

Stakeholder Management in Project Success: Is it an Object or Subject?

Ömer Berkay Dağlı

MSc Student, Southampton Business School, UK

Abstract

A penny has two faces. This fact must be considered in every aspect of the life, including the world of project management. While each stakeholder is a pressure element for the project and can be harmful, they can also be useful in creating opportunities. This dualistic nature of the stakeholders brings a question: "Are stakeholders an object or subject?" This article tries to explain the two sides of stakeholders with the light of their effects on project success. In the first part of the paper the relationship between stakeholders and project success is tried to be illustrated by the definition of these terms. In the second part of the article, an example of a strategy that can be followed for the management of this uncertainty, which is caused by stakeholders, is tried to be explained.

Introduction

Verma likens projects to team sports and emphasizes the importance of each player (1995). Like team sports' players, projects have different stakeholders and managing them is significant. Moreover, each stakeholder has their own unique influences on projects which can be both threat and opportunity. This two-sided interaction case leads us to a question that: "*Are stakeholders an object or subject?*" Below, paper begins by taking a closer look at the impact of stakeholders on the projects' success in relation to practice. Secondly, paper will broadly examine the definition of success and stakeholders followed by their interaction. Next, the framework adopted by Ward & Chapman on the management of uncertainties will be roughly examined in order to present one of the stakeholder managing strategies. Finally, we will address some of the findings and recommendations regarding the importance of double-sided stakeholders managing practice for achieving success.

Success, Stakeholders and Interactions between Them

Every project consists of different interests, and those who own these interests are called project stakeholders (Olander & Landin, 2005). According to the PMBOK, stakeholder management is one of the factors that increase the success rate of the project (Project Management Institute, 2017). In addition, a survey conducted with 150 project managers from 8 different industries shows that stakeholders' interest is the largest criterion for project success (Collins & Baccarini, 2004). Stakeholder management might be a challenge to project success in terms of creating disagreements and uncertainties (Johansen, et al., 2014). The great number of researchers demonstrates that especially for complex engineering and global projects which have a large number of interested groups or organizations, have been significantly affected by both internal and external stakeholders in different ways such as arising uncertainty or conflicts (Olander & Landin, 2005; Aaltonen & Kujala, 2010; Aaltonen & Sivonen, 2009; Davis, 2016).

Project management has an important place in all areas of life and business. However, in order to manage something, it is first necessary to see progress and to be able to measure performance due to the most important consequences (Todorović, et al., 2015). *How is a project's success measured in today's practical world?* This question has long been a research topic that academics in project management have been trying to answer. “The Iron Triangle” which consists of time-cost-quality used in the past but recent works have shown that the success of the projects depends on many other factors, unlike The Iron Triangle (Atkinson, 1999; Todorović, et al., 2015). The main reason for this is that each project is unique, and the ability to measure success as a by-outcome or by-process is also specific to the project too. However, the project success and performance are measured in whatever way the comparison of the results with the objectives and identified success criteria is the most important measurement (Project Management Institute, 2017). The project objectives used during this comparison are determined entirely by the interests of the stakeholders directly or in-directly involved in the project (Atkinson, 1999).

The first definition of the word “stakeholder” expressed at the Stanford Research Institute in 1963 which is “those groups without whose support the organization would cease to exist” (Freeman & Reed, 1983). However, stakeholders could be obstructive, rather than a supportive, and this existence required a new definition. Freeman and Reed have developed a new approach that is the definition used today. The researchers handled the stakeholders in two different perspectives: wide and narrow (Freeman & Reed, 1983). From a wide perspective, stakeholders are called individuals or groups that are influenced or influenced by their organization. For example; other stakeholders, society and so on. On the other hand, in the narrow definition, stakeholders are called actors to maintain the existence of the organization. Examples are employees, customers and suppliers (Freeman & Reed, 1983).

The stakeholder concept and stakeholder management issues were adapted to project management by Cleland in 1986. Researcher named stakeholder categories as external/internal instead of wide/narrow approach (Cleland, 1986). In contrast, project managers, project team members and project sponsors can be examples of internal stakeholders in terms of their level of involvement in the project life cycle. However, external stakeholders can be exemplified as customers, suppliers and related state mechanisms (Project Management Institute, 2017). Internal project stakeholders are usually project-dependent, supportive bodies with a contract and are called primary stakeholders. Nonetheless, external stakeholders are mostly unofficial structures and are called secondary stakeholders (Aaltonen & Kujala, 2010). In both respects, the stakeholders' interest and its impact on the project may be different. For instance, the influence of the key players (project sponsor, manager etc.) on the project and the interest in the project are at the top level and they are totally involved in the project life cycle as they can orient the project directly (Verma, 1995). Instead, stakeholders like regulatory mechanisms (governmental or non-governmental organizations) are at the highest level of project effectiveness, while project-related relevance remains low. For this reason, it will be sufficient to meet the relevant requirements of these stakeholders with the project and they will not be included in the whole life cycle (Olander & Landin, 2005).

From all perspectives, to achieve success, each stakeholder's requirements of the project need to be properly analysed. Hence, stakeholders' expectations and requirements will also clarify how

they perceive the project. As a result of the failing in the management of these perceptual differences, the project may be perceived as successful by one of the stakeholders while at the same time unsuccessful by the other. For example, such a project may not be successful according to the requirements of each stakeholder. For example, the Heathrow Terminal 5 construction project is a successful project in terms of quality, time and cost criteria from the view of The British Airports Authority. On the other hand, the project is not very successful for another stakeholder, British Airways, because acceptance of over-sized luggage at check-in procedure is a big problem due to the issues of commissioning, and this has ruined British Airway's public reputation (Davis, 2016).

The existence of these different requirements, different perceptions and different levels of interaction with the project directs us to focus on the influences of the stakeholders on the project. Regarding understand these effects, we need to consider that all complexity and conflicts arising from the differences of the stakeholders' cause uncertainty (Johansen, et al., 2014). Ward and Chapman have discussed this issue and stated that stakeholders are the major cause of uncertainty in projects environment (2008). Researchers relate this uncertainty to the identification of stakeholders, how a project influences different phases of the project life cycle, what the requirements of project stakeholders are, and the effects of the relationships between different stakeholders (Ward & Chapman, 2008). Besides, the great number of researchers indicate that the effective management and success of projects depends on understanding these sources of uncertainty and managing them with appropriate strategies (Cleland, 1986, Ward & Chapman, 2008; Aaltonen & Sivonen, 2009; Johansen, et al., 2014).

Johansen et al. proposed that uncertainty is a two-sided coin (2014). The ambiguities that arise from the stakeholders are not only a negative impact that will threaten the project but also a positive statement that can create opportunities. Both can be defined as factors, variations and events that may cause unexpected changes in the project objective, scope or resources (Ward & Chapman, 2008). If these changes increase the cost or duration of the project, or if they result in a lower quality product than planned, it can be called a threat. Conversely, these changes can be defined as an opportunity if they affect the project positively, unlike the threats (Johansen, et al., 2014).

From both perspectives, uncertainties pose risks for projects. The PMBOK defines risks as events or circumstances that, if they occur, have both positive (opportunities) and negative (threats) effects on project objectives, scope, cost, timing and quality (Project Management Institute, 2017). As a result, projects need effective management of risks regarding to achieve their objectives. This need for efficient management of risks that related to the bilateral uncertainty created by the stakeholders shows us that stakeholders need to be recognized as both subjects and objects regarding achieve success. In other words, due to the above-mentioned relationship, the path of project success starts from stakeholder management.

Cleland, who adapts the stakeholder concept to project management, also mentioned the steps of the project stakeholder management in his work. According to this, "project stakeholder management consists of the execution of the management functions of planning, organizing, motivating, directing, and controlling" (Cleland, 1986). These steps have evolved over time to "identify stakeholders, plan stakeholder engagement, manage stakeholder engagement, and control stakeholder engagement" (Project Management Institute, 2017). However, as Johansen et al. discussed in their research, these defined stakeholder management steps do not fully

include uncertainty management and involve stakeholders unilaterally mostly as a threat in their key context (2014). Whereas, as shown above, the ambiguities that stakeholders create can also provide opportunities. Because of this, a strategy that involves both sides of uncertainty are needed regarding to manage stakeholders in the most effective way.

A Strategy for Both Sides

Ward and Chapman have developed a framework for managing these uncertainties associated with stakeholders in an efficient manner. They stated that this framework is a synthesis of early approaches to risk management. Framework is called SHAMPU (Shape, Harness, and Manage Project Uncertainty) that consists of 9 phases (Ward & Chapman, 2008). Apart from their well-known risk management approach (PUMP's), Researchers proposed that the first seven steps of the SHAMPU method focus on stakeholder analysis and management in terms of uncertainty management. Basically, this framework aims to solve ownership issues of project risk management efforts. From these steps, the existing and possible stakeholders are listed first, simply with their specified nature and relations. The main aim of the first step is to provide information for the ongoing phases. During this first step, researchers indicate that stakeholder identification will be more successful through accurate assessment of the hard and soft properties of the project (Ward & Chapman, 2008). In the second step, the scope of the uncertainty management process and the tools to be used during the process are identified. In this step, it is important to consider that each stakeholder can perform different risk analyses in terms of their own purposes and benefits. In the third stage, the sources of possible uncertainty, the reactions to be given to them, and the new uncertainties that may arise as a result of the reactions are defined. Various mapping methods such as power/interest matrix can be used at this stage. In the course of the ongoing steps, the uncertainties are tested on various criteria, within the framework of the available information and the road maps determined, the actions to be taken against the uncertainties are decided and these actions are collected within the activity plans. These plans are implemented in the last step, monitored and managed. Furthermore, this framework connects all uncertainty roots consistently and can be used at every single phase of project life cycle.

To summarise, within this framework, researchers focus more on defining/identifying stakeholders and the uncertainties they may cause. The method evaluates both internal and external stakeholders together, and analyses not just the stakeholder characteristics but also the uncertainties that stakeholders may cause during the project. Particularly in the last stage of the framework, stakeholders can take charge of managing in the event of a problem regarding provide opportunities. In addition, the role of stakeholders is important in terms of defining hard and soft features of the project. With these characteristics, we can say that framework considers stakeholder management as both an object and subject of project success.

Conclusion

Projects management within complex involvements and requirements of players, understanding stakeholder management role for success is vital. To give an answer to our central question first we tried to define terms of project success and stakeholder. Second, we combined these definitions regarding to show how the stakeholders influence the project success. At the same time this merger responded to our central question; when both sides are considered, in terms of the threats, stakeholders are objects that projects need to deal. On the other hand, in the matter of

opportunities they can promote, stakeholders are subjects those who can help to improve project success. In addition, paper examined one of the strategies that would enable stakeholders to take advantage of opportunities and avoid threats during project management.

In conclusion, first of all, project stakeholders should always be considered as a bilateral phenomenon. In addition to the potential threats to the project, management should take into account the opportunities that they could provide. It should not be forgotten that whatever strategy is followed, stakeholder management should be included in the project at every phase of the project life cycle.

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About the Author



Ömer Berkay Dađlı

Southampton Business School
Southampton, United Kingdom



Ömer Berkay Dađlı is currently a Masters Candidate at Southampton Business School, University of Southampton, based in UK for the academic year 2017-2018. Previously, he has served as an Officer on Watch for over 30 months on board chemical tankers, based in different routes around the world where he served as Third and Second Officer. He completed his graduation in Marine Transportation Management dual diploma with honours from both Istanbul Technical University, Turkey and State University of New York Maritime College, USA in 2014. His major fields of study are project management, logistics and inter-modal transportation. His research interests include global project management, leadership, uncertainty management, programme and portfolio management, strategic PM, PM governance, stakeholders, project control and PM in the transportation and logistics industries. Omer served as a [research intern for the PM World Library](#) during January 2018, completing the program in record time. He can be contacted at omerberkaydagli@gmail.com