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Series Article

Benefits of Stakeholders
Applying Earned Benefit Management
by Crispin (Kik) Piney

Applying Earned Benefit Management[1]

The Benefits of Stakeholders[2]

Before you can engage, you need to evaluate

By Crispin ("Kik") Piney, PgMP, PfMP

> This article builds on the ideas described earlier in this series, and applies the Benefits Map to provide a more detailed stakeholder analysis and ensure alignment between benefits, stakeholder engagement, and strategy.

Introduction: Progam Stakeholders

However good the strategy, planning, and general governance, a program can only succeed with the active support of key stakeholders. Even when the key stakeholders have been correctly identified, one common mistake is to focus only on their principal or most obvious relationship with the program. Although this narrow focus may be a valid approach for projects, it is insufficient for programs due to the complex interactions between the program components.

The current article will explain how to apply the Benefits Map and the assocated algorithms to broaden the initial analysis of the stakeholders' principal focus to include their extended impact on other areas of the program.

Link to Previous Articles

Earlier articles in this series [Piney 2018b, Piney 2018c, Piney 2018d, Piney 2018e, Piney 2018f] explained how to apply the Earned Benefit cost and benefit evaluation algorithms to a representative case study.

The current article changes topic, away from finance and towards people

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[1] This series is by Crispin "Kik" Piney, author of the book Earned Benefit Program Management, Aligning, Realizing and Sustaining Strategy, published by CRC Press in 2018. Merging treatment of program management, benefits realization management and earned value management, Kik's book breaks important new ground in the program/project management field. In this series of articles, Kik introduces some earned benefit management concepts in simple and practical terms.

[2] How to cite this article: Piney, C. (2018). The Benefits of Stakeholders, Series on Applying Earned Benefits Management, *PM World Journal*, Vol. VII, Issue XI – November.

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In order to allow this article to be understood independently of the earlier ones in the series, some reminders are provided below, plus an overview of the case study, prior to addressing the current topic of extended stakeholder analysis.

Reminder on Benefits Realization Maps

A Benefits Realization Map (BRM) illustrates how to make the benefits happen. The BRM for the case study is shown in Figure 1.

BRMs can be developed in two steps, as follows:

Top-Down Strategy Decomposition

Once the anticipated benefits have been defined by the strategic sponsor, you need to determine all of the steps that are required for delivering this result, as well as their interdependencies, thereby allowing you to identify the necessary component projects ("initiatives"). The links from each logical step to the next are quantified based on their relative importance for delivering the benefits (the "contribution fraction" for the link).

The Benefits Allotment Routine (BAR) uses the forecast benefit value of the strategic objectives in conjunction with the link contribution fractions to calculate the contribution to the anticipated benefits of every node in the BRM. In particular, the BAR provides the contribution to the anticipated benefits of each component project.

Because of the way the BRM is drawn with the strategic outcomes on the right and the component projects on the left, this top-down approach is also characterized as "right-to-left".

Similarly, the bottom-up approach is also known as "left-to-right".

Bottom-Up Component Evaluation

Once the full set of parameters that define the model is known (predicted benefits, estimated cost per initiative, and the structure of the benefits map including the links and their contribution fractions), no additional assumptions on the model are required in order to evaluate to cost of each intermediate node in the model. The "Break Even Everywhere Routine" (the BEER) provides the additional link parameters (the "allocation fractions") required for calculating the corresponding cost of each node based on the cost of the initiatives and the structure of the map.

The BAR and the BEER

It is important to understand the way in which the model works:

The BAR – by applying the contribution fractions – can be used to evaluate the top-down effect of nodes across the BRM and diffuse values from right to left. Although the BAR algorithm was initially applied to the contributions, it can also be used to diffuse any other program-related values across the model from right to left.

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Due to the way in which the BEER was specified, the allocation fractions provide the means for distributing not only costs but also other quantities (such as node Earned Benefit) across the map from the initiatives (on the left in the BRM) towards the strategic outcomes (on the right).

In general, therefore, the strategic effects diffuse from right to left, according to the BAR. Tactical activities affect downstream nodes, from left to right, based on the BEER.

These features are fundamental to the ideas developed in the current article.

These ideas will be applied to provide a benefits-related stakeholder analysis on the ongoing case study.

The Case Study for the Current Article

The business objective of the program in this example is to increase profits for an organization in the area of customer service. The premise of the case study in that strategic analysis by senior management has shown that increased customer satisfaction with after-sales support enhances business results and has the potential for delivering additional revenue of €300,000 per annum compared with the current level of business, but that this service will also lead to an increase in operational costs amounting to 25% of the corresponding financial improvement, thereby reducing the net benefit by that amount.

In the previous articles, the steps to achieving the business objective were developed and quantified, all the way back from the required strategic outcome across to identifying the required projects. The corresponding BRM for this program, including the financial numbers and allocation fractions mentioned above, is shown in Figure 1.
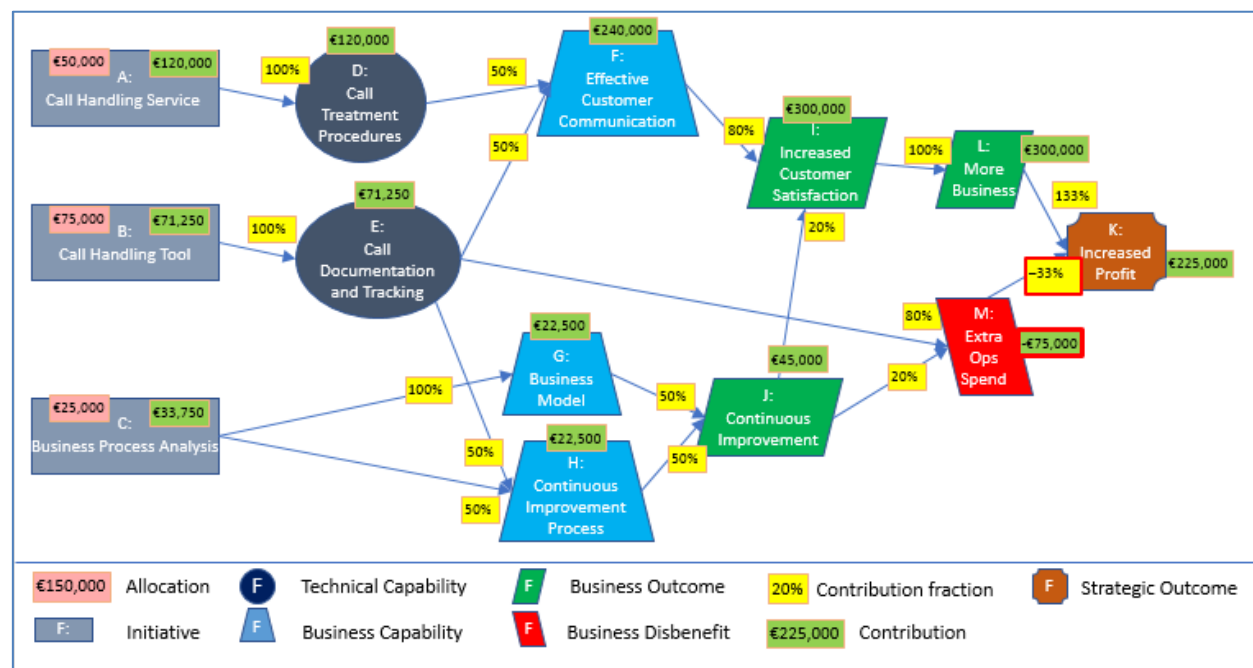

Figure 1: Complete Benefits Map

After these reminders, we are now in a position to move forward and apply the Earned Benefit-related techniques.

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Understanding Stakeholders

Although, ideally, we would engage all stakeholders involved in all of the program steps, this is never possible in reality due to the level of effort that it would require. In order to be able to identify where best to place the effort of engaging stakeholders, it is therefore necessary to be able to determine which stakeholders would have the greatest effect on the overall program and, ideally, on each element of the program.

The classical approach for stakeholder prioritization is to use Mandelow's PI (Power-Interest) model (Mendelow, 1991).

Mendelow's PI model

The model is based on assessing two separate characteristics for each stakeholder:

- •   Level of interest: how closely stakeholders think that the program – or a subset of the program – supports their objectives. The values range from "highly positive" ("ideal") through "slightly positive" ("supportive") to "slightly negative" ("resistant") and up to "highly negative" ("destructive"). A stakeholder could also be considered to be totally uninterested.
- •   Level of power: the amount of political or other form of power the stakeholder could exert on the program or on a subset of the program. The values range from high ("powerful") through low ("weak") to no real power ("ineffective").

As a first step, the inherent levels of power and interest of each stakeholder have to be assessed.

Assessing Power and Interest

The assessment should be carried out in a structured manner.

The assessment of the "interest" dimension should be based on the mission and guiding principles of the person or organizational entity being assessed. The interest of the stakeholder is in direct relationship to the alignment between the stakeholder's mission and the program's strategic objectives.

The "power" dimension is dependent on the ability of the stakeholder to affect the result of the program.

Each stakeholder can then be placed on a "PI grid" based on their level of power and interest.

Using the Mendelow P-I Grid

The Mendelow P-I (Power-Interest) Grid (Figure 2) provides a straightforward visual means of representing the stakeholder analysis.

The grid is normally used to prioritize the stakeholders. In general, in decreasing order of priority, the quadrants are: High Power + High Interest, High Power + Low Interest, Low Power + High Interest, Low Power + Low Interest.
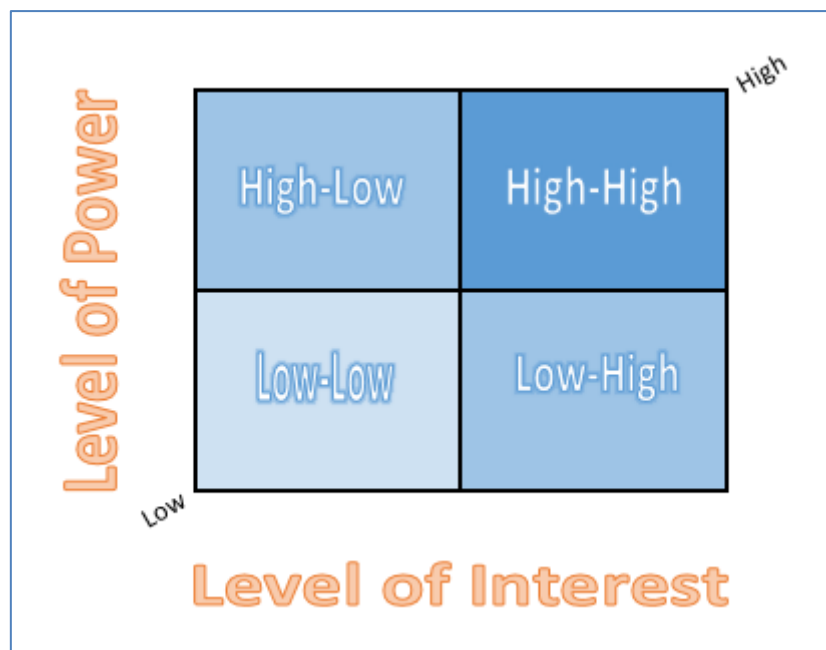
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Figure 2: A Simple Representation of the Mendelow Power-Interest Grid

As just explained, the standard approach for using this grid is to classify the set of stakeholders with respect to their levels of power and interest relative to the program as a whole. This is the first step of the expanded approach, and serves to identify the set of key stakeholders on which to concentrate.

However, this analysis does not indicate precisely where in the program each stakeholder is interested and can apply power. This additional information on each stakeholder will be invaluable for understanding what is most important to each key stakeholder and how best to engage them.

Expanding of the PI Approach

The BRM can be used with the PI model to provide this additional level of analysis for any stakeholder or group of stakeholders.

In order to link the stakeholder analysis to the BRM, in addition to the standard PI grid showing all of the relevant stakeholders, one additional version of the grid should be produced for each key stakeholder. Each per-stakeholder grid is used to show, for each entity in the Benefits Map, the power and interest of that specific stakeholder. The results of this assessment are then shown by mapping each BRM entity onto the relevant quadrant of the chosen stakeholder's PI grid, based on the stakeholder's level of power and interest for that entity.

It is interesting to carry out this exercise twice. The first set of numbers (the "first level") corresponds to the stakeholder's Power-Interest values before taking the program interdependencies into account. The second set (the "second level") comprises the values after processing this first level information through the BRM. The first level analysis provides the "obvious" areas in which to concentrate. The second-level analysis identifies the additional areas that can help enhance and broaden the effectiveness of the stakeholder relationship.

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This first and second-level information for each stakeholder can then be entered on the stakeholder's specific PI grid. Figure 4 shows the results of this type of analysis for the case study for the Operations group.

These concepts will be explained in more detail once we have applied the BRM algorithms to extend this basic PI analysis.

Prioritizing the Components for a Stakeholder

The goal of the BRM-based analysis is to identify the areas of focus most closely associated with each stakeholder's maximum potential impact based on their levels of power and interest on the entities of the BRM. Stakeholder impact on a given program entity depends on the business value of the program entity involved as well as the stakeholder's inherent level of power and interest with respect to that entity.

Per-Stakeholder Analysis

The way in which the impact of each stakeholder affects each element of the program is analyzed based on the BRM. Use of the BRM ensures that this analysis remains consistent with the strategic model used to plan and control the program as a whole.

As mentioned earlier, the level of interest and power of each stakeholder can be different for each entity of the BRM. In addition, because of the interdependencies between entities, the impact of one entity in the BRM can also have an effect on the impact of other entities. The effect of these interactions is the basis for the second-level analysis.

In order to carry out the second-level analysis, three possible roles are defined for each stakeholder with respect to each entity in the BRM. Each role determines the way in which the stakeholder's power and interest diffuse across the BRM from the corresponding entity.

Defining Stakeholder Roles per Node

For the purpose of the detailed analysis using the Benefits Realization Map, three types of stakeholder involvement ("roles") need to be defined. Each node and each link determines the type of stakeholder involvement:

Each node can involve two roles:

• *Producers*. Nodes directly involved in providing a result

    ○ Producers are involved in program implementation at the technical level.

    ○ They affect the entities downstream—that is, to the right in the BRM.

• *Receivers*. Nodes impacted by an initiative, a capability or an outcome

    ○ Receivers link the work of producers to the node's objectives.

    ○ Their involvement affects the upstream entities—that is, to the left.

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There is only one possible role for any link:

• *Transformers*. Links directly involved in transforming a deliverable into a capability or an outcome

    ○ Transformers provide the link between operational and strategic levels.

    ○ Their focus is on the internode dependencies and affects downstream entities – that is, to the right.

These roles for the case study are shown below in Figure 3:

- All nodes apart from the strategic outcome, node K, involve *producers*.
- All nodes apart from nodes A to E involve *receivers*.
- All links apart from the links from A, B, and C support *transformers*.

To carry out the extended analysis for a given stakeholder, the PI of each node or link for each of the three roles (producer, transformer and receiver) have to be assessed. As explained earlier, the *interest* ratings depend on the closeness of the match between the effect of the node and the stakeholder's guiding principles.

The "power" dimension is directly related to the level of authority and ability of the stakeholder to affect the result of the corresponding node or link.

The roles affect the way in which power and interest interact across the BRM.
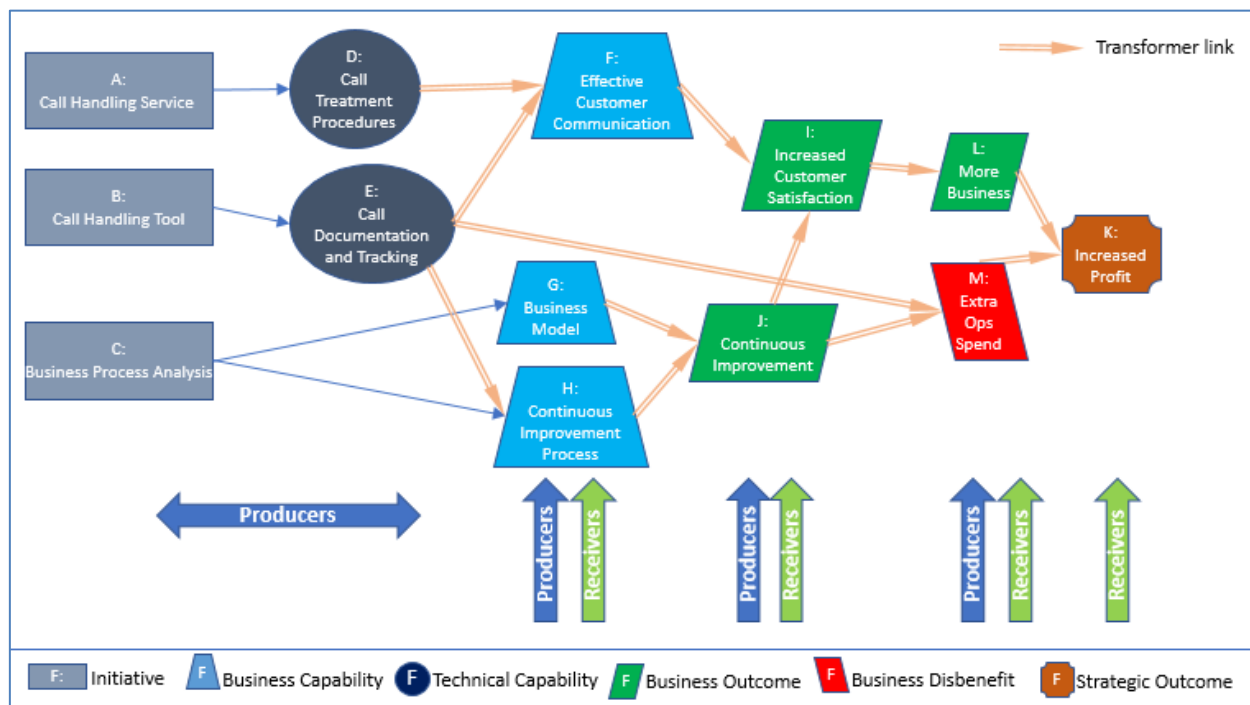

Figure 3: Case Study Showing the Producer and Receiver Nodes and the Transformer Links

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Level of Power per Role

The level of power has a direct effect on the potential result of any operation.

- A *producer* with no power will not be able to produce the deliverable, capability or outcome.

  o Lack of producer power will reduce or prevent the creation of the result.

- A *transformer* with no power will not be able to contribute to the outcome.

  o Lack of transformer power will negate the assumptions associated with the link from the source to the destination in the Benefits Realization Map.

- *Receivers* with no power will not be able to process the inputs from the incoming links.

  o Receivers with no power will not be able to benefit from the contributions from their source nodes.

Level of Interest per Role

The level of interest affects how likely we are to be able to engage the stakeholder in the corresponding activity. A low level of interest can affect the commitment of the stakeholder and therefore the efficiency, effectiveness and quality of the work that is done. The result for each role of lack of interest is similar to the result of lack of power that has just been described.

Mapping the Analysis onto the Model

The following set of rules for evaluating the broader stakeholder power and interest characteristics across the model is known as the "Power-Interest Laws for Stakeholders" (PILS).

Mapping Stakeholder Power

The actual power of a stakeholder on the program depends not only on the inherent level of power at the organizational level, but also on the business value of the entity being affected. The product of the level of power by the value of the entity being affected is taken as a measure of the size of the power (simply known as "the power"). For each stakeholder role, the power diffuses in a specific manner depending on the role of the node.

- ❖ *Producers*:
  - ➢ The effect of the producer power on the successor nodes in the BRM diffuses across the relevant links from left to right and adds to the total producer power in the corresponding nodes.
- ❖ *Transformers*:
  - ➢ The power of the transforming stakeholder on a destination node depends on the contribution that the corresponding link makes to the overall benefit. The sum of these values over all incoming links gives the initial transformer power level.
  - ➢ The effect of the transformer power of this node on the successor nodes in the BRM diffuses across the relevant links from left to right and adds to the total transformer power of the corresponding nodes.

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❖ *Receivers*:
  ➢ In contrast to producers and transformers whose power diffuses across the BRM from left to right, the effect of receivers travels back from right to left toward the initiatives.
  ➢ The effect of the receiver power of this stakeholder on the predecessor nodes in the BRM diffuses across the links of the BRM based on the contribution fractions and adds to the total power of the corresponding nodes.

One important result from these interactions between program entities could be called "emergent power". This occurs when the interdependencies between the elements in the BRM cause the explicit (first-level) power of a node to increase the second-level power significantly in previously low-power nodes.

Once this analysis is complete, each node can be ranked based on the stakeholder's levels of power. The results of the analysis can also be reviewed to understand where the power comes from.

A similar approach can be carried out for the stakeholder interest.

Mapping Stakeholder Interest

Whereas each category of power can be measured in different ways (e.g., based on the business value or on social contribution), the interest ratings depend directly on the inherent level of interest. The overall level of interest will allow the program manager to identify key entities for each targeted stakeholder and to plan the engagement activities accordingly. The communications can then be tailored according the level of interest of the key stakeholders in each entity of the BRM.

The approach for evaluating the overall level of interest takes into account the fact that the interest flows back, from right to left. However, the actual mechanism is different for nodes and for links.

❖ For *Producer* or *Receiver* nodes
  ➢ Set the initial value as the interest level times the contribution of the node.
  ➢ The interest now needs to diffuse from right to left starting from the rightmost nodes in just the same way as the contributions are calculated.
❖ For *Transformer* links:
  ➢ The interest value of a link is set to the product of the contribution share by the initial interest value of the link.
  ➢ The sum of these values over all outgoing links gives the source transformer's interest level.
  ➢ The effect of the transformer interest of this stakeholder on the predecessor nodes in the BRM diffuses from right to left and adds to the total interest of the corresponding nodes.

In a similar way to emergent power described above, this broader analysis can reveal topics of "enhanced interest" that were not explicitly identified in the first-level analysis.

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The result of this level 2 evaluation of power and interest using the PILS can then be mapped on to the stakeholder's Mendelow's Power-Interest Grid shown above in Figure 2.

First Case Study Example: the Operations Group

In this scenario, the mission of the Operations group is very narrow: their policy is to focus on customer satisfaction and value for money at their level. They explicitly do not take the broader organizational objectives into account except insofar as these directly affect them. This is reflected in the assessment of their power and interest below.

First Level Analysis

The direct PI information is assessed below.

- ❖ Their power is assessed as follows:
  - ➢ as producers
    - ▪ H= *Continuous Improvement Process*: Medium
      - – depending on the level of involvement that they are allowed
    - ▪ I = *Increased Customer Satisfaction*: High
    - ▪ J = *Continuous Improvement*: High
    - ▪ M = *Extra Operational Spend*: High
  - ➢ as transformers, Operations is involved on the following links
    - ▪ H = *Continuous Improvement Process* to J = *Continuous Improvement*: High
    - ▪ J = *Continuous Improvement* to M = *Extra Operational Spend*: High
    - ▪ J = *Continuous Improvement* to I = *Increased Customer Satisfaction*: High
    - ▪ G = *Business Model* to J = *Continuous Improvement*: Low
      - – they are not involved in the business model itself.
  - ➢ as receivers
    - ▪ H = *Continuous Improvement Process*: High
      - – Operations has to apply this process as defined.

The power of the Operations group for all other elements is considered to be "ineffective".

- ❖ Their level of interest is:
  - ➢ as producers
    - ▪ H= *Continuous Improvement Process*: High
    - ▪ I = *Increased Customer Satisfaction*: Medium
      - – because of the compromise between customer satisfaction and operational efficiency
    - ▪ J = *Continuous Improvement*: High
    - ▪ M = *Extra Operational Spend*: Low
      - – they may consider the spend to be just a fact of life and they aim at value for money as opposed to minimal cost
  - ➢ As transformers
    - ▪ E = *Call Documentation and Tracking* to M = *Extra Operational Spend*: High
      - – it is high based on the fact extra work implied the extra spend implies extra effort by Operations.

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- ▪ H = *Continuous Improvement Process* to J = *Continuous Improvement*: Medium
- ▪ J = *Continuous Improvement* to M = *Extra Operational Spend*: High
    - – although, as "producers", they have a low interest on the increase in spend, as "transformers", they are actively involved in linking continuous improvement to value for money.
- ▪ J = *Continuous Improvement* to I = *Increased Customer Satisfaction*: Medium
- ➢ As receivers
    - ▪ H= *Continuous Improvement Process*: High
    - ▪ J = *Continuous Improvement*: High
    - ▪ M = *Extra Operational Spend*: High

The interest of the Operations group for all other elements is considered to be "uninterested".

Second-Level Analysis

The second-level analysis can now be carried out to provide the extended level of power and interest of the Operations group across the entire BRM, using the rules explained earlier.

The result of this analysis is shown in Figure 4.

The conventions used for the diagram are:
- • first-level results are shown as the upper-case identifier of the corresponding node,
- • second-level results are represented by the lower-case identifier,
- • these identifiers are allocated to the corresponding PI quadrant based on the results of the PI analysis, The position of an identifier in a given quadrant does not provide any additional PI information
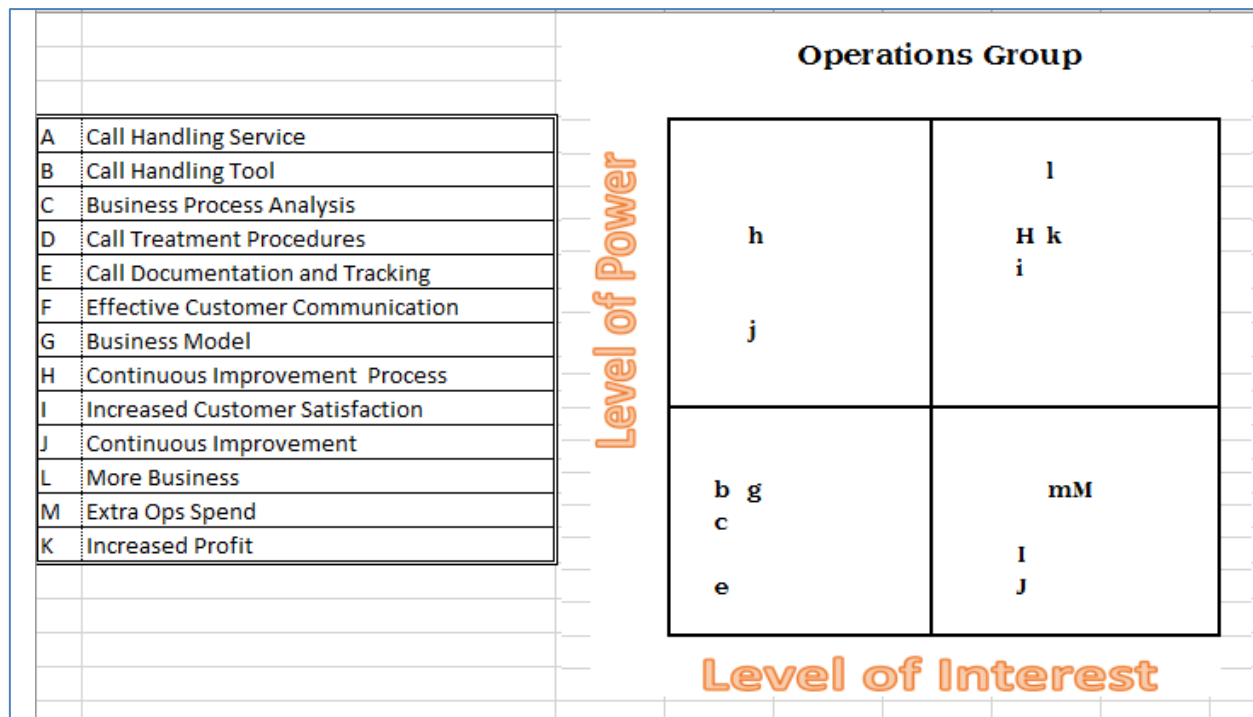- • nodes with very low PI scores are not placed on the grid.

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Figure 4: First and Second-Level Analysis of Operations' Power and Interest across the BRM

Understanding the Results of the Analysis

In the highest-priority quadrant, the first-level focus of the Operations group can be seen to be restricted to node H = *Continuous Improvement Process*. Logically, this unsurprising, based on their stated mission and principles provided earlier.

However, the second-level analysis based on the structure and synergy of the BRM provides a broader view. The highest priority communications should not be restricted simply to H = *Continuous Improvement Process* but also address the following three areas:
- I = *Increased Customer Satisfaction*
  o in the first-level analysis, the power of the Operations group in this area was considered to be low.
- L = *More Business*
  o this was not on the first-level horizon at all.
- K = *Increased Profit*
  o this was not on the first-level horizon at all.

This broader analysis based on the BRM shows that, despite the narrow focus that seemed to exclude the business aspects, the communications effort with the Operations group needs to include engaging their collaboration on business volumes and profitability in order to benefit from their emergent power and enhanced interest in those areas.

Some of the other results are also surprising:
- In the first-level analysis, the Operations group were very interested in J = *Continuous Improvement* but lacked power in that area
- The second-level analysis shows the opposite: low interest with high power

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Given that information, an engagement strategy can be developed to leverage the explicit (first-level) interest and encourage the Operations group to understand where their second-level power comes from and how to apply it to support continuous improvement.

Second Case Study Example: Modelling the IT Group

The key principles of the IT group are:

> to produce reliable software that is fit for purpose and that can be adapted based on feedback and user experience

Interest

- ❖ Producers
  - ➢ B = *Call Handling Tool*: High
  - ➢ J = *Continuous Improvement*: High
- ❖ Receivers
  - ➢ D: *Call Treatment Procedures*: High
  - ➢ B = *Call Handling Tool*: High
  - ➢ J = *Continuous Improvement*: High
- ❖ Transformers
  - ➢ B = *Call Handling Toot* to E = *Call Documentation and Tracking*: High
  - ➢ E = *Call Documentation and Tracking* to H = *Continuous Improvement Process*: Medium
  - ➢ H = *Continuous Improvement Process* to J = *Continuous Improvement*: High

Power

- ❖ *Producers*
  - ➢ B = *Call Handling Tool*: High
  - ➢ D = *Call Treatment Procedures*: High
  - ➢ E = *Call Documentation and Tracking*: High
  - ➢ J = *Continuous Improvement*: High
- ❖ Receivers
  - ➢ B = *Call Handling Tool*: High
  - ➢ D = *Call Treatment Procedures*: Low
  - ➢ E = *Call Documentation and Tracking*: Low
  - ➢ J = *Continuous Improvement*: Low
- ❖ Transformers
  - ➢ B = *Call Handling Toot* to E = *Call Documentation and Tracking*: High
  - ➢ E = *Call Documentation and Tracking* to H = *Continuous Improvement Process*: Medium
  - ➢ H = *Continuous Improvement Process* to J = *Continuous Improvement*: Medium

Results of the Analysis

The corresponding PI grid for the IT group is shown in Figure 5.

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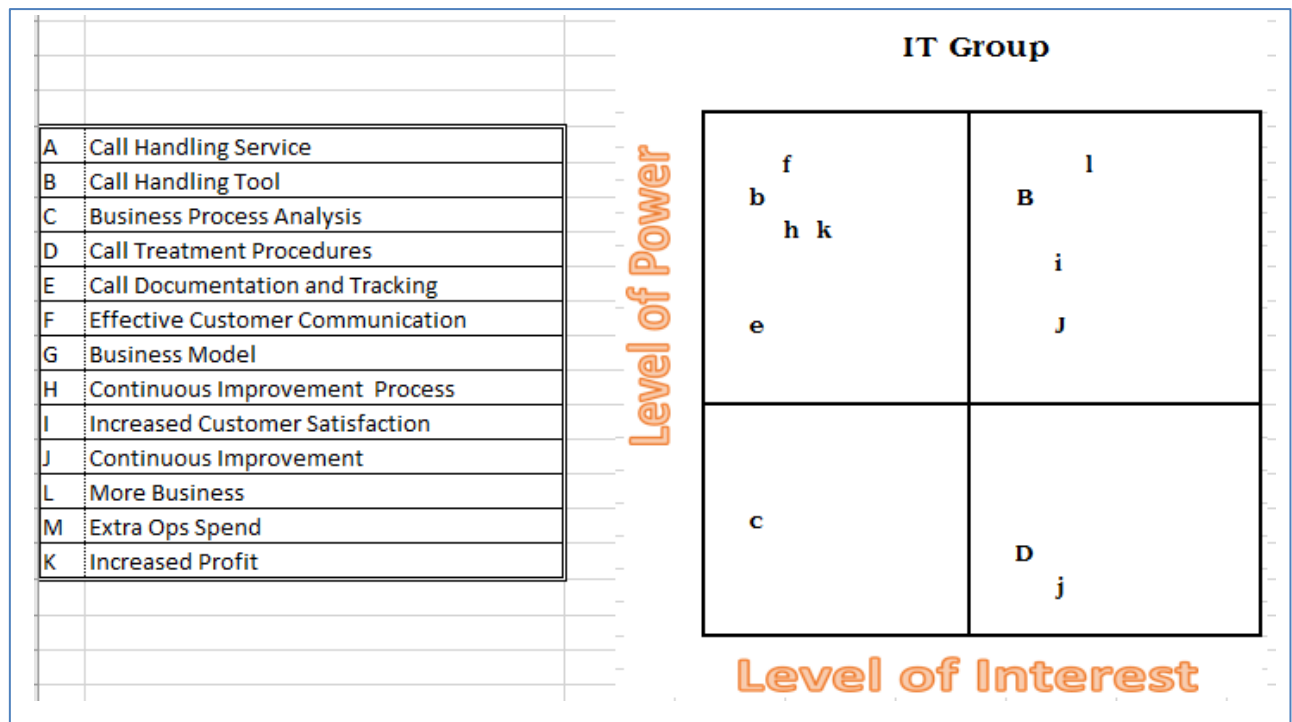|	
A	Call Handling Service
B	Call Handling Tool
C	Business Process Analysis
D	Call Treatment Procedures
E	Call Documentation and Tracking
F	Effective Customer Communication
G	Business Model
H	Continuous Improvement Process
I	Increased Customer Satisfaction
J	Continuous Improvement
L	More Business
M	Extra Ops Spend
K	Increased Profit

Figure 5: First and Second-Level Analysis of the IT group's Power and Interest across the BRM

As was to be expected the highest priority node at level 1 for the IT group is B = *Call Handling Tool*. However, the level 2 analysis indicates that the following nodes are also in the High-High quadrant:

- I = *Increased Customer Satisfaction*
- J = *Continuous Improvement*
- L = *More Business*

The third of these comes as a surprise as it is not mentioned even peripherally in the IT group's principles.

Another extremely important insight is that the IT group does have high power in the following areas although their level of interest is low:

- E = *Call Documentation and Tracking*
- F = *Effective Customer Communication*
- H = *Continuous Improvement Process*
- K = *Increased Profit*

This information is also very valuable as, with effective engagement to capture their interest, the IT group can, for example, potentially be used as a positive force for supporting the goal of increasing the organization's profitability.

An analysis of the similarities and differences shown in Figure 6 between the Operations' and the IT group's PI grids underlines the importance of tailoring engagement activities on a per-node basis specifically to each key stakeholder.
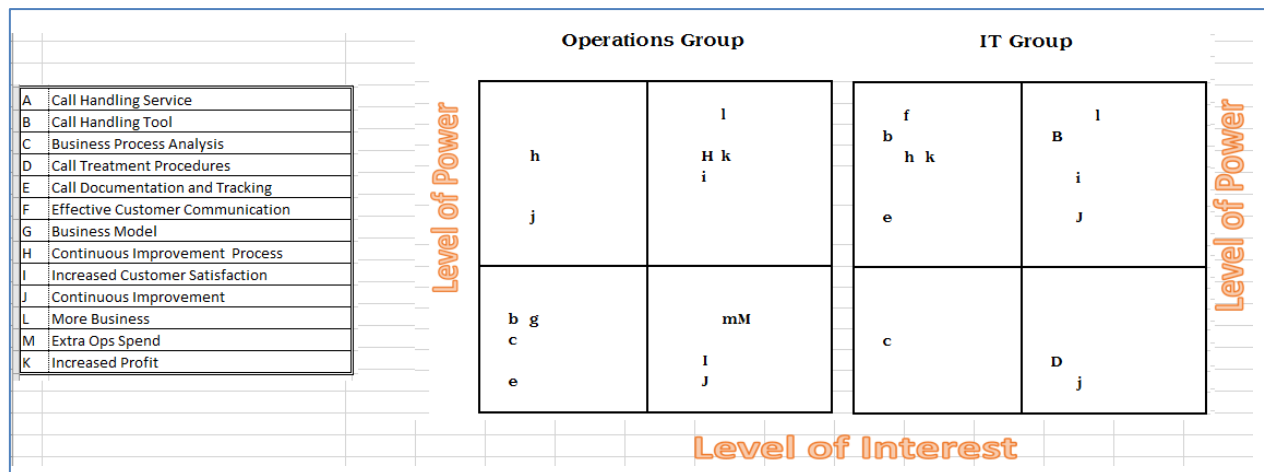
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Figure 6: The PI-Grids of the Two Groups

Conclusion

The classical stakeholder analysis tools provide a worthwhile start to planning how to engage a given stakeholder or group of stakeholders by providing a basis for priotitization. However, the PILS should then be applied for each of the key stakeholders to broaden this analysis and reveal areas of "emergent power" and "enhanced interest" that indicate where a stakeholder or group of stakeholders might be further solicited to contribute actively towards ensuring the success of the corresponding program. The extensive guidance that already exists for engaging stakeholders (for example RICS 2014) can then be applied in the most effective way based on these additional insights into the stakeholder's areas of power and interest.

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Benefits of Stakeholders
Applying Earned Benefit Management
by Crispin (Kik) Piney

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After many years managing international IT projects within large corporations, **Crispin ("Kik") Piney**, B.Sc., PgMP is now a freelance project management consultant based in the South of France. At present, his main areas of focus are benefits realization management, risk management, integrated Portfolio, Program and Project management, as well as time and cost control. He has developed advanced training courses on these topics, which he delivers in English and in French to international audiences from various industries.

Kik has carried out work for PMI on the first Edition of the Organizational Project Management Maturity Model (*OPM3™)* as well as participating actively in fourth edition of the *Guide to the Project Management Body of Knowledge* and was also vice-chairman of the Translation Verification Committee for the Third Edition. He was a significant contributor to the second edition of both PMI's Standard for Program Management as well as the Standard for Portfolio Management. In 2008, he was the first person in France to receive PMI's PgMP® credential; he was also the first recipient in France of the PfMP® credential. He has acted as subject matter expert on many of PMI's recent standards and practice guides. He is co-author of PMI's *Practice Standard for Risk Management*. He collaborates with David Hillson (the "Risk Doctor") by translating his monthly risk briefings into French. He has presented at a number of recent PMI conferences and published formal papers.

Kik Piney is the author of the book *Earned Benefit Program Management, Aligning, Realizing and Sustaining Strategy*, published by CRC Press in 2018

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To view other works by Kik Piney, visit his author showcase in the PM World Library at http://pmworldlibrary.net/authors/crispin-kik-piney/