

***Stakeholder Perspective and Effective Relationship Management*¹**

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

Stakeholder identification and analysis of their expectations²

by Massimo Pirozzi

In previous article of this series, we evidenced that, since each project is made by people to be delivered to other people, stakeholders are 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. Definitely, stakeholders contribute to project definition, implementation, and success, starting from strategies and arriving to generate benefits through their actual delivered value. On the other side, stakeholders are, at the same time, the greatest generators both of the value to be delivered, and of the complexity to be faced and solved, and this makes difficult to identify them, and to analyze their requirements and their expectations, which are basic processes to proceed towards both the planning and the development of the project.

Indeed, project stakeholder domain is characterized by a multilevel complexity:

- stakeholders are persons, or groups of persons, and we can assume that persons are the most complex systems that exist in the world;
- stakeholders are diverse, and they are diverse from different perspectives: project stakeholders, in fact, may have diverse interests and/or influence, may participate to and/or support diversely the project, they may add diverse value (either positive, or null, or negative), they may belong to diverse organizations and/or communities, and, since each organization is generally characterized also by a common business and/or social language, they may even speak or understand different organizational languages;

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- stakeholders are numerous, and stakeholder relations are even more numerous: if we consider stakeholders individually, in each project it could be very easy to distinguish hundreds of relations, or thousands if we include the people from the web;
- stakeholder relations are context sensitive: indeed, both internal and external environment, just like business, social or technological strategies, as well as economic, time, regulatory, legal, or social requirements and/or constraints, impact continuously on stakeholder relations;
- stakeholder relations may influence each other, and this can happen continuously: then, taking care of both the relation with stakeholders and the relations among stakeholders becomes essential;
- all stakeholder relations, due to their centrality, are important, and, at least, they have to be monitored;
- stakeholder relations may be evolutive in the life cycle of the project: new stakeholders may come in, existing stakeholders may come out, each stakeholder may change level of importance and/or behavior, and this may happen several times.

Therefore, relations with, and among, stakeholders, introduce multilevel complexity in all projects: classification models of stakeholders are mandatory to reduce that huge complexity, and, then, to make stakeholder relations issues addressable and manageable. We can consider two main types of classification models for stakeholders, which are based on two diverse perspectives: multiple classification models, which consider the belonging of stakeholders to different subjective categories, and the classification of stakeholders in communities, which reflects the stakeholder objective behavior.

Most commonly used multiple classification models are the grids, and especially the power/influence grid, but there are also others, as the stakeholder cube, and as the salience model. The basic concept of the grids is categorizing stakeholders based on two of their main attributes, and then representing the results on a two-dimensional matrix: the most common grid is the power/interest grid (Mendelow, 1991), which categorizes stakeholders according to their level of authority in the project, and their level of interest towards the project results, but also the power/influence grid and the influence/impact grid are present in the literature. Although power/influence grid has been developed almost thirty years ago, and although it was thought to be applied generically to organizations, rather than specifically to projects, it still has all its validity: in fact, with some customization, it is a tool quite simple to use, but immediately shareable, and enough powerful to support stakeholder identification, especially by categorizing them based on their importance for, and in, the project. In addition, complexity may be somehow reduced by grouping the management of relations in four typologies: monitor, keep informed, keep satisfied, and manage closely.

Ultimately, multiple classification models are quite effective to prioritize stakeholders in accordance with their importance, and, specifically, to identify those key stakeholders, with whom, as we will see later on, a direct relationship is necessary to be developed: all of these models are based on the stakeholder belonging to certain categories. However, multiple classification models still leave some open issues that it is better to face, in order to increase both stakeholder identification efficacy, and its effective usability by other stakeholder management processes:

- while all the stakeholders are important, since they are central towards the project, stakeholder characterization in multiple classification models is a subjective process, and the importance of some stakeholder could be either over valued, or, even worse, under evaluated, or ignored at all;
- project stakeholder characterization in multiple classification models is also, unavoidably, dynamic, because stakeholders may change their belonging category during all the project life cycle, and this leads to the need of a continuous monitoring;
- while in each project, stakeholder behavior can significantly either influence or being influenced by, time, cost, and quality, stakeholder belonging to a certain category in multiple classification models per se does not, neither correlations between above mentioned categories and stakeholder expectations are evident, and/or specific, for each category;
- 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, and this does not lead to a further reduction of the complexity in following stakeholder related processes, where specific actions have to be addressed.

Definitively, while stakeholder belonging to a certain category of importance is subjective, dynamic, not correlated with time, cost, and quality, and appears quite fragmentary in stakeholder domain, categories that are based on stakeholder common behaviors and main interests are objective, durable, homogeneous, and directly related to project characteristics.

The behavioral classification of stakeholders in Communities, each one sharing a common prevalent interest and a common organizational language (Pirozzi, 2017), is indeed a segmentation of the domain of stakeholders that helps effectively to reduce drastically the complexity of stakeholder management, since it categorizes the whole domain of project stakeholders in four communities only. Moreover, since each community targets the prevailing variable/s quality/ time/ cost from the point of view of its specific interests, there is the reliable advantage of a specific, accurate, and direct correlation among each stakeholder community and the three main dimensions that characterize each project. This Behavioral Model of Stakeholder Communities has been definitively supported by Russell Archibald, who defined it as “excellent” (Archibald, 2017), and Alan Stretton made a very positive commentary on it, also integrating it with some interesting applicable considerations (Stretton, 2018).

In each project there are, indeed, four main communities of stakeholders, which can be defined, respectively, as the Suppliers, the Purchasers, the Investors, and the Influencers: every one of these communities shares a prevailing interest in the project and a specific organizational language, and, then, stakeholders that are part of each of these categories have a common behavior. Since each one of the four communities can be 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, 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. 1).

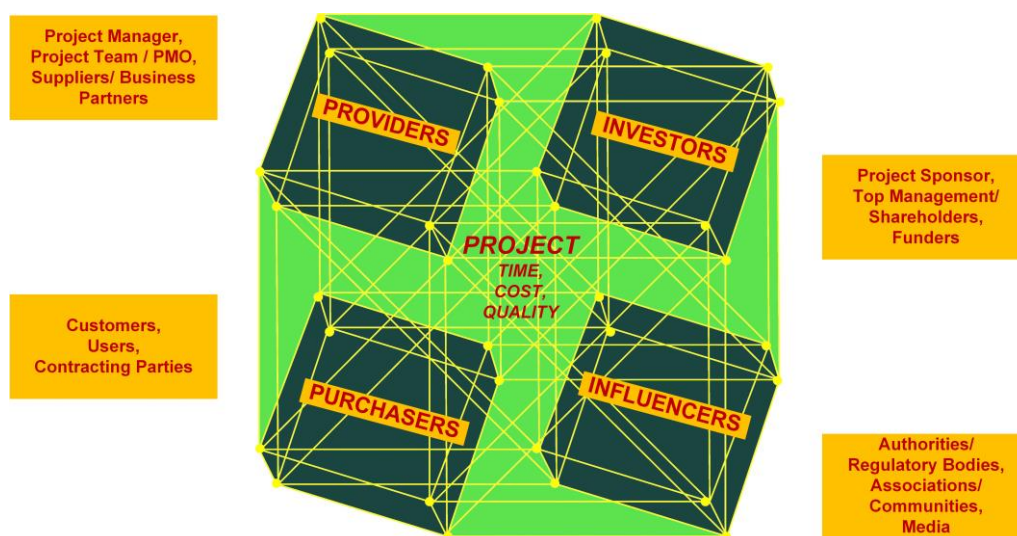


Fig.1 - The Stakeholder Hypercube

The prevailing interest of the Suppliers is in the project as a whole: they share the common interest of realizing the project, in its optimal combination of the three main variables time, cost and quality. Their specific organizational language is the language of project management discipline, and their primary objective is the project completion within the triple constraints.

The prevailing interest of the Purchasers is the quality of the project: they share in fact the common interest of obtaining from the project as much quality as possible. Their specific organizational language is their business language, and the project is for them is not a goal, but just a medium to achieve their business goals.

The prevailing interest of the Investors is the profitability. Their specific language is the language of business economics, and the project is considered by them, in this case too, a medium to achieve their business goals.

Finally, the prevailing interest of the Influencers is to participate in the project, even if they may be not a contracting party. In the community of the influencers there are the authorities, such as the public administrations, the media, plus a large variety of other communities, as e.g. the local communities, the lobbies, the trade unions, the associations, and so forth, as well as the negative/ hostile stakeholders, such as the

competitors, just like the personal stakeholders, and also that potentially very important group for project, and/or program, and/or portfolio, which is the domain of the potential customers and/or users. Their specific language is the language of the media and/or the natural language, but sometimes and/or occasionally business language and the language of economics may be present too, while the project is for Influencers a medium that supports their goals and/or their own mission.

Definitively, integrating a multiple classification model, as the power/interest grid, with the behavioral model of communities, can be very simple, since it is sufficient to associate to every stakeholder a letter that corresponds to each community, but it is effective at all, both to identify those key stakeholders to develop a direct communication with, and to drastically reduce complexity of stakeholder management.

The behavioral stakeholder model is extremely useful also to accomplish an effective stakeholder analysis, which is essential to target project success. In fact:

- stakeholder expectations are different, and they have to be harmonized via a decision process,
- the adherence of project requirements and constraints to stakeholder expectations must be verified and validated,
- some important stakeholder expectations, and even some stakeholder role in the project, may be unclear and/or hidden, and have to emerge properly.

An effective stakeholder analysis has the purpose of properly assessing stakeholder expectations, in accordance with their different perspectives: behavioral classification in communities is then very helpful, in this case too, to reduce complexity, and this usefulness is strengthened by the fact that the expectations of the different stakeholder communities target the product/service life cycle, and, then, tend to remain constant in project life cycle, exactly as it happens for the behaviors. For each stakeholder community, the effective analysis can therefore be based on a systemic approach, which focuses on cause-effect relationships: in all cases, relationships between strategies, which are the causes, and the expectations, which are the effects, are defined in the business and/or other plans that stakeholders set up, and they are affected by the internal and external environment, too.

In Investors perspective, plans are generally business plans, and, generally, they are available and/or accessible through the project sponsor: investors' economic and financial expectations rely on project, and on project follow up, and, then, influence directly project objectives and triple constraint.

In contrast to Investors plans, those of Purchasers generally are not available and accessible to Project Manager, and, then, they look unknown and/or hidden: in depth study of both customers and users business and/or social context, as well as discussions and interactive clarifications with key stakeholders, become foundational to understand properly their expectations. Purchasers' expectations concern mainly the product/service life cycle, and, then, influence directly project goals, so their influence on project objectives is indirect, but essential; definitively, analyzing purchasers' expectations is the hardest part of the work, but it is basic to target project success.

Finally, Influencers plans are generally not evident too, as per those of Purchasers, but, since they are not directly involved in the contract, their influence in the project does not concern directly scope and objectives, although it proves to be basic in establishing constraints of different types (legal, regulatory, environmental, etc.).

In any case, potential conflicts and/or misunderstandings between different stakeholder expectations must be immediately solved, and/or an agreed prioritization has to be made, just like initial scope and requirements have to be reviewed accordingly: indeed, only the alignment of the diverse stakeholder expectations can guarantee a proper project development, and, ultimately, an increase of the project success rate.

The contents of this article are extracted from Chapters 3 and 4 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 research on stakeholders.

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Massimo Pirozzi, MSc cum laude, Electronic Engineering, University of Rome “La Sapienza”, Principal Consultant, Project Manager, and Educator. He is a Member of the Executive Board and 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 also in Russia; in particular, he is the Author of the innovative Book “*The Stakeholder Perspective: Relationship Management to enhance Project value and Success*”, CRC Press, Taylor & Francis Group, Boca Raton (FL), U.S.A., October 2019. Due to the acknowledgement of his comments on stakeholder-related issues contained in Exposure Draft of The Standard for Project Management - 7th Edition, he will be also included in the list of *Contributors and Reviewers of The PMBOK® Guide - Seventh Edition*.

Massimo Pirozzi has a wide experience in managing large and complex projects, programs, and portfolios in national and international contexts, and in managing business 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, Engineering, Logistics, 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 is an Accomplished Author and the International Correspondent in Italy of *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*”.

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