

Lessons Learned on How to Increase Project Success using Proven Stakeholder Management Techniques¹

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Abstract

Management of medium to large complex procurement and integration projects is a difficult challenge. All projects face the difficult proposition of how to execute efficiently while maintaining the required focus on goals and milestones to ensure schedule adherence, enhanced communications, overall acceptable risk, and satisfied stakeholders.

The ability to effectively identify and manage project stakeholders significantly improves the chances of successful project execution and organizational success. The project manager's ability to seek agreement on the goals of the project among the key project stakeholders, including the project team, management and the customer, plays a large part in the project's success. Failure to do so may expose the project to unnecessary delays, missed opportunities, negative financial impacts, and potential damage to the organization's reputation.

The importance of stakeholder management is further emphasized with its inclusion as an additional Knowledge Area in PMI®'s A Guide to the Project Management Body of Knowledge (PMBOK® Guide) - Fifth Edition. Event Based Stakeholder Risk Management (EBSRM) is a proven project risk management approach that incorporates powerful techniques for the management of project stakeholders. By using the EBSRM approach on projects, the benefits include not only improved stakeholder identification, alignment and management, but a much improved overall project risk management approach.

EBSRM focuses on key artifacts that greatly facilitate understanding of the entire project and the associated key issues and risks to the project. These artifacts are extremely effective for communicating important project and risk information to both the project team and to other stakeholders, such as senior and executive management, external agencies, end users, and the customer. By using this technique, there is an increased

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likelihood of project success through a clear understanding what needs to be accomplished, the expected challenges, and who is accountable for the effort.

The goal of this presentation is to review key lessons learned from past projects used to develop the EBSRM technique and assist the reader in understanding how to incorporate EBSRM as an aid to effectively implement and integrate stakeholder management as part of an overall project and risk management approach.

Introduction

The identification and management of project stakeholders is a critical success factor to project success. With the aim for business growth and increased profitability, organizations that do not plan for and properly link stakeholder management to project and organizational risk governance significantly decrease their probability of success.

Project staff tend to be overloaded as they are actively involved in a number of simultaneous and critical tasks. As a result, project stakeholders are generally not aware of all project items which may (or should be) be of concern to them. One consequence is that key or emergent issues and risks within the project may be overlooked and not properly communicated to stakeholders. Projects are unique, so there is a tendency to develop a “live with it” attitude towards stakeholders and to consider it as just part of doing business. This ultimately results in projects failing to meet their goals and disappointed stakeholders

The Challenge of Managing Project Stakeholder Information Flow

All projects face the challenge of how to be executed efficiently while maintaining the required focus on goals and milestones to ensure schedule adherence, enhanced communications, satisfied stakeholders; and overall acceptable risk.

Project stakeholders generally have their own expectations, biases, and tolerances. The larger the number of stakeholders, the more varied these parameters are. Most project managers struggle with how best to manage stakeholder information flow in a manner which benefits the project's objectives.

From experience, project staff tend to delay admitting that their project contains risk, as well as delay communicating risk and how to deal with the risk with the project stakeholders. It is important that the project manager be able to understand what the key project issues and risk areas are and be able to communicate these effectively at all times to project stakeholders.

Project stakeholders should play an inherent role in the project's risk management activities. As a result, a proven method by which to improve the engagement of project stakeholders is to use a method which is based on risk management. EBSRM is an excellent method to use in this instance.

Event-Based Stakeholder Risk Management

EBSRM is a stakeholder management technique based on risk management principles and should be an integral element of any project. EBSRM offers the following discriminators:

1. Top-down approach to provide the big-picture view, as opposed to a bottom-up approach
2. Event-centric view with a focus on key events/deliverables
3. An effective way by which to identify project stakeholders and ensure their engagement in the project
4. Inherent schedule and cost analysis to increase the probability of project success
5. Key artifacts that greatly facilitate understanding of the entire project and of the key risks to the project. These artifacts are extremely effective for communicating important project information to both the project team and to other stakeholders, such as senior and executive management
6. Consultative inputs from others who have had similar experiences and leverage of lessons learned

The integration of EBSRM into project planning and execution is key to its success and is discussed in the following sections. An overview of the EBSRM process is shown in Figure 1.



Figure 1: EBSRM process overview.

One of the main objectives of the EBSRM process is the establishment of open and timely exchange of project information among all project stakeholders while addressing project risk as an added inherent benefit. This exchange of information significantly improves the probability of project success and stakeholder satisfaction.

EBSRM process consists of 8 steps and an overview of each is discussed in the following sections.

Step 1 – Executive Project Summary

The Executive Project Summary (EPS) is a composite event diagram that captures, on a single page, key events and considerations over the life of the project. This graphic representation provides project managers, stakeholders, senior and executive management with a comprehensive overview of a project, no matter how complex, and facilitates a common understanding of project goals. A sample EPS is shown in Figure 2.

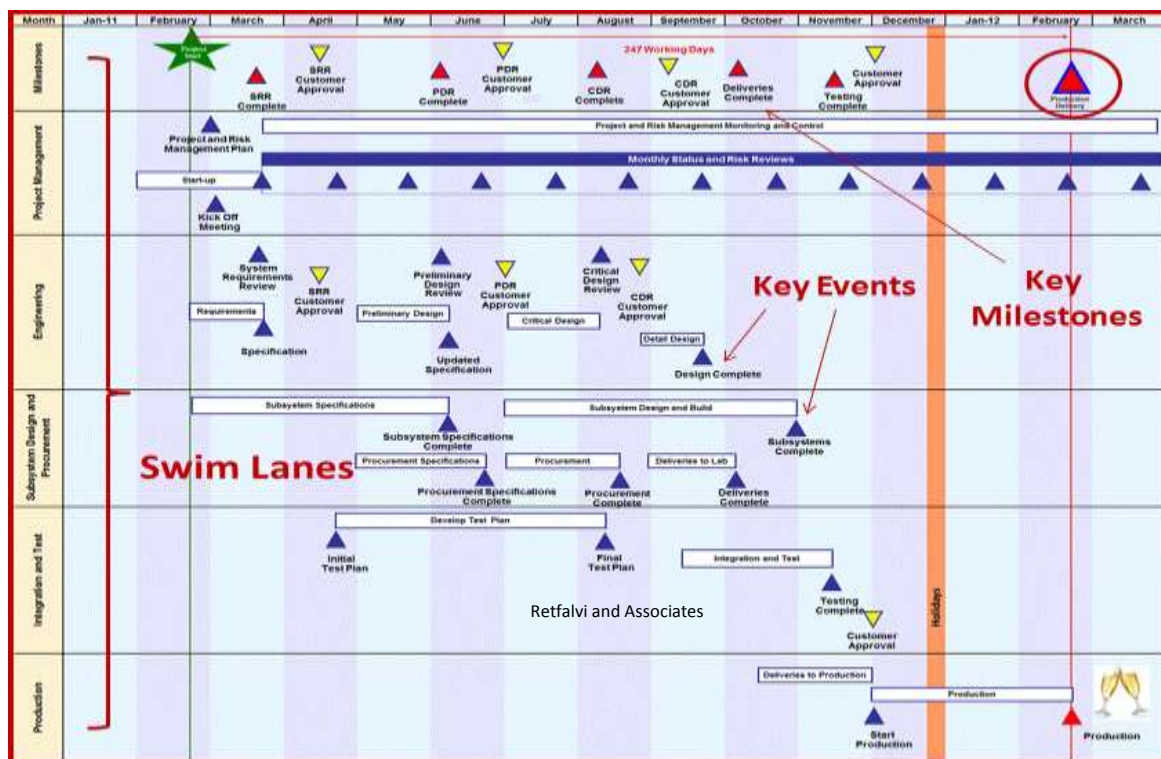


Figure 2: Executive Project Summary.

The EPS has the following characteristics:

1. Illustrates a high-level, single-page view of the project
2. Captures key activities upon which the project is based
3. Depicts “swim lanes” based on how the organization executes a project
4. Identifies significant milestones in the top swim lane
5. Specifies project end date(s) and time remaining
6. Identifies and illustrates key stakeholders and their expected contribution to the project. From experience, this may be a separate swim lane or a specific event

The EPS is an extremely effective tool for communicating important project information to both the project team and to other stakeholders. The EPS promotes open and timely exchange of project information. It also offers the opportunity to shape constructive team dynamics to ensure focus on common goals.

Figure 3 shows the concept of the EPS as a project briefing tool to stakeholders.

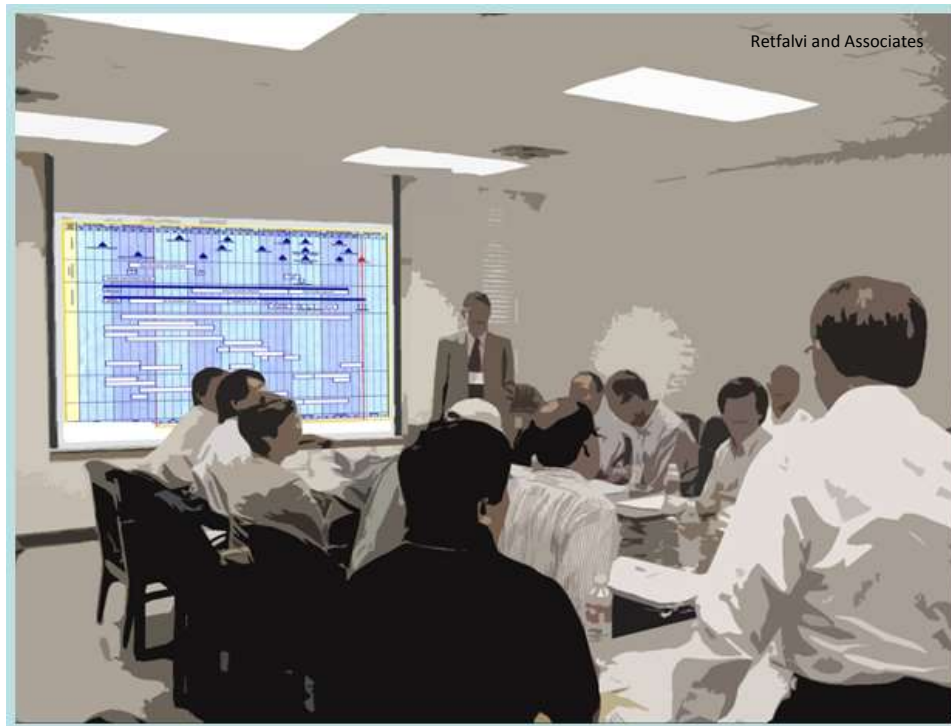


Figure 3: EPS as a stakeholder project briefing tool.

The project manager's ability to seek agreement on the goals of the project among the key project stakeholders, including the project team, management, and the customer, plays a large part in the project's success.

The EPS is a very useful tool in the project manager's toolkit.

Step 2 – Identify Stakeholders

PMI®'s PMBOK® Guide - Fifth Edition defines stakeholders as *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*. The affect may be negative or positive in nature and is analogous to threats and opportunities in project risk management. A key step in the EBSRM process is the identification and engagement of project stakeholders.

A challenge encountered by many project managers is to properly identify and prioritize those stakeholders which are directly and indirectly affected by the project. Stakeholder analysis is a general term used where stakeholders are identified, their needs and expectations documented, and their influence on the project characterized. Many forms of stakeholder analysis approaches exist. A popular method to help visualize stakeholders and their characteristics is by the use of a Power/Interest (PI) grid.

The EPS is a convenient and powerful method by which to identify and engage project stakeholders. By focusing on the key events and considerations over the life of the project, we can also focus on who is affected by these events and what engagement is expected by these stakeholders as we approach or complete these events. Engagement of stakeholders is improved by the clear visual identification of these events and expected involvement of the stakeholders.

It is also a powerful method by which to establish and improve stakeholder accountability, as stakeholders cannot easily "hide" and state they did not understand their expected involvement.

Step 3 – Critical Event Tree

The Critical Event Tree (CET) identifies key project events and/or milestones and presents them graphically in a tree structure. The EPS is used to develop the CET. The top-level nodes of the tree may be the Level Two nodes from the project's Work Breakdown Structure (WBS). The CET should be limited to the top 20 to 25 key project events.

Refer to Figure 4 for a conceptual overview of a Critical Event Tree.

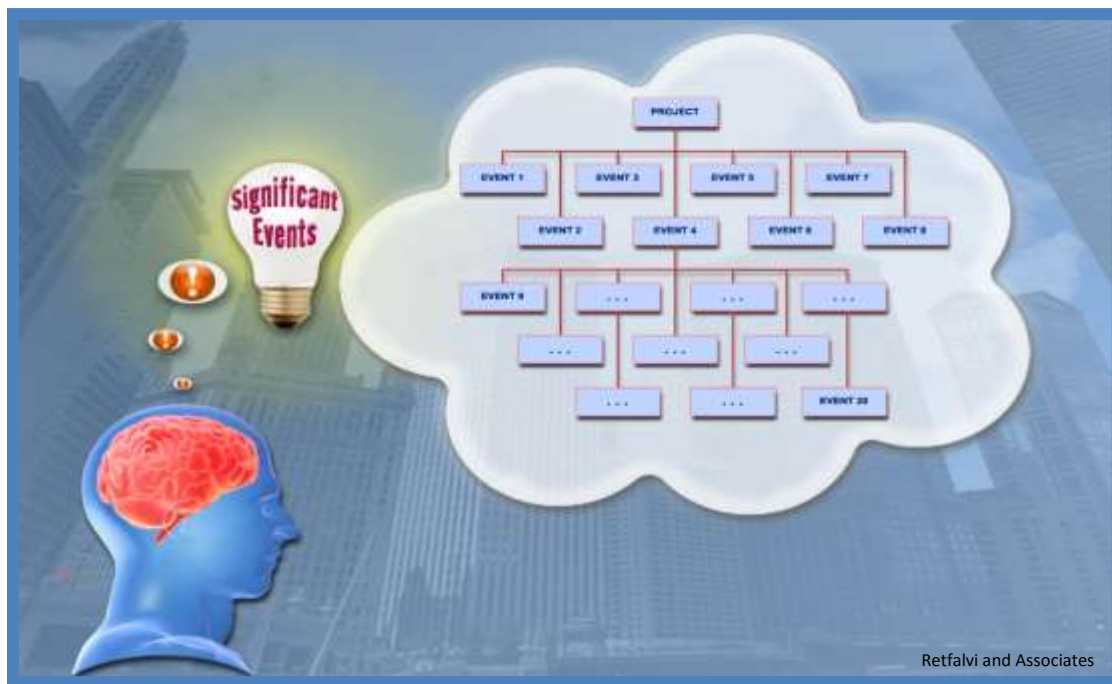


Figure 4: Critical Event Tree.

These key events are representative of the overall project. Each event must have a completion date and must be included in the project's schedule.

The determination of the top project events can be a difficult task and will require review and significant consultation with the project stakeholders. The project manager must consider not only the success of the project, but also project outcomes, such as perceived or required stakeholder success.

If the events in the CET are under control, the project manager and stakeholders can be assured that the project is generally in good shape.

Step 4 – Risk Event Tree

The Risk Event Tree (RET) identifies key project risks and presents them graphically in a tree structure. The CET is used to develop the RET. Building on the previously identified project critical events; the projects risks associated with each critical event are identified. Unlike a Risk Breakdown Structure (RBS) where risks are grouped into common areas, the RET is focused on the risks associated with the project's critical events. Each risk event includes a description of the risk, the associated risk drivers, the impact of the risk, and the horizon of the risk.

The advantage of the RET is the simple yet powerful graphical representation of the major risks associated with the project. Along with the EPS, the RET is an excellent presentation tool.

Refer to Figure 5 for a conceptual overview of a Risk Event Tree.

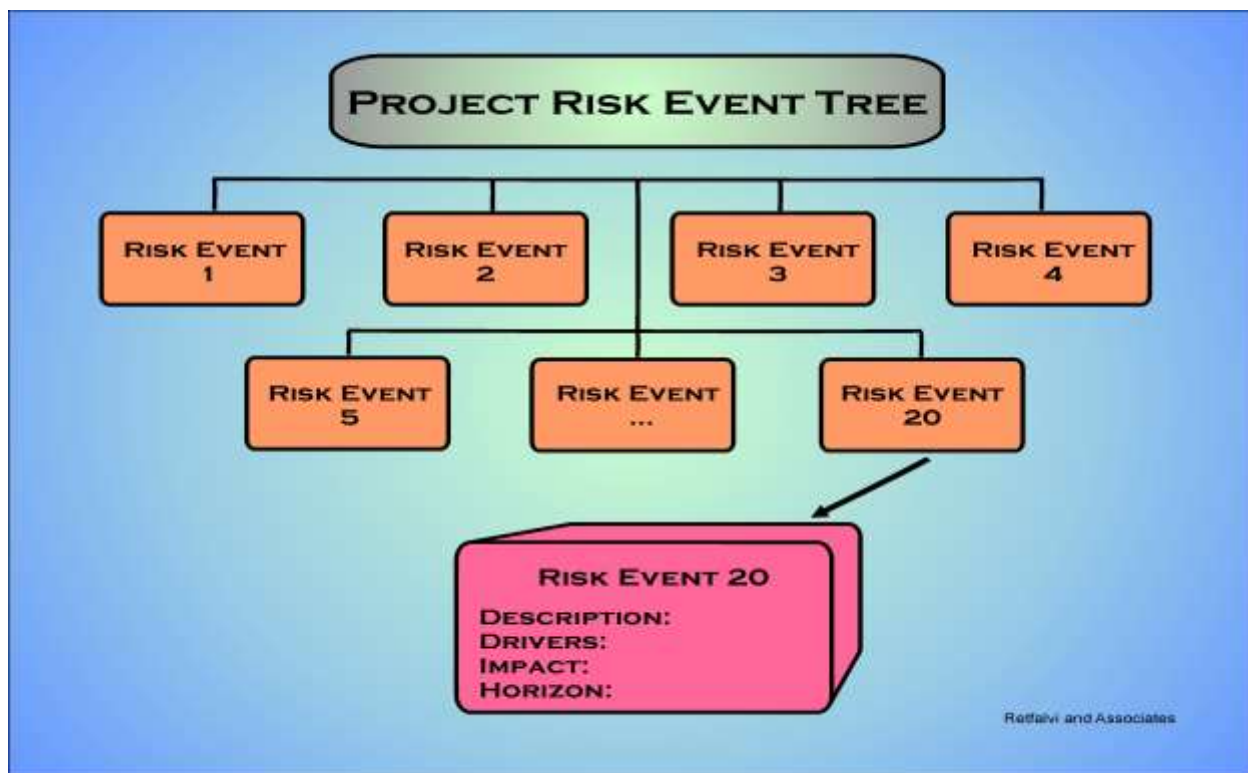


Figure 5: Risk Event Tree.

Step 5 – Risk Register

The project risk register is a key artifact where the risk events and associated parameters are documented and maintained. Each risk event is included in the risk register and the result of any risk analysis and associated responses. The risk register is made available to all project stakeholders to ensure transparency and is reviewed regularly.

Ensure that the project has a properly developed risk register. The project risk register is an ideal method by which to promote transparency among stakeholders and increase stakeholder accountability by assigning stakeholders as risk owners as appropriate.

Step 6 – High Level Schedule

A schedule is a required tool of project management. Unfortunately, the development of proper schedules is not well understood by most project managers. Project managers need to properly understand the implementation and use of proper scheduling methods as a tool to plan, coordinate and schedule the execution of projects.

A clear and agreed to high level project schedule, however, is required first. This is important if schedule or cost risk analysis is to be performed at a later stage, as full details are not required for these analyses. The schedule or cost risk analysis is performed on the high level schedule. Schedule detail will emerge when required by the project and is not required as part of the EBSRM approach.

Project managers must avoid the trap where a schedule “deep dive” is done too early because available scheduling tools make it easy to do so. Without a clearly understood overview of the project and an agreed to EPS, it will be very difficult to properly implement the project in a schedule resulting in an increased likelihood of schedule rework.

As previously discussed, the EPS is an excellent tool to develop a high level schedule.

Step 7 – Schedule and Cost Risk Analysis

Schedule Risk Analysis (SRA) is the application of the Monte Carlo technique to the project schedule. PMI ®’s PMBOK ® Guide - Fifth edition identifies the Monte Carlo technique as the typical method of modeling/simulating projects. Similarly, Cost Risk Analysis (CRA) is the application of the Monte Carlo technique to the project costs.

One of the key artifacts of the EBSRM process is the distribution chart plots that predict the finish date(s) of the selected event(s) for each schedule simulation. This will provide the project manager and project stakeholders with an understanding of the likely range of finish dates; the confidence in meeting the target date; and the worst-case completion date.

Figure 6 details an example of an SRA distribution chart showing the typical distribution of the projected finish dates against the probability of meeting those dates.

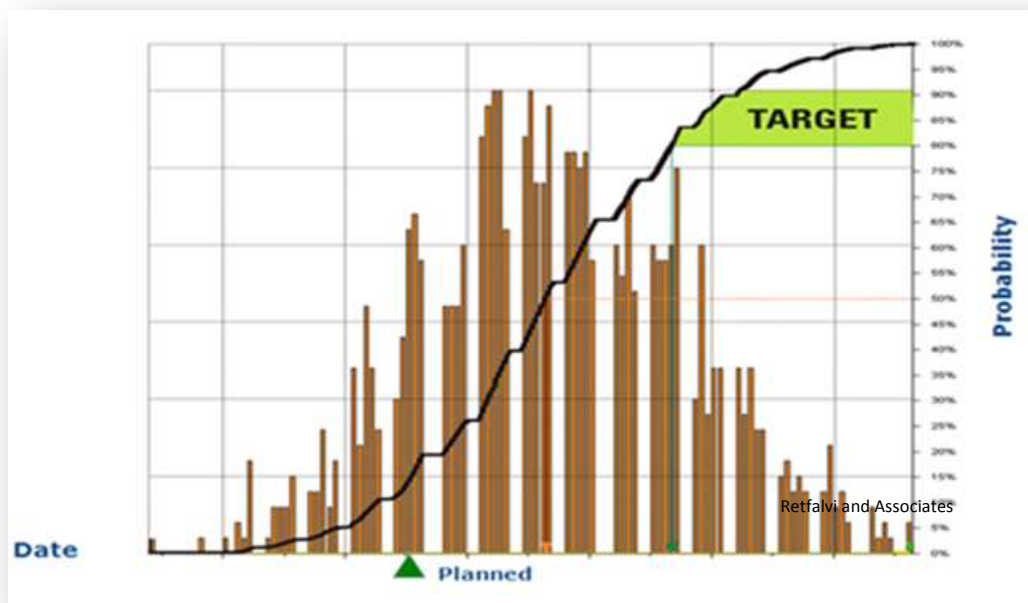


Figure 6: Sample schedule risk analysis distribution.

In almost all cases, stakeholders need to understand that projected finish dates occur *later* than planned and need to be re-worked to be brought into the target range. SRA is an iterative process. Outputs are fed back into the development of the plan to get to an acceptable level of confidence. The goal is to have each event probability in the 80% - 90% range.

Similarly, CRA ideally requires that the project costs be built using three-point estimates. To determine the contingency to be allocated to the project, we need to define what confidence level we would like to achieve: The higher the contingency level, the larger amount of contingency needed.

Figure 7 details an example of a CRA distribution chart showing the typical distribution of the projected project costs against the probability of meeting those costs. The chart shows that to have a 90% confidence factor on project completion costs, the required project budget is \$ 94 M.

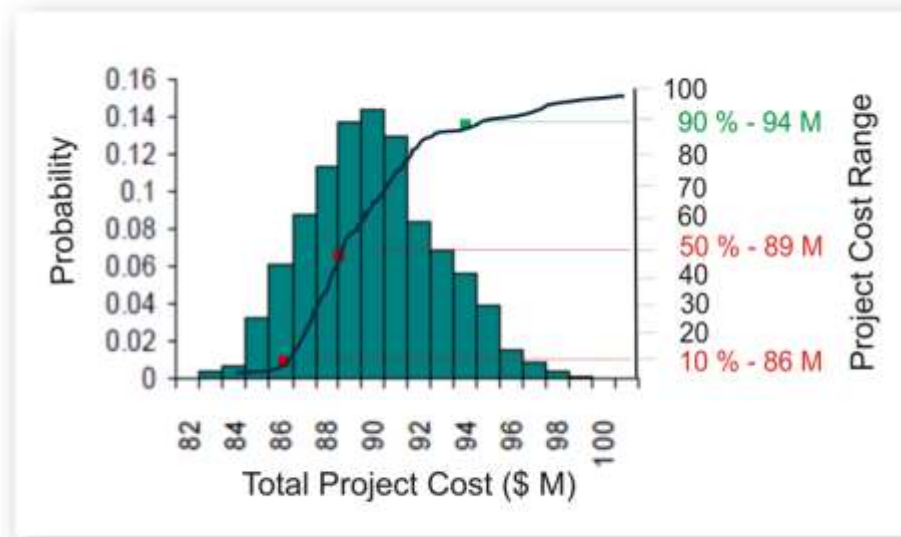


Figure 7: Sample cost risk analysis distribution.

The best approach is to implement integrated cost-schedule risk analysis which includes the impact of schedule risk on cost risk to properly identify cost contingency reserves.

The advantage of including SRA and CRA as part of the EBSRM process is that schedule/cost targets and probability of success in meeting these targets are identified and communicated to all project stakeholders. This ensures everyone is on “*the same page*” and further assists in ensuring stakeholders understand the challenges associated with the project and their potential outcomes.

This will assist in dealing with demanding stakeholders who do not fully appreciate the impacts of their demands on the project. The SRA and CRA artifacts are simple yet powerful graphical reminders of the range of probability of project success, as well as provide support for any contingencies required.

Step 8 – Consult and Brief Regularly

There is a very good chance that someone has previously experienced the risk or issue that the project manager and stakeholders are currently trying to address. The object of this activity is to have experienced people review, identify, develop, and periodically update credible project-level risks. Expert advice may be available in other areas of the organization or associations. Reviews leverage the skills and experience of the right people at the right time.

A key element of the EBSRM approach is to leverage previous experience and lessons learned. A large number of project managers operate in an industry where the projects

they manage will have similar components and attributes as previously managed projects. Since project managers who work on similar projects will run into similar obstacles, it is advantageous to the stakeholders that they share how they overcame these obstacles. This will ensure that the same mistakes are not repeated at the cost of project delay, budget overruns, and customer dissatisfaction.

One of the most challenging tasks that a project manager has to face is making sure that during the project all of the right people are given the right information at the right time. The use of the EPS, the CET, and the RET as core elements of any project communication plan supports this. From experience, an effective approach is to brief the EPS at the start of every project meeting and have the CET and RET figures ready if there are detailed questions.

From experience, project stakeholders may be involved in more than one project at a time and as a result, they may “drift” as they have too many items on their plate. Briefing the EPS at project meetings bring focus back to the project stakeholders and helps to remind them of the specifics of the project. It is also an excellent document to have available on a shared project site using Microsoft® SharePoint® or similar technology.

The project manager is encouraged to review and emphasize project goals and key events frequently to the project team and stakeholders. This results in increased credibility of the project manager in the eyes of the stakeholders, including the customer, senior and executive management.

The Benefits of the EBSRM Approach

The implementation of the EBSRM approach on a project is not a difficult task. Experience has shown that the biggest component in its success is the ability to identify and reach agreement on the critical events with the project stakeholders.

The EBSRM approach offers a number of positive and unique benefits. These include:

1. An overview of the project is formulated first using the EPS and CET. The usual tendency is to force a “deep dive” too early because available scheduling tools make it easy to do so. Without a clearly understood overview of the project, there is an increased likelihood of rework.
2. Project scope is better understood by the project manager and project stakeholders. Increased likelihood of project success is achieved through understanding what needs to be accomplished when and who is accountable for the effort.
3. Presentation of the complete project overview on one EPS slide. Complex projects tend to make verbal communication difficult for nontechnical people and other

stakeholders. A properly developed EPS allows for a well-planned, simple, and clear presentation of the project.

4. Spatial relationships of activities with focus on critical events and completion targets. Understanding the high-level relationship between major events increases confidence in the solution with stakeholders.
5. The ability to quickly focus on key events and status for stakeholders that are actively involved in the project, or whose interests may be positively or negatively affected as a result of project execution or project completion. Key events are identified and agreed to early by the project team and its stakeholders. Project managers need to position themselves as much as possible to operate with no surprises.
6. Improved risk closure criteria. Risks may remain open in the risk register for a long period if the project manager is not certain when a risk is no longer a risk. With EBSRM, the risk is closed as soon as the critical event is completed. This is also a convenient opportunity to review the lessons learned associated with the event.
7. The approach is scalable and is equally applicable during the proposal and planning stages of a project as well as during its execution. It may also be used to focus on a specific period within a project to address a complex situation.
8. Improved communications with all project stakeholders, specifically at the senior and executive level, where a simple and clear presentation of the project and its risks is required.
9. A powerful method by which to establish and improve stakeholder accountability, as stakeholders cannot easily “hide” and state they did not understand their expected involvement.

Conclusion

The ability to effectively identify and manage project stakeholders significantly improves the chances of successful project execution and organizational success. Event Based Stakeholder Risk Management (EBSRM) is a proven project risk management approach that incorporates powerful techniques for the management of project stakeholders.

By using the EBSRM approach on projects, the benefits include not only improved stakeholder alignment and management, but a much improved overall project risk management approach. The outputs of EBRM are artifacts that facilitates stakeholder understanding of the entire project and of the key risks to the project. The approach also assists the project manager in keeping the project stakeholders aligned and focused on what is important to control, not what is easy to control.

About the Author



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Laszlo Retfalvi is founder and general manager of Retfalvi and Associates, an Ottawa-based consulting firm. Laszlo is also an Instructor in the Business and Management Programs Department at the University of California - Irvine Extension. Laszlo offers more than twenty-five years of experience in the project management and engineering fields. Laszlo is past Vice-President of the Program and Risk Management Office (PRMO) at Allen Vanguard Corporation. Prior to this, Laszlo held a number of senior and executive engineering, project management, and business development positions at General Dynamics Canada, a division of General Dynamics Corporation. Previously, Laszlo was with the Irving Group of Companies and SED Systems. Laszlo has been happily married to Lisa for over twenty-five years and has two great sons, Andrew and Alexander. Laszlo earned his Bachelor of Electrical Engineering from the University of New Brunswick in 1984. He can be contacted at laszlo@retfalviandassociates.com. More at www.retfalviandassociates.com