

## **Relationship Management: Internal vs. External Stakeholders<sup>1, 2</sup>**

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### **Abstract**

In an ever-changing world, quickly transforming through generative A.I. and more complex operating environments, the role of the project manager must evolve. Descriptions of the role that focuses on scope, schedule, and budget have become inadequate to identify the value that a project manager brings to a project, an organization, or a client.

This paper seeks to promote that the primary focus of the project manager role in today's world is relationship management – navigating and motivating stakeholders (internal and external) throughout the project's life cycle and understanding the dynamics between the project manager and the stakeholders, and between the stakeholders themselves.

Relationship management is a skill that today's project managers must hone to lead the most successful projects. When initiating and planning a project, the project manager must understand how stakeholders interact in organizations that own projects and are working on project teams.

An effective stakeholder analysis sets a project manager and a project up to achieve its goals. Today's most effective project manager can adeptly identify and evaluate the project's internal and external stakeholders; modify their communication styles to accommodate different stakeholder viewpoints; and have the cognitive agility to distinguish the types of problems that arise on a project (complex vs. complicated problems).

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This paper explores stakeholder types and relationships and presents tools that empower and equip project managers to also be effective relationship managers.

## **The Role of the Project Manager**

There are many definitions of what a project manager and the role they fill throughout the lifecycle of a project. These include job titles and descriptions, such as: goal-oriented, leader, planner, strategist, visionary, the herder of cats. Similarly, there are many definitions of what a project manager should be doing, including developing strategy, planning, schedule and budget control, the primary point-of-contact for a project, the archivist of a project's history, some sort of technical specialists ... the listing could be quite lengthy.

For most laypeople, and especially those professionals and aspirants who are applying for project management positions, the description of the role of the project manager focuses on the three cornerstones of our common understanding of the profession: scope, schedule, and budget. While these elements of a project and a project manager's focus are extremely important, and they do serve to universally communicate with an ease of understanding the role of a project manager, it is a wholly inadequate description of the role in today's business environment. It is an inadequate and incomplete definition when considering today's technological capabilities, with many artificial intelligence (A.I.) tools that can help monitor cost, schedule, and risk items.

Simplistic and antiquated thinking about the role limits the effectiveness of project managers in organizations and can stunt personal career development. It implies a set of hard skills as the drivers of success, when a people-centric approach is more likely going to create project management value.

Words are important. For the purposes of this paper, the definition of a "project" and "project management" are sourced from the Project Management Institute (PMI) who defines the role of a project manager as: "a temporary endeavor undertaken to create a unique product, service, or result." This is a powerful definition because it focuses on an effort that has a beginning and an end, a purpose, and has the expectation of value creation.

PMI formally defines project management as: "the application of knowledge, skills, tools, and techniques to project activities to meet the project requirements." Based on this definition someone or something must apply a skillset, a mindset, or a collection of experiences to the tasks associated with generating value from a project. This someone is a project manager – an individual with a skillset, prior knowledge and/or emerging

knowledge, and a catalogue of best practices to ensure that an organization-sponsored endeavor achieves its intended result. A logical follow-up question is how this happens.

The "how" starts with understanding the environment, or the project context, from which a project is generated from. A project manager must understand the factors or circumstances that form the framework for which project solutions arise and project execution-related processes are codified. It is the understanding of this context from which effective project management emerges.

## **The Project Environment**

Researchers in Brazil illustrated this well while seeking to understand the contributors to project management success in complex environments as found in the exploration and production of oil and gas. Their research defined how projects are influenced from within the culture of a project-owner's organization, and without considering various political and economic factors.

As shown in Figure #1, the Brazilian research team was able to chart how a project cycling through the project life cycle is nourished by the work of the project team, whether that nourishment comes from internal employees or those contracted as owner-representatives, and it is highly influenced by the actions or inactions of a project manager. The project manager's action or inactions feed into the decisions that an organization makes – known as project governance. This in turn feeds into a project-owning organization's operational and strategic goals.

Meanwhile, this flow of internal data, decision-making, and project metrics is under pressure from external forces. The corporate performance of the organization, through publicity, shareholder performance, and environmental, social, and governance (ESG) policies contributes back to the outside world.

While this is an elaborate model, this research illustrates two worlds, the internal and external environments, where a project lives, succeeds, or fails. It is important for the project manager to understand that both the internal and external environments are populated by people who have unique concerns and motivating factors as to their contribution to a project's success. It is with these people that a project manager must lead to solve issues and to avoid, mitigate, and minimize risks, both planned for and unforeseen.

The internal and external environment both contain their own sets of problems, and problem-solving solutions, and a project manager must be able to identify how to solve different types of problems effectively and in a timely fashion.

## Recognizing Complexity

Project managers must be able to pivot from their problem-solving perspective between complicated and complex problems. The differentiation between this type of thinking was defined by Theodore Kinni in an Inc. magazine article from 2017. Kinni postulated that complicated problems can be solved by process, rationality, and logic. He examples pumping oil from the bottom of the Gulf of Mexico as a complicated process that we can apply mathematics, engineering, and science to define a solution. Conversely, a complex problem is one where we cannot identify components to solve because there is no natural order, rules, or algorithms; results can't be predicted, and solutions are often not found by applying direct experience.

Problems dealing with people are complex, as people are complex. Kinni uses the example of removing a ticketed passenger from an airplane. A range of emotions, threats, issues, and precautions could arise depending on the individual being asked to leave. People are complex and managing and leading people require complex thinking. People can't be solved like a math problem and aren't uniform enough to react to process application.

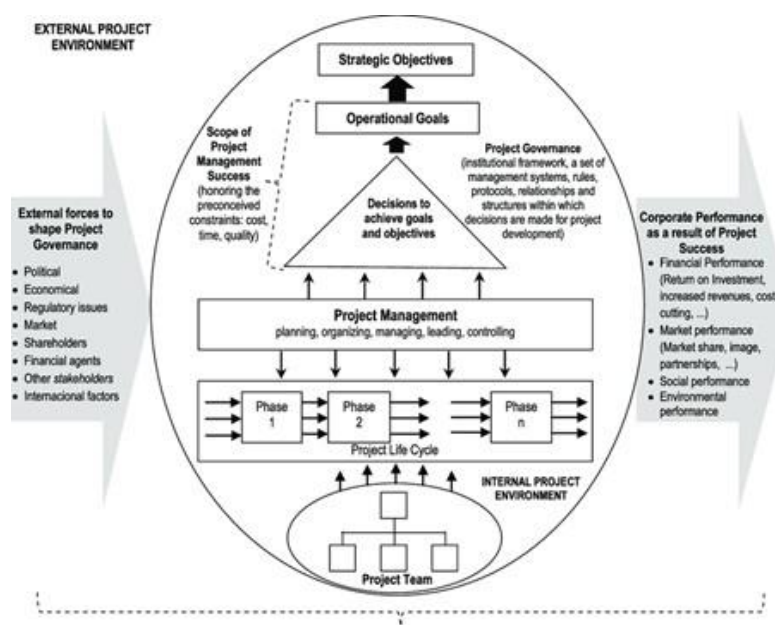


Figure 1.

Most project managers default to complicated problem-solving techniques to address issues that arise on a project; but people can't be managed like a process. Not only is it dehumanizing and demotivating for project teams, but it also often results in project team members working on divergent goals and priorities, even conflicting ones. It results in projects not being as successful in reaching their goals as they could be.

## **The Project Management Role Redefined**

A project's success or failure is influenced by the choices, actions, and inactions by people within and extra to the organizations that sponsor projects. People are complex, individual, and cannot be solved, but must be managed in ways that motivate them to rally around a project success and work in concert to ensure a project's goal(s) are achieved.

A project manager's role is to ensure project success through their application of knowledge, skills, and experiences; this includes their understanding and ability to lead and manage people. This is an essential role of the project manager: to manage people's, i.e. stakeholders', interactions with their project and to effectively communicate with them to amplify leadership and positive project participation.

While traditional definitions of project management rely on technical prowess, and process oriented problem-solving, effective projects managers in today's operating environment lean into a softer skillset and learn to effectively manage communication with people and relationships.

## **Internal vs. External Stakeholders**

External stakeholders are typically easy to identify and plan for. Most communication planning exercises associated with project management defaults to considerations around external stakeholders as politics, public opposition, and public relations are known project risks.

More often internal stakeholders are not considered in project-specific communication planning, and their needs and motivations are overlooked. This is a mistake as the collection of internal stakeholders is the ones who comprise an organization's goals and project-influencing culture. Debora Vogwell, writing for PMI, states that organizations do not have goals, it is the individuals within organizations that use the organization to further their differing personal goals.

There are key differences between internal and external stakeholders that a project manager should understand, outlined by Chris Taylor in his 2023 article and displayed in

Table 1. These differences help a project manager to understand the constraints, motivators, and internal politics that shape how an internal stakeholder views a project and interacts with it. One key difference is that internal stakeholders see projects as another duty in a queue of them, rather than an exceptional engagement that will be rewarded or bring satisfaction.

Internal Stakeholders	External Stakeholders
Not necessarily focused.	Project focused.
SME-position, but with limiting experience.	Functional SME by competitive process.
Integrated with the organization's culture.	Outside the organization's culture.
Beginning and end undefined; little reward; transactional and routine.	Successfully complete assignment; generate satisfaction; earning fees; ROI; extending the engagement.

Table 1. Some differences between Internal & External Stakeholders

Ultimately, one of the project manager's gravest challenges is to resolve the difference between the expectations of external stakeholders and the performance measurements of internal stakeholders.

Project Managers can gain an understanding of their internal and external stakeholders through a quick analysis using a Power Interest Grid, promoted by PMI but developed by Audrey Mendelow in 1991. Once stakeholders are identified, an essential first step, they can then be evaluated and prioritized based on their power to block or advance project success, and their interest in doing so. A sample Mendelow grid is shown in Figure 2.

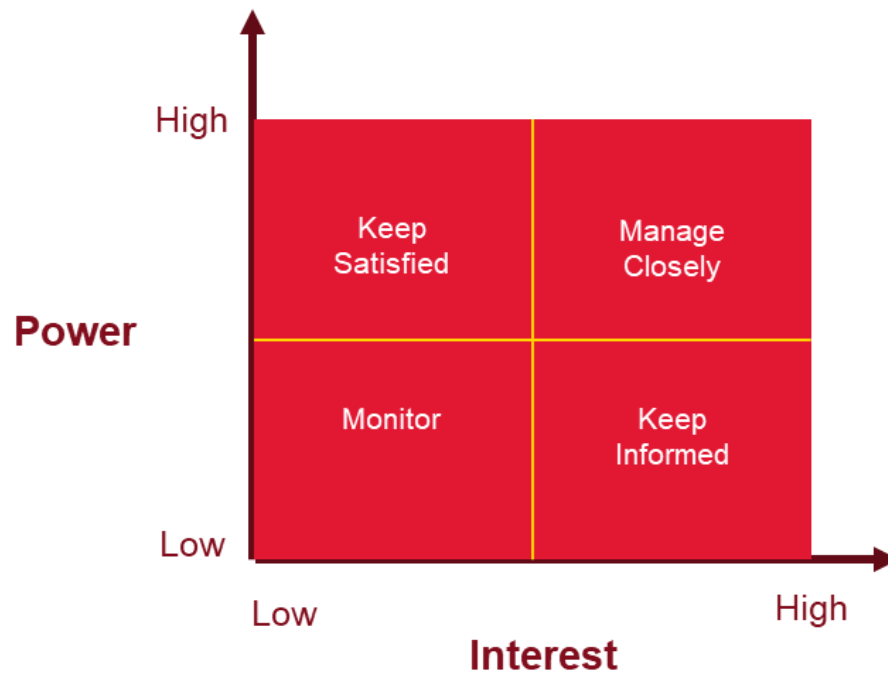


Figure 2. Mendelow Grid: Power vs Interest

This type of analysis forms the backbone of communication and stakeholder planning efforts that inform the project manager on active relationship management strategies. Typically, strategies include:

1. Tailoring of communication styles.
2. Communication planning in terms of frequency, mode, timing, and levels of stakeholder feedback and participation in the project life cycle.
3. Management of stakeholder expectations.
4. Management changes in stakeholder populations and changes to known stakeholders' power or interest levels.
5. Conflict resolution.

## Conclusions

All project managers should ensure that relationship management is a key tool in their project management toolbox, alongside technical facets of a project like scope, schedule, and budget control. A project manager's value and impact are measured in their ability to galvanize people around a project goal and motivate them to accomplish those goals within the project's constraints. In a rapidly evolving world of A.I., one's ability to manage people will not only drive professional and project success, but personal success as well. Effective relationship managers can experience high degrees of confidence, job enjoyment, and lifelong allies and partners that lead to one project success after another.

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## About the Author



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**Jeremy Busby, P.E.**, is an accomplished program manager and Gresham Smith's Consultancy Services Practice Leader, focusing on program management efforts firmwide for Gresham Smith's transportation, water, industrial, and vertical architecture markets. Throughout his career, Jeremy has managed a wide variety of programs and projects for DOTs and local municipalities across the nation. Jeremy is strategic, planning how current projects should accommodate future ones, but also planning project management processes for successful delivery of projects via schedule management and control, budget control, and effective risk management.

Following his 12-year career with the Georgia Department of Transportation, Jeremy joined Gresham Smith and was entrusted with managing the safety and operations programs and freight operations and rural development programs for the Georgia DOT, valued at \$1 billion. Through those programs, he has evaluated numerous transportation projects, scoping studies, public involvement plans, all while ensuring the schedules and budgets of over 750 projects fall within acceptable limits.

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