

The Stakeholder Perspective¹

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THE STAKEHOLDER

The word “stakeholder” dates back to the beginning of the eighteenth century, meaning the person who was entrusted with the stakes of bettors, and, then, who was holding all the bets placed on a game or a race, and who was paying the money to the winners: therefore, the first stakeholder was a “holder of interests”. In addition, “stake” may mean a post placed in the ground, either representing the concept of a strong support, or representing the boundaries that define an interest: in fact, it is believed that the first modern meaning of stakeholders is “those groups without whose support the organization would cease to exist” (Stanford University Research Center, 1963), while in the first text on the theory of stakeholders (Freeman, 1984), the definition of stakeholder was “a stakeholder in an organization is any group or individual who can affect or is affected by the achievement of the organization's objectives”. Ten years later (Freeman, 1994), the concept of generated value was added too, and stakeholders were defined as “participants in the human process of joint value creation”.

Furthermore, starting from the second half of the eighties, the theory of stakeholder management, which was focused on corporate social responsibility, incorporated an important ethical component into the concept of stakeholder: to this day, a current significance of stakeholder (Cambridge Dictionary) is, also, “a person such as an employee, customer, or citizen who is involved with an organization, society, etc. and therefore has responsibilities towards it and an interest in its success”. Ethics, therefore, became a central reference in stakeholder management, confirming both the responsibility of the organization toward its stakeholders, and the responsibility of stakeholders toward their organization.

Moreover, stakeholders, and their synonym “interested parties”, have a crucial importance in international standards and best practices: in particular, in the domain of quality management, “interested parties are individuals and other entities that add value to the organization, or are otherwise interested in, or affected by, the activities of the organization” (The International Organization for Standardization, 2009), while, in the domain of project management, stakeholder is “a person, a group or an organization that has an interest in, or can affect, be affected by, or perceive itself to be affected by, any aspect of the project” (The International Organization for Standardization, 2012).

Definitively, a stakeholder, or an interested party, is a person, or a group of persons, or an organization, that:

- has some kind of interest in the project;
- may affect the project, or may be affected by the project;

- participates, or would like to participate, in the project;
- can bring a value, which could be either positive or negative, to the project;
- may have responsibilities towards the project, which, in turn, is supposed to satisfy stakeholders' expectations.

Each project could then include a large variety of stakeholders, as:

- the project manager, the project team,
- the project management team, the project management office,
- the sponsor, the project steering committee or board,
- the functional managers, the employees, the collaborators, the professionals,
- the funders, the partners or the shareholders,
- the customers , the users, the customer representatives,
- the business partners, the distributors, the representatives, the members of the consortium, the network partners,
- the suppliers , the service companies, the consultants, the outsourcers,
- the authorities, the regulatory bodies, the central and local public administration,
- the potential customers and users, the participants and the candidates to participate in the project, the local communities, the web communities, the associations, the trade unions, the media, the competitors, and the hostile stakeholders.

THE CENTRALITY OF THE STAKEHOLDERS IN THE PROJECTS

All the project stakeholders are important, since all the stakeholders are central towards each project (Pirozzi, 2014):

- the stakeholders are both the actors, and the beneficiaries, of the project, and
- the stakeholders are the critical success factor of the project, since they are both the realizers of the results, and the validators, at various levels, of their satisfaction in terms of needs and expectations.

In fact, stakeholders, including the project manager and the project team, are the doers of the project, as well as stakeholders, including customers, users, and funders, are the target groups of the project itself: the business is the domain in which various stakeholders (project manager, project team, project management office, sponsor, board, shareholders, customers, users, suppliers, investors, central and local public administration, groups of opinion, local communities, and so forth) interact to create and exchange value. The relationships between the project stakeholders are, then, real and proper business relationships, which are associated with the generation, and the exchange, of both material and immaterial value: in general, this flow of value, among the stakeholders, courses through the project with a continuous exchange of resources and results.

A project can be considered really successful when its primary objectives (project goals) are realized, then achieving those benefits that correspond to the stakeholder

expectations, and which, in turn, are characterized by a satisfactory perceived quality; on the other hand, in order to realize the expectations of stakeholders (project goals), each project is divided into activities and/or work packages, whose achievements constitute the intermediate objectives (project objectives), and whose results are the products/ services that are delivered (deliverables), which, in turn, are characterized by a certain delivered quality (Fig. 1).



Fig.1 - The Stakeholder Perspective

Stakeholder satisfaction, instead of being just "a" critical success factor, proves to be "the" critical success factor: in fact, projects may not succeed their goals, or may fail at all, for reasons, which could be technically very different, but, for sure, every project that is not successful has had at least one key stakeholder whose expectations were not satisfied. The realization of the expectations of the stakeholders, which, of course, implies also their acceptance of the deliverables, is therefore a primary goal of the project, and it coincides with the most important critical success factor (Pirozzi, 2014).

THE VALUE OF THE STAKEHOLDER RELATIONS

The extraordinary importance of stakeholders in the project is, therefore, due to their centrality, confirming the great value of the stakeholder relations, that, in fact (Pirozzi, 2014):

- are a value, which is fundamental to the existence of the project and to its definition;
- generate value, which is incorporated in the project;
- allow the exchange of value, through the project results, among the stakeholders.

The results of a project are, in fact, the results of relations among its stakeholders: the stakeholder expectations continually affect the results, the risks and the opportunities, and the requests for change, so as they are affected by them, according to a continuous flow of values that goes with the project during its lifecycle. Moreover:

- the results of a project are the results of the relations among its stakeholders;
- in a project, the results are associated with measurable values;
- the outcomes of the project, and the values associated with these, are both visible and hidden, so they can be represented with an "iceberg model" (Fig.2).

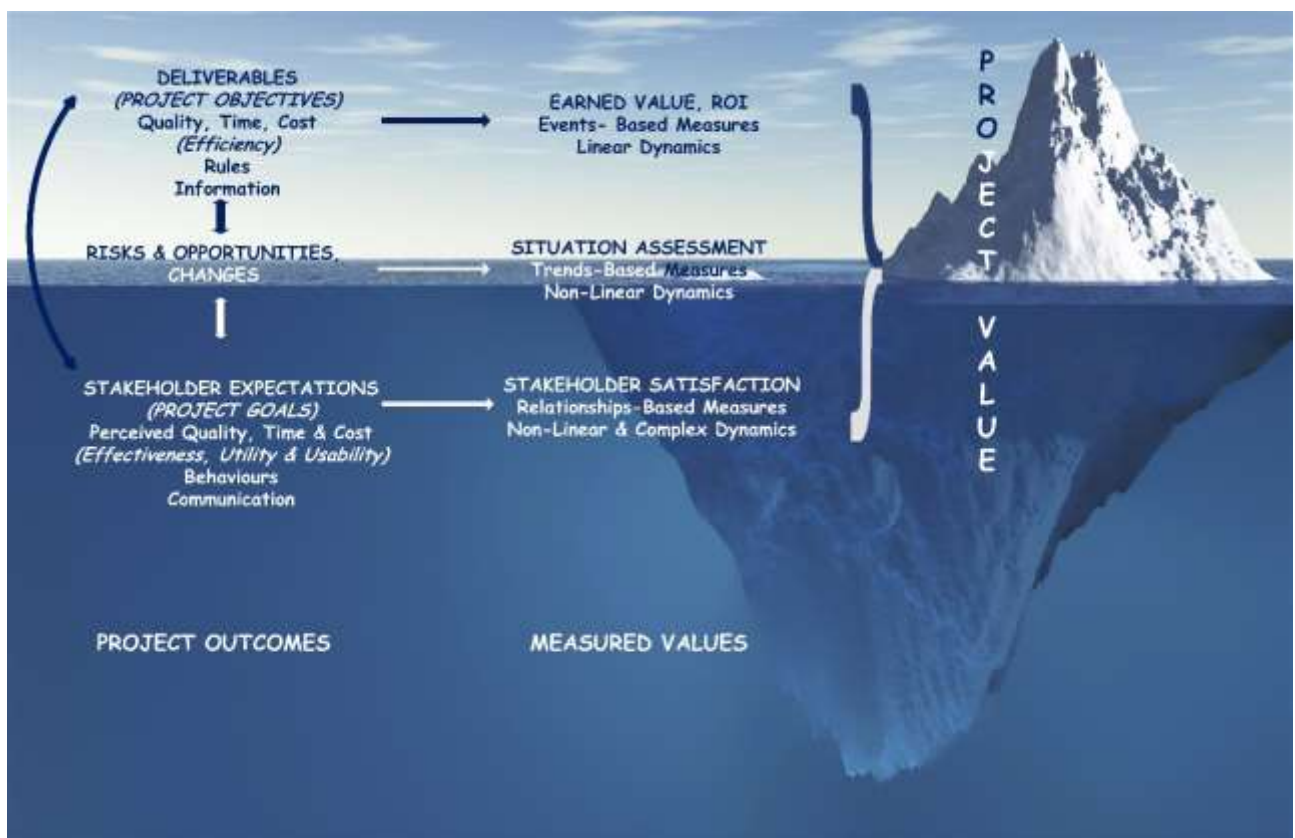


Fig.2- Iceberg Model for Project Outcomes and Delivered Values

The deliverables, which correspond to the visible results, are characterized by the three variables quality, time, and costs: they represent the efficiency of the project, they are defined by rules, such as contracts and organizational structures, and they are made explicit via the project informations. Whereas, the expected results, which are submerged, are characterized by the three variables *perceived* quality, time and cost: they represent the effectiveness of the project, they are defined by behaviors, such as such as intentions of acceptance and payment, and they are made evident via the project communications. Finally, on the "waterline", between the visible and the submerged zones, there are the risks, the opportunities, and the changes, in

which qualitative components, that are submerged, coexist with quantitative components, which are visible.

These three domains of results evolve over time, and continuously interact with each other, affect each other, and are affected by each other: similarly, the values, which are associated to the different results, have different measures, whose integration determines the measure of the overall project value. Generally, the values which are associated with the deliverables, can be measured with the well-known techniques, such as, for example, the earned value and/or the return of investments: these measures are objective, since they are based on events that already occurred, but are potentially inaccurate, as regards both in progress and final situation, because a linear model, in which it is guessed at a future behavior which conforms to the past behavior, is assumed as valid for the project. The values, which are associated with the risks, the opportunities, and the changes, can be measured with the situation assessments: these measures, which are partially subjective and objective, are based on the current situation, i.e. on the present, and they assume a hybrid (both linear and nonlinear) model as valid for the project. Finally, the values of stakeholder satisfaction, that are crucial to the success of the project, are subjective measures, which are based on the relations: these measures, which assume for the project a real, non-linear and complex model as valid, can give essential indications about the stakeholders intentions and future behavior; definitively, the effective relations with stakeholders are the critical success factor of the project, and determine its overall value (Pirozzi, 2014).

THE CENTRALITY OF THE STAKEHOLDERS IN THE PROJECT MANAGEMENT

The stakeholders are central towards the discipline of project management, too: in all the international standards and best practices, they always play a primary role. Indeed, depending on the standard, “stakeholder” is defined as a subject group (The International Organization for Standardization, 2012), while “Project Stakeholder Management” is defined as a knowledge area (Project Management Institute, 2013), and “stakeholders” is a major element in the competence area “practice” (International Project Management Association, 2015).

In the international standard ISO 21500:2012 (The International Organization for Standardization, 2012), stakeholder is one of the ten subject groups, as well as integration, scope, resource, time, cost, quality, risk, procurement, and communication. Two project management processes relate directly to stakeholders:

- the process "identify stakeholders", which has the purpose to determine “the individuals, groups or organizations affected by, or affecting, the project, and to document relevant information regarding their interest and involvement”: this process is included in “initiating” process group;
- the process "manage (relations with) stakeholders", which has the purpose “to give appropriate understanding and attention to stakeholders’ needs and expectations. This process includes activities such as identifying stakeholder

concerns and resolving issues”; “manage stakeholders” process is included in “implementing” process group.

Moreover, in addition to the two processes that directly relate to stakeholders, a large majority of project management processes relate indirectly to stakeholders: these processes are present in all groups of processes, including, therefore, initiating, planning, implementing, controlling and closing. The primary project management processes that refer indirectly to stakeholders, are all those in which relationship management is essential, and, then, they include the communication processes, the processes that are related to the management of the project team, the processes of scope definition and control, the processes for the control of changes, the risk management processes, the processes related to the management of quality, both the embedded and the perceived one, and the closing processes.

Stakeholders are, ultimately, central towards both the project, since, at the same time, they are its actors and beneficiaries, and they constitute its critical success factor, and the project management, since, at the same time, they are one of its primary topics, and they are of fundamental importance for the most part of its processes, i.e. for all those processes that are based on relationships.

THE COMPLEXITY OF THE STAKEHOLDER DOMAIN

The processes of stakeholder identification and management, are, however, extremely complex, since the domain of project stakeholders is characterized by a multilevel complexity:

- the stakeholders are persons, or groups of persons, that are complex systems per se;
- the stakeholders are different, they can use different “languages” (communication protocols), and they have diversified interests;
- the stakeholders are numerous;
- the relations among stakeholders are context sensitive, and influence each other;
- all relations among stakeholders are important and must, at least, be monitored;
- the relations among stakeholders can be evolutionary over time.

For the purposes of the stakeholder identification, and of the subsequent analysis of their needs and expectations, it is therefore necessary to adopt classification models, which are aimed at facing and reducing this multilevel complexity, which is both differential and dynamic. Different multiple classification models, which are focused on the “importance” of stakeholders, have been proposed in the literature:

- the grids, as either the power/interest grid (Mendelow, 1991), which regroups stakeholders according to their level of authority in the project, and their level of interest towards the project results, or the power/influence, or influence/impact grids;

- the salience model, that categorizes stakeholders in dormant, discretionary, demanding, dominant, dangerous, dependent, and definitive (first letter is always a “d” ...) on the basis of the power, i.e. the ability to impose their will, the urgency, i.e. the need of immediate attention, and the legitimacy of involvement (Mitchell, Ale & Wood, 1997);
- the simplified model "two tiers" (at two levels), which classifies the stakeholders into primary and secondary (Freeman et al., 2007);
- the advanced model "stakeholders circle™", which is mainly focused on the most important stakeholders, that are weighted according to their power, proximity, and urgency/ importance; homonymous methodology is based on a five steps cyclical process, that helps to identify project stakeholders and understand their needs, to prioritize them, to visualize the key stakeholders in the stakeholders circle™, to engage with the stakeholder via an effective communication plan, and to monitor the changes over time (Bourne, 2009).

Generally speaking, multiple classification models, which are based on the stakeholders “belonging” to certain categories, are effective both to identify stakeholders in accordance with their importance, and to help to support stakeholder relationship management: moreover, the proper identification of key stakeholders is a necessary step, because they require direct communications (Bourne, 2015). However, there are still some open issues that it is better to face, in order to minimize the risks in the project:

- all the stakeholders are important, since they are central towards the project;
- stakeholder identification is a subjective process, and the importance of some stakeholder could be under evaluated;
- while it is possible to manage the relations *with* stakeholders, it is quite impossible to control the relations *among* stakeholders: some stakeholders who are not considered as of primary importance for the project, or who are not considered at all, could, in case of existing strong interpersonal relations, influence heavily the key stakeholders, and, then, have a great impact on the project;
- it would be preferable to correlate specifically the categorizations with the three project variables time, cost and quality, since each of these can be directly influenced by the stakeholders;
- in multiple classification models, project stakeholders “maintain” their individual behavior, even if they belong to the same category, and/or they are at the same level of importance.

Only stakeholder behavioral models could solve above issues: as a matter of fact, behaviors are objectively assessable, and homogeneous (and durable) behaviors of stakeholders that share the same prevalent interests can constitute an effective driver for the segmentation of the stakeholders domain in few categories, thus reducing drastically the complexity of stakeholder management processes. In project management, therefore, it is desirable to integrate multiple classification models, which categorize the stakeholders based on their importance, with supplementary

behavioral models, that categorize the stakeholders based on their prevalent interest.

THE COMMUNITIES OF STAKEHOLDERS: A BEHAVIORAL MODEL

The classification of stakeholders in communities that are based on common prevalent interests (Pirozzi, 2014), is indeed a segmentation of the domain of stakeholders that helps to reduce drastically the complexity, because:

- it is based on the homogeneity and the durableness of behaviors, that derive from both the commonality of prevailing interests, and the sharing of specific languages;
- it directly relates to the three variables quality/ time/ cost that characterize each project, since each community targets the prevailing variable/s from the point of view of its specific interests;
- it categorizes the whole domain of project stakeholders in four communities only, thus drastically reducing the complexity of stakeholder management.

Within each project, there are, in fact, four main communities of stakeholders, which can be defined, respectively, as the suppliers, the purchasers, the investors, and the influencers: each of these communities share a prevailing interest, a specific language, and, then, a common behavior. Each community is characterized by three main dimensions, and it is therefore representable with a cube, as well as the triad of variable quality/ time/ cost can be represented with a cube, too: therefore, the four communities of project stakeholders and the triad of variable quality/ time/ cost can be represented with a hypercube in $4+1=5$ dimensions (Fig. 3).

The prevailing interest of the suppliers is the project at all, in the optimal combination of its three main variables time, cost and quality. In the community of suppliers the project manager, the project team, the project management office, if any, and the potential business partners and subcontractors, are included. Their specific language is the language of project management, and the project is for them the primary objective.

The prevailing interest of the purchasers is the quality of the project, since they have already contracted both the costs and the time, whereby they look for obtaining from the project as much quality as possible. The customers, whose organization includes usually also a structure which is responsible for the contract management, and, if customers in their turn are service providers, the end users of the project, are included in the community of purchasers. Their specific language is their business language, and the project is for them is not a goal, but a medium to achieve their business goals.

The prevailing interest of the investors is the profitability, namely minimizing the project costs, and, possibly, developing additional revenues over time, and it is in only in this perspective of any business prospects that the delivered quality could interest them. In the community of investors, the sponsor and the project governance, the shareholders and the top management, as well as any external

funder, are included. Their specific language is the language of economics, and the project is, in this case too, a medium to achieve their business objectives.

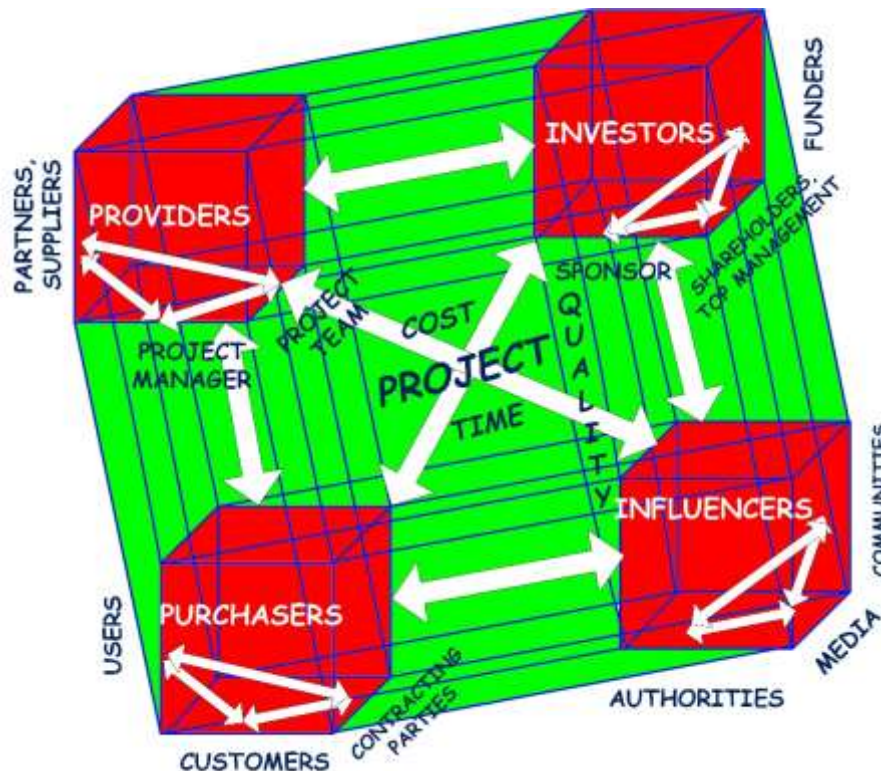


Fig. 3 - The Stakeholders Hypercube

Finally, the prevailing interest of the influencers is to participate in the project, even if they are not a contracting party. In the community of the influencers there are the authorities, such as the public administrations, the media, other communities that are very different from each other, as for example the local communities, the lobbies, the trade unions, the associations, and so forth, as well as the negative/ hostile stakeholders, such as the competitors, but also that very important group which is constituted by the potential customers and/or users. Their language is the language of the media and/or the natural language, the project is for them a medium that supports their goals and/or their own mission.

MANAGING THE STAKEHOLDER NETWORK

The communities of stakeholders interact each other both by developing relationships, via the communications, and by exchanging contents, via the deliverables: the behavioral model is results-oriented, as the stakeholder management processes are, and, then, it can help in planning and controlling stakeholder engagement. In fact, stakeholder management starts with the stakeholder analysis, which assesses the expectations and the requirements of stakeholders, and, then, continues towards two fundamental targets, that are the

realization of the deliverables, and the effective relationship management. In the stakeholder perspective, the realization of the deliverables, which involves the different processes of production and delivery, has the objective of satisfying the requirements of the project, while the relationship management is fundamental to valorize both the results and the activities, in order to satisfy the expectations of stakeholders, and, then, to attain the project goals.

The management of relations with and among stakeholders is, of course, extremely complex, but the segmentation of stakeholders in four communities drastically reduces the complexity in these processes too, because the wide and diversified domain of relations, can be represented by six basic types of relationships: suppliers – purchasers, suppliers – investors, suppliers - influencers, purchasers - investors, purchasers - influencers, and investors - influencers. The project stakeholders communities, in each of which the respective stakeholders share, as previously seen, both prevailing interests, objectives, languages and communication modes, relate each other via a real network (Fig.4).

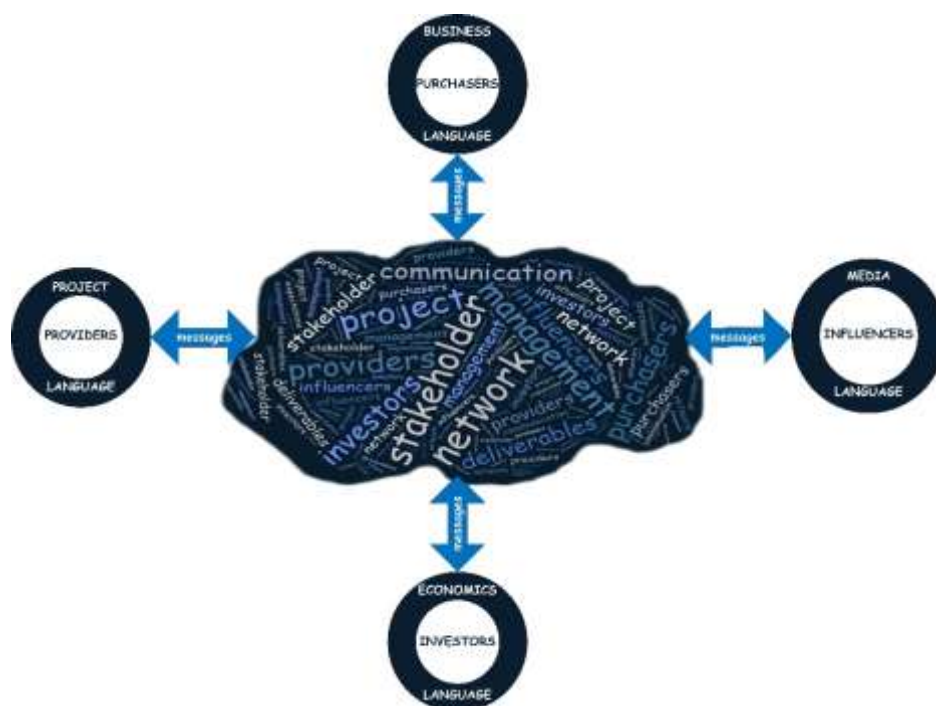


Fig. 4 - The Stakeholder Network

The stakeholder network (Pirozzi, 2014), which can generate in the project both great opportunities and large criticalities, has some peculiar characteristics:

- it was born with the project, evolves over time during the project lifecycle, and can survive in part even after the project completion;
- it is interactive, and behaves in all respects as a 2.0 network;

- it is influenced by all stakeholders, but is not controlled by anyone (including, of course, the project manager);
- it multiplies very quickly the messages of satisfaction and dissatisfaction: from literature, we can say for example that each satisfied stakeholder communicates it on average to three others, while each dissatisfied stakeholder communicates it on average to other ten;
- it is extremely noisy, since communications among stakeholders seriously affect each other;
- it may partially use connections, corresponding to relations, that were preexisting to the project;
- it is asymmetric: for example, while providers transmit usually big moles of data and reports, they receive from other communities of stakeholders relatively few, even if important data, relevant to their satisfaction and/or dissatisfaction;
- it receives and forwards messages in different formats, as vocal, written, visual, hybrid, interactive, 2.0;
- it receives and forwards messages in different languages, even if, at least at the beginning, only the language of the media, which corresponds to a natural language, is commonly known by everyone.

The project manager, to interact at best with the stakeholder network, without being overwhelmed by it, but operating in the direction of an active involvement of the stakeholders, can do several things. In the stakeholder identification and analysis processes, project manager should:

- be aware that a network of relations is itself a project in the project, and to try to manage it to the best (instead of being managed by it);
- identify, if possible, those key stakeholders, with whom it is possible to share the objectives of the project, and with whom a strong relationship, both professional and personal, can be built;
- become a "polyglot", by learning to better, besides the project management language, also the specific languages of both investors and customers.

In the stakeholder management processes, project manager should:

- strengthen his capacity of proactive listening and of monitoring, by convening meetings of point of situation and performing checks of satisfaction, as appropriate, and by seizing all signals of satisfaction and dissatisfaction;
- take into account the history of the project, because the behavior of the stakeholder network depends on this too, but also act in terms of the future, because the satisfaction of stakeholders is determined by an estimation of the delivered value (that could be measured only after the project completion), in particular with respect to the possible achievement of expected benefits;
- define appropriate key performance indicators (KPIs), measure them, and share them with stakeholders, as required by the project;

- avoid phenomena of information overload, and prepare executive summaries, to be attached to the traditional project reports, and/or, especially if there are 2.0 interactions, design and update dashboards, or scorecards;
- manage relations with hostile and/or negative stakeholders too, by transferring their those results that tend to cause their disengagement, and their dissatisfaction;
- design and use an efficient communicative mix, which doses for the various stakeholders the different vocal, written, visual, hybrids, and interactive formats.

THE IMPORTANCE OF RELATIONSHIP MANAGEMENT

Since, in each project, stakeholder satisfaction is the critical success factor, the stakeholder perspective recommends to integrate the attention toward the quality that is *incorporated* in the deliverables, and which has to fulfill the stakeholder *requirements*, with the focus on the quality that is *perceived* as the delivered value, and which must satisfy the stakeholder *expectations*: “knowing how to do” competences in project management must, then, be enhanced with “knowing how to be” competences in relationship management.

In order to build, develop, and maintain effective relations with the stakeholders, specific knowledge and skills have, then, to be addressed:

- business environment: the awareness of the specific business environment is fundamental to manage customer expectations;
- general management and economics: these knowledge and skills are needed in order to interact properly with the sponsor, the board, the funders etc., and with the clients too, also because they constitute a “common shared language”;
- personal mastery and empowerment: this values are basic for the professional project manager, since they reinforce his principles of autonomy, responsibility, and ethics, and they support the improvement of the organizational behavior, including assertiveness, teaming, leadership, negotiation, problem solving, and conflict management;
- effective communication: the ability for opening, developing, and managing effective communications with the various stakeholders, is fundamental for the successful initiating, implementing, and closing of the project.

«Relationship Management is of special importance in today's world (R.D. Archibald, 2017)»

FOOTNOTES

¹ This paper is derived from the translation of a part of the Chapter “la Gestione delle Relazioni (Relationship Management)”, that has been written, in Italian, by the author, as a contribution to the book: Istituto Italiano di Project Management (2017), *Guida ai Temi ed ai Processi di Project Management (Guide to Project Management Themes and Processes)*, edited by Mastrofini E., texts by Introna V., Mastrofini E., Monassi M., Pirozzi M., Tramontana B, Trasarti G., foreword by Archibald R.D., FrancoAngeli

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