

## ***Stakeholder Perspective and Effective Relationship Management <sup>1</sup>***

***A series of stakeholder-centered short guidance articles for increasing delivered value and success rate of projects***

### **The central role of stakeholders in projects and in project management <sup>2</sup>**

**by Massimo Pirozzi**

Stakeholders, who are they? The concept of stakeholders naturally corresponds to people and/or to people groups, and it definitively refers to the domain of human behaviors, but it addresses specific keywords, and, in case of project stakeholders, it has some specific attributes too.

Indeed, stakeholders, in their three hundred years of history – the word stakeholder dates back to the beginning of the eighteenth century, in England, and it meant the person who was entrusted with the stakes of bettors, i.e. a “holder of interests” – and especially in the last sixty years, progressively incorporated several key – and intense – concepts as interest, participation, support, influence, risk, responsibility, and value, and these concepts are common to all stakeholders that belong to organizational domains that may be very diverse.

Project stakeholders, in addition, focus on two specific basic attributes, which are unicity and centrality. In fact, on one side, every project is unique, and its unicity is reflected not only in its scope, goals, objectives, deliverables, time, cost, resources, and so on, but also in its own set of stakeholders, which, then, characterizes specifically each project both with respect to others, and in terms of its inherent complexity too.

In addition, since each project is made by people to be delivered to other people, stakeholders are evidently central with respect to all projects. Indeed, stakeholders, including the project manager and the project team, are the doers of the project, as well as other stakeholders, including customers/users, and shareholders/investors/funders, who would like to benefit of project results, are the target groups of the project itself. Definitively, stakeholders contribute to project definition, implementation, and success,

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starting from strategies and arriving to generate benefits through their actual delivered value.

Stakeholder centrality is a concept that relates to both operations and strategy domains. In fact, organizations define their strategies, which are based on their own mission and vision, and projects are their operational means to accomplish strategic goals, then achieving, through their results, the expected benefits; the overall value that is generated by each project determines the stakeholder satisfaction, and the relevant project success rate, within the whole investment lifecycle (see Fig. 1). It is, indeed, a fact, that each project exists to implement an investment, which, on turn, has been mutually agreed to harmonize different stakeholder expectations; organizations define strategies, which are based on their own mission and vision, then select pursuable opportunities in accordance with their defined strategy, then set business cases up, and, finally, start projects up. The inputs of a project generally include, then, business case, contract, and Statement of Work, or equivalent documents and/or agreements: of course, there are different business cases or similar for different stakeholders, as, for instance, providers, investors, and customers are, and this leads to the existence of different perspectives, in terms of results to be achieved, that will accompany the project in all its life cycle, and also afterwards, i.e. in released product/ infrastructure/ service lifecycle.

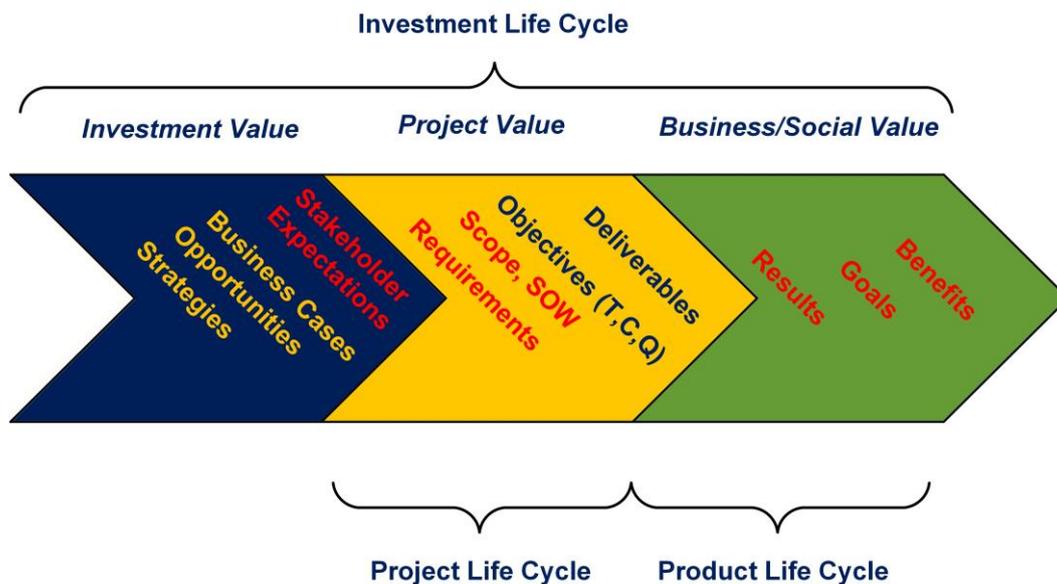


Fig.1 - The Project Investment Value Chain

A crucial issue comes out: objective “project requirements” in fact do not exist – even though it would be easier to deal with them –, while, in each project, there are “stakeholder requirements” characterized by an intrinsic subjectivity, which is due to both the facts that they are originated by stakeholders, i.e. people, and that they are the result of a mediation among diverse stakeholder expectations.

Therefore, stakeholders contribute to projects’ success in all respects: they are, at the same time, the greatest generators both of the value to be delivered and of the complexity to be faced and solved; they affect the delivered value even arithmetically,

through their positive, negative, or neutral behaviors. Indeed, I am pleased to inform you that PMI accepted a contribution of mine about introducing also stakeholders with neutral behavior, who will therefore be present in next American National Standard –, and their satisfaction is, of all evidence, the critical success factor in all projects. Definitively, the role of stakeholders is crucial to determine both effectiveness and efficiency of all projects.

It is, then, factual, that stakeholders are central with respect to all projects: however, have they been, and are they, considered central by project management discipline, too? A synthetic multiple answer could be the following:

- stakeholders were present in project management literature from the early beginning, but they have not been considered central at all for almost twenty-five years;
- ultimately, but since very few years only, stakeholders, and stakeholder management, started to be considered central;
- it seems that there is still a long way to go to pay the necessary attention to their needs and expectations, in order to satisfy them both.

Indeed, most of project management literature, and of consequent project managers' training, relegated stakeholders into a secondary role for almost twenty-five years. In fact, in the original PMBOK (Project Management Institute, 1987) the stakeholders were considered just as participants to the project, and not as the protagonists they effectively are, as well as their role was subordinated to the role of communications – among themselves ... may be that the concept of people, i.e. stakeholders, being subordinated to their behaviors, i.e. their communications, it is a bit peculiar – until, twenty-five years later, ISO 21500:2012 (International Organization for Standardization, 2012) determined that “stakeholder” was a “subject group”, and, right after, in the PMBOK Guide Fifth Edition (Project Management Institute, 2013), “project stakeholder management” was promoted to one of the “knowledge areas”. After that, we should expect to evidence an important improvement in project success rates, mainly due to an increased people-centered maturity both in project managers and in their organizations, which, in turn, could lead to significant improvements in both efficacy and efficiency of projects ... but, unfortunately, this did not happen completely.

In fact, it seems that the path towards project effectiveness and efficiency is a steep ascending route, since, on average, almost one third of projects still do not meet their original goals/business intent – meaning that a large percentage of projects are ineffective, since they do not satisfy their stakeholders' expectations – , and, moreover, almost one half of projects still experience scope creep and/or time delays and/or cost overruns – meaning that an even larger percentage of projects are inefficient, since they do not correspond to their initial project/stakeholder requirements (data from Project Management Institute, 2018).

Definitively, today, standards recognize fully the centrality of stakeholders, but it seems that there is still a long way to go to pay the necessary attention to their needs and expectations, in order to satisfy them both. In fact, on one hand, since it may be that

almost 90% of Professionals have been certified in a context ante-PMBOK Guide 5th Edition, in which it was considered normal (and sufficient!) to give priority to hard skills to target project success, current phenomenon may be still that the large majority of Project Managers, although it seems that they spend almost 90% of their time communicating with stakeholders, find it hard to recognize both stakeholder central role, and the basic importance of soft skills, which, of course, have to be properly integrated with “classic” hard skills. On other hand, since the acknowledgement of stakeholder centrality is so recent, few stakeholder-dedicated literature and good practices exist, and this makes it difficult to implement adequately the stakeholder-relevant processes. In any case, further steps in the direction of effectiveness with respect to both stakeholder identification and management seem necessary to increase the project success rate, especially in cases of large and/or complex projects, and, therefore, some of these steps will be proposed in the next articles of the series.

The contents of this article are extracted from Chapters 1 and 2 of my book “[The Stakeholder Perspective: Relationship Management to Increase Value and Success Rates of Projects](#)”, CRC Press, Taylor and Francis Group, Boca Raton (FL), U.S.A., October 2019, where Readers, if they wish, can find insights and further information.

This Article Series is dedicated to Russ Archibald, extraordinary Master, Author, and Person, who was so kind to repeatedly validate and promote my papers, and of encouraging me greatly and affectionately to proceed in my researches on stakeholders.

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## About the Author



### **Massimo Pirozzi**

Rome, Italy



**Massimo Pirozzi**, MSc cum laude, Electronic Engineering, University of Rome “La Sapienza”, Principal Consultant, Project Manager, and Educator. He is a Member and the Secretary of the Executive Board, a Member of the Scientific Committee, and an Accredited Master Teacher, of the Istituto Italiano di Project Management (Italian Institute of Project Management). He is certified as a Professional Project Manager, as an Information Security Management Systems Lead Auditor, and as an International Mediator. He is a Researcher, a Lecturer, and an Author about Stakeholder Management, Relationship Management, and Complex Projects Management, and his papers have been published in U.S.A., in Italy, and in Russia; in particular, he is the Author of the Book “*The Stakeholder Perspective: Relationship Management to enhance Project value and Success*”, CRC Press, Taylor & Francis Group, October 2019. He has a wide experience in managing large and complex projects in national and international contexts, and in managing relations with public and private organizations, including multinational companies, small and medium-sized enterprises, research institutes, and non-profit organizations. He worked successfully in several sectors, including Defense, Security, Health, Education, Cultural Heritage, Transport, Gaming, Services to Citizens, Consulting, and Web. He was also, for many years, a Top Manager in ICT Industry, and an Adjunct Professor in Organizational Psychology. He is registered as an Expert both of the European Commission, and of Italian Public Administrations.

Massimo Pirozzi serves as an International Correspondent in Italy for the *PM World Journal*. He received two *2019 PM World Journal Editor’s Choice Awards* for his featured paper “*Stakeholders, Who Are They?*”, and for his report from Italy titled “*PM Expo® and PM Maturity Model ISIPM-Prado®*”. He received also the *2018 PM World Journal Editor’s Choice Award* for his featured paper “*The Stakeholder Management Perspective to Increase the Success Rate of Complex Projects*”.

Massimo can be contacted at [max.pirozzi@gmail.com](mailto:max.pirozzi@gmail.com)