed as a success, from the first day of operation there were many problems that caused flights to be cancelled, passengers to be stranded and luggage lost due to a number of failures on the people issues.

The root cause as Bourne & Kasperczyk concluded was the poor preparation of the people responsible for operations, poor management of British Airways relationships with stakeholders, both internal (staff) and external (travelling public).

The most important comment that Bourne & Kasperczyk made was that if the project was measured on completion of the constuction project alone, such as time, cost, scope and quality, then it would be considered a complete success. However the perception of the stakeholders was that T5 simply didn’t work.

More recently, we see the IBM/Queensland Government SAP implementation debacle. Clearly with this project there were many governance related issues as well and this paper does not seek to determine who is or is not at fault, but the comment made by IBM in the Australian Financial Review (AFR, 2013) was that “As prime contractor on a complex project, IBM must accept some responsibility,” an IBM spokeswoman said. “However, as acknowledged by the commission’s report, the successful delivery of the report was rendered near impossible by the state failing to properly articulate its requirements or commit to a fixed
scope”; would indicate that aside from the obvious governance issues, there was also a major lack of stakeholder engagement.

So here are two examples of just how important effective stakeholder engagement and management is. There are quite literally hundreds, if not thousands, of examples around the world of projects that have delivered exactly what the project was meant to deliver and all within the bounds of time, cost and scope yet are still considered failures upon implementation. Even more examples yet of projects that have been prematurely terminated or never even got off the ground because because key stakeholders weren’t managed correctly.

This demonstrates quite clearly that stakeholder management is of critical importance to the success of a project.

*The Process*

The two processes of stakeholder management that this white paper will look at are by Harold R Kerzner PhD and PMBOK.

Kerzner defines six processes for stakeholder management namely Identify the Stakeholders, Stakeholder Analysis, Perform Stakholder Engagements, Stakeholder information flow, Abide by agreements and Stakeholder debriefings (Kerzner, 2013).

This compared with the PMBOK guide’s four processes of Identify Stakeholders, Plan Stakeholder Management, Manage Stakeholder Engagement and Control Stakeholder Engagement (PMBOK, 2013) may initially appear to less in depth that Kerzner’s processes; however on further analysis by the author reveals that the two processes are very similar when placed side by side and map across quite well.

The method that I used to determine this was a very simple process using tools such as a whiteboard and an arrow diagram and although the headings might be slightly different, the common themes were all there in both processes.

Both processes also suggested the use of tools such as power/interest grids to map stakeholders as a visual method of determining the stakeholders level of authority over the project and their interest.

*SWOT Analysis*

**Strengths**

- Both methods are quite heavily focussed on proper stakeholder analysis.
- Both recognise the need for on going stakeholder management and gaining continued committment to the project.
- Both stress the importance of relevent and timely communication

**Weaknesses**

- Both methods stress the importance of knowing stakeholders in depth, however this may not always be possible, especially for large, lengthy and global projects
- Neither provide a method of analysing stakeholders using quantitative analysis, only qualitative.
Opportunities

- Both methods have the opportunity to become more scientific in stakeholder analysis through, for example cognitive maps.

Threats

- Claus Beringer, Daniel Jonas and Alexander Kock found that only two stakeholders significantly influence project portfolio success (Beringer et al., 2013) and it wasn’t necessarily the senior management that one would expect, but the line manager and the project manager. To assume that the senior manager is the key stakeholder places great risk to the project – which both Kerzner and PMI do.

Implementation

Geunchen et al. (2005) suggest using case based reasoning (CBR) technology as it is an incremental learning process (a new approach is retained each time a problem is solved), making it available for future problems with an implementation methodology consisting of four phases: stakeholder analysis, strategy retrieval, strategy revision, and strategy implementation. Their methodology attempts to overcome some existing difficulties that organisations, which have complicated relationships among stakeholders, may face in formulating stakeholder management strategies.

Figure 1 below shows their model for implementing stakeholder management strategies into an organisation. Their suggested first step is that corporations need to define strategic business unit (SBU) and that a corporation may have several SBUs; with each SBU having homogeneous services or products that are independent of other SBUs. Major stakeholders are then identified by each SBU.

They then suggest categorisation of the stakeholders for better utilisation of rules for generating appropriate strategies.
Whilst this methodology may be out of reach for many organisations that may not have the budgets or available time to develop and implement this type of technology to managed stakeholders; it is entirely possible that the adoption of a simplified maturity model may greatly benefit an organisation, especially using the phase and process components of the model.

Figure 1
Implementing a stakeholder engagement practice is a major organisational change and needs sustained management support; recognition of its long-term nature, and consistent and frequent targeted communication about a stakeholder management “improvement project”. (Bourne, L., 2008). Developing stakeholder management capability is a costly exercise for an organisation according to Bourne and using a staged approach such as she describes in her doctoral theses will increase the chance of success and assist the organisation in realising the objectives of its investment in its people and its processes.

Bourne readily admits that there is still much work to be done in gathering evidence of the success of such an approach but it is quite clear that a start must be made and the simplest way to address any implementation problems will be in the exact same way one would attempt eat an elephant – one mouthful at a time.

The experts in the field such as Bourne, Collins and Kerzner suggest utising a maturity model similar to the many that are around now days such as CMMI. Of course there are other models of a similar nature such as P3O® that would also able to be utilised to build a model. However Bourne has developed a proprietary methodology, SRMM®, which would doubtless make perfect sense to implement rather than an organisation going to the expense and effort of first developing their own methodology and then implementing it.

All good methodology maturity models should progressively build on the change in small bite size chunks and continually re-check progress such as with the Plan, Do, Check, Act (PDCA) methodology allowing participants to gain confidence as they move through the maturity levels. This I feel would be the best way to overcome any implementation problems.

For example, if as a start the organisation were to develop a stakeholder register in its simplest form, such as an Excel™ spread sheet and then test is effectiveness over a couple of projects and document the results and document the process. We already have taken the first step to stakeholder management maturity and we can use the PDCA methodology to improve and then build on the process of change.

**Conclusion**

The importance of stakeholder management, although has been recognised for many years by pioneers in the profession such as Dr Lynda Bourne, still has quite away to go to gain not simply acceptance that stakeholder management is something that needs to be done when developing a project management plan; but is a critical component to not only success of a project, but success of an organisation generally.

Can we possibly imagine any sales driven organisation hoping to survive when it neglects its customers? Why is it then that we can even hope to assume that projects will be successful without an effective stakeholder management methodology professionally implemented and used?

There clearly needs to be much more scholarly research into this topic and Bourne herself suggests that ‘an important research topic would be to test the validity of the model and guidelines in as many organisations as possible.’
It is the hope of this author that much more emphasis is placed on stakeholder management firstly within the project and programme management space as if we, as professional project and programme managers can demonstrate positive outcomes with effective stakeholder management in project delivery, then we can lead the way for a wider acceptance across the board of such an important subject.

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